

Minerco Resources, Inc.
Form 10-Q
March 22, 2010

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

FORM 10-Q

QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JANUARY 31, 2010

OR

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

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)

7999 Rue Chouinard
Lasalle, Quebec
Canada H8N 2E5
(Address of principal executive offices, including zip code.)

(514) 461-1375
(telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 last 90 days.

YES NO

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," "non-accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 55,257,500 as of March 22, 2010.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

Minerco Resources, Inc.
(An Exploration Stage Company)
January 31, 2010
(Unaudited)

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Minerco Resources, Inc.
 (An Exploration Stage Company)
 Balance Sheets
 (unaudited)

| | January 31, 2010 | July 31, 2009 |
|---|---------------------|------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$3,664 | \$18,524 |
| Total Assets | \$3,664 | \$18,524 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$6,585 | \$20,257 |
| Due to Officer | 14,935 | - |
| Total Liabilities | 21,520 | 20,257 |
| Stockholders' Deficit | | |
| Common stock, \$0.001 par value, 75,000,000 shares authorized, 55,257,500 shares issued and outstanding | 55,257 | 55,257 |
| Additional paid-in capital | 55,257 | 55,257 |
| Deficit accumulated during the exploration stage | (128,370) | (112,247) |
| Total Stockholders' Deficit | (17,856) | (1,733) |
| Total Liabilities and Stockholders' Deficit | \$3,664 | \$18,524 |

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

Minerco Resources, Inc.
 (An Exploration Stage Company)
 Statements of Expenses
 (unaudited)

| | Three Months Ended January 31, 2010 | Three Months Ended January 31, 2009 | Six Months Ended January 31, 2010 | Six Months Ended January 31, 2009 | Period from June 21, 2007 (Date of Inception) to January 31, 2010 |
|---|--|--|--|--|--|
| General and Administrative | \$ 15,891 | \$ 14,278 | \$ 29,123 | \$ 27,931 | \$ 111,370 |
| Impairment of Note Receivable | - | - | - | - | 30,000 |
| Loan Recovery | (8,000) | - | (13,000) | - | (13,000) |
| Net Loss | \$ (7,891) | \$ (14,278) | \$ (16,123) | \$ (27,931) | \$ (128,370) |
| Net Loss Per Common Share – Basic and Diluted | \$ (0.00) | \$ (0.00) | \$ (0.00) | \$ (0.00) | N/A |
| Weighted Average Common Shares Outstanding | 55,257,500 | 55,257,500 | 55,257,500 | 54,442,283 | N/A |

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

Minerco Resources, Inc.
(An Exploration Stage Company)
Statements of Cash Flows
(unaudited)

| | Six Months Ended January 31, 2010 | Six Months Ended January 31, 2009 | Period from June 21, 2007 (Date of Inception) to January 31, 2010 |
|---|--|--|--|
| Cash Flows from Operating Activities | | | |
| Net loss for the period | \$(16,123) | \$(27,931) | \$(128,370) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Impairment of notes receivable: | – | – | 30,000 |
| Accounts payable and accrued liabilities | (13,672) | (10,574) | 6,585 |
| Net Cash Used in Operating Activities | (29,795) | (38,505) | (91,785) |
| Cash Flows from Investing Activities | | | |
| Loan to third party | – | – | (10,000) |
| Net Cash Used in Investing Activities | – | – | (10,000) |
| Cash Flows from Financing Activities | | | |
| Proceeds from issuance of common stock | – | 5,000 | 90,514 |
| Proceeds from related party debt | 14,935 | – | 14,935 |
| Net Cash Provided by Financing Activities | – | 5,000 | 105,449 |
| Net change in cash | (14,860) | (33,505) | 3,664 |
| Cash, Beginning of Period | 18,524 | 78,210 | – |
| Cash, End of Period | \$3,664 | \$44,705 | \$3,664 |
| Supplemental disclosures of cash flow information | | | |
| Cash paid for interest | – | – | – |
| Cash paid for income taxes | – | – | – |

Non cash investing and financing activities:

| | | | |
|---|-----|----------|----------|
| Common stock issued for note receivable | \$- | \$20,000 | \$20,000 |
|---|-----|----------|----------|

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

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Minerco Resources, Inc.
(An Exploration Stage Company)
Notes to the Financial Statements
(unaudited)

1. Basic of Presentation

The accompanying unaudited interim financial statements of Minerco Resources, Inc. ("Minerco"), have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (the "SEC"), and should be read in conjunction with the audited financial statements and notes thereto contained in Minerco's Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which substantially duplicate the disclosure contained in the audited financial statements for fiscal 2009 as reported in Minerco's Form 10-K have been omitted.

2. Going Concern

These financial statements have been prepared on a going concern basis, which implies Minerco will continue to realize its assets and discharge its liabilities in the normal course of business. As of January 31, 2010, Minerco has an accumulated deficit. Minerco is in the business of exploiting and developing natural resource properties. Minerco participates in and invests in development projects with other companies across a wide range of natural resources. The continuation of Minerco as a going concern is dependent upon the continued financial support from its shareholders, the ability of Minerco to obtain necessary equity financing to continue operations, and the attainment of profitable operations. These factors raise substantial doubt regarding Minerco'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 Minerco be unable to continue as a going concern.

Minerco intends to fund operations through equity financing arrangements, which may be insufficient to fund its capital expenditures, working capital and other cash requirements through January 31, 2011.

3. Loan Receivable

On March 25, 2009, Minerco issued a loan of \$30,000 to Here Enterprises Inc. The loan is unsecured, non-interest bearing, due on demand and has no specific terms of repayment. As of July 31, 2009, the promissory note was not repaid and was evaluated for collectability. The note receivable was determined uncollectable in the amount of \$30,000 and was therefore impaired. During the three and six months ended January 31, 2010, \$8,000 and \$13,000, respectively was recovered from Here Enterprises Inc.

4. Related Party Transactions

As of January 31, 2010, the Company is indebted to its Chief Executive Officer for a total of \$14,935 (July 31, 2009 - \$0) which is non-interest bearing, unsecured and due on demand.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Forward Looking Statements

This quarterly report on Form 10-Q 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. (“Minerco”, “we”, “our” or “us”) was incorporated as a Nevada company on June 21, 2007. We have been engaged in the acquisition of interests and leases in oil and natural gas properties since our inception. We have no subsidiaries. Our common stock is quoted on the OTC Bulletin Board under the symbol “MINE”.

We intend to build our business by acquiring royalties or other non-operated interests in productive or soon-to-be productive oil and natural gas projects, and acquiring operated interests (in which we participate in the development and operation) in development stage oil and gas properties to generate additional revenues. Currently, we only own a royalty interest of as much as \$0.02 or as little as approximately 9% of \$0.02 per 1000 cubic feet of natural gas transported through the PMD-Duke Pipeline operated by Plateau Mineral Development, LLC, for as long as Plateau or its successors operates the Pipeline. To date, the construction of the PMD-Duke Pipeline is not complete, and we have not received any revenues from our royalty interest. There is no assurance that the PMD-Duke Pipeline will be completed in a timely manner, if at all. Additionally, if the PMD-Duke Pipeline is completed, there is no guarantee that it will be successfully used to transport natural gas or that it will generate a consistent revenue stream for us.

Our registration statement on Form S-1 registering an aggregate of 23,757,500 shares of our common stock became effective on February 6, 2009. The 23,757,500 shares offered for resale by the 35 selling security holders include 2,000,000 shares owned by Wisdom Resources, Inc., a company controlled by Michael Too, our President, Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer, Secretary, Treasurer and sole director. We will not receive any proceeds from the resale of these shares by the selling security holders. We incurred all costs associated with the registration statement.

Uncertainties

We are a development stage company that has only recently begun operations. We have not generated any revenues from our business activities, and we do not expect to generate revenues for the foreseeable future. Since our inception, we have incurred operational losses, and we have been issued a going concern opinion by our auditors. To finance our operations, we have completed several rounds of financing and raised \$90,514 through private placements of our common stock.

Our most advanced projects are at the exploration stage and there is no guarantee that any of the projects or properties in which we may acquire an interest will be successful. There is also no guarantee that any development stage oil and gas properties we acquire will contain commercially viable quantities of oil and gas. We plan to undertake exploration

activities on any properties in which we acquire an interest, but further exploration beyond the scope of our planned activities will be required before we make a final evaluation regarding the economic feasibility of drilling on any of them. There is no assurance that further exploration will result in a final evaluation that commercially viable quantities of oil and gas exist on any of these properties.

We anticipate that we will require additional financing in order to complete our acquisition and exploration 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.

Results of Operations

Our results of operations are presented below:

| | Three Months Ended January 31, 2010 (\$) | Three Months Ended January 31, 2009 (\$) | Six Months Ended January 31, 2010 (\$) | Six Months Ended January 31, 2009 (\$) | Period from June 21, 2007 (Date of Inception) to January 31, 2010 (\$) |
|---------------------------------------|---|---|--|--|---|
| Loan Recovery | (8,000) | - | (13,000) | - | (13,000) |
| Impairment of Note Receivable | | | | | 30,000 |
| General and Administrative Expenses | 15,891 | 14,278 | 29,123 | 27,931 | 111,370 |
| Net Loss | (7,891) | (14,278) | (16,123) | (27,931) | (128,370) |
| Net Loss per Share –Basic and Diluted | (0.00) | (0.00) | (0.00) | (0.00) | N/A |
| Weighted Average Shares Outstanding | 55,257,500 | 55,257,500 | 55,257,500 | 54,442,283 | N/A |

Results of Operations for the Three Months Ended January 31, 2010

During the three months ended January 31, 2010 we incurred a net loss of \$7,891, compared to a net loss of \$14,278 during the same period in fiscal 2009. Our net loss per share did not change during these periods. The decrease in our net loss during the three months ended January 31, 2010 was primarily due to the receipt of \$8,000 in the form of proceeds from loan recovery.

Our total operating expenses for the three months ended January 31, 2010 were \$15,891, compared to operating expenses of \$14,278 during the same period in fiscal 2009. Our total operating expenses during these periods consisted entirely of general and administrative expenses, and we did not incur any foreign exchange losses, management fees, rent expenses or other operating expenses.

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

Results of Operations for the Six Months Ended January 31, 2010

During the three months ended January 31, 2010 we incurred a net loss of \$16,123, compared to a net loss of \$27,931 during the same period in fiscal 2009. Our net loss per share did not change during these periods. The decrease in our net loss during the six months ended January 31, 2010 was primarily due to the receipt of \$13,000 in the form of proceeds from loan recovery.

Our total operating expenses for the six months ended January 31, 2010 were \$29,123, compared to operating expenses of \$27,931 during the same period in fiscal 2009. Our total operating expenses during these periods consisted entirely of general and administrative expenses, and we did not incur any foreign exchange losses,

management fees, rent expenses or other operating expenses.

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

Results of Operations for the Period from June 21, 2007 (Date of Inception) to January 31, 2010

From our inception on June 21, 2007 to January 31, 2010 we did not generate any revenues and we incurred a net loss of \$128,370. We may not generate significant revenues from our royalty interest in the PMD-Duke Pipeline or any other properties in which we acquire an interest, and we anticipate that we will incur substantial losses for the foreseeable future.

Our total operating expenses from our inception on June 21, 2007 to January 31, 2010 were \$111,370, and consisted entirely of general and administrative expenses. We have not incurred any foreign exchange losses, management fees, rent expenses or other operating expenses since our inception.

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

From our inception on June 21, 2007 to January 31, 2010 we also received \$13,000 in the form of proceeds from loan recovery and incurred \$30,000 in expenses related to the impairment of a note receivable.

Liquidity and Capital Resources

As of January 31, 2010 we had \$3,664 in cash and total assets, \$21,520 in total liabilities and a working capital deficit of \$17,856. Our accumulated deficit from our inception on June 21, 2007 to January 31, 2010 was \$128,370 and was funded primarily through equity financing.

We are dependent on funds raised through our equity 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.

From our inception on June 21, 2007 to January 31, 2010 we spent net cash of \$91,785 on operating activities. During the six months ended January 31, 2010 we spent net cash of \$29,795 on operating activities, compared to net cash spending of \$38,505 on operating activities during the same period in fiscal 2009. The decrease in expenditures on operating activities for the six months ended January 31, 2010 was primarily due to an increase in loan recovery for the period.

From our inception on June 21, 2007 to January 31, 2010 we spent net cash of \$10,000 on investing activities, all of which was in the form of a loan to a third party. We did not spend any net cash on investing activities during the six months ended January 31, 2010 or during the same period in fiscal 2009.

From our inception on June 21, 2007 to January 31, 2010 we received net cash of \$90,514 from financing activities, all of which were proceeds from the issuance of our common stock. During the six months ended January 31, 2010 we did receive \$14,935 any net cash from financing activities, compared to net cash received of \$5,000 during the same period in fiscal 2009. The increase in receipts from financing activities for the six months ended January 31, 2010 was primarily due to a loan from our Chief Executive Officer.

During the six months ended January 31, 2010 our monthly cash requirements to fund our operating activities was approximately \$6,424. Our cash of \$3,664 as of January 31, 2010 is sufficient to cover our current monthly burn rate for less than one month.

We estimate our planned expenses for the next 12 months (beginning December 2009) to be approximately \$1,735,000, as summarized in the table below.

| Description | Potential completion date | Estimated Expenses (\$) |
|---|---------------------------|-------------------------|
| Purchase other non-operated interests in oil and gas projects | March 2010 | 100,000 |
| Acquire development stage oil and gas properties | June 2010 | 420,000 |
| Develop and carry out preliminary exploration programs on any acquired properties | August 2010 | 900,000 |
| Select and retain two business development consultants | March 2010 | 60,000 |
| Attendance at forums | March 2010 | 20,000 |
| Develop a website | February 2010 | 5,000 |
| Professional fees (legal, accounting and auditing fees) | 12 months | 100,000 |
| Management and consulting fees | 12 months | 60,000 |
| Marketing expenses | 12 months | 30,000 |
| Transfer agent's fees | 12 months | 30,000 |
| General and administrative expenses | 12 months | 10,000 |
| Total | | 1,735,000 |

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

Based on our planned expenditures, we require additional funds of approximately \$1,731,400 (a total of \$1,735,000 less our approximately \$3,600 in cash as of January 31, 2010) to proceed with our business plan over the next 12 months. If we secure less than the full amount of financing that we require, we will not be able to carry out our complete business plan and we will be forced to proceed with a scaled back business plan based on our available financial resources.

We anticipate that we will incur substantial losses for the foreseeable future. Although we acquired a royalty interest in the PMD-Duke Pipeline, there is no assurance that we will receive any revenues from this interest. Meanwhile, even if we purchase other non-operated interests in oil and gas projects or carry out exploration activities on any properties we may acquire, this does not guarantee that these projects or properties will contain commercially exploitable quantities of oil and gas.

Our exploration activities will be directed by Michael Too, our President, Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer, Secretary, Treasurer and sole director, who will also manage our operations and supervise our other planned acquisition activities.

Future Financings

Our financial statements for the three months and six months ended January 31, 2010 have been prepared on a going concern basis and contain an additional explanatory paragraph in Note 2 which identifies issues that raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We have not generated any revenues, have achieved losses since our inception, and rely upon the sale of our securities to fund our operations. We may not generate any revenues from our royalty interest in the PMD-Duke Pipeline, or from any of the oil and gas projects or properties in which we acquire an interest. Accordingly, we are dependent upon obtaining outside financing to carry out our operations and pursue any acquisition and exploration activities.

Of the \$1,735,000 we require for the next 12 months, we had approximately \$3,600 in cash as of January 31, 2010. We intend to raise the balance of our cash requirements for the next 12 months (approximately \$1,731,400) from private placements, shareholder loans or possibly a registered public offering (either self-underwritten or through a broker-dealer). If we are unsuccessful in raising enough money through such efforts, we may review other financing possibilities such as bank loans. At this time we do not have a commitment from any broker-dealer to provide us with financing, and there is no guarantee that any financing will be available to us or if available, on terms that will be acceptable to us. We intend to negotiate with our management and any consultants we may hire to pay parts of their salaries and fees with stock and stock options instead of cash.

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

Product Research and Development

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

Acquisition of Plants and Equipment and Other Assets

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

Off-Balance Sheet Arrangements

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

Inflation

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 4. CONTROLS AND PROCEDURES.

Under the supervision and with the participation of our management, including the Principal Executive Officer and Principal Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer have concluded that these disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting during the quarter ended January 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 6.

EXHIBITS.

The following documents are included herein:

| Exhibit No. | Document Description |
|-------------|---|
| 31.1 | Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002. |

SIGNATURES

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 on this 22nd day of March, 2010.

MINERCO RESOURCES, INC.

BY:

MICHAEL TOO

Michael Too, President, Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer, Secretary, Treasurer, and a member of the Board of Directors.

EXHIBIT INDEX

| Exhibit No. | Document Description |
|-------------|---|
| 31.1 | Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002. |

