

Minerco Resources, Inc.
Form 10-K
November 07, 2014

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

FORM 10-K

☒ ANNUAL REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED JULY 31, 2014

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)

800 Bering Drive
Suite 201
Houston, TX 77057
(Address of principal executive offices, including zip code.)

(888) 473-5150
(Registrant's telephone number, including area code)

Securities registered pursuant to
Section 12(b) of the Act:
NONE

Securities registered pursuant to
section 12(g) of the Act:
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 ☐ NO ☒

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

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

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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. ☐

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

Large Accelerated Filer	<input type="radio"/>	Accelerated Filer	<input type="radio"/>
Non-accelerated Filer	<input type="radio"/>	Smaller Reporting Company	<input type="radio"/>

(Do not check if a smaller reporting company)

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

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, 2014: \$3,050,053.

At October 31, 2014, 2,828,775,598 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”, “company” and “Minerco” mean Minerco Resources, Inc., unless otherwise indicated.

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

Company Overview

Our principal offices are located at 800 Bering Drive, Suite 201, Houston, TX 77057. Our telephone number is 888-473-5150. Information about our businesses can be obtained from our website www.minercoresources.com. Information on website is not incorporated by reference into this report.

Company History

Minerco Resources, Inc. was incorporated as a Nevada company on June 21, 2007 and our only two subsidiaries are Level 5 Beverage Company, Inc. (“Level 5”) and Minerco Honduras S.A. From our inception in June 2007 through May 27, 2010, we were engaged in the acquisition of interests and leases in oil and natural gas properties. 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 a functional specialty beverage retailer that is developed and sold by Level 5 as an additional line of business, which has become our primary focus. As of September 20, 2013, we have completely discontinued operations of our renewable energy line of business. We continue to own royalty interests in two (2) renewable energy project(s) and an earned net revenue interest in one (1) renewable energy project; however, all operational control for all three (3) projects has been returned to the originating companies.

Specialty Beverage Business

In September, 2012, we started Level 5 Beverage Company, Inc. (“Level 5”), a specialty beverage company which develops, produces, markets and distributes a diversified portfolio of forward-thinking, good-for-you consumer brands. Level 5 has developed or acquired exclusive rights to four separate and distinct brands: VitaminFIZZ®, Vitamin Creamer®, COFFEE BOOST™ and the LEVEL 5® Brand. We have established a fifth brand, The Herbal

Collection™, with a private partner to add to our portfolio, and The Herbal Collection has been transferred out of Level 5 and assigned to Minerco. At July 31, 2014, our only beverage sales have come from the sale of our COFFEE BOOST™ of which we have sold \$12,381.

We organically developed the LEVEL 5® and COFFEE BOOST™ Brands, and we acquired the exclusive, worldwide rights to the VitaminFIZZ® Brand from VITAMINFIZZ, L.P. in November, 2013. In 2014, we acquired 100% of the right, title and intellectual property to the Vitamin Creamer® Brand. The current focus of our business is on the VitaminFIZZ® brand. We are currently completing the research and development of the VitaminCreamer® brand to include a Boost and Relax, and Minerco is pilot testing The Herbal Collection™ brand with target consumers in specialized markets.

More information about Level 5 Beverage Company, Inc. is available from our website at: www.level5beverage.com. Information from our website is not incorporated into this Annual Report on Form 10-K.

Our Brands

VitaminFIZZ® Brand

VitaminFIZZ®, developed by Power Brands Consulting, LLC in 2010, was launched in 2014 and is a zero calorie, vitamin enhanced lightly sparkling water, similar in concept to the popular VitaminWater®, only in carbonated format. VitaminFIZZ® contains 100% of daily vitamin C, 100% of daily vitamin B6 and B12 and is zero calories. VitaminFIZZ® is also non-GMO (no genetically modified organism) and is certified Kosher. Level 5 acquired the exclusive, worldwide rights to VitaminFIZZ in November, 2013. The suggested retail price is between \$1.29 and \$1.49 per 17 oz. bottle and is based on geographic region and strength of sales.

We launched VitaminFizz® in June of 2014 in select New York and Southern California locations. The 17 oz. slim plastic bottle packaging was hard launched in August, 2014 in New York City and Southern California and has been very well received. VitaminFIZZ® is currently available in six (6) flavors: Lemon-Lime, Orange-Mango, Strawberry-Watermelon, Black Raspberry, Strawberry Lemonade and Coconut-Pineapple. Additional flavors, and possibly smaller sizes, are expected in 2015.

As of October 31, 2014, VitaminFIZZ® is available in over 500 retail locations in New York City and Southern California and is also available in our online store at Amazon.com. Locations include a mix of major chain and independent placements. A complete list of retail locations is available on www.vitamin-fizz.com.

As of October 31, 2014, VitaminFIZZ® had sold or placed for sale (including direct sales, promotions and Purchase Orders) approximately 20,000 cases of five flavors (Coconut-Pineapple was delayed).

More details about the VitaminFIZZ® Brand are available from our brand website at: www.vitamin-fizz.com. Information from our website is not incorporated into this Annual Report on Form 10-K.

COFFEE BOOST™ Brand

COFFEE BOOST™ is the 2nd Generation of the LEVEL 5™ - RISE™ product and is dual designed to be taken “straight up” or added to coffee for an all-natural, healthy alternative to synthetic flavored creamers and powders and was developed to provide all the benefits of the LEVEL 5™ Brand (great taste, functionality, low calories, and all-natural ingredients in a 2.5 oz. bottle). Currently, the sku’s include:

1. COFFEE BOOST™ – Coffee
2. COFFEE BOOST™ – French Vanilla
3. COFFEE BOOST™ – Hazelnut
4. COFFEE BOOST™ – Mocha

COFFEE BOOST™ is packaged in slender 2.5 oz. PET (plastic) bottles, which are sophisticated in design and offer on-the-go convenience. The logo, graphics, and copy are designed to communicate the key branding elements: dual designed energy supplement in multiple coffee based flavors. The brand is premium priced, with a retail price of \$2.99 for one 2.5 oz. container; however, the product will be sold in multiple formats including blister packs and sample packs of all four current flavors at a discount.

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On July 23, 2014, we produced all four (4) flavors of COFFEE BOOST™ and began selling the Brand in select New York City and Southern California locations and also on our online store at Amazon.com.

With the acquisition of VitaminCreamer® in 2014, we plan to incorporate Coffee Boost™ (name and functionality) into the VitaminCreamer® product line.

More details about the COFFEE BOOST™ Brand are available from our brand website at: www.drinkcoffeeboost.com. Information from our website is not incorporated into this Annual Report on Form 10-K.

VitaminCreamer® Brand

In June, 2014, we acquired 100% of the right, title and intellectual property to the VitaminCreamer® Brand.

Vitamin Creamer® with Coffee Boost™ (or Boost): Merging these two cutting edge concepts into one powerful range of products seems inevitable. We believe that The VitaminCreamer® with Boost range of coffee creamer and enhancement products will solidify Level 5's position in the very strong and very lucrative coffee and creamer markets. Level 5 intends to merge the brands to include a range of cutting edge products with 2 main drivers: (1) increasing consumers' nutritional and vitamin intake; and (2) increasing function and flavor to the coffee drinkers' experience.

The VitaminCreamer® product line will include three functions: (1) Vitamin Creamer - Original; (2) Vitamin Creamer Boost; and (3) Vitamin Creamer Relax. The Original version is being designed not to interfere with the daily coffee but is expected to enhance the nutritional value; the Boost version is expected to provide all the benefits of the Original version and will also add an enhanced energy boost; and the Relax version is expected to provide all the benefits of the Original version and will also take the edge off for caffeine sensitive consumers.

The VitaminCreamer® product line will include at least two packaging sizes: (1) Trial / Single-serve size (2 oz.) for on-the-go consumers; and (2) Take home size (12 oz.) for daily home and/or office consumers. The available flavors and exact volume specifications per container should be released at a later date.

Level 5 with PowerBrands, the leading beverage development company in the US, are diligently working with US supplement and ingredient suppliers to create this cutting-edge breakthrough in the coffee and creamer market. PowerBrands with their award winning food scientists and highly decorated package design team, who also created the stand alone brands of VitaminCreamer® and CoffeeBoost™, are fully dedicated to and actively creating the world's leading coffee and creamer products for Level 5.

Exact specifications and dates are to be determined; however, we expect VitaminCreamer® to be finalized in early calendar year 2015.

LEVEL 5® Brand

The LEVEL 5® product line features four (4) distinct varieties, each with a unique flavor profile aimed at addressing a specific targeted result. LEVEL 5® is positioned as a lifestyle brand, with a delicious and convenient easy-to-drink shot format.

RISETM (Energy Supplement)

CURVES (Women's Supplement)

ARMOR (Wellness Supplement)

FLEX (Workout Supplement)

All LEVEL 5® products are formulated with proprietary blends of amino acids, essential vitamins and minerals, and natural adaptogens. Each ingredient has been carefully selected for its taste profile and health benefit. LEVEL 5™ is packaged in slender 2.5 oz. PET (plastic) bottles, which are sophisticated in design and offer on-the-go convenience. The logo, graphics, and copy are designed to communicate the key branding elements: energy, wellness, protection, and stamina. The brand is premium priced, with a retail price of \$2.99 for one 2.5 oz. container.

We intend to continue to seek partners to develop specialty products for the Level 5® Brand: RISE™ with rapidly deployed personnel, FLEX with a gym/fitness chains, CURVES with a women's health specialist and ARMOR with wellness / health care groups.

The Herbal Collection™ Brand

The Herbal Collection trademark was applied for by Level 5 in March, 2014. While we wait for the trademark to be approved, we have transferred the rights for the mark and the Brand to Minerco. The Herbal Collection™ will partner with a private company to execute the business plan. During the lengthy trademark process, we continue to complete Research and Development and expect to have The Herbal Collection in the pilot testing phase in early 2015.

Target Market

We have positioned our brands to appeal to the growing category of consumers who choose products based on their nutritional and functional benefits. More specifically, we are targeting the on-the-go health and wellness oriented consumers who lead active professional and social lifestyles. This consumer segment spans the entire demographic spectrum of consumers that share an awareness of the health benefits associated with functional beverages and are willing to explore new items offering superior taste and efficacy.

Retail Activation

We provide health and wellness oriented individuals a beverage solution for “On-the-Go” (OTG) demand. We are targeting conventional retail distribution for the brands, including natural and organic chain grocery stores (such as Whole Foods) for our functional brands, conventional chain and independent grocery accounts, drug stores, club stores, and mass merchandisers. We have contracted with third party Direct-Store-Delivery (DSD) distributors, such as Avanzar, to transport and merchandise the product line. Additionally, our products will be available for sale directly to consumers through our website and Amazon.com.

Through our distributors on both the east and west coasts, we have launched VitaminFizz® in California and New York and are actively and aggressively supporting the bi-coastal launch. We intent to follow distribution of these products with our VitaminCreamer® (with COFFEE BOOST™ integrated) and The Herbal Collection™ Brands in the coming year.

Through our distributor in California (Avanzar), we previously soft launched VitaminFizz®, RISE™ and COFFEE BOOST™ in Southern California, our targeted region for pilot testing before expanding into multiple markets and ultimately national distribution. We have also made our products available through our websites and on Amazon.com. We intend to do the same with our other products.

Distribution Systems

The beverage industry largely operates via a three tier distribution system: manufacturer distributor retailer. Third party distributors provide a vital service to beverage manufacturers who do not wish to bear the supply chain burden of moving product from bottling facilities to retail shelves. This operation requires supply chain management resources, significant labor, transportation resources, warehouse resources, as well as sales and merchandising expertise. Third party distributors allow beverage manufacturers to focus on core competencies: brand building, innovation, consumer marketing, research, and key account management. For this service, distributors command margin percentages of 20% to 30% based on wholesale price.

All of our products are distributed by regional third party direct-store-delivery (DSD) distributors focusing primarily on natural retail channels, conventional grocery, drug, mass and club channels, and secondarily focused on gas and convenience channels, as well as specialty retail (fitness clubs and gyms). The Company’s management team, specifically our Brand Manager, will train all participating distributors’ sales and merchandising personnel.

We have entered into an agreement with Avanzar, in Southern California, to distribute our entire line of products in California. The Distribution Agreement provides that Avanzar has the exclusive right to sell and distribute our current products in the following California counties: Los Angeles, Riverside, San Bernardino, Orange County, San Diego County, and Imperial. The Distribution Agreement also provides that Avanzar shall have a right of first refusal for the distribution of any similar products developed in the future.

We have entered into an agreement with Drink King, in New York, to distribute our entire line of products, starting with VitaminFIZZ®. The Distribution Agreement provides that Drink King has the exclusive right to sell and distribute our current products in the following New York locations or counties: Brooklyn (Kings County), Staten Island (Richmond County), Queens (Queens County), Bronx (Bronx County), Manhattan (New York County), Long Island (Suffolk and Nassau Counties), Westchester County, Rockland County. The Distribution Agreement also provides that Drink King shall have a right of first refusal for the distribution of any similar products developed in the future.

On October 24, 2014 (Effective September 15, 2014), we entered into an Membership Interest Purchase Agreement with Avanzar Sales and Distribution, LLC to acquire the controlling interest in Avanzar. Level 5 acquired an initial thirty percent (30%) equity position and fifty-one percent (51%) voting interest for the Purchase Price of \$500,000 with a twenty-one percent (21%) Option and Second Option to acquire up to seventy-five percent (75%) of Avanzar. The Agreement is Effective as of September 15, 2014.

Production Facilities

We outsource the manufacturing and warehousing of our products to third party bottlers and independent contract manufacturers (“co-packers”). We purchase our raw materials from North American suppliers which deliver to our third party co-packers.

Raw Materials

Substantially, all of the raw materials used in the preparation, bottling and packaging of our products are purchased by us or by our contract manufacturers in accordance with our specifications. The raw materials used in the preparation and packaging of our products consist primarily of readily available, non-specialty products. We believe that we have adequate sources of raw materials, which are available from multiple suppliers.

Quality Control

We are committed to building products that meet or exceed the quality standards set by the U.S. government. Our products are made from high quality, all natural ingredients. We ensure that all of our products satisfy our quality standards. Contract manufacturers are selected and monitored by our own quality control representatives in an effort to assure adherence to our production procedures and quality standards. Samples of our products from each production run undertaken by our contract manufacturers are analyzed and categorized in a reference library. The manufacturing process steps include source selection, receipt and storage, filtration, disinfection, bottling, packaging, in-place sanitation, plant quality control and corporate policies affecting quality assurance. In addition, in the future, we will attempt to ensure that each bottle is stamped with a production date, time, and plant code to quickly isolate problems should they arise.

For every run of product, our contract manufacturer undertakes extensive testing of product quality and packaging. This includes testing levels of sweetness, taste, product integrity, packaging and various regulatory cross checks. For each product, the contract manufacturer must transmit all quality control test results to us for reference following each production run. Water quality is ensured through activated carbon and particulate filtration as well as alkalinity adjustment when required. We are committed to ongoing product improvement with a view toward ensuring the high quality of our product through a stringent contract packer selection and training program.

Growth Strategy

Our growth strategy includes:

Securing additional distributors within the United States and globally;

Increasing brand awareness of all of our products;

Securing additional chain, convenience and key account store listings for our products across United States and globally;

Providing online sales through various online channels;

Rolling out the additional products in our brand umbrella (including VitaminCreamer® and The Herbal Collection™);

Continuing to vertically and strategically integrate our beverage business; and

Expanding our brand portfolio to other segments (through development and/or acquisition).

U.S. Beverage Market

The U.S. liquid refreshment beverage market stayed essentially unchanged in size in 2013, according to newly released preliminary data from the Beverage Marketing Corporation. Its flatness followed three years of growth. Total

liquid refreshment beverage volume stood at 30.2 billion gallons in 2013. 1

Niche categories continued to outperform traditional mass-market categories. Premium beverages such as energy drinks and, especially, ready-to-drink (RTD) coffee advanced particularly forcefully during 2013. Aggressive pricing contributed to the sizeable increase in bottled water volume. Larger, more established segments such as carbonated soft drinks and fruit beverages failed to grow once again.

RTD coffee moved forward faster than all other segments with a 6.2 percent volume increase in 2013. Nonetheless, the segment accounted for a relatively small share of total liquid refreshment beverage volume. Indeed, it was the smallest, trailing even value-added water, which registered the largest decline of any liquid refreshment beverage type (despite a strong showing by Glaceau Smartwater). Energy drinks advanced by 5.5 percent, but also remained fairly modest in size and didn't match the double-digit volume gains of the prior two years. Not surprisingly, no energy drink, RTD coffee or value-added water brand ranked among the leading trademarks by volume. 1

Carbonated soft drinks remained by far the biggest liquid refreshment beverage category, but they continued to lose both volume and market share. Volume slipped by 3.2 percent from 13.3 billion gallons in 2012 to 12.9 billion gallons in 2013, which lowered their market share from 44 percent to less than 43 percent. Even so, certain soda trademarks, such as Canada Dry and certain varieties of Mountain Dew, did achieve growth. Moreover, carbonated soft drinks accounted for five of the 10 biggest beverage trademarks during 2013, with Coca-Cola and Pepsi-Cola retaining their usual first and second positions. 1

“Beverages endured a transitional year in 2013,” says Michael C. Bellas, chairman and CEO, Beverage Marketing Corporation. “Even in the face of economic challenges, healthier products thrived and even formerly floundering segments like RTD coffee demonstrated their potential. Certainly the state of the economy is crucial for overall beverage category success, but so are products that connect with the evolving American consumer.”

Carbonated Soda Drinks (CSDs)

The consumption of CSDs has been declining in developed markets over the past few years. The situation in the U.S. is a key example of this trend – per capita consumption of CSDs peaked around 1998 at about 54 gallons a year. Today, the figure stands at around 44 gallons a year. A major reason behind this has been growing consumer awareness about negative health impacts of CSDs. A research paper recently published in the American Journal of Public Health concluded: “Soft drink consumption is significantly linked to overweight, obesity, and diabetes prevalent worldwide.” This certainly is bad news for major cola companies whom have been hit hard by this trend. 2

Unlike the mature CSD market which is dominated by two or three big companies, small individual brands have a stronghold in the carbonated water segment. Sparkling ICE, owned by Talking Rain, is the largest individual brand in carbonated water with 21%-plus of the overall sales in FY2013. Its market share increased by nearly 10% year on year during this period. LaCroix, Topo Chico and Cascade Ice water are other brands which together constitute ~11% of this market. 3

This carbonated water category also faces stiff competition from private labels, which account for over one-fourth of this category. Private labels offer relatively cheaper prices and thus appeal to price sensitive consumers. Going forward, the beverage giants will look to leverage its wide distribution channels and compete with private labels on the pricing front in order to advance in the sparkling bottled water market. 3

Functional Beverages

The general trend toward a consumer preference for functional beverages is evident in nearly every beverage segment. The accelerated pace of innovation has increased the pressure on beverage companies to stay ahead of the pack by delivering new and interesting flavors, healthier ingredients and enhanced functionality to consumers who are bombarded with choices. U.S. retail sales of natural and organic foods and beverages rose to nearly \$29B in 2011, an increase of 9% over the previous year, and 63% higher than sales five years earlier, according to the Organic Trade Association’s Organic Industry Survey (2011). 1

Perhaps the best illustration of the growing consumer demand for functional benefits from their beverages is the relatively recent emergence of the \$8.9 billion energy drink category. This category didn’t exist until the introduction of Red Bull in 1997. It continues to be the fastest growing segment in the beverage industry, up 14.3% in retail dollar volume versus one year ago. This category is dominated by three top brands with national distribution: Red Bull, Monster and RockStar, however, there are many smaller and regional brands throughout the U.S. While core energy drink consumers are 18-24 year old males, trends indicate that females and older blue and white collar workers 25-40 are increasingly choosing energy drinks over coffee as an afternoon pick-me-up. 1

This recent innovation in the beverage industry has also impacted the major Super-natural retail chains (Whole Foods, Wild Oats, Trader Joes) where there is an increasingly wide range of healthy options, including flash-pasteurized juice and smoothie products from national leaders Odwalla and Naked Juice, and beverages such as Sambazon, based on super-fruits such as pomegranate, blueberry and the acai berry from Brazil. Beverages sold in this channel are primarily differentiated on features such as freshness (e.g., use of flash pasteurization), and perceived health benefits (e.g., use of super-fruits that have unusually high concentrations of antioxidants). 1

(1) Source: Beverage Marketing Corporation

(2) Source: Beverage World

(3) Beverage Industry Magazine

Beverage Industry 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.

The production and marketing of our proprietary beverages are subject to the rules and regulations of various federal, provincial, state and local health agencies, including the U.S. Food and Drug Administration (FDA). The FDA also regulates labeling of our products. From time to time, we may receive notifications of various technical labeling or ingredient reviews with respect to our products. We believe that we have a compliance program in place to ensure compliance with production, marketing and labeling regulations.

Packagers of our beverage products presently offer non-refillable, recyclable containers in the U.S. and various other markets. Legal requirements have been enacted in jurisdictions in the U.S. requiring that deposits or certain eco-taxes or fees be charged for the sale, marketing and use of certain non-refillable beverage containers. The precise requirements imposed by these measures vary. Other beverage container related deposit, recycling, eco-tax and/or product stewardship proposals have been introduced in various jurisdictions in the U.S. We anticipate that similar legislation or regulations may be proposed in the future at local, state and federal levels both in the U.S.

Additional Concerns

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.

Intellectual Property

Level 5 has applied for, received and/or acquired the following trademarks:

LEVEL 5. On August 20, 2013, we filed a trademark application with the USPTO for a U.S. federal trademark for LEVEL 5 (registration number 86042387). On June 17, 2014, we received the trademark for LEVEL 5 (serial number: 4553428);

VITAMINFIZZ. In November, 2013, we acquired the exclusive rights for the trademark: VITAMINFIZZ (registration number 3913788); and

VITAMIN CREAMER. In June, 2014, we acquired the trademark: VITAMIN CREAMER (registration number 4404886).

Level 5 applied for the trademark: The Herbal Collection™, and has transferred all rights of the mark to Minerco Resources, Inc. The details of this marks are as follows:

THE HERBAL COLLECTION. On March 2, 2014, we filed a trademark application with the USPTO for a U.S. federal trademark for THE HERBAL COLLECTION (registration number 86208571)

We consider our trademarks and trade secrets to be of considerable value and importance to our business.

Research and Development

The Company's Research and Development (R&D) consisted of formulating the LEVEL 5™ product line including: RISE™, COFFEE BOOST™, CURVES, FLEX and ARMOR. The Company spent \$-0- in the fiscal year ending July 31, 2014 and \$-0- in the fiscal year ended July 31, 2013 in R&D activities. The R&D for LEVEL 5™ is the only R&D activities since the Company's inception. The Company anticipates spending \$100,000 in R&D activities over the next two fiscal years. The Company spent \$86,850 on management and consulting fees activities for this product line. These fees have been recorded as selling, general, and administrative fees.

Renewable Energy Business Overview

As of September 23, 2013, we have completely discontinued operations of our Renewable Energy line of business. We continue to own royalty interests in two (2) renewable energy project(s) and an earned net revenue interest in one (1) renewable energy project; however, all operational control has been returned to the originating companies for all three (3) projects.

The projects that we have interests in are two (2) Hydro-Electric Projects and one (1) Wind Project in various parts of Honduras (collectively the “Projects”). Both of the Hydro-Electric projects are classified as run-of-the-river projects (not conventional retention dams). The Chiligatoro Hydro-Electric Project, is in the final permitting stage of development, and the Iscan Hydro-Electric Project is currently in the early feasibility stage of development. The wind project, Sayab Wind Project, is also in the early feasibility stage of development.

Effective May, 2013, we have a six percent (6%) royalty interest in the Sayab Wind Project after the Project is completed by Energia Renovable Hondurenas, S.A. (ERSHA) or his assigns. We also have a have a ten percent (10%) royalty interest in the Iscan Hydro-Electric Project after the Project is completed by ENERCOSA or his assigns. Both Projects are actively completing the Socialization and Feasibility stages of development.

On September 23, 2013, we entered into a Return of Asset Agreement with ROTA Inversiones, S.A. (“ROTA”) to return ninety-five percent (95%) of the Chiligatoro Hydro-Electric Project back to the originating company in exchange for our earned interest in the Project, estimated at five percent (5%) for credit of the monies spent by Minerco to develop the Project. The Chiligatoro Hydro-Electric Project is in the final permitting stage of development and is expected to receive final approval in 2014.

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. However, there can be no assurance that the owners of these projects will successfully develop or complete the projects or that we will receive a royalty or revenue interests from the Projects.

To the date hereof, the Projects have not completed construction; and therefore, we have not received any revenue from the projects. There can be no assurance given that the projects will be completed in a timely manner, if at all. Since we only have royalty or “earned” interests, we will require very minimal funds to maintain our ownership interests, estimated at \$20,000 in the aggregate. Additionally, even if the Projects complete development, there is no guarantee that it will be successfully used to create electricity or that it will generate a consistent revenue stream for us. As of July 31, 2013, these assets were impaired due to inactivity; however, we are advised that the Projects are still actively pursuing obtaining necessary permits and negotiating contracts including the Feasibility Permits, Power Purchase Agreements, Congressional Approval, Equity Partner Financing and Senior Debt Financing.

Renewable Energy Projects

Chiligatoro Hydro-Electric Project

On September 23, 2013, we entered into a Return of Asset Agreement with ROTA Inversiones, S.A. (“ROTA”) to return ninety-five percent (95%) of the Chiligatoro Hydro-Electric Project back to the originating company in exchange for our earned interest in the Project, estimated at five percent (5%) for credit of the monies spent by Minerco to develop the Project. We have been informed that the Chiligatoro Hydro-Electric Project is in the final permitting stage of development and is expected to receive final approval in 2014.

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 final permitting stage of development. 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 2014.

We acquired the rights to Chiligatoro from ROTA INVERSIONES S.DE R.L. (“ROTA”), a corporation formed under the laws of Honduras, pursuant to the terms of an acquisition agreement we entered into with ROTA on May 27, 2010. As of the date hereof, 13,500,000 shares have been issued to ROTA in accordance with the terms of the agreement.

Iscan Hydro-Electric Project

On May 28, 2013, we entered into a Return of Asset Agreement with ENERCOSA to return one hundred percent (100%) of the Iscan Hydro-electric Project to the originating company in exchange for ten percent (10%) royalty interest after the Project is completed by ENERCOSA or his assigns. We have been informed that the Iscan Project is actively completing the Socialization and Feasibility stages of development.

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. To date, 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. (“ENERCOSA”), a corporation formed under the laws of Honduras, pursuant to the terms of an acquisition agreement we entered into with the Iscan Seller on January 5, 2011. We paid ENERCOSA a total of 1,500,000 shares of common stock foregoing.

Sayab Wind Project

On May 25, 2013, we entered into a Return of Asset Agreement with Energia Renovable Hondurenas S.A. (EHRSA) to return one hundred percent (100%) of the Sayab Wind Project to the originating company in exchange for six percent (6%) royalty interest after the Project is completed by EHRSA or his assigns. We have been informed that the Sayab Project is actively completing the Socialization and Feasibility stages of development.

On January 18, 2011, we acquired 100% of the 100 mega-watt per hour (MWh) Sayab Wind Project (“Sayab”) in Choluteca, Honduras. 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 paid the Sayab Seller a total of 1,500,000 shares of common stock.

Clean, Renewable Energy Projects in Central America (Honduras)

We believe that there is market opportunity in renewable energy projects in Central America, specifically Honduras; however, we have been unable to capitalize on those opportunities due to a lack of financing. 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.

Common Stock

Our common stock is quoted on the OTC Pink Limited 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, decreasing the issued and outstanding share of common stock from 1,054,297,534 to 7,028,670 shares. On May 13, 2013, we effectuated an increase in our authorized shares of common stock from 1,175,000,000 to 2,500,000,000. On August 5, 2014, we effectuated an increase in our authorized shares of common stock from 2,500,000,000 to 3,500,000,000. All share amounts throughout this annual report have been retroactively adjusted for all periods to reflect this stock split.

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. With the launch of our LEVEL 5™ product line, we began generating revenues this year; however, we are not guaranteed that our revenue from sales will be sufficient to meet our ongoing expansion; and, therefore we will need additional financing.

Employees

As of October 31, 2014, we had 2 full time employees and 2 consultants. 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 800 Bering Drive, Suite 201, Houston, TX 77057. This space consists of approximately 500 square feet. We also have a secondary office which is located at 16035 N. 80th St., Suite E, Scottsdale, AZ 85260. This space consists of approximately 750 square feet. We believe these facilities are adequate to serve our present corporate needs.

Our Brand Management Agreement with Power Brands, LLC provides us office space, at 16501 Sherman Way, #215, Van Nuys, CA 91406, which we utilize when necessary.

Inventory

As of July 31, 2014, our remaining inventory of products, produced in August, 2013, is estimated to be 0 cases of RISE™ and 0 cases of COFFEE BOOST™. In the first quarter of fiscal 2015, we produced approximately 24,000 bottles of Coffee Boost (produced in July, 2014, but we took control in August, 2014) and approximately 55,000 cases of VitaminFIZZ.

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.

We are currently in a month to month lease for 500 square feet of office space in Houston, Texas which is contributed by our Chief Executive Officer at no cost to us. Additionally, we are also in a thirteen month lease with Stephan Commercial LLC for 750 square feet of office space in Scottsdale, Arizona for a rental payment of \$1,021 per month during the term.

Our Brand Management Agreement with Power Brands, LLC provides us office space, at no additional cost located at 16501 Sherman Way, #215, Van Nuys, CA 91406, which we utilize when necessary.

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

2014	High Bid	Low Bid
Fourth Quarter: 5/1/14 to 7/31/14	\$ 0.0066	\$ 0.0258
Third Quarter: 2/1/14 to 4/30/14	\$ 0.0014	\$ 0.0361
Second Quarter: 11/1/13 to 1/31/14	\$ 0.0013	\$ 0.0029
First Quarter: 8/1/13 to 10/31/13	\$ 0.0022	\$ 0.0067

Fiscal Year

2013	High Bid	Low Bid
Fourth Quarter: 5/1/13 to 7/31/13	\$ 0.0006	\$ 0.0034
Third Quarter: 2/1/13 to 4/30/13	\$ 0.0008	\$ 0.0029
Second Quarter: 11/1/12 to 1/31/13	\$ 0.0011	\$ 0.007
First Quarter: 8/1/12 to 10/31/12	\$ 0.0006	\$ 0.0084

Holders

On October 31, 2014, we had approximately 37 shareholders of record of our common stock. The reported sale price of our stock on October 31, 2014 was \$0.0045.

Dividends

As of October 31, 2014, 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 primarily issue restricted stock units under equity compensation plans, which are part of our 2014 Executive Annual Incentive Compensation Plan, Director Bonus Plan and Key Employee and Distributor Incentive Plan. We did any issue stock under these plans in fiscal 2014.

Recent Sales of Unregistered Securities

Set forth below are the sales of unregistered securities during the past year that were not previously reported.

On May 21, 2014, we issued 50,000,000 common shares in one (1) transaction upon conversion of a convertible promissory note dated July 23, 2012. These shares of common stock were issued in reliance on Section 3(a)(9) of the Act.

On May 22, 2014, we issued 105,000,000 common shares in one (1) transaction upon conversion of a convertible promissory note dated November 19, 2013. These shares of common stock were issued in reliance on Section 3(a)(9) of the Act.

On May 28, 2014, we issued 26,150,685 common shares in one (1) transaction upon conversion of a convertible promissory note dated November 13, 2013. These shares of common stock were issued in reliance on Section 3(a)(9) of the Act.

On May 29, 2014, we issued 28,888,888 common shares in one (1) transaction upon conversion of a convertible promissory note dated November 20, 2013. These shares of common stock were issued in reliance on Section 3(a)(9) of the Act.

On June 4, 2014, the Company entered into an Agreement (the “Exchange Agreement”) with an individual and a member of our Board of Directors (the “Noteholder”), where, among other things, the Company and Noteholder exchanged a certain Note (inclusive of the principal amount, accrued and unpaid interest owed and other amounts owed in respect to the Note) for shares of the Company’s Series B Preferred Stock. The Noteholder and the Company exchanged the Note, dated July 23, 2012, in the principal amount of \$352,499 together with all interest and other amounts accrued thereon for the 105,000 shares of Series B Preferred Stock.

On June 4, 2014, the Company entered into an Agreement (the “Exchange Agreement”) with Ann Powers, an individual (the “Noteholder”), where, among other things, the Company and Noteholder exchanged a certain Note (Inclusive of the principal amount, accrued and unpaid interest owed and other amounts owed in respect to the Note) for shares of the Company’s Series B Preferred Stock. The Noteholder and the Company exchanged the Notes, dated September 27, 2013 in the principal amount of \$25,000 together with all interest and other documents amount accrued thereon for 6,000 shares of Series B Preferred Stock.

On June 4, 2014, the Company entered into an Agreement (the “Exchange Agreement”) with MSF International, Inc., a Belize Company (the “Noteholder”), where, among other things, the Company and Noteholder exchanged a certain Note (Inclusive of the principal amount, accrued and unpaid interest owed and other amounts owed in respect to the Note) for shares of the Company’s Series B Preferred Stock. The Noteholder and the Company exchanged the Notes, dated July 1, 2013, July 19, 2013, September 6, 2013 and October 1, 2013, respectively in the principal amount of \$25,000, \$60,000, \$20,000 and \$35,000, respectively together with all interest and other documents amount accrued thereon for 212,000 shares of Series B Preferred Stock.

On June 6, 2014, the Company entered into an Agreement (the “Exchange Agreement”) with LOMA Management Partners, LLC, a limited liability company domiciled in the State of New York (the “Noteholder”), where, among other things, the Company and Noteholder exchanged a certain Note (inclusive of the principal amount, accrued and unpaid interest owed and other amounts owed in respect to the Note) for shares of the Company’s Series B Preferred Stock. The Noteholder and the Company exchanged the Notes, dated July 31, 2013, October 28, 2013, January 23, 2014 and April 23, 2014, respectively, in the principal amounts of \$46,400, \$85,000, \$20,000 and \$150,000, respectively, together with all interest and other amounts accrued thereon for 60,000 shares of Series B Preferred Stock.

On July 6, 2014, we issued 6,000,000 common shares in one (1) transaction for an exchange of a note payable in the amount of \$25,000.

On July 8, 2014, we issued 250,000 common shares pursuant to a consulting agreement.

On August 1, 2014, we issued 50,000,000 common shares in one (1) transaction upon conversion of a convertible promissory note dated July 23, 2012. These shares of common stock were issued in reliance on Section 3(a)(9) of the Act.

On August 8, 2014, we issued 250,000 common shares pursuant to a consulting agreement. The shares were issued in reliance upon Section 4(a)(2) of the Act.

On September 3, 2014, we issued 10,000,000 common shares pursuant to a consulting agreement.

On September 3, 2014, we issued 21,666,666 common shares in one (1) transaction upon conversion of a convertible promissory note dated March 3, 2014. These shares of common stock were issued in reliance on Section 3(a)(9) of the Act.

On September 4, 2014, the Company issued 12,000,000 common shares pursuant to a consulting agreement.

On September 4, 2014, the Company issued 8,000,000 common shares pursuant to a consulting agreement.

On September 9, 2014, the Company issued 50,000,000 common shares in one (1) transaction upon conversion of a convertible promissory note dated July 23, 2012. These shares of common stock were issued in reliance on Section 3(a)(9) of the Act.

On September 11, 2014, the Company issued 25,000,000 common shares in one (1) transaction upon conversion of a convertible promissory note dated July 23, 2012. These shares of common stock were issued in reliance on Section 3(a)(9) of the Act.

On September 12, 2014, the Company issued 26,055,560 common shares in one (1) transaction upon conversion of a convertible promissory note dated November 19, 2013. These shares of common stock were issued in reliance on Section 3(a)(9) of the Act.

On September 16, 2014, the Company issued 500,000 common shares under its Key Employee and Distributor Incentive Plan. The shares were issued in reliance upon Section 4(a)(2) of the Act.

On September 16, 2014, the Company issued 500,000 common shares under its Key Employee and Distributor Incentive Plan. The shares were issued in reliance upon Section 4(a)(2) of the Act.

On September 30, 2014, the Company issued 50,000,000 common shares in one (1) transaction upon conversion of a convertible promissory note dated July 23, 2012. These shares of common stock were issued in reliance on Section 3(a)(9) of the Act.

On October 9, 2014, the Company issued 25,000,000 common shares in one (1) transaction upon conversion of a convertible promissory note dated July 23, 2012. These shares of common stock were issued in reliance on Section 3(a)(9) of the Act.

On October 10, 2014, the Company issued 68,632,000 common shares in one (1) transaction upon conversion of a convertible promissory note dated July 23, 2012. These shares of common stock were issued in reliance on Section 3(a)(9) of the Act.

On October 16, 2014, we issued 500,000 common shares pursuant to a consulting agreement. The shares were issued in reliance upon Section 4(a)(2) of the Act.

On October 21, 2014, the Company issued 2,005,269 common shares in one (1) transaction upon conversion of a convertible promissory note dated March 31, 2014. These shares of common stock were issued in reliance on Section 3(a)(9) of the Act.

On October 27, 2014, the Company issued 10,237,980 common shares in one (1) transaction upon conversion of a convertible promissory note dated March 31, 2014. These shares of common stock were issued in reliance on Section 3(a)(9) of the Act.

On October 29, 2014, the Company issued 25,000,000 common shares in one (1) transaction upon conversion of a convertible promissory note dated July 23, 2012. 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”, “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 Level 5 and Minerco Honduras S.A. From our inception in June 2007 through May 27, 2010, we were engaged in the acquisition of interests and leases in oil and natural gas properties. 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 a functional specialty beverage retailer, Level 5 Beverage Company, Inc., that is developed and sold under the LEVEL 5™ brand umbrella as an additional line of business, which has become our primary focus. As of September 20, 2013, we completely discontinued operations of our Renewable Energy line of business. We continue to own royalty interests in two (2) renewable energy project(s) and an earned net revenue interest in one (1) renewable energy project; however, all operational control for all three (3) projects has been returned to the originating companies.

Specialty Beverage Business

In September, 2012, we started Level 5 Beverage Company, Inc. (“Level 5”), a specialty beverage company which develops, produces, markets and distributes a diversified portfolio of natural and highly functional brands. Level 5 has developed or acquired exclusive rights to four separate and distinct brands: VitaminFIZZ®, VitaminCreamer®, COFFEE BOOST™ and LEVEL 5®. Minerco has established a fifth brand, The Herbal Collection™, with a private partner to add to our brand portfolio. The rights to The Herbal Collection™ has been assigned to the parent company, Minerco Resources

We organically developed the LEVEL 5® and COFFEE BOOST™ Brands, and we acquired the exclusive, worldwide rights to the VitaminFIZZ® Brand from VITAMINFIZZ, L.P. in November, 2013. In 2014, we acquired 100% of the right, title and intellectual property to the Vitamin Creamer® Brand. The current focus of our business is on the VitaminFIZZ® brand. We are currently completing the Research and Development of the VitaminCreamer® brand to include a Boost and Relax, and we are pilot testing The Herbal Collection™ brand with target consumers in specialized markets.

More information about Level 5 Beverage Company, Inc. is available from our website at: www.level5beverage.com. Information from our website is not incorporated into this Annual Report on Form 10-K.

Our Brands

VitaminFIZZ® Brand

VitaminFIZZ®, developed by Power Brands Consulting, LLC in 2010, was launched in 2014 and is now a zero calorie, vitamin enhanced lightly sparkling water, similar in concept to the popular VitaminWater®, only in carbonated format. VitaminFIZZ® contains 100% of daily vitamin C, 100% of daily vitamin B and is only zero calories. VitaminFIZZ® is also non-GMO (no genetically modified organism) and is certified Kosher. Level 5 acquired the exclusive, worldwide rights to VitaminFIZZ® in November, 2013.

We launched VitaminFizz® in June of 2014 in select New York locations. The 17 oz. slim plastic bottle packaging has been very well received. VitaminFIZZ® is currently available in six (6) flavors: Lemon-Lime, Orange-Mango, Strawberry-Watermelon, Black Raspberry, Strawberry Lemonade and Coconut-Pineapple. More flavors, and possibly smaller sizes, will be available in 2015.

As of October 31, 2014, VitaminFIZZ® is available in over 500 retail locations in New York City and Southern California and also available on our online store at Amazon.com.

As of October 31, 2014, VitaminFIZZ® had sold or placed for sale (including direct sales, promotions and Purchase Orders) approximately 20,000 cases of five flavors (Coconut-Pineapple was delayed).

More details about the VitaminFIZZ® Brand are available from our brand website at: www.vitamin-fizz.com. Information from our website is not incorporated into this Annual Report on Form 10-K.

COFFEE BOOST™ Brand

COFFEE BOOST™ is the 2nd Generation of the LEVEL 5™ - RISE™ product and is dual designed to be taken “straight up” or added to coffee for an all-natural, healthy alternative to synthetic flavored creamers and powders and was developed to provide all the benefits of the LEVEL 5™ Brand (great taste, functionality, low calories, and all-natural ingredients in a 2.5 oz. bottle). Currently, the sku’s include:

1. COFFEE BOOST™ – Coffee
2. COFFEE BOOST™ – French Vanilla
3. COFFEE BOOST™ – Hazelnut
4. COFFEE BOOST™ – Mocha

COFFEE BOOST™ is packaged in slender 2.5 oz. PET (plastic) bottles, which are sophisticated in design and offer on-the-go convenience. The logo, graphics, and copy are designed to communicate the key branding elements: dual designed energy supplement in multiple coffee based flavors. The brand is premium priced, with a retail price of \$2.99 for one 2.5 oz. container; however, the product will be sold in multiple formats including blister packs and sample packs of all four current flavors at a discount.

With the acquisition of VitaminCreamer® in 2014, we plan to incorporate Coffee Boost™ (name and functionality) into the VitaminCreamer® product line.

More details about the COFFEE BOOST™ Brand are available from our brand website at: www.drinkcoffeeboost.com. Information from our website is not incorporated into this Annual Report on Form 10-K.

VitaminCreamer® Brand

In June, 2014, we acquired 100% of the right, title and intellectual property to the VitaminCreamer® Brand.

The primary driver behind VitaminCreamer® is the ever growing trend of “good for you” or “better for you” in the food, beverage, health supplement, cosmetics and other consumable products industry. For example, Pepsi is split into 2 categories of product (1) Fun for You; and (2) Good for You. The CEO of Pepsi Co. has been widely scrutinized by shareholders and investors for empathizing (even over-empathizing) the “Good for You” brands. The CEO of Pepsi is looking to the future and we are doing just the same.

VitaminCreamer®, being the 1st and only highly vitamin fortified creamer available in US or the global market, meets these “good for you” needs by focusing on natural ingredients as well as supplying multiple, essential daily vitamin / mineral requirements. VitaminCreamer® replaces artificial and non-fortified competitors in a multi-billion dollar

market that is rapidly growing annually.

Vitamin Creamer® with Coffee Boost™ (or Boost): Merging these two cutting edge concepts into one powerful range of products seems inevitable. The VitaminCreamer® with Boost range of coffee creamer and enhancement products will solidify Level 5's position in the very strong and very lucrative coffee and creamer markets. Level 5 intends to merge the brands to include a range of cutting edge products with 2 main drivers: (1) adding to consumers' nutritional and vitamin intake; and (2) add function and flavor to the coffee drinkers' experience.

The VitaminCreamer® product line will include three functions: (1) Vitamin Creamer - Original; (2) Vitamin Creamer Boost; and (3) Vitamin Creamer Relax. The Original version will not interfere with the daily coffee but will enhance the nutritional value; the Boost version will provide all the benefits of the Original version and will also add an enhanced energy boost; and the Relax version will provide all the benefits of the Original version and will also take the edge off for caffeine sensitive consumers.

The VitaminCreamer® product line will include at least two packaging sizes: (1) Trial / Single-serve size (2 oz.) for on-the-go consumers; and (2) Take home size (12 oz.) for daily home and/or office consumers. The available flavors and exact volume specifications per container will be released at a later date.

Level 5 with PowerBrands, the leading beverage development company in the US, are diligently working with the leading US supplement and ingredient suppliers to create this cutting-edge breakthrough in the coffee and creamer market. PowerBrands with their award winning food scientists and highly decorated package design team, who also created the stand alone brands of VitaminCreamer® and CoffeeBoost™, are fully dedicated to and actively creating the world's leading coffee and creamer products for Level 5.

Exact specifications and dates are to be determined (TBD); however, we expect VitaminCreamer® to be finalized in early calendar year 2015.

LEVEL 5® Brand

The LEVEL 5® product line features four (4) distinct varieties, each with a unique flavor profile aimed at addressing a specific targeted result. LEVEL 5® is positioned as a lifestyle brand, with a delicious and convenient easy-to-drink shot format.

RISE™ (Energy Supplement)

CURVES (Women's Supplement)

ARMOR (Wellness Supplement)

FLEX (Workout Supplement)

All LEVEL 5® products are formulated with proprietary blends of amino acids, essential vitamins and minerals, and natural adaptogens. Each ingredient has been carefully selected for its taste profile and health benefit. LEVEL 5™ is packaged in slender 2.5 oz. PET (plastic) bottles, which are sophisticated in design and offer on-the-go convenience. The logo, graphics, and copy are designed to communicate the key branding elements: energy, wellness, protection, and stamina. The brand is premium priced, with a retail price of \$2.99 for one 2.5 oz. container.

We will continue to seek partners to develop specialty products for the Level 5® Brand: RISE™ with rapidly deployed personnel, FLEX with a gym/fitness chains, CURVES with a women's health specialist and ARMOR with wellness / health care groups.

More details about the LEVEL 5™ Brand are available from our brand website at: www.level5energy.com. Information from our website is not incorporated into this Annual Report on Form 10-K.

As of July 31, 2014, we had generated minimal revenue since inception, and during the twelve months ended July 31, 2014, we had an accumulated deficit of \$20,774,915, a stockholder's deficit of \$1,076,239 and a net loss of \$12,543,749. There is substantial doubt regarding our ability to continue as a going concern. Our operations are dependent upon our ability to: (1) generate sales, revenue and profit from our Level 5 brands; (2) obtain necessary financing; and (3) effectively manage costs and/or attain profitable operations. As such, the report of our independent certified auditor for the year ended July 31, 2014 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. On May 13, 2013, we effectuated an increase in our authorized shares of common stock from 1,175,000 to 2,500,000,000. On August 5, 2014, we effectuated an increase in our authorized shares of common stock from 2,500,000,000 to 3,500,000,000.

Renewable Energy Projects

As of September 20, 2013, we completely discontinued operations of our Renewable Energy line of business. We continue to own royalty interests in two (2) renewable energy project(s) and an earned net revenue interest in one (1) renewable energy project(s); however, all operational control has been returned to the originating companies for all three (3) projects.

We currently have non-operating interests in two (2) Hydro-Electric Projects and one (1) Wind Project in various parts of Honduras (collectively the “Projects”). Both of the Hydro-Electric projects are classified as run-of-the-river projects (not conventional retention dams). The Chiligatorio Hydro-Electric Project, is in the final permitting stage of development, and the Iscan Hydro-Electric Project is currently in the early feasibility stage of development. The wind project, Sayab Wind Project, is also in the early feasibility stage of development.

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.

Revenue Recognition

The Company will recognize revenue in accordance with ASC-605, “Revenue Recognition,” which requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or title has passed; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts.

Revenues are recognized upon shipment, provided that a signed purchase order has been received, the price is fixed, title has transferred, collection of resulting receivables is reasonably assured, and there are no remaining significant obligations. Reserves for sales returns and allowances, including allowances for so called “ship and debit” transactions, are recorded at the time of shipment, based on historical levels of returns and discounts, current economic trends and changes in customer demand. Certain Internet generated transactions that are prepaid at time of order, are recognized at the time the merchandise ships from the warehouse to the customer.

Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company will defer any revenue for which the product has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required.

Net sales have been determined after deduction of discounts, slotting fees and other promotional allowances in accordance with ASC 605-50.

Principles of Consolidation

We consolidate all entities that we control by ownership of a majority voting interest. Currently, we have two subsidiaries: Minerco Honduras S.A. in which we own one hundred percent (100%) interest and Level 5 Beverage Company, Inc., which we own seventy and three-tenths percent (70.3%) interest.

Uncertainties

We are a development stage company that has only recently begun operations. We have generated \$12,381 from our business activities, but we do expect to generate additional revenues from our Beverage Business in the fiscal year ended July 31, 2015. 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 \$2,728,864 through private placements of our common stock and debt financing.

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 do so. Accordingly, there is uncertainty about our ability to continue to operate.

We have recently begun 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, 2014	Year ended July 31, 2013
Sales	12,381	-
Cost of Goods Sold	10,193	-
Gross Profit (Loss)	2,188	-
General and administrative	871,988	368,002
Total operating expenses	871,988	368,002
Other Income (Expenses):		
Interest expense	(124,634)	(41,349)
Gain on settlement of Debt	246	-
Gain/(Loss) on Derivative Liability	(7,893,507)	503,107
Accretion of discount on convertible notes	(990,184)	(641,159)
Gain/(Loss) on Debt for Equity Exchange	(2,651,839)	-
Total other income (expenses)	(11,658,918)	(179,401)
Net loss	(12,528,718)	(547,403)
Net loss attributable to Noncontrolling interest	(42,981)	-
Net loss attributable to Minerco	\$(12,485,737)	\$(547,403)
Preferred Stock Dividends	54,904	-
Net loss attributable to common shareholders	\$(12,540,641)	\$(547,403)
Net loss Per Share - Basic and Diluted	\$(0.01)	\$(0.00)
Weighted Average Number of Common Shares Outstanding - Basic and Diluted	1,854,746,508	413,802,302

Results of Operations for the Twelve Months Ended July 31, 2014 compared to the Twelve Months Ended July 31, 2013

During the twelve months ended July 31, 2014, we incurred a net loss of \$12,528,718, compared to a net loss of \$547,403 during the same period in fiscal 2013. Our net loss per share decreased to a loss of \$0.01 per share compared to a loss of \$0.00 in the same period in fiscal 2013 primarily due to net loss on derivative liability. The increase in our loss during the twelve months ended July 31, 2014 was primarily due to increased loss on derivative liabilities and increase in general and administrative expenses due to an increase in business activity.

Our total operating expenses for the twelve months ended July 31, 2014 were \$871,988 compared to operating expenses of \$368,002 during the same period in fiscal 2013. Our total operating expenses during the twelve months ended July 31, 2014 consisted of \$95,911 in compensation expense, \$76,500 in consulting fees, \$224,705 in professional fees, \$474,872 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.

Liquidity and Capital Resources

As of July 31, 2014, we had \$304,104 in cash, \$602,482 in prepaids, and \$1,011,586 in total assets, \$2,115,776 in total liabilities and a working capital deficit of \$209,190. Our accumulated deficit from our inception on June 21, 2007 to July 31, 2014 is \$20,359,884 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, \$2,737,250 in proceeds from loans, and \$51,018 from advances from related parties.

During the twelve months ended July 31, 2014 we spent net cash of \$1,390,106 on operating activities, compared to net cash spending of \$273,810 on operating activities during the same period in fiscal 2013. The expenditures on operating activities for the twelve months ended July 31, 2014 increased primarily due to a loss on derivative offset by an increase in accretion discount, net loss on debt for equity exchange and increase in share based compensation.

We did spend net cash of \$90,000 on investing product development activities during the twelve months ended July 31, 2014, compared to net cash spending of \$15,000 on investment activities for the same period in fiscal 2013. The increase was primarily due to an increase in product development.

During the twelve months ended July 31, 2014 we did receive \$1,660,500 net cash from financing activities, compared to net cash received of \$412,520 during the same period in fiscal 2013. The increase in receipts from financing activities for the twelve months ended July 31, 2014 was primarily due to an increase in proceeds from loans and long term debt.

During the twelve months ended July 31, 2014 our monthly cash requirements to fund our operating activities was approximately \$115,842. Our cash on hand of \$304,104, as of July 31, 2014, will allow us to continue to operate until we receive Level 5 revenue proceeds and additional financings. We estimate our planned expenses for the next 24 months (beginning November, 2014) to be approximately \$26,200,000, as summarized in the tables below assuming revenue from our beverage sales will exceed \$2,000,000 over the next 12 months and \$5,000,000 in fiscal 2016. If revenue is not as anticipated those numbers, we will be forced to scale our expenses according to our business requirements which will negatively impact our ability to increase revenue.

Expense Overview

Description

	Fiscal Year 2015	Fiscal Year 2016	Total
	(\$)	(\$)	
Renewable Energy			
General and Administrative Expenses	10,000	10,000	20,000
Renewable Energy Total	10,000	10,000	20,000

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Beverage			
Advertising	500,000	1,250,000	1,750,000
Warehouse & Delivery	75,000	1,000,000	1,075,000
Insurance	75,000	75,000	150,000
Inventory Purchases / Production	1,250,000	8,000,000	9,250,000
Consulting Services	750,000	750,000	1,500,000
Retail incentive	100,000	500,000	120,000
Sales incentive	75,000	500,000	115,000
Sales Representative Payroll	600,000	1,200,000	1,800,000
Payroll Taxes	90,000	180,000	270,000
Rent or Lease	60,000	120,000	180,000
Filling Equipment Lease	0	125,000	125,000
Sales Commission	50,000	425,000	475,000
Research & Development	250,000	375,000	625,000
POS material	150,000	750,000	900,000
Taxes & Licenses	100,000	250,000	350,000
Utilities & Telephone	30,000	37,500	67,500
Sampling	250,000	500,000	750,000
Accounting & Legal fees	250,000	450,000	700,000
General and Administrative Expenses	900,000	1,800,000	2,700,000
Contingencies (10%)	555,500	1,829,000	2,384,500
Beverage Total	6,110,500	20,116,500	26,227,000
Grand Total (All Business Lines)	6,120,500	20,126,500	26,247,000

Our general and administrative expenses for the year are expected to consist primarily of salaries, 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 \$25,850,000 to proceed with our business plan over the next 12 months. If we secure less than the full amount of financing that we require or derive less than the anticipated amount of revenue from operations, 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 incurring losses until the Level 5 Business creates significant, sustainable sales and revenues. Although we maintain non-operating interests in the Chiligatoro Hydro-Electric Project, Iscan Hydro-Electric Project and Sayab Wind Project, there is no assurance that revenues will be received from these interests or that the operators will construct the projects or that we will be paid our proportionate interests by the operator. Meanwhile, Level 5 has started generating revenues for the company; however, there can be no assurances that enough sales or revenues will be received to support our capital needs.

Derivative Liabilities

Below is a table of derivative liabilities outstanding over the last 4 fiscal quarters:

October 31, 2013	January 31, 2014	April 30, 2014	July 31, 2014
\$2,474,241	\$1,683,074	\$5,291,245	\$650,135

Future Financings

Our financial statements for the year ended July 31, 2014 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.

As of July 31, 2014, we have generated \$12,381 of revenues, have achieved losses since 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.

We had \$304,104 in cash as of July 31, 2014. We intend to raise the balance of our cash requirements for the next 12 months from revenues received from Level 5, 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 have a two million dollar line of credit with Post Oak, LLC which has an outstanding balance of \$1,000,000 as of July 31, 2014, but there is no guarantee that any additional 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. If we are unable to obtain the necessary additional financing, then we plan to reduce the amounts spent on our acquisition and development 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

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deferring development, expansion 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 for the next 12 months unless revenue increases dramatically, even if the Company does decide to scale back our operations.

Outstanding Indebtedness

Set forth below is a chart of our outstanding debt obligations as of July 31, 2014:

	Original Amount	Balance on 7/31/2014	Date of Issuance	Maturity Date	Features
Convertible Promissory Note*	100,000	25,000	7/23/2012	On Demand	5% interest rate converts at the lower of \$0.0025 or 50% of market based on the lowest day during the preceding 5 days
Convertible Promissory Note*	100,000	50,000	7/23/2012	On Demand	5% interest rate converts at the lower of \$0.0025 or 50% of market based on the lowest day during the preceding 5 days.
Convertible Promissory Note*	100,000	28,500	7/23/2012	On Demand	5% interest rate converts at the lower of \$0.0025 or 50% of market based on the lowest day during the preceding 5 days. * Assigned and restated on 3/22/2013 from \$583,300 Note, dated 7/23/2012
Convertible Promissory Note	60,000	1,167	11/20/2013	11/20/2015	8% interest rate converts at the lower of \$0.0015 or 60% of market based on the lowest day during the preceding 25 days
Convertible Promissory Note	20,000	22,222	2/21/2014	11/20/2015	8% interest rate converts at the lower of \$0.0015 or 60% of market based on the lowest day during the preceding 25 days
Convertible Promissory Note	25,000	25,000	3/3/2014	9/3/2014	8% interest rate converts at the lower of \$0.0012 or 50% of market based on the lowest day during the preceding 5 days

Convertible Promissory Note	153,500	153,500	4/9/2014	3/31/2015	8% interest rate converts at a variable conversion price of 50% of the market price calculated based on the lowest day during the preceding 20 days
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*Assigned and restated from \$583,300 Note, dated 7/23/2012

Outstanding Notes

As of July 31, 2014, our obligations under outstanding notes totaled an aggregate principal amount of \$305,389. Of such amount \$103,500 is due on demand, \$25,000 was due September 3, 2014, \$153,500 is due March 31, 2015 and \$23,389 is due on November 20, 2015. We currently do not have sufficient funds to all of the past due or future notes.

On July 23, 2012, we entered into a Securities Purchase Agreement and Convertible Promissory Note between the Company and its former Chief Executive Officer for \$588,299. 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 demand. On March 22, 2013, \$200,000 of the note was purchased by, assigned to and restated for unrelated third parties: \$100,000 to MSF International, Inc. and \$100,000 to FTB Enterprises, Inc.

On November 20, 2013 and February 21, 2014, we entered into a Promissory Note with JMJ Financial for \$60,000 and \$20,000 respectively. The promissory note carries an Original Issue Discount (OID) of approximately 11%, a 0% rate of interest if paid within 90 days, 12% one-time interest charge after 90 days, and the Note is convertible into common stock at a variable conversion price of the lower of \$.003 or 60% of the market price which shall be calculated as the lowest day during the preceding 25 days before conversion. As of June 23, 2014, the remaining balances of these Notes are \$1,667 and \$22,222, respectively.

On March 3, 2014, we entered into a Securities Purchase Agreement and Convertible Promissory Note with Micaddan Consultants for \$25,000. The convertible note carries 8% rate of interest and the Note is convertible into common stock at a variable conversion price of the lower of \$0.0012 or 50% of the market which shall be calculated as the lowest day during the preceding 5 days before conversion.

On April 9, 2014, we entered into a Securities Purchase Agreement and Convertible Promissory Note with Union Capital for \$153,500. The convertible note carries 8% rate of interest and the Note is convertible into common stock at a variable conversion price of 50% of the market which shall be calculated as the lowest day during the preceding 20 days before conversion.

During the year ended July 31, 2014, Level 5 received proceeds of \$50,000 from promissory notes. These notes have an interest rate of 10% and mature between July 6, 2014 and July 24, 2014. The total principal due as of July 31, 2014 is \$25,000.

On May 1, 2014, we entered into an agreement with Post Oak, LLC (“the Lender”), where, among other things, we and the Lender entered into a Line of Credit Financing Agreement in the principal sum of up to Two Million Dollars (\$2,000,000), or such lesser amount as may be borrowed by us as Advances under this line of credit. The Line of Credit bears interest at the rate of ten percent per annum (10.00%) unless modified by certain provisions of the Line of Credit. The entire outstanding principal balance amount of this Line of Credit is due and payable on April 30, 2016. We will make one interest payment twelve months from the date of each advance and one interest payment eighteen months from the date of each advance. We are obligated to make a payment for the entire unpaid balance of all advances, plus any accrued interest, in a “balloon” payment, which is due in two years from the date of the Line of Credit Agreement. As of July 31, 2014, there was \$1,000,000 outstanding under this line of credit.

Product Research and Development

Our Research and Development (R&D) consisted of formulating the LEVEL ® product line including: RISE™, COFFEE BOOST™, CURVES, FLEX and ARMOR. The Company spent \$-0- in the fiscal year ending July 31, 2014 and \$-0- in the fiscal year ended July 31, 2013 in R&D activities. The R&D for LEVEL 5® is the only R&D activities

since the Company's inception. The Company anticipates spending at least \$100,000 in R&D activities over the next two fiscal years. The Company spent \$86,850 on management and consulting fees activities for this Level 5® product line. These fees have been recorded as selling, general, and administrative fees.

Acquisition of Plants and Equipment and Other Assets

The Company does not anticipate selling or acquiring any material properties, plants or equipment during the next 12 months.

Off-Balance Sheet Arrangements

The Company has 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.

The Company is 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.
Houston, Texas

We have audited the accompanying consolidated balance sheets of Minerco Resources, Inc. and its subsidiaries (collectively the "Company"), as of July 31, 2014 and 2013 and the related consolidated statement of expenses, stockholders' equity (deficit), and cash flows for the years ended July 31, 2014 and July 31, 2013. 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, 2014 and 2013 and the results of their operations, their cash flows for years ended July 31, 2014, and July 31, 2013 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/ MALONEBAILEY LLP
www.malonebailey.com
Houston, Texas

November 6, 2014

Minerco Resources, Inc.
Consolidated Balance Sheets

	July 31, 2014	July 31, 2013
ASSETS		
Current Assets:		
Cash	\$ 304,104	\$ 123,710
Prepaid expenses	602,482	915
Total Current Assets	906,586	124,625
Intangible Assets	105,000	15,000
Total Assets	\$ 1,011,586	\$ 139,625
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 195,446	\$ 134,219
Amounts payable to related parties	63,955	22,519
Loan Payable	25,000	-
Convertible debt to related parties, net unamortized discount \$0 and \$0	-	558,999
Convertible debt, net unamortized discount \$124,149 and \$298,764	181,240	127,311
Derivative liabilities	650,135	1,537,510
Total Current Liabilities	1,115,776	2,380,558
Line of Credit	1,000,000	-
Total Liabilities	2,115,776	2,380,558
STOCKHOLDERS' DEFICIT		
Preferred stock – Series A Convertible Preferred, \$0.001 par value, 25,000,000 shares authorized, 15,000,000 and 15,000,000 issued and outstanding, respectively	15,000	15,000
Preferred stock – Series B Preferred, \$0.001 par value, 2,000,000 shares authorized and none authorized, 436,000 and 0 issued and outstanding, respectively	436	-
Common stock, \$0.001 par value, 3,500,000,000 and 2,500,000,000 shares authorized, 2,443,428,123 and 1,185,426,462 shares issued and outstanding, respectively	2,443,428	1,185,426
Additional paid-in capital	16,839,811	4,377,884
Accumulated Deficit	(20,359,884)	(7,819,243)
Total Minerco stockholders' deficit	(1,061,209)	(2,240,933)
Noncontrolling Interest	(42,981)	-
Total Stockholders' Deficit	(1,104,190)	(2,240,933)
Total Liabilities and Stockholders' Deficit	\$ 1,011,586	\$ 139,625

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

Consolidated Statements of Expenses

	Year ended July 31, 2014	Year ended July 31, 2013
Sales	12,381	-
Cost of Goods Sold	10,193	-
Gross Profit (Loss)	2,188	-
General and administrative	871,988	368,002
Total operating expenses	871,988	368,002
Other Income (Expenses):		
Interest expense	(123,634)	(41,349)
Gain on settlement of Debt	246	-
Gain/(Loss) on Derivative Liability	(7,893,507)	503,107
Accretion of discount on convertible notes	(990,184)	(641,159)
Gain/(Loss) on Debt for Equity Exchange	(2,651,839)	-
Total other income (expenses)	(11,658,918)	(179,401)
Net loss	(12,528,718)	(547,403)
Net loss attributable to Noncontrolling interest	(42,981)	-
Net loss attributable to Minerco	\$(12,485,737)	\$(547,403)
Preferred Stock Dividends	54,904	-
Net loss attributable to common shareholders	\$(12,540,641)	\$(547,403)
Net loss Per Share - Basic and Diluted	\$(0.01)	\$(0.00)
Weighted Average Number of Common Shares Outstanding - Basic and Diluted	1,854,746,508	413,802,302

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

Minerco Resources, Inc.
Consolidated Statements of Cash Flows

	Year ended July 31, 2014	Year ended July 31, 2013
Cash Flows from Operating Activities		
Net loss	\$(12,485,737)	\$(547,403)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net loss attributable to noncontrolling interest	(42,981)	-
(Gain)/loss on debt for equity exchange	2,651,839	-
(Gain)/ loss on change in fair value of derivatives	7,893,507	(503,107)
Accretion of discount	990,184	641,159
Stock-based compensation	95,800	41,750
Changes in operating assets and liabilities:		
Prepaid expenses	(601,567)	(915)
Accounts payable and accrued liabilities	67,791	47,687
Accounts payable to related parties	41,058	47,019
Net cash used in operating activities	(1,390,106)	(273,810)
Cash Flows from Investing Activities		
Product development	(90,000)	(15,000)
Net cash used in investing activities	(90,000)	(15,000)
Cash Flows from Financing Activities		
Proceeds from Line of credit	1,000,000	-
Proceeds from Short-term debt	50,000	-
Proceeds from convertible debt	799,500	464,750
Payments on convertible debt	(189,000)	(22,930)
Payments on related party debt	-	(29,300)
Net cash provided by financing activities	1,660,500	412,520
Net increase (decrease) in cash	180,394	123,710
Cash at the beginning of period	123,710	-
Cash at end of the period	\$304,104	\$123,710
Supplemental Disclosures of Cash Flow Information		
Cash paid during the period for:		
Interest	\$-	\$-
Income taxes	-	-
Non-Cash Investing and Financing Activities		
Resolution of derivative liabilities	\$9,580,537	\$1,416,381
Conversion of notes and interest into common shares	\$527,528	\$320,210
Exchange of Debt for Preferred Stock	\$3,458,300	\$-
Conversion of common stock to preferred stock	\$30,000	\$51,860
Exchange of Note Payable for Common Stock	\$25,556	\$-
Cancellation of conversion of debt- return of shares	\$3,000	\$2,845
Debt discounts due to derivative liabilities	\$799,655	\$367,500

Note assigned from related party to third party	\$200,000	
Common stock issued to forgive related party accrual	\$-	\$24,500

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

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Minerco Resources, Inc.

Consolidated Statements of Stockholders' Equity (Deficit)

Years ended July 31, 2013 and 2014

	COMMON STOCK		PREFERRED STOCK SERIES A		PREFERRED STOCK SERIES B		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	NON-CONTROL INTEREST
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT			
Balance, July 31, 2012	87,051,824	\$87,052	10,000,000	\$10,000		\$	\$3,681,262	\$(7,271,840)	
Shares issued for debt conversion	1,103,162,975	1,103,162	-	-	-	-	(782,952)	-	-
Return of common stock from conversion of convertible debt	(2,845,000)	(2,845)	-	-	-	-	-	-	-
Return of common stock from consulting agreement	(83,334)	(83)	-	-	-	-	83	-	-
Common stock issued for services	15,000,000	15,000	-	-	-	-	(11,750)	-	-
Common stock issued for consulting services	20,000,000	20,000	-	-	-	-	18,500	-	-
Preferred stock issued for conversion on common stock	(51,860,003)	(51,860)	5,000,000	5,000	-	-	46,860	-	-
Common stock issued for forgiveness of accrual salary	15,000,000	15,000	-	-	-	-	9,500	-	-
	-	-	-	-	-	-	1,416,381	-	-

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Resolution of derivative liabilities										
Net loss	-	-	-	-	-	-	-	(547,403)	-	-
Balance, July 31, 2013	1,185,426,462	1,185,426	15,000,000	15,000			4,377,884	(7,819,243)		
Shares issued for debt conversion	1,267,751,661	1,267,752	-	-	-	-	(740,224)	-	-	-
Return of common stock from conversion of convertible debt	(3,000,000)	(3,000)	-	-	-	-	-	-	-	-
Common stock issued for consulting services	17,250,000	17,250	-	-	-	-	78,550	-	-	-
Preferred stock issued for conversion on common stock	(300,000,000)	(30,000)	-	-	53,000	53	29,947	-	-	-
Common stock issued for settlement	6,000,000	6,000	-	-			55,200	-	-	-
Preferred Stock in resolution of debt liabilities	-	-	-	-	383,000	383	3,457,917	-	-	-
Resolution of derivative liabilities	-	-	-	-	-	-	9,580,537	-	-	-
Net loss	-	-	-	-	-	-	-	(12,485,737)	(42,981)	
Preferred Stock Dividends	-	-	-	-	-	-	-	(54,904)	-	-
Balance, July 31, 2014	2,443,428,123	\$2,443,428	15,000,000	\$15,000	436,000	\$436	\$16,839,811	\$(20,359,884)	\$(42,981)	

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

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Minerco Resources, Inc.
Consolidated Notes to the Financial Statements

1. Nature of Operations and Going Concern

Minerco Resources, Inc. (the “Company”) was incorporated in Nevada on June 21, 2007. The Company was engaged in the exploration stage from its June 21, 2007 (inception) to May 27, 2010. As of May 27, 2010, the Company was no longer in the oil and natural gas business. The Company intends to develop, produce, and provide clean, renewable energy solutions in Central America. On October 16, 2012, the Company added an additional line of business, Level 5 Beverage Company, Inc., a progressive specialty beverage retailer. The company has decided to divest of itself of its clean, renewable energy projects in Central America. The company has evaluated its clean energy projects in Central America and has determined they are too capital intensive to pursue at this time.

The Company has transitioned its focus to its specialty beverage market retailer, Level 5 Beverage Company, Inc. and its products.

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. On May 13, 2013, we effectuated an increase in our authorized shares of common stock from 1,175,000,000 to 2,500,000,000. On August 5, 2014, we effectuated an increase in our authorized shares of common stock from 2,500,000,000 to 3,500,000,000. All shares amounts in these financial statements have been retroactively adjusted for all periods presented to reflect this stock split.

These financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. During the period ended July 31, 2014, the Company has an accumulated deficit and revenue of \$12,381. 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, 2014.

2. Summary of Significant Accounting Policies

a) Basis of Presentation

These financial statements and notes are presented in accordance with accounting principles generally accepted in the United States.

b) Principles of Consolidation

The Company’s consolidated financial statements include the assets, liabilities and operating results of majority-owned subsidiaries. The Company does not hold significant variable interests in any variable interest entities. All significant intercompany accounts and transactions have been eliminated.

c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

d) Use of Estimates

The Company's fiscal year end is July 31. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company regularly evaluates estimates and assumptions related to the recoverability of long-lived assets, donated expenses and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

e) 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.

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.

f) Foreign Currency Translation

The financial statements are presented in United States dollars. In accordance with ASC 830, "Foreign Currency Translation," foreign denominated monetary assets and liabilities are translated into United States dollars at rates of exchange in effect at the balance sheet date. Non-monetary items, including equity, are translated at the historical rate of exchange. Revenues and expenses are translated at the average rates of exchange during the year.

g) Loss per share

The Company computes net loss per share in accordance with ASC 260, "Earnings per Share ". ASC 260 requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period including stock options, using the treasury stock method, and convertible preferred stock, using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential common shares if their effect is anti-dilutive.

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h) Intangible Assets

Acquired intangible assets are amortized over their useful lives unless the lives are determined to be indefinite. Acquired intangible assets are carried at cost, less accumulated amortization. Amortization of finite-lived intangible assets is computed over the useful lives of the respective assets.

i) Impairment of Intangible Assets

The Company assesses potential impairments to its intangible assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is recognized when the carrying amount of the intangible asset is not recoverable and exceeds its fair value. The carrying amount of an intangible asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Any required impairment loss is measured as the amount by which the carrying amount of an intangible asset exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to operating results. Intangible assets with indefinite lives are tested annually for impairment and in interim periods if certain events occur indicating that the carrying value of the intangible assets may be impaired.

j) Comprehensive Loss

ASC 220, "Reporting Comprehensive Income," establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. For the periods ended July 31, 2013 and 2009, except for net loss, the Company had no items that represent a comprehensive loss and, therefore, has not included a schedule of comprehensive loss in the financial statements.

k) Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has adopted ASC 740, "Accounting for Income Taxes," as of its inception. Pursuant to ASC 740, the Company is required to compute tax asset benefits for net operating losses carried forward. The potential benefits of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

l) Long Lived Assets

Long-lived assets, including license agreement costs, are evaluated for impairment whenever events or conditions indicate that the carrying value of an asset may not be recoverable. If the sum of the expected undiscounted cash flows is less than the carrying value of the related asset or group of assets, a loss is recognized for the difference between the fair value and carrying value of the asset or group of assets.

m) Reclassifications

Certain reclassifications have been made to the prior period's financial statements to conform to the current period's presentation.

n) Accounting for Derivative Instruments

Minerco accounts for derivative instruments in accordance with ASC Topic 815, Derivatives and Hedging and all derivative instruments are reflected as either assets or liabilities at fair value in the balance sheet.

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Minerco uses estimates of fair value to value its derivative instruments. Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between willing and able market participants. In general, Minerco's policy in estimating fair values is to first look at observable market prices for identical assets and liabilities in active markets, where available. When these are not available, other inputs are used to model fair value such as prices of similar instruments, yield curves, volatilities, prepayment speeds, default rates and credit spreads (including for Minerco's liabilities), relying first on observable data from active markets. Additional adjustments may be made for factors including liquidity, credit, bid/offer spreads, etc. depending on current market conditions. Transaction costs are not included in the determination of fair value. When possible, NSL seeks to validate the model's output to market transactions. Depending on the availability of observable inputs and prices, different valuation models could produce materially different fair value estimates. The values presented may not represent future fair values and may not be realizable. Minerco categorizes its fair value estimates in accordance with ASC 820 based on the hierarchical framework associated with the three levels of price transparency utilized in measuring financial instruments at fair value as discussed above. As at July 31, 2014 and 2013, the company had a \$650,135 and \$1,537,510 derivative liability, respectively.

o) Stock Based Compensation

We account for stock-based payments to employees in accordance with ASC 718, "Stock Compensation" ("ASC 718"). Stock-based payments to employees include grants of stock that are recognized in the statement of operations based on their fair values at the date of grant.

We account for stock-based payments to non-employees in accordance with ASC 718 and Topic 505-50, "Equity-Based Payments to Non-Employees." Stock-based payments to non-employees include grants of stock that are recognized in the consolidated statement of operations based on the value of the vested portion of the award over the requisite service period as measured at its then-current fair value as of each financial reporting date.

The resulting stock-based compensation expense for both employee and non-employee awards is generally recognized on a straight-line basis over the requisite service period of the award.

p) Research and Development

Research and development costs are expensed as incurred.

q) Recent Accounting Pronouncements

The adoption of recently issued accounting pronouncements are not expected to have a material effect on the Company's future reported financial position or results of operations.

3. Intangible Assets

Intangible Assets, net, at July 31, 2014 and 2013 consists of:

	2014	2013
VitaminFizz Name Licensing Rights	30,000	-
Product Development (VitaminFizz)	\$ -	15,000
Vitamin Creamer Licensing Rights	75,000	-
Less accumulated amortization	-	-
Product Development, net	\$ 105,000	15,000

On February 26, 2013, the Company entered into an Agreement (the “Premium Product Development Agreement”) with Power Brands, LLC, a California Limited Liability Company (“Power Brands”) to render product development services for Level 5 Beverage Company, Inc. (“Level 5”). On February 26, 2013, the Company entered into an Agreement (the “Prototype Development Agreement”) with Power Brands to render prototype development services for Level 5. On November 21, 2013, through our subsidiary, Level 5 Beverage Company, Inc., we entered into an Agreement with VITAMINFIZZ, L.P, a California Limited Partnership where the Licensee acquires the exclusive rights in North America to use VitaminFIZZ® on and in connection with the marketing, distribution and sale of the Brand. On June 24, 2014, Level 5 Beverage Company, Inc., a subsidiary of Minerco Resources, Inc. entered into an Agreement, effective June 20, 2014, with Vitamin Creamer LP, a limited partnership, where, among other things, Level 5 bought all right, title and interest to the (i) the Trademark “Vitamin Creamer”, and (ii) formulas and certain other intellectual property rights related to the Brand and the Products. The Company has determined the capitalized Licensing Rights to have nominal amortization during year ended July 31, 2014.

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4. Related Party Transactions

On July 23, 2012, the Company entered into a Securities Purchase Agreement and Convertible Promissory Note between the Company and its former Chief Executive Officer and former Chief Financial Officer for \$320,301 and \$267,998, respectively. The convertible notes carry a 5% rate of interest and are convertible into common stock at a variable conversion price of 50% of the market price which shall be calculated as the lowest day during the preceding 5 days before conversion. The Convertible Promissory Notes are due on January 23, 2012. The Convertible Promissory Notes are due on to former Chief Financial Officer for \$267,998 has been assigned to former Chief Executive officer as of July 23, 2012. On July 23, 2012, the Company entered into a Securities Purchase Agreement and Convertible Promissory Note between the Company and its former Chief Executive Officer for \$588,299. 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. On March 22, 2013, \$200,000 of the note was purchased by, assigned to and restated for unrelated third parties: \$100,000 to MSF International Inc, and \$100,000 to FTB Enterprises, Inc. On June 4, 2014, the Company and its Chief Executive Officer exchanged the note in the principal amount of \$352,499 together with all interest and other amounts accrued thereon for 105,000 shares of Series B Preferred Stock.

As of July 31, 2014, the Company owes its current Chief Executive Officer \$13,911 (\$0 – 2013) in accrued salary (\$18,750 per month) for the period July 9 through July 31, 2014 and \$10,044 (\$3,178 – 2013) for advances made to the Company. The company owes its current Chief Financial Officer \$2,500 (\$0 – 2013) in accrued salary (\$12,500 per month) for the period July 1 through July 31, 2014. The company owes its former Chief Executive Officer \$37,500 (\$19,341 – 2013) in accrued salary (\$7,000 per month) for the period February 19, 2014 through July 31, 2014. The advances are due on demand and non interest bearing.

5. Prepaid Expenses

Prepaid Expenses, at July 31, 2014 and 2013 consists of:

	2014	2013
Prepaid Product Marketing	\$450,000	-
Prepaid Rent	2,482	-
Other Prepaid Expenses	-	915
Prepaid Royalty	150,000	-
Prepaid Expenses	\$602,482	915

On the June 25, 2014, the Company through its subsidiary, Level 5 Beverage Company, Inc. (“Level 5”), entered into a Brand Licensing Agreement with VitaminFizz, LP (“Licensor”) which was effective November 21, 2013. Level 5 agreed to pay a licensing fee of \$250,000 and no royalties shall be made to Licensor until such time as the aggregate royalty payments earned by Licensor exceed \$250,000.

6. 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 effected 25,000,000 shares of unclassified preferred stock.

On January 11, 2011, the Company designated 15,000,000 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.

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On January 11, 2011, the Company issued 10,000,000 Class A convertible preferred shares to its former Chief Executive Officer valued at \$0.007964 or \$79,649. The Company recognized this as compensation. On February 15, 2012, the former Chief Executive Officer converted 2,500,000 into 25,000,000 common shares. The Company amended the employment agreement during fiscal year; whereby as of July 31, 2014 all issuances of stock are vested; therefore, all compensation is recognized.

On August 28, 2011, the Company issued 5,000,000 shares of its Class A Convertible Preferred stock to its former Chief Financial Officer valued at \$0.0041 or \$20,500. The Company recognized this as compensation. On February 15, 2012, the former Chief Executive Officer converted 2,500,000 shares of preferred stock into 25,000,000 common shares. The Company amended the employment agreement during fiscal year; whereby as of July 31, 2014 all issuances of stock are vested; therefore, all compensation is recognized.

On February 19, 2013, the Company issued 5,000,000 shares of its Class A Convertible Preferred stock to its Chairman of the Board in exchange for 51,860,003 shares of the company's par value common stock.

On May 29, 2014, Minerco Resources, Inc. (the "Company") filed a Certificate of Designation to its Certificate of Incorporation with the Secretary of State of the State of Nevada setting forth the rights and preferences of the Series B Preferred Stock (the "Series B Shares"). The following is a summary of material provisions of the Series B Shares as set forth in the Certificate of Designations. The number of shares constituting Series B Preferred is 2,000,000. The Company has recognized \$54,904 in preferred stock dividends for the twelve months ended July 31, 2014.

Dividends

The Series B Shares accrue dividends at the rate per annum equal to 8% of the Stated Value which initially is ten dollars per share payable in cash; provided that after an initial public offering of the Company's common stock the dividends may be paid at the option of the Company in cash or additional shares of common stock.

Conversion

Each Series B Share (together with any accrued but unpaid dividends thereon) is convertible into shares of Common Stock at the option of the holder at any time at a conversion price per share equal to the sum of the Stated Value a divided by the Conversion Price, subject to adjustment as described below. The initial Conversion Price shall be equal to .02. The Series B Shares automatically convert to common stock immediately prior to the closing of a firmly underwritten public offering for gross offering proceeds of at least \$10,000,000 or upon the consent of two-thirds of the holders of Series B Shares.

Redemption

The Company has the right to redeem the Series B Shares at any time at a price per share equal to the Stated Value multiplied by 125%.

Liquidation

In the event of a liquidation, dissolution or winding up of the Company and other Liquidation Events as defined in the Certificate of Designations, holders of Series B Shares are entitled to receive from proceeds remaining after distribution to the Company's creditors and prior to the distribution to holders of Common Stock but junior to the Series A Preferred Stock the (x) Stated Value (as adjusted for any stock splits, stock dividends, reorganizations, recapitalizations and the like) held by such holder and (y) all accrued but unpaid dividends on such shares.

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Anti-Dilution

The Series B Shares are entitled to weighted average anti-dilution protection under certain circumstances specified in the Certificate of Designations.

Voting

Except as otherwise required by law and except as set forth below, holders of Series B Shares will, on an as-converted basis, vote together with the Common Stock as a single class. Each holder of Series B Shares is entitled to cast the number of votes equal to five times the number of shares of Common Stock into which such shares of Series B Shares could be converted at the record date for determining stockholders entitled to vote at the meeting.

On June 4, 2014, the Company entered into an Agreement (the “Exchange Agreement”) with V. Scott Vanis, an individual and a member of our Board of Directors (the “Vanis”), where, among other things, the Company and Vanis exchanged a certain Note (inclusive of the principal amount, accrued and unpaid interest owed and other amounts owed in respect to the Note) for shares of the Company’s Series B Preferred Stock. The Vanis and the Company exchanged the Note, dated July 23, 2012, in the principal amount of \$352,499 together with all interest and other amounts accrued thereon for the 105,000 shares of Series B Preferred Stock.

On June 4, 2014, the Company entered into an Agreement (the “Exchange Agreement”) with Ann Powers, an individual (the “Powers”), where, among other things, the Company and Powers exchanged a certain Note (Inclusive of the principal amount, accrued and unpaid interest owed and other amounts owed in respect to the Note) for shares of the Company’s Series B Preferred Stock. The Powers and the Company exchanged the Notes, dated September 27, 2013 in the principal amount of \$25,000 together with all interest and other documents amount accrued thereon for 6,000 shares of Series B Preferred Stock.

On June 4, 2014, the Company entered into an Agreement (the “Exchange Agreement”) with MSF International, Inc., a Belize Company (the “MSF”), where, among other things, the Company and MSF exchanged a certain Note (Inclusive of the principal amount, accrued and unpaid interest owed and other amounts owed in respect to the Note) for shares of the Company’s Series B Preferred Stock. The MSF and the Company exchanged the Notes, dated July 1, 2013, July 19, 2013, September 6, 2013 and October 1, 2013, respectively in the principal amount of \$25,000, \$60,000, \$20,000 and \$35,000, respectively together with all interest and other documents amount accrued thereon for 212,000 shares of Series B Preferred Stock.

On June 6, 2014, the Company entered into an Agreement (the “Exchange Agreement”) with LOMA Management Partners, LLC, a limited liability company domiciled in the State of New York (the “LOMA”), where, among other things, the Company and LOMA exchanged a certain Note (inclusive of the principal amount, accrued and unpaid interest owed and other amounts owed in respect to the Note) for shares of the Company’s Series B Preferred Stock. The LOMA and the Company exchanged the Notes, dated July 31, 2013, October 28, 2013, January 23, 2014 and April 23, 2014, respectively, in the principal amounts of \$46,400, \$85,000, \$20,000 and \$150,000, respectively, together with all interest and other amounts accrued thereon for 60,000 shares of Series B Preferred Stock.

Accrued interest of \$23,196 related to the above notes was exchanged into shares of the Company’s Series B Preferred Stock during the year ended July 31, 2014.

The market value of the preferred stock on the dates of conversion was \$3,458,300 and a loss of \$2,616,205 was recognized on the debt for equity conversions for the twelve months ended July 31, 2014.

7. Common Stock

During the fiscal year ended July 31, 2013, the Company issued 1,103,162,975 common shares for the conversion of \$320,210 convertible promissory notes. These notes converted at conversion rates between \$0.0001 and \$0.001.

On February 1, 2013, the Company issued 15,000,000 common shares to its Chief Executive Officer pursuant to the terms of his 3 year employment agreement. These shares were fair valued at \$19,500 and amortized over the employee service term. The Company expensed \$3,250 as stock based compensation during fiscal year 2013.

On May 20, 2013, the Company issued 15,000,000 common shares to its Chief Executive Officer to forgive \$24,500 of accrued salary. The fair value of these shares was determined to be \$12,000. Due to the accrual being due to a related party the Company did not record a gain of forgiveness of accrual.

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During fiscal year 2013, the Company issued 20,000,000 common shares for consulting services. The shares vested immediately. The fair value of these shares was determined to be \$38,500 and was expensed as stock compensation.

During the fiscal year 2013, a convertible promissory holder returned 2,845,000 of common share to the Company. The Company cancelled these shares and recorded the convertible debt of \$2,845 for the convertible notes payable.

During the fiscal year 2013, a consultant returned 83,334 of common share to the Company. The Company cancelled these shares.

During the twelve months ended July 31, 2014, the Company issued 1,267,751,661 common shares for the conversion of \$527,528 convertible promissory notes. These notes converted at conversion rates between \$0.0003 and \$0.004.

On August 22, 2013, the Company issued 10,000,000 common shares for consulting services. The shares vested immediately. The fair value of these shares was determined to be \$38,000 and was expensed as stock compensation.

On October 3, 2013, the Company issued 5,000,000 common shares for consulting services. The shares vested immediately. The fair value of these shares was determined to be \$20,500 and was expensed as stock compensation.

On April 8, 2014, the Company issued 2,000,000 common shares pursuant to a settlement agreement. The shares vested immediately. The fair value of these shares was determined to be \$34,800 and was expensed as stock compensation.

On May 29, 2014, the former Chief Executive Officer returned 30,000,000 of common shares to the Company in exchange for 53,000 shares of Series B Preferred stock.

On July 6, 2014, the Company issued 6,000,000 common shares in exchange for a note payable in the amount of \$25,566 including principal and interest with its subsidiary, Level 5 Beverage Company, Inc. The company recognized a loss \$35,634 on the debt for equity exchange.

On July 8, 2014, the Company issued 250,000 common shares pursuant to a consulting agreement. The shares vested immediately. The fair value of these shares were determined to be \$2,500 and was expensed as stock compensation.

During the twelve months ended July 31, 2014, a convertible promissory holder returned 3,000,000 of common share to the Company. The Company cancelled these shares and recorded the convertible debt of \$3,000 for the convertible notes payable.

8. Debt

During the year ended July 31, 2014, Level 5 received proceeds of \$50,000 from promissory notes. These notes have an interest rate of 10% and mature between July 6, 2014 and July 24, 2014. The total principal due as of July 31, 2014 is \$25,000.

On May 1, 2014, Minerco Resources, Inc. ("we" or the "Company") entered into an Agreement (the "Line of Credit") with Post Oak, LLC (the "Lender"), where, among other things, the Company and Lender entered into a Line of Credit Financing Agreement in the principal sum of up to Two Million Dollars (\$2,000,000.00), or such lesser amount as may be borrowed by the Company as Advances under this line of credit (the "Line of Credit"). As of July 31, 2014, the Company had \$1,000,000 outstanding under the line of credit.

The summary of the Line of Credit is as:

This Line of Credit shall bear interest at the rate of ten percent (10.00%) per annum.

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The entire outstanding principal amount of this Line of Credit shall be due and payable on April 30, 2016 (the “Maturity Date”).

Advances. Subject to the provisions of Section 2 below, the Company shall have the right, at any time or from time to time prior to the Maturity Date to request loans and advances from the Lender (individually an “Advance” and collectively, the “Advances”). Each such Advance shall be considered a legal promissory note, shall be in the amount of \$250,000, and shall be reflected on Schedule A to this Line of Credit and initialed as received by an officer or director of the Company. The Lender shall not be under any obligation to make advances under this Line of Credit.

Use of Proceeds. All proceeds received by the Company from each Advance made by the Lender under this Line of Credit shall be used by the Company for expenses incurred by the Company in connection with working capital and any other operating expenses determined to be necessary by the Company.

Interest Payments, Balloon Payment. Company shall pay interest at the rate of ten percent (10.00%) per annum, calculated on a per day basis for each Advance made by Lender, and Company shall make one interest payment in twelve (12) months and one interest payment in eighteen (18) months. Company shall make a payment for the entire unpaid balance of all Advances, plus any accrued unpaid interest, as per a “balloon” payment, in two (2) years from the date of the Line of Credit.

Security. As security for the Line of Credit, immediately upon the first Advance made by Lender to Company, Company shall cause and/or direct Preferred Class “C” Shares of Minerco Resources, Inc. (“MINE”) to be issued to Lender. The amount of shares shall be sufficient to provide adequate security to the Lender for any Advances made to Company, and shall be reasonably determined by the parties at a later date. Company shall contact its transfer agent Island Stock Transfer to initiate this issuance, with all proper corporate approvals. The Company has not yet created a Preferred Class C Shares.

9. Noncontrolling Interest

The Company owns 70.3% of its subsidiary Level 5 Beverage Company, Inc. The remaining 29.7% is owned by unrelated third parties. The net loss attributable to noncontrolling interest for the twelve months ended July 31, 2014 and 2013 was \$42,981 and 0 respectively.

10 Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has incurred a net operating loss of approximately \$3,700,000, which begins expiring in 2028. The Company has adopted ASC 740, “Accounting for Income Taxes”, as of its inception. Pursuant to ASC 740 the Company is required to compute tax asset benefits for non-capital losses carried forward. The potential benefit of the net operating loss has not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the loss carried forward in future years.

Significant components of the Company’s deferred tax assets and liabilities as at July 31, 2014 and 2013, after applying enacted corporate income tax rates, are as follows:

	July 31, 2014	July 31, 2013
Deferred income tax asset		
Net operating loss carry forward	\$ 1,295,000	\$ 990,000
Valuation allowance	(1,295,000)	(990,000)

Net deferred tax assets	\$	–	\$	–
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Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carryforwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carryforwards may be limited as to use in future years.

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11. Convertible note payable and derivative liabilities

During fiscal year 2013, the Company received proceeds of \$464,750 from convertible promissory notes. These notes carry interest rates between 5 % and 10%. The notes are convertible at variable conversion prices of between 35% and 50% of the market price and shall be calculated using the lowest trading days during the preceding 5 to 120 days before conversion. The total principal due at July 31, 2013 is \$426,075.

During fiscal year 2014, the Company received proceeds of \$799,500 from convertible promissory notes. These notes carry interest rates between 5 % and 10%. The notes are convertible at fixed conversion rates that range from \$0.0012 to \$0.004 or variable conversion prices between 45% and 60% of the market price and shall be calculated using the lowest trading days during the preceding 5 to 25 days before conversion of whichever is lower . The Company repaid \$189,000 of the convertible during the year ended July 31, 2014. The total principal due at July 31, 2014 is \$305,389 with an unamortized discount of \$124,149 at July 31, 2014.

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.

Derivative Liability:

The fair values of the three instruments were determined to be \$650,135 using a Black-Scholes option-pricing model. Upon the issuance dates of the Convertible Promissory Notes, \$799,655 was recorded as debt discount and \$1,734,572 was recorded as day one loss on derivative liability. During the year ended July 31, 2014 and 2013, the Company recorded a loss on mark-to-market of the conversion options of \$7,893,507 and a gain of \$503,107, respectively. As of July 31, 2014 and 2013, the aggregate unamortized discount is \$124,149 and \$298,764, respectively.

The following table sets forth by level with the fair value hierarchy the Company's financial assets and liabilities measured at fair value on July 31, 2014.

	Level 1	Level 2	Level 3	Total
Assets				
None	\$ -	\$ -	\$ -	\$ -
Liabilities				
Derivative Financial instruments	\$ -	\$ -	\$ 650,135	\$ 650,135

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, 2013.

	Level 1	Level 2	Level 3	Total
Assets				
None	\$ -	\$ -	\$ -	\$ -
Liabilities				
Derivative Financial instruments	\$ -	\$ -	\$ 1,537,510	\$ 1,537,510

The following table summarizes the derivative liabilities included in the consolidated balance sheet at July 31, 2014:

Balance at July 31, 2012	\$ 3,089,498
Debt discount	\$ 367,500

Day one loss on fair value	737,656
July 31, 2013 loss on change in fair value	(1,240,763)
Write off due to conversion	(1,416,381)
Balance at July 31, 2013	\$ 1,537,510
Debt discount	\$ 799,655
Day one loss on fair value	-
July 31, 2014 loss on change in fair value	7,893,507
Write off due to conversion	(9,580,537)
Balance at July 31, 2014	\$ 650,135

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Pursuant to ASC 815, “Derivatives and Hedging,” the Company recognized the fair value of the embedded conversion feature of all the notes of \$650,135 and \$1,537,510 at July 31, 2014 and 2013 respectively. The initial fair value of the derivative liability was determined using the Black Scholes option pricing model with a quoted market price of \$0.000560 to \$0.02, a conversion price of \$0.0001 to \$0.009, expected volatility of 25% to 462%, no expected dividends, an expected term of one year and a risk-free interest rate of 0.004% to 0.11% at July 31, 2014 and a quoted market price of \$0.0006 to \$0.0084, a conversion price of \$0.0001 to \$0.0025, expected volatility of 74% to 1581%, no expected dividends, an expected term of one year and a risk-free interest rate of 0.01% to 0.05% at July 31, 2013. The discount on the convertible loan is accreted over the term of the convertible loan. During the twelve months ended July 31, 2014 and 2013, the Company recorded accretion of \$990,184 and \$641,159 respectively.

The net loss recorded on the above derivative liabilities for the twelve months ended July 31, 2014 was \$7,893,507 and the net gain for the twelve months ended July 31, 2013 was \$503,107.

12. Commitments and Contingencies

Operating Leases

We have an operating lease for Arizona office. At July 31, 2014, total future minimum payments on our operating lease were as follows:

2015	\$12,016
2016	1,021
Total	\$13,037

Brand Licensing Agreements

VITAMINFIZZ®

On November 21, 2013, through our subsidiary, Level 5 Beverage Company, Inc. (“Licensee”), we entered into an Agreement with VITAMINFIZZ, L.P. (“Licensor”), a California Limited Partnership where the Licensee acquires the exclusive rights in North America to use VitaminFIZZ® on and in connection with the marketing, distribution and sale of the Brand. Level 5 agreed to pay a licensing fee of \$250,000 and no royalties shall be made to Licensor until such time as the aggregate royalty payments earned by Licensor exceed \$250,000. Licensor shall retain a 49% equity interest in all net revenue. A milestone payment of \$1,000,000 is due to Licensor when net sales exceed \$25,000,000.

VITAMIN CREAMER®

On June 24, 2014, Level 5 Beverage Company, Inc. (“Buyer”), a subsidiary of Minerco Resources, Inc. entered into an Agreement, effective June 20, 2014, with Vitamin Creamer LP (“Seller”), a limited partnership, where, among other things, Level 5 bought all right, title and interest to the (i) the Trademark “Vitamin Creamer”, and (ii) formulas and certain other intellectual property rights related to the Brand and the Products. The purchase price is \$100,000 of which \$50,000 was paid during 2014 and \$50,000 is due within 24 months after closing. Seller shall retain a 5% equity interest in all net profits.

Employment Agreements

On September 10, 2014, we entered into an exclusive employment agreement with V. Scott Vanis to serve as our Chief Executive Officer, President and Secretary.

The agreement is for a term of five years and one month beginning retroactively on July 9, 2014 and ending July 31, 2019. An Extension to the Term must be agreed upon in writing and executed by the Company and Mr. Vanis no later than 5 p.m. Eastern Standard Time on July 31, 2019.

Mr. Vanis will be paid a salary of \$225,000 per annum beginning on July 9, 2014. If revenues exceed \$25 million, then Mr. Vanis' salary will be increased to \$450,000 per annum. If revenues exceed \$50 million, then Mr. Vanis' salary will be increased to \$675,000 per annum.

Mr. Vanis was issued 500,000 shares of Series B Preferred stock, upon the effective date of the agreement.

If Mr. Vanis voluntarily terminates his employment with the Company or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy within 12 months of the date of the agreement, all shares granted will be cancelled. If Mr. Vanis voluntarily terminates his employment with the Company or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy after twelve months and before 24 months of the date of the agreement, Four Hundred Thousand (400,000) shares granted to him will be returned.

If Mr. Vanis voluntarily terminates his employment with the Company or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy after twenty four months and before 36 months of the date of the agreement, Three Hundred Thousand (300,000) s shares granted to him will be returned.

If Mr. Vanis voluntarily terminates his employment with the Company or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy after thirty six months and before 48 months of the date of the agreement, Two Hundred Thousand (200,000) shares granted to him will be returned.

If there is a sale of all or substantially all of the assets or a merger in which the Company is not the surviving entity, Mr. Vanis will be entitled to receive an additional amount of shares of common stock in the Company which would equal Five percent (5%) of the final value of the transaction.

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

On September 10, 2014, we entered into an exclusive employment agreement with Sam J Messina III to serve as our Chief Financial Officer, and Treasurer.

The agreement is for a term of five years and one month beginning retroactively on July 1, 2014 and ending July 31, 2019. An Extension to the Term must be agreed upon in writing and executed by the Company and Mr. Messina no later than 5 p.m. Eastern Standard Time on July 31, 2019.

Mr. Messina will be paid a salary of \$150,000 per annum beginning on July 1, 2014. If revenues exceed \$25 million, then Mr. Messina's salary will be increased to \$300,000 per annum. If revenues exceed \$50 million, then Mr. Messina's salary will be increased to \$450,000 per annum.

Mr. Messina was issued 500,000 shares of Series B Preferred stock, upon the effective date of the agreement.

If Mr. Messina voluntarily terminates his employment with the Company or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy within 12 months of the date of the agreement, all shares granted will be cancelled. If Mr. Messina voluntarily terminates his employment with the Company or if a

petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy after twelve months and before 24 months of the date of the agreement, Four Hundred Thousand (400,000) shares granted to him will be returned.

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If Mr. Messina voluntarily terminates his employment with the Company or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy after twenty four months and before 36 months of the date of the agreement, Three Hundred Thousand (300,000) shares granted to him will be returned.

If Mr. Messina voluntarily terminates his employment with the Company or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy after thirty six months and before 48 months of the date of the agreement, Two Hundred Thousand (200,000) shares granted to him will be returned.

If there is a sale of all or substantially all of the assets or a merger in which the Company is not the surviving entity, Mr. Messina will be entitled to receive an additional amount of shares of common stock in the Company which would equal Three percent (3%) of the final value of the transaction.

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

13. Subsequent Events

- a) On August 1, 2014, the Company issued 50,000,000 common shares for the conversion of \$12,500 pursuant to a convertible promissory note dated July 23, 2012.
- b) On August 5, 2014, the Company filed a Certificate of Amendment to its Articles of Incorporation with the Secretary of State of the State of Nevada to increase the authorized common stock to 3,500,000,000.
- c) On August 8, 2014, the Company issued 250,000 common shares pursuant to a consulting agreement.
- d) On August 19, 2014, through our subsidiary, Level 5 Beverage Company, Inc.(the "Supplier") ("Level 5"), we entered into an amended Agreement (the "Distribution Agreement – Exclusive Territory") with Drink King Distribution Company, Inc. ("Distributor"), a New Jersey Corporation ("Drink King") to exclusively distribute the entire product line under the Level 5 brand.
- e) On August 28, 2014, through our subsidiary, Level 5 Beverage Company, Inc.(the "Supplier") ("Level 5"), we entered into an amended Agreement (the "Distribution Agreement – Exclusive Territory") with Avanzar Sales and Distribution, LLC ("Distributor"), a California Limited Liability Company ("Avanzar") to exclusively distribute the entire product line under the Level 5 brand.
- f) On September 3, 2014, the Company issued 10,000,000 common shares pursuant to a consulting agreement.
- g) On September 3, 2014, the Company issued 21,666,666 common shares for the conversion of \$21,667 pursuant to a convertible promissory note dated March 3, 2014.
- h) On September 4, 2014, the Company issued 12,000,000 common shares pursuant to a consulting agreement.
- i) On September 4, 2014, the Company issued 8,000,000 common shares pursuant to a consulting agreement.
- j) On September 9, 2014, the Company issued 50,000,000 common shares for the conversion of \$12,500 pursuant to a convertible promissory note dated July 23, 2012.
- k)

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On September 10, 2014, the Company issued 500,000 shares of Class B Preferred to its Chief Executive Officer pursuant to his employment agreement.

- l) On September 10, 2014, the Company issued 500,000 shares of Class B Preferred to its Chief Financial Officer pursuant to his employment agreement.
- m) On September 11, 2014, the Company issued 25,000,000 common shares for the conversion of \$6,250 pursuant to a convertible promissory note dated July 23, 2012.

- n) On September 12, 2014, the Company issued 26,055,560 common shares for the conversion of \$26,056 pursuant to a convertible promissory note dated November 19, 2013.
- o) On September 16, 2014, the Company adopted its Key Employee and Distributor Incentive Plan.
- p) On September 16, 2014, the Company issued 500,000 common shares under its Key Employee and Distributor Incentive Plan.
- q) On September 16, 2014, the Company issued 500,000 common shares under its Key Employee and Distributor Incentive Plan.
- r) On September 30, 2014, the Company issued 50,000,000 common shares for the conversion of \$12,500 pursuant to a convertible promissory note dated July 23, 2012.
- s) On October 9, 2014, the Company issued 25,000,000 common shares for the conversion of \$6,250 pursuant to a convertible promissory note dated July 23, 2012.
- t) On October 10, 2014, the Company issued 68,632,000 common shares for the conversion of \$17,158 pursuant to a convertible promissory note dated July 23, 2012.
- u) On October 16, 2014, the Company issued 500,000 common shares pursuant to a consulting agreement.
- v) On October 21, 2014, the Company issued 2,005,269 common shares for the conversion of \$5,000 pursuant to a convertible promissory note dated March 31, 2014.
- w) On October 24, 2014, through our subsidiary, Level 5 Beverage Company, Inc., we entered into an Agreement with Avanzar Sales and Distribution, LLC (“Company”), a California Limited Liability Company (“Avanzar”) to acquire an initial thirty percent (30%) equity position and fifty-one percent (51%) voting interest for the Purchase Price of \$500,000 with a twenty-one percent (21%) Option and Second Option to acquire up to seventy-five percent (75%) of Avanzar. The Agreement is Effective as of September 15, 2014.
- x) On October 27, 2014, the Company issued 10,237,980 common shares for the conversion of \$25,000 pursuant to a convertible promissory note dated March 31, 2014.
- y) On October 29, 2014, the Company issued 25,000,000 common shares for the conversion of \$6,250 pursuant to a convertible promissory note dated July 23, 2012.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There have been no disagreements on accounting and financial disclosures from the inception of our company through the date of this Form 10-K. Our financial statements for the period from inception to July 31, 2014, included in this report have been audited by Malone Bailey LLP as set forth in this annual report.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosure. We conducted an evaluation (the “Evaluation”), under the supervision and with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures (“Disclosure Controls”) as of the end of the period covered by this report pursuant to Rule 13a-15 of the Exchange Act. Based on this Evaluation, our CEO and CFO concluded that our Disclosure Controls were not effective as of the end of the period covered by this report due to identified material weaknesses. Inasmuch as we only have one individuals serving as our officer, and employee we have determined that the Company has inadequate controls and procedures over financial reporting due to the lack of segregation of duties and lack of a formal review process that includes multiple levels of review, resulting in several audit adjustments related to derivative accounting, accounting of the Company’s convertible debt instruments, and write-off of assets. Management recognizes that its controls and procedures would be substantially improved if there was a greater segregation of the duties of Chief Executive Officer and Chief Financial Officer and as such is actively seeking to remediate this issue. Management believes that the material weakness in its controls and procedures referenced did not have an effect on our financial results.

Limitations on the Effectiveness of Controls

Our management, including our CEO and our CFO, does not expect that our Disclosure Controls and internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management or board override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention of overriding controls. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of July 31, 2014. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on our assessment, we believe that, as of July 31, 2014, the Company's internal control over financial reporting was not effective based on those criteria due to identified material weaknesses. Inasmuch as we only have two individuals serving as our Chief Executive Officer and Chief Financial Officer we have determined that the Company has, inadequate controls and procedures over financial reporting due to the lack of segregation of duties and lack of a formal review process that includes multiple levels of review, resulting in several audit adjustments related to derivative accounting, accounting of the Company's convertible debt instruments, and write-off of assets.. Management recognizes that its controls and procedures would be substantially improved if there was a greater segregation of the duties of Chief Executive Officer and Chief Financial Officer and as such is actively seeking to remediate this issue. Management believes that the material weakness in its controls and procedures referenced did not have an effect on our financial results.

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

Changes in Internal Controls

There were no changes in our internal control over financial reporting during the quarter ended July 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Officers and Directors

V. Scott Vanis and Sam J Messina III are our directors. Our directors serve until his or her successor is elected and qualified. Officers are elected by the board of directors for a term of one (1) year and serve until their successor is duly appointed, or until he or she resigns. We have no nominating, auditing or compensation committees.

The name, address, age and position of our present sole officer and sole director is set forth below:

Name and Address	Age	Position(s)
V. Scott Vanis	37	Chairman of the Board of Directors, Chief Executive Officer, President and Secretary
Sam J Messina III	35	Member of the Board of Directors, Chief Financial Officer, and Treasurer

Background of officers and directors

V Scott Vanis, Chairman of the Board of Directors

From March 23, 2010 to September 21, 2012 and from July 9, 2014 to current, V. Scott Vanis served as our President, Chief Executive Officer, Chief Financial Officer, and since March 23, 2010 he has served as a member of the Board of Directors. From May of 2007 to the present, Mr. Vanis has served as President of TC Energy International, SA, which provides international finance and acquisition services to energy companies, national oil companies and foreign governments. Mr. Vanis facilitated the identification, acquisition and financing of high-value properties in Latin and South America. From June 2003 to the present Mr. Vanis, has served as President of VSV Resources, LLC providing engineering consulting services to exploration and production companies, energy companies, national oil companies and foreign governments. He specialized in complicated, high risk operational procedures throughout the world. During his tenure with VSV, Mr. Vanis has also served as a liaison consultant to Central American governments to evaluate potential energy reserves and projects in their respective countries. From June of 2001 to June of 2003, Mr. Vanis was a Staff Petroleum Engineer with Pinnacle Technologies, Inc. and from June of 2000 through June of 2001 he served BJ Services, Inc. as a Field Petroleum Engineer. Mr. Vanis holds of Bachelor of Science in Petroleum Engineering from The University of Tulsa.

Mr. Vanis has extensive public company experience. He also has extensive experience in the energy sector and business administration of our company, with a focus in specialized operational and energy related financial services. Having served in senior corporate positions at companies involved in the energy sector, he has a vast knowledge of the alternative energy industry. His prior business experience also provides him with a broad understanding of the operational, financial and strategic issues facing public companies.

Sam Messina III, Chief Financial Officer, Treasurer and Member of the Board of Directors

From July 26, 2010 to July 23, 2012 and from July 1, 2014 served as our Chief Financial Officer, Treasurer and member of the Board of Directors. From July 26, 2010 to July 23, 2012, Mr. Messina also served as our

Secretary. From June 2012 to July 2014, Mr. Messina worked at Workiva, LLC formerly known as Webfilings, LLC in their Professional Services Team. Mr. Messina worked at Alternative Energy Development Corporation (ADEC:OTCBB) as Chief Financial Officer and Director from November 2009 to September 2010. He previously worked at Qualcomm, Inc. (QCOM:NASD) at various roles within their accounting and finance team from October 2006 to November 2009. Prior to that Mr. Messina served as the Chief Financial Officer of Pop3 Media Corp. (POPT:OTCBB) from July 2004 to July 2006. Mr. Messina holds a B.A. degree in Finance from the Loyola University Chicago and is a Certified Public Accountant in the State of California. Mr. Messina filed a Chapter 7 bankruptcy on October 26, 2012 which was subsequently discharged on February 22, 2013.

Mr. Messina brings to the Board extensive knowledge of the corporate accounting and finance and XBRL having served in senior corporate executive positions. His prior business and financial experience provides him with a broad understanding of the operational, financial and strategic issues facing public companies.

William Juarez, Jr., President of Avanzar Sales and Distribution, LLC

From March 2012 to current, William Juarez, Jr. served as the President of Avanzar Sales and Distribution, LLC ("Avanzar"). Mr Juarez was also one of the co-founders of Avanzar where he was instrumental in forming and implementing its vision for the next generation of representation and distribution model for fast moving consumer goods ("FMCG"). The model is defined to be full scale national brokerage including regional in houses direct store delivery ("DSD"). He has helped the company grow from revenue of approximately \$1.1 million in 2012 to an anticipated \$2.7 million in 2014. From Jan 2001 to February 2012, Mr. Juarez worked at Energized Distribution, LLC ("Energized"). He first served as the General Manager from January 2001 to December 2007 then as the Managing Partner from January 2008 to February 2012. He helped lead the company from a start-up to the widely recognized gold standard for Red Bull Distribution in North America which generated in revenues in excess of \$70 million annually while directing a staff of over 150 employees. Energized represented and/or distributed many top tier and emerging brands including Red Bull, Nestle Chilled Beverages, Voss Water, Langers Juice, Fuze, Honest Tea, Izze, Calypso Lemonades, Jarritos Soda's, Muscle Milk and Vitamin Water.

Mr. Juarez has extensive FMCG distribution experience. Having served in leadership positions at companies involved in the distribution business, he has a vast knowledge of the beverage industry. His prior business experience also provides him with a broad understanding of the operational, financial and strategic issues facing beverage manufacturers and distributors.

On September 10, 2014, we entered into an exclusive employment agreement with V. Scott Vanis to serve as our Chief Executive Officer, President and Secretary.

The agreement is for a term of five years and one month beginning retroactively on July 9, 2014 and ending July 31, 2019. An Extension to the Term must be agreed upon in writing and executed by the Company and Mr. Vanis no later than 5 p.m. Eastern Standard Time on July 31, 2019.

Mr. Vanis will be paid a salary of \$225,000 per annum beginning on July 9, 2014. If revenues exceed \$25 million, then Mr. Vanis' salary will be increased to \$450,000 per annum. If revenues exceed \$50 million, then Mr. Vanis' salary will be increased to \$675,000 per annum.

Mr. Vanis was issued 500,000 shares of Series B Preferred stock, upon the effective date of the agreement.

If Mr. Vanis voluntarily terminates his employment with the Company or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy within 12 months of the date of the agreement, all shares granted will be cancelled. If Mr. Vanis voluntarily terminates his employment with the Company or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy after twelve months and before 24 months of the date of the agreement, Four Hundred Thousand (400,000) shares granted to him will be returned.

If Mr. Vanis voluntarily terminates his employment with the Company or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy after twenty four months and before 36 months of the date of the agreement, Three Hundred Thousand (300,000) shares granted to him will be returned.

If Mr. Vanis voluntarily terminates his employment with the Company or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy after thirty six months and before 48 months of the date of the agreement, Two Hundred Thousand (200,000) shares granted to him will be returned.

If there is a sale of all or substantially all of the assets or a merger in which the Company is not the surviving entity, Mr. Vanis will be entitled to receive an additional amount of shares of common stock in the Company which would equal five percent (5%) of the final value of the transaction.

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

On September 10, 2014, we entered into an exclusive employment agreement with Sam J Messina III to serve as our Chief Financial Officer, and Treasurer.

The agreement is for a term of five years and one month beginning retroactively on July 1, 2014 and ending July 31, 2019. An Extension to the Term must be agreed upon in writing and executed by the Company and Mr. Messina no later than 5 p.m. Eastern Standard Time on July 31, 2019.

Mr. Messina will be paid a salary of \$150,000 per annum beginning on July 1, 2014. If revenues exceed \$25 million, then Mr. Messina's salary will be increased to \$300,000 per annum. If revenues exceed \$50 million, then Mr. Messina's salary will be increased to \$450,000 per annum.

Mr. Messina was issued 500,000 shares of Series B Preferred stock, upon the effective date of the agreement.

If Mr. Messina voluntarily terminates his employment with the Company or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy within 12 months of the date of the agreement, all shares granted will be cancelled. If Mr. Messina voluntarily terminates his employment with the Company or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy after twelve months and before 24 months of the date of the agreement, Four Hundred Thousand (400,000) shares granted to him will be returned.

If Mr. Messina voluntarily terminates his employment with the Company or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy after twenty four months and before 36 months of the date of the agreement, Three Hundred Thousand (300,000) shares granted to him will be returned.

If Mr. Messina voluntarily terminates his employment with the Company or if a petition for Chapter 7 bankruptcy is filed by the Company resulting in an adjudication of bankruptcy after thirty six months and before 48 months of the date of the agreement, Two Hundred Thousand (200,000) shares granted to him will be returned.

If there is a sale of all or substantially all of the assets or a merger in which the Company is not the surviving entity, Mr. Messina will be entitled to receive an additional amount of shares of common stock in the Company which would equal three percent (3%) of the final value of the transaction.

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

Audit Committee Financial Expert

We do not have an audit committee financial expert. We do not have an audit committee financial expert because we believe the cost related to retaining a financial expert at this time is prohibitive. Further, because we are only beginning our commercial operations, at the present time, we believe the services of a financial expert are not warranted. Although our securities are not listed on the Nasdaq, when determining independence we use the Nasdaq definition of independence. Our board member is not "independent" in accordance with rule 4200(a)(14) of the Nasdaq Marketplace Rules. The board of directors believes that its member is financially literate and experienced in business matters and is capable of (1) understanding generally accepted accounting principles ("GAAP") and financial statements, (2) assessing the general application of GAAP principles in connection with our accounting for estimates, accruals and reserves, (3) analyzing and evaluating our financial statements, (4) understanding our internal controls and procedures for financial reporting, and (5) understanding audit committee functions, all of which are attributes of an audit committee financial expert. The board of directors believes that its board is able to fulfill its role under SEC regulations despite not having a designated "audit committee financial expert."

Code of Ethics

We have adopted a corporate code of ethics. We believe our code of ethics is reasonably designed to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of code violations; and provide accountability for adherence to the code. A copy of the code of ethics is filed on our website at www.minercoresources.com.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our officers, directors, and persons who beneficially own more than 10% of our common stock to file reports of securities ownership and changes in such ownership with the Securities and Exchange Commission ("SEC"). Officers, directors and greater than 10% beneficial owners are also required by rules promulgated by the SEC to furnish us with copies of all Section 16(a) forms they file.

Based solely upon a review of the copies of such forms furnished to us, or written representations that no Form 5 filings were required, we believe that during the fiscal year ended July 31, 2014, there was compliance with all Section 16(a) filing requirements applicable to our officers, directors and greater than 10% beneficial owners.

ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth the compensation paid by us for the last two years through July 31, 2014, for our officers. This information includes the dollar value of base salaries, bonus awards and number of stock options granted, and certain other compensation, if any. The compensation discussed addresses all compensation awarded to, earned by, or paid to our named executive officer.

Summary Compensation Table

Name And Principal Position (a)	Year (b)	Salary (US\$) (c)	Bonus (US\$) (d)	Stock Awards (US\$) (e)	Option Awards (US\$) (f)	Equity Incentive Plan Compensation (US\$) (g)	Deferred Compensa- tion Earnings (US\$) (h)	All Other Compensa- tion (US\$) (i)	Total (US\$) (j)
John Powers, (former) CEO, President	2014	79,500	0	0	0	0	0	0	\$79,500
	2013	17,500	0	27,750 (1)	0	0	0	0	\$43,250
V. Scott Vanis, Chairman President, CEO, Secretary	2014	13,911	0	0	0	0	0	0	13,911
	2013	0	0	0	0	0	0	0	0
Sam Messina III CFO, Treasurer	2014	12,500	0	0	0	0	0	0	12,500
	2013	0	0	0	0	0	0	0	0

(1) Stock Award for John Powers include conversion of \$24,500 of salary into common stock. Mr. Powers resigned as our Chief Executive Officer on July 9, 2014.

(2) Mr. Vanis was appointed our Chief Executive Officer on July 9, 2014.

(3) Mr. Messina was appointed our Chief Financial Officer on July 1, 2014.

* The addresses of each of the executive officers is c/o 800 Bering Drive, Suite 201, Houston, Texas 77057.

The Company did not award any stock options or SAR grants, as of July 31, 2014.

The following table sets forth the compensation paid by us from to our directors for the year ending July 31, 2014. This information includes the dollar value of base salaries, bonus awards and number of stock options granted, and certain other compensation, if any. The compensation discussed addresses all compensation awarded to, earned by, or paid to our named director.

Director Compensation

Fees

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Name (a)	Earned Or Paid in Cash (US\$) (b)	Stock Awards (US\$) (c)	Option Awards (US\$) (d)	Non-Equity Incentive Plan Compensation (US\$) (e)	Nonqualified Deferred Compensation Earnings (US\$) (f)	All Other Compensation (US\$) (g)	Total (US\$) (h)
V. Scott Vanis	0	0	0	0	0	0	0
Sam J Messina III	0	0	0	0	0	0	0

Our directors do not receive any compensation for serving as a member of the board of directors.

There are no other stock option plans, retirement, pension, or profit sharing plans for the benefit of our officers and directors other than as described herein.

Long-Term Incentive Plan Awards

On September 16, 2014, the Company adopted its Key Employee and Distributor Incentive Plan.

On September 10, 2014, we entered into an employment agreement with both our Chief Executive Officer and our Chief Financial Officer.

Indemnification

Under our Bylaws, we may indemnify an officer or director who is made a party to any proceeding, including a law suit, because of his position, if he acted in good faith and in a manner he reasonably believed to be in our best interest. We may advance expenses incurred in defending a proceeding. To the extent that the officer or director is successful on the merits in a proceeding as to which he is to be indemnified, we must indemnify him against all expenses incurred, including attorney's fees. With respect to a derivative action, indemnity may be made only for expenses actually and reasonably incurred in defending the proceeding, and if the officer or director is judged liable, only by a court order. The indemnification is intended to be to the fullest extent permitted by the laws of the State of Nevada.

Regarding indemnification for liabilities arising under the Securities Act of 1933, which may be permitted to directors or officers under Nevada law, we are informed that, in the opinion of the Securities and Exchange Commission, indemnification is against public policy, as expressed in the Act and is, therefore, unenforceable.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth, as of the date of this report, the total number of common shares owned beneficially by each of our directors, officers and key employees, individually and as a group, and the present owners of 5% or more of our total outstanding shares. The stockholders listed below have direct ownership of his/her shares and possess voting and dispositive power with respect to the shares. The share calculations are based upon 2,828,777,176 shares of common stock outstanding as of October 31, 2014.

Name and Address Beneficial Owner	Number of Shares	Percentage of Ownership	Voting Power 3
V. Scott Vanis 1	3,069,540,001	26.9 %	38.8 %
Sam J Messina III 2	1,250,000,000	8.1 %	15.8 %
All Officers and Directors as a Group	4,319,540,001	35.0 %	54.6 %

[1] V. Scott Vanis is our Chairman of the Board of Directors and our Chief Executive Officer, President and Secretary. Includes 57,040,001 shares for common stock, of which 47,000,000 shares are held by Vanis Education Trust. Includes 15,000,000 shares of Class A Convertible Preferred stock that is entitled to 100 votes per share (an aggregate of 1,500,000,000 votes) and converts to common stock at a ratio of 10 to 1. Also Includes 605,000 shares of Class B Preferred stock that is entitled to 2,500 votes per share (an aggregate of 1,512,500,000 votes) and converts to common stock at a ratio of 500 to 1.

[2] Sam J Messina III is a member of the Board of Directors and our Chief Financial Officer and Treasurer. Includes 500,000 shares of Class B Preferred stock that is entitled to 2,500 votes per share (an aggregate of 1,250,000,000 votes) and converts to common stock at a ratio of 500 to 1.

[3] Based on 7,918,777,176 votes including 2,828,777,176 shares of common stock, 1,500,000,000 Class A Convertible Preferred stock votes and 3,590,000,000 Class B Preferred Stock votes.

The following table sets forth, as of the date of this report, the total number of Class A Convertible Preferred shares owned beneficially by each of our directors, officers and key employees, individually and as a group, and the present owners of 5% or more of our total outstanding shares. The Class A Convertible Preferred shares are entitled to 100 votes per share and convert to common shares at a ratio of 10 to 1. The stockholders listed below have direct ownership of his/her shares and possess voting and dispositive power with respect to the shares.

Name and Address Beneficial Owner	Number of Shares	Percentage of Ownership
V. Scott Vanis [1]	15,000,000	100.00%
All Officers and Directors as a Group	15,000,000	100.00%

[1] V. Scott Vanis is our Chairman of the Board of Directors, President, CEO and Secretary.

The following table sets forth, as of the date of this report, the total number of Class B Preferred shares owned beneficially by each of our directors, officers and key employees, individually and as a group, and the present owners of 5% or more of our total outstanding shares. The Class B Preferred shares are entitled to 2,500 votes per share and convert to common shares at a ratio of 500 to 1. The stockholders listed below have direct ownership of his/her shares and possess voting and dispositive power with respect to the shares.

Name and Address Beneficial Owner	Number of Shares	Percentage of Ownership
V. Scott Vanis [1]	605,000	42.1 %
Sam J Messina III [2]	500,000	34.8 %
John Powers [3]	53,000	3.7 %
All Officers and Directors as a Group	1,158,000	80.6 %

[1] V. Scott Vanis is our Chairman of the Board of Directors, President, CEO and Secretary.

[2] Sam J Messina III is a member of our Board of Directors and CFO and Treasurer.

[3] John Powers is our former Chief Executive Officer, President, Chief Financial Officer, Seretary and Treasurer.

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

On July 23, 2012, the Company entered into a Securities Purchase Agreement and Convertible Promissory Note between the Company and its former Chief Executive Officer and former Chief Financial Officer for \$320,301 and \$267,998, respectively. The convertible notes carry a 5% rate of interest and are convertible into common stock at a variable conversion price of 50% of the market price which shall be calculated as the lowest day during the preceding 5 days before conversion. The Convertible Promissory Notes are due on January 23, 2012. The Convertible Promissory Notes are due on to former Chief Financial Officer for \$267,998 has been assigned to former Chief Executive officer as of July 23, 2012. On July 23, 2012, the Company entered into a Securities Purchase Agreement and Convertible Promissory Note between the Company and its former Chief Executive Officer for \$588,299. 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. On June 4, 2014, the Company and its Chief Executive Officer exchanged the note in the principal amount of \$352,499 together with all interest and other amounts accrued thereon for 105,000 shares of Series B Preferred Stock.

On November 1, 2012, the Company paid \$2,500 to a family member of the Chairman of the Board of Directors for professional services provided.

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

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

(1) Audit Fees

The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for our audit of annual financial statements and review of financial statements included in our Form 10-Qs or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years was:

2014	\$ 43,169	Malone Bailey LLP
2013	\$ 41,470	Malone Bailey LLP

(2) Audit-Related Fees

The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountants that are reasonably related to the performance of the audit or review of our financial statements and are not reported in the preceding paragraph:

2014	\$ -0-	Malone Bailey LLP
2013	\$ -0-	Malone Bailey LLP

(3) Tax Fees

The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning was:

2014	\$ -0-	Malone Bailey LLP
2013	\$ -0-	Malone Bailey LLP

(4) All Other Fees

The aggregate fees billed in each of the last two fiscal years for the products and services provided by the principal accountant, other than the services reported in paragraphs (1), (2), and (3) was:

2014	\$ -0-	Malone Bailey LLP
2013	\$ -0-	Malone Bailey LLP

(5) Currently, we have no independent audit committee. Our full board of directors functions as our audit committee and is comprised of one director who is not considered to be "independent" in accordance with the requirements of Rule 10A-3 under the Exchange Act. Our audit committee's pre-approval policies and procedures described in paragraph (c)(7)(i) of Rule 2-01 of Regulation S-X were that the audit committee pre-approve all accounting related activities prior to the performance of any services by any accountant or auditor.

(6) The percentage of hours expended on the principal accountant's engagement to audit our financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full

time, permanent employees was 0%.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Exhibit	Document Description	Incorporated by reference			Filed herewith
		Form	Date	Number	
3.1	Articles of Incorporation.	S-1	12/10/08	3.1	
3.2	Bylaws.	S-1	12/10/08	3.2	
3.3	Amendment to Articles of Incorporation	8-K	1/13/11	3.1	
4.1	Instrument Defining the Rights of Shareholders – Form of Share Certificate	S-1	12/10/08	4	
10.1	Notice of Prepayment of Note to Asher Enterprises, Inc. dated August 27, 2013	8-K	8/29/13	10.1	
10.2	Return of Asset Agreement with ROTA Inversiones dated September 20, 2013	8-K	9/23/13	10.1	
10.3	Notice of Prepayment of Note to Asher Enterprises, Inc. dated October 29, 2013	8-K	11/4/13	10.1	
10.4	Securities Purchase Agreement with LG Capital Funding LLC dated August 27, 2013	10-K	11/13/13	10.26	
10.5	Securities Purchase Agreement with Ann Powers dated September 27, 2013	10-K	11/13/13	10.27	
10.6	Convertible Promissory Note with Braeden Storm Enterprises dated October 1, 2013	10-K	11/13/13	10.28	
10.7	Securities Purchase Agreement with LG Capital Funding LLC dated October 16, 2013	10-K	11/13/13	10.29	
10.8	Convertible Promissory Note issued to Jim Erickson, dated November 13, 2013	10-Q	12/23/13	10.1	
10.9	Convertible Promissory Note issued to JMJ Financial, dated November 20, 2013	10-Q	12/23/13	10.2	
10.10	Convertible Promissory Note issued to CCR Capital, LLC, dated November 20, 2013	10-Q	12/23/13	10.3	
10.11	Convertible Promissory Note issued to LOMA Management Partners, LLC, dated October 28, 2013	10-Q	12/23/12	10.4	

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10.12	Brand License Agreement with VITAMINFIZZ, L.P., dated November 21, 2013	8-K	12/5/13	10.1
10.13	Securities Purchase Agreement with LG Capital LLC dated December 19, 2013	10-Q	3/24/14	10.1
10.14	Convertible Promissory Note with LOMA Manaagement Partners, LLC, dated January 23, 2014	10-Q	3/24/14	10.2
10.15	Convertible Promissory Note with CCR Capital, LLC dated February 18, 2014	10-Q	3/24/14	10.3
10.16	Securities Purchase Agreement with Micaddan Consulting dated March 3, 2014	10-Q	6/23/14	10.1

10.17	Securities Purchase Ageement with Union Capital, LLC, dated April 9, 2014	10-Q	6/23/14	10.2
10.18	Securities Purchase Agreement with LOMA Management Partners, LLC, dated April 23, 2014	8-K	6/9/14	10.8
10.19	Line of Credit with Post Oak, LLC, dated May 1, 2014	8-K	5/7/14	10.1
10.20	Mutual Release and Termination Agreement, effective as of March 1, 2014	8-K	4/8/14	10.1
10.21	Notice of Prepayment of Note to LG Capital Funding, LLC, dated April 8, 2014	8-K	4/9/14	10.1
10.22	Notice of Prepayment of Note to LG Capital Funding, LLC, dated April 9, 2014	8-K	4/10/14	10.1
10.23	Assignment of Notes between Braeden Storm Enterprises and MSF International, Inc.	8-K	4/15/14	10.1
10.24	MSF International Exchange Agreement, dated April 15, 2014	8-K	4/15/14	10.1
10.25	MSF International Exchange Convertible Promissory Note, dated April 15, 2014	8-K	4/15/14	10.4
10.26	MSF International Exchange Agreement, dated April 15, 2014	8-K	4/15/14	10.5
10.27	MSF International Exchange Convertible Promissory Note, dated April 15, 2014	8-K	4/15/14	10.7
10.28	Certificate of Designations for Series B Preferred Stock	8-K	6/2/14	10.1
10.29	Exchange Agreement, Minerco – Vanis, dated June 4, 2014	8-K	6/6/14	10.1
10.30	Exchange Agreement, Minerco – Powers, dated June 4, 2014	8-K	6/6/14	10.3
10.31	Exchange Agreement, Minerco – MSF1, dated June 4, 2014	8-K	6/6/14	10.5
10.32	Exchange Agreement, Minerco – MSF2, dated June 4, 2014	8-K	6/6/14	10.8
10.33	Exchange Agreement, Minerco – MSF3, dated June 4, 2014	8-K	6/6/14	10.10
10.34	Exchange Agreement, Minerco – MSF4, dated June 4, 2014	8-K	6/6/14	10.12
10.35		8-K	6/9/14	10.1

	Exchange Agreement, Minerco – LOMA1, dated June 6, 2014			
10.36	Exchange Agreement, Minerco – LOMA2, dated June 6, 2014	8-K	6/9/14	10.3
10.37	Exchange Agreement, Minerco – LOMA3, dated June 6, 2014	8-K	6/9/14	10.5
10.38	Exchange Agreement, Minerco – LOMA4, dated June 6, 2014	8-K	6/9/14	10.7
10.39	Asset Purchase Agreement, Vitamin Creamer, dated June 20, 2014	8-K	6/25/14	10.1

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10.40	Intellectual Property Assignment Agreement, Vitamin Creamer, dated June 20, 2014	8-K	6/25/14	10.2	
10.41	Public Relations Agreement with Spelling Communications, dated July 7, 2014	8-K	6/25/14	10.1	
10.42	Exclusive Territory Distribution Agreement with Drink King Distributing Company, Inc.	8-K	9/3/14	10.1	
10.43	Exclusive Territory Distribution Agreement with Avanzar Sales and Distribution, LLC	8-K	9/3/14	10.2	
<u>10.44</u>	Premium Brand Management Agreement with New World Consultants, LLC, dated July 1, 2014				X
10.45	Social Media, Marketing and Advertising Consulting Agreement with Jake Counselbaum, dated July 8, 2014				X
10.46	Employment Agreement with V. Scott Vanis dated September 10, 2014				X
10.47	Employment Agreement with Sam J Messina III, dated September 10, 2014				X
<u>10.48</u>	Key Employee and Distributor Incentive Plan				X
10.49	Membership Interest Purchase Agreement for Avanzar Sales and Distribution, LLC, dated October 24, 2014	8-K	10/27/2014	10.1	
<u>10.50</u>	Brand Licensing Agreement VITAMINFIZZ, L.P., dated June 25, 2014				X
<u>31.1</u>	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
<u>31.2</u>	Certification of Principal Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
<u>32.1</u>	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
<u>32.2</u>	Certification of Principal Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
EX-101.INS	XBRL INSTANCE DOCUMENT				X
EX-101.SCH	XBRL TAXONOMY EXTENSION SCHEMA				X

EX-101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE	X
EX-101.LAB	XBRL TAXONOMY EXTENSION LABEL LINKBASE	X
EX-101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE	X
EX-101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE	X

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing of this Form 10-K and has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 7th day of November, 2014.

MINERCO RESOURCES INC.

BY: /s/ V. Scott Vanis
V. Scott Vanis, President,
Principal Executive Officer,
Secretary and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following person on behalf of the Registrant and in the capacities.

Signature	Title	Date
/s/ V. Scott Vanis V. Scott Vanis	Director	November 7, 2014
/s/ Sam J Messina III Sam J Messina III	Director	November 7, 2014

EXHIBIT INDEX

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10.38	Exchange Agreement, Minerco – LOMA4, dated June 6, 2014	8-K	6/9/14	10.7
10.39	Asset Purchase Agreement, Vitamin Creamer, dated June 20, 2014	8-K	6/25/14	10.1

10.40	Intellectual Property Assignment Agreement, Vitamin Creamer, dated June 20, 2014	8-K	6/25/14	10.2	
10.41	Public Relations Agreement with Spelling Communications, dated July 7, 2014	8-K	6/25/14	10.1	
10.42	Exclusive Territory Distribution Agreement with Drink King Distributing Company, Inc.	8-K	9/3/14	10.1	
10.43	Exclusive Territory Distribution Agreement with Avanzar Sales and Distribution, LLC	8-K	9/3/14	10.2	
<u>10.44</u>	Premium Brand Management Agreement with New World Consultants, LLC, dated July 1, 2014				X
10.45	Social Media, Marketing and Advertising Consulting Agreement with Jake Counselbaum, dated July 8, 2014				X
10.46	Employment Agreement with V. Scott Vanis dated September 10, 2014				X
10.47	Employment Agreement with Sam J Messina III, dated September 10, 2014				X
<u>10.48</u>	Key Employee and Distributor Incentive Plan				X
10.49	Membership Interest Purchase Agreement for Avanzar Sales and Distribution, LLC, dated October 24, 2014	8-K	10/27/2014	10.1	
<u>10.50</u>	Brand Licensing Agreement VITAMINFIZZ, L.P., dated June 25, 2014				X
<u>31.1</u>	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
<u>31.2</u>	Certification of Principal Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
<u>32.1</u>	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
<u>32.2</u>	Certification of Principal Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
EX-101.INS	XBRL INSTANCE DOCUMENT				X
EX-101.SCH	XBRL TAXONOMY EXTENSION SCHEMA				X

EX-101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE	X
EX-101.LAB	XBRL TAXONOMY EXTENSION LABEL LINKBASE	X
EX-101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE	X
EX-101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE	X