

**ANNUAL REPORT OF**  
**Minerco, Inc.**  
**FOR THE TWELVE MONTHS ENDED JULY 31, 2017**

A NEVADA CORPORATION

800 Bering Drive, Suite 201, Houston, TX 77057

(866-601-2639)

TABLE OF CONTENTS

ITEM 1. EXACT NAME OF THE ISSUER AND ITS PREDECESSOR.....	2
ITEM 2. ADDRESS OF THE ISSUER'S PRINCIPAL EXECUTIVE OFFICES....	2
ITEM 3. SECURITY INFORMATION.....	2-3
ITEM 4. ISSUANCE HISTORY.....	4
ITEM 5. FINANCIAL STATEMENTS.....	5-14
ITEM 6. DESCRIBE THE ISSUER'S BUSINESS OPERATIONS.....	15-16
ITEM 7. DESCRIBE THE ISSUER'S FACILITIES.....	16
ITEM 8. OFFICERS, DIRECTORS AND CONTROL PERSONS.....	16-17
ITEM 9. THIRD PARTY PROVIDERS.....	17
ITEM 10. OTHER INFORMATION.....	17
ITEM 11. EXHIBITS.....	17
ITEM 12. CERTIFICATIONS.....	17

## ITEM 1. EXACT NAME OF THE ISSUER AND ITS PREDECESSORS

The exact name of the company is Minerco, Inc.

Minerco, Inc. formerly known as Minerco Resources, Inc., 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 intended to develop, produce, and provide clean, renewable energy solutions in Central America. On October 16, 2012, the Company added an additional line of business, Athena Brands, Inc., formerly known as 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, Athena Brands, Inc., formerly known as Level 5 Beverage Company, Inc. and its products.

## ITEM 2. ADDRESS OF THE ISSUER'S PRINCIPAL EXECUTIVE OFFICES

### A. Company Headquarters

Our principal executive and administrative offices are located at 800 Bering Drive, Suite 201, Houston, TX 77057

Email: [info@minercoinc.com](mailto:info@minercoinc.com)

Website: [www.minercoinc.com](http://www.minercoinc.com)

### B. IR Contact

None.

## ITEM 3. SECURITY INFORMATION

Trading symbol: MINE

CUSIP: 603171 109

As of the period ended July 31, 2017, the capital stock of the company was as follows:

Class: Common stock, \$ 0.001 par value;

Number of shares authorized: 5,000,000,000 shares;

Number of shares outstanding: 202,657,082

Freely tradable shares: 143,658,244

Total number of shareholders of record: 1,529

Class: Preferred Series A, \$0.001 par value;

Number of shares authorized: 3,000,000

Number of shares outstanding: 650,000

Class: Preferred Series B, \$0.001 par value;

Number of shares authorized: 2,000,000

Number of shares outstanding: 472,070

Class: Preferred Series C, \$0.001 par value;

Number of shares authorized: 1,000,000

Number of shares outstanding: 336,543

Class: Preferred Series D, \$0.001 par value;

Number of shares authorized: 3,000,000

Number of shares outstanding: 0

Transfer Agent: Worldwide Stock Transfer LLC  
One University Plaza, Suite 500  
Hackensack, NJ 07601

Telephone: (201) 820-2008

FAX: ( )

Is the transfer agent registered under the Exchange Act?

Yes.

List any restrictions on the transfer of security:

None.

Describe any trading suspension orders issued by the SEC in the past 12 months:

None.

## **ITEM 4. ISSUANCE HISTORY**

List of securities offerings and shares issued for services in the past two fiscal years.

On September 15, 2015, the Company issued 100,000 common shares for consulting services. The shares vested immediately. The fair value of these shares was determined to be \$11,000 and was expensed as stock compensation.

On October 1, 2015, the Company exchanged 595,000 shares of Series B Preferred for 2,975,000 shares of common stock.

On October 9, 2015, the Company exchanged 80,000 shares of Series B Preferred for 400,000 shares of common stock.

On November 21, 2015, the Company issued 1,116,000 shares of common stock for consulting services in three (3) separate transactions. The fair value of these shares were determined to be \$25,668 and was expensed as consulting expense.

On November 30, 2015, the Company exchanged 500,000 shares of Series B Preferred for 2,500,000 shares of common stock.

On December 8, 2015, the Company exchanged 236,970 shares of Series B Preferred for 1,184,850 shares of common stock.

During the twelve months ended July 31, 2016, the Company issued, 36,794,859 common shares for the conversion of \$425,482 convertible promissory notes and accrued interest. These notes converted at conversion rates between \$0.00625 and \$0.035.

During the twelve months ended July 31, 2016, the Company converted \$510,581 of principal and interest of the line of credit into 38,035,350 shares of common stock and recorded a loss of \$352,960 due the difference between the fair market value of \$863,451 and note and interest converted to settle the debt respectively

During the twelve months ended July 31, 2016, the Company issued, 36,794,859 common shares for the conversion of \$425,482 convertible promissory notes and accrued interest. These notes converted at conversion rates between \$0.00625 and \$0.035.

On July 31, 2017, the Company issued 25,000,000 common shares to settle a note payable in the amount of \$250,000.

On July 31, 2017, the Company issued 2,829,670 common shares for the conversion of 565,934 Series B Class B Preferred.

During the twelve months ended July 31, 2017, the Company converted \$36,105 of principal and interest of the line of credit into 34,850,000 shares of common stock and recorded a loss of \$44,645 due the difference between the fair market value of \$80,750 and note and interest converted to settle the debt respectively.

During the twelve months ended July 31, 2017, the Company issued, 29,090,025 common shares for the conversion of \$46,323 convertible promissory notes and accrued interest. These notes converted at conversion rates between \$0.0012 and \$0.0022.

**Minerco, Inc.**  
**Consolidated Balance Sheets**  
**(unaudited)**

	<u>July 31, 2017</u>	<u>July 31, 2016</u>
<b>ASSETS</b>		
Cash	\$ —	\$ —
Accounts Receivable, Net	—	—
Inventory	—	—
Prepaid Expenses	—	—
Notes Receivable, Current	—	—
Current Assets	—	—
Other Assets		
Property and Equipment, net	3,949	6,531
Prepaid Expenses, Noncurrent	—	—
Goodwill	—	—
Customer Relationships, net	—	—
Intangible Assets, net	291,268	299,973
Total Assets	<u>\$ 295,217</u>	<u>\$ 306,524</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,306,972	\$ 1,116,131
Note Payable, net of unamortized discount \$18,360 and \$0	—	—
Accounts Payable – Related Party	8,666	8,666
Convertible debt, net unamortized discount \$1,855,218 and \$204,036	110,724	416,674
Capital Lease Obligations, Current	—	—
Line of Credit	—	—
Derivative liabilities	3,496,541	2,207,352
Short term Debt	2,179,458	2,465,563
Total Current Liabilities	7,102,360	6,214,385
Capital Lease Obligations, Noncurrent	—	—
Total Liabilities	7,102,360	6,214,385
Stockholders' Deficit		
Series A Convertible Preferred stock, \$0.001 par value, 3,000,000 shares authorized, 650,000 and 150,000 outstanding at July 31, 2017 and at July 31, 2016	650	150
Series B Convertible Preferred stock, \$0.001 par value, 2,000,000 shares authorized, 472,070 and 1,074,309 and 1,074,309 outstanding at July 31, 2017 and at July 31, 2016	472	366
Series C Convertible Preferred stock, \$0.001 par value, 1,000,000 shares authorized, 336,543 and 836,543 outstanding at July 31, 2017 and at July 31, 2016	337	837
Series D Convertible Preferred stock, \$0.001 par value, 3,000,000 shares authorized, none outstanding at July 31, 2017 and at July 31, 2016	—	—
Common stock, \$0.001 par value, 5,000,000,000 shares authorized, 202,657,082 and 110,887,387 outstanding at July 31, 2017 and at July 31, 2016	202,658	110,888
Additional paid-in capital	28,498,722	27,774,453
Accumulated deficit	(35,509,981)	(33,952,013)
Total Stockholders' Deficit	(6,807,143)	(5,907,881)
Total Liabilities and Stockholders' Deficit	<u>\$ 295,217</u>	<u>\$ 306,524</u>

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

**Minerco, Inc.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
**(unaudited)**

	Twelve Months Ended July 31, 2017	Twelve months Ended July 31, 2016
Sales:		
Products	\$ —	\$ 555,534
Services	—	66,000
Total Sales	—	621,534
Cost of Goods Sold	—	568,097
Gross Profit	—	53,437
Selling and Marketing	—	64,391
General and Administrative	(61,172)	2,387,206
Total Operating Expenses	(61,172)	2,451,597
Net Gain/(Loss) from Operations	61,172	(2,398,160)
Other Income (Expenses):		
Interest Expense, net	(200,636)	(629,981)
Gain/(Loss) on Derivative Liability	(733,137)	(1,343,096)
Gain/(Loss) on Debt for Equity Swap	(44,645)	(652,229)
Total Other Expenses	(978,418)	(2,625,306)
Loss from Continuing Operations	(917,246)	(5,023,466)
Loss on Sale from Discontinued Operations	—	(250,000)
Net loss	(917,246)	(5,273,466)
Net loss attributable to Noncontrolling interest	—	(179,608)
Net loss attributable to Minerco	(917,246)	(5,093,858)
Preferred Stock Dividends	640,722	729,666
Net loss attributable to common shareholders	(1,557,968)	(5,823,524)
Net Loss Per Common Share – Basic and Diluted	\$ (0.01)	\$ (0.09)
Weighted Average Common Shares Outstanding	137,930,787	67,798,845

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

**Minerco, Inc.**  
**Consolidated Statements of Cash Flows**  
**(unaudited)**

	Twelve months ended July 31, 2017	Twelve months ended July 31, 2016
Cash Flows from Operating Activities		
Net income (loss) for the period	\$ (1,557,968)	\$ (5,823,524)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Loss on debt for equity swap	44,645	652,229
Loss on derivative liability	733,137	1,343,096
Accretion Discount	41,550	545,507
Stock-based Compensation	(353,595)	1,232,823
Amortization and Depreciation	11,287	25,517

<b>Changes in operating assets and liabilities:</b>		
Prepaid expenses	—	1,000
Inventory	—	116,871
Accounts Receivable	—	111,252
Accounts payable	1,080,944	599,011
Accrued Expenses	—	294,576
Accounts payable - related parties	—	112,964
Net Cash Used in Operating Activities	—	(788,678)
Cash Flow from Investing Activities		
Acquisition of Brands	—	(150,000)
Net Cash Used in Investing Activities	—	(150,000)
Cash Flows from Financing Activities		
Repayments of note payable	—	(100,458)
Proceeds from short term debt	—	871,000
Proceeds from note payable	—	40,000
Net proceeds (payments) from line of credit	—	139,547
Repayments of Capital Lease Obligations	—	(18,669)
Net Cash Provided by Financing Activities	—	931,420
Net change in cash	—	(7,258)
Cash, Beginning of Period	—	7,258
Cash, End of Period	\$ —	\$ —
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ —	\$ 102,106
Cash paid for income taxes	—	—
Non Cash investing and Financing activities:		
Exchange Accounts Payable for Series B Convertible Preferred	—	35,000
Reclass Prepaids to Intangibles	—	250,000
Convertible Debt and accrued interest converted into common shares	80,750	163,421
Debt and accrued interest Converted into Shares	46,323	425,482
Debt Discount recorded for derivative liability	—	1,890,276
Reclass derivative liability to equity	62,698	739,459
Conversion of Series B Convertible Preferred stock to Common Shares	—	7,063
Exchange Common for Series B Convertible Preferred Stock	—	525
Exchange Note Receivable for Athena Interest	—	117,196
Shares Issued for Athena Acquisition	—	122,693
Dividend Declared	640,722	728,866

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

**Minerco, Inc.**  
**Consolidated Statements of Members' Deficit and Stockholders' Deficit**  
**Twelve months Ended July 31, 2017**  
(unaudited)

	PREFERRED STOCK				PREFERRED STOCK		PREFERRED STOCK		PREFERRED STOCK		ADDITIONAL	ACCUMULATE D OTHER COMPREHENSIVE	NONCONTROLLING INTEREST	LOSS	TOTAL
	COMMON STOCK SHARES	AMOUNT	SERIES A SHARES	AMOUNT	SERIES B SHARES	AMOUNT	SERIES C SHARES	AMOUNT	PAID-IN CAPITAL	DEFICIT					
Balance, July 31, 2015	34,962,336	\$ 34,963	150,000	\$ 150	365,809	\$ 366	836,543	837	\$ 25,748,411	\$ (28,128,489)			\$ (1,594,373)	\$ —	\$ (3,938,135)
Common Shares Issued for Debt Conversion	36,794,859	36,795	—	—	—	—	—	—	388,687	—			—	—	425,482
Preferred stock issued for employment agreements	—	—	—	—	—	—	—	—	1,196,155	—			—	—	1,196,155
Common Shares Issued for Debt Conversion	31,375,500	31,375	—	—	—	—	—	—	802,728	—			—	—	834,103
Preferred stock issued for minority interest	—	—	—	—	550,000	550	—	—	(122,693)	—			122,143	—	—
Common stock issued for consulting services	1,216,000	1,216	—	—	—	—	—	—	35,452	—			—	—	36,668
Common stock for Cash	—	—	—	—	—	—	—	—	—	—			—	—	—
Preferred stock for Dividends Declared	—	—	—	—	—	—	—	—	—	(728,866)			—	—	(728,866)
Common Stock exchanged for Preferred Stock	(521,158)	(521)	—	—	29,809	30	—	—	298,031	—			—	—	298,061
Stock in resolution of debt liabilities	60,000	60	—	—	489,000	489	—	—	1,697,001	—			—	—	1,697,550
Preferred stock exchanged for shares	7,059,850	7,060	—	—	(80,000)	(80)	—	—	323,278	—			—	—	330,258
Preferred stock issued for consulting services	—	—	—	—	132,000	132	—	—	32,318	—			—	—	32,450
Write off of derivative liability	—	—	—	—	—	—	—	—	739,459	—			—	—	739,459
Sale of Subsidiary	—	—	—	—	—	—	—	—	(1,118,606)	—			1,591,269	—	402,663
Net loss	—	—	—	—	—	—	—	—	—	(5,049,659)			(179,608)	—	(5,307,655)
Balance, July 31, 2016	110,887,387	\$ 110,888	150,000	\$ 150	1,074,309	\$ 1,074	836,543	837	\$ 27,744,453	\$ (33,952,013)			\$ —	\$ —	\$ (6,094,614)
Common Stock Issued for Debt Conversion	29,090,025	29,090	—	—	—	—	—	—	17,233	—			—	—	46,233
Stock in resolution of debt liabilities	34,850,000	34,850	—	—	—	—	—	—	45,900	—			—	—	80,750
Write off of derivative liability	—	—	—	—	—	—	—	—	62,698	—			—	—	62,698
Preferred stock issued for employment agreements	—	—	—	—	—	—	—	—	(353,595)	—			—	—	(353,595)
Exchange Preferred	—	—	500,000	500	(36,305)	(36)	(250,000)	(250)	759,295	—			—	—	759,509
Preferred B issuance for dividends	2,829,670	2,830	—	—	(565,934)	(566)	—	—	(2,264)	—			—	—	—
Issuance for Note Payable	25,000,000	25,000	—	—	—	—	—	—	225,000	—			—	—	250,000
Net Loss	—	\$ —	—	\$ —	—	\$ —	—	—	\$ —	\$ (1,557,697)			\$ —	\$ —	\$ (1,557,697)
Balance, July 31, 2017	202,657,082	202,658	650,000	650	472,070	472	336,543	337	28,498,722	(35,509,981)			—	—	(6,807,143)

**Minerco, Inc.**  
**Consolidated Notes to the Financial Statements**  
**(unaudited)**

**1. Basis of Presentation**

The accompanying unaudited interim financial statements of Minerco, Inc. (“Minerco” or the “Company”), have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (the “SEC”), and should be read in conjunction with the audited financial statements and notes thereto contained in Minerco’s Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein.

**2. Going Concern**

These financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. During the Twelve months ended July 31, 2017, the Company has an accumulated deficit of \$35,509,581, net loss of \$1,557,967 and no revenue. The continuation of the Company as a going concern is dependent upon the Company's 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 revenue from operations and 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, 2017.

**3. Intangible Assets**

Finite lived Intangible Assets, net, at July 31, 2017 and July 31, 2016 consists of:



	July 31, 2017	July 31, 2016
VitaminFizz Name Licensing Rights	\$ 30,000	\$ 30,000
VitaminFizz Brand Purchase	285,874	285,874
Vitamin Creamer	—	—
Less accumulated amortization	(24,606)	(15,901)
Intangible Assets, net	<u>\$ 291,268</u>	<u>\$ 299,973</u>

The Company had amortization expense of \$5,156 and \$5,156 during the twelve months ended July 31, 2017 and 2016, respectively.

#### VITAMINFIZZ ® BRAND PURCHASE

On November 21, 2013, through its subsidiary, Athena, the Company entered into an Agreement with VITAMINFIZZ, L.P ("Licensor"), a California Limited Partnership where the Company acquired the exclusive rights in North America to use VitaminFIZZ® on and in connection with the marketing, distribution and sale of the Brand. On June 25, 2014, we amended the agreement, through our subsidiary, Athena ("Licensee"), we entered into an Agreement with the licensor where the Licensee acquires the exclusive worldwide rights to use VitaminFIZZ® on and in connection with the marketing, distribution and sale of the Brand. Athena agreed to pay a licensing fee of \$250,000 which was originally classified as prepaid royalties.

On September 28, 2015, the Company, through its subsidiary Athena, and VitaminFIZZ Brands, LP ("VF Brands") entered into an Asset Purchase Agreement for the VitaminFIZZ Brand (the "Brand") to purchase certain intellectual property and tangible assets from VF Brands including but not limited to the trademark "VitaminFIZZ," formulation, website, design logos and other trade secrets relating to the VitaminFIZZ Brand for a purchase price of \$550,000 which includes the \$250,000 in prepaid royalties paid in June 2014, the assumption by VF Brands of certain of Athena's debts payable in the amount \$214,126 and the rest \$85,874 will be capitalized into Brand when paid. The balance to be distributed at the discretion of VF Brands in 4 installments over 120 days. As of July 31, 2017, \$250,000 was paid to VF Brands and \$214,126 of Athena's debts were assumed by VF Brands. The difference of \$35,874 was capitalized into Brands and the last installment of \$50,000 was paid on February 3, 2016 and the acquisition was completed. Upon acquisition of the Brand, the brand licensing agreement dated November 21, 2013, as amended June 25, 2014 was terminated. Pursuant to this transaction we reclassified \$250,000 from originally classified under Prepaid Expenses, Noncurrent under the Licensing Agreement to Intangible Assets.

#### 4. Property and Equipment, Net

Equipment, net, at July 31, 2017 and July 31, 2016 consists of:

	Useful Life	July 31, 2017	July 31, 2016
Furniture and Fixtures	5 years	\$ 7,830	\$ 7,830
Computer and Equipment	3 years	2,413	2,413
Accumulated Depreciation		(6,294)	(3,711)
Property and Equipment, net		<u>\$ 3,949</u>	<u>\$ 6,532</u>

Depreciation expense was \$44,084 and \$2,078 for twelve months ended July 31, 2016 and 2017 respectively.

## 5. Fair Value of Financial Instruments

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

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

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 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 the Company's cash equivalents is determined based on “Level 1” inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the recorded values of all of the other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

The following table sets forth by level with the fair value hierarchy the Company’s financial assets and liabilities measured at fair value on July 31, 2017.

	Level 1	Level 2	Level 3	Total
Assets	\$ —	\$ —	\$ —	\$ —
Liabilities				
Derivative Financial Instruments	\$ —	\$ —	\$ 3,496,541	\$ 3,496,541

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 2016.

	Level 1	Level 2	Level 3	Total
Assets	\$ —	\$ —	\$ —	\$ —
Liabilities				
Derivative Financial Instruments	\$ —	\$ —	\$ 2,207,803	\$ 2,207,803

## 6. Convertible note payable and derivative liabilities

The total principal due at July 31, 2016 was \$1,726,241 with an unamortized discount of \$1,309,568 resulting in a balance of \$416,673 at July 31, 2016. The Company had conversions of \$41,550 in principal and \$4,773 in accrued interest during the twelve months ended July 31, 2017. Total principal due at July 31, 2017 is \$1,797,191 with an unamortized discount of \$1,686,468 with a resulting balance of \$110,723.

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:

As of July 31, 2017, the fair values of the conversion options on the convertible notes were determined to be \$3,496,541 using a Black-Scholes option-pricing model. Upon the issuance dates of the Convertible Promissory Notes, \$618,750 was recorded as debt discount and \$1,230,815 was recorded as day one loss on derivative liability. During the Twelve months ended July 31, 2017, there was a loss on mark-to-market of the conversion options of \$62,698. As of July 31, 2017 and July 31, 2016, the aggregate unamortized discount is \$1,686,468 and \$1,309,568, respectively. During the Twelve months ended July 31, 2017, the gain on derivative liability was \$498,129.

The following table summarizes the derivative liabilities included in the consolidated balance sheet at July 31, 2017:

Balance at July 31, 2016	\$ 2,207,803
Debt discount	618,750
Day one loss on fair value	1,230,815
Gain on change in fair value	(498,129)
Write off due to Conversion	(62,698)
Balance at July 31, 2017	\$ 3,496,541

Pursuant to ASC 815, "Derivatives and Hedging," the Company recognized the fair value of the embedded conversion feature of all the notes. The initial fair value of the derivative liability was determined using the Black Scholes option pricing model with a quoted market price of \$0.001 to \$0.0115, a conversion price between and \$0.0012 and \$0.0022, expected volatility of 225% to 225%, no expected dividends, an expected term of one year and a risk-free interest rate of 0.01% to 0.32%. The discount on the convertible loan is accreted over the term of the convertible loan. During the twelve months ended July 31, 2017, the Company recorded amortization of debt discount of \$41,550.

## 7. Debt

### Short Term Debt - Minerco Line of Credit

On May 1, 2014, the Company entered into an Agreement (the "Line of Credit") with Post Oak, LLC ("Post Oak"), where, among other things, the Company and Lender entered into a Line of Credit Financing Agreement in the principal amount of up to Two Million Dollars (\$2,000,000), or such lesser amount as may be borrowed by the Company as advances under this line of credit (the "Line of Credit"). On April 1, 2015, the Company increased the line of credit to Three Million Dollars (\$3,000,000). As of July 31, 2017 and October 31, 2015, the Company had 1,829,458 and 2,175,000 outstanding under the line of credit respectively.

## 8. Common Stock

For the Twelve months ended July 31, 2017, Minerco has issued following shares:

On July 31, 2017, the Company issued 25,000,000 to settle a note payable in the amount of \$250,000.

On July 31, 2017, the Company issued 2,829,670 common shares for the conversion of 565,934 shares of Preferred Class B Convertible Stock.

During the twelve months ended July 31, 2017, the Company converted \$36,105 of principal and interest of the line of credit into 34,850,000 shares of common stock and recorded a loss of \$44,645 due the difference between the fair market value of \$80,750 and note and interest converted to settle the debt respectively.

During the Twelve months ended July 31, 2017, the Company issued, 29,090,025 common shares for the conversion of \$46,323 convertible promissory notes and accrued interest. These notes converted at conversion rates between \$0.0012 and \$0.0022.

## 9. 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 authorized 25,000,000 shares of unclassified preferred stock.

### Class A Convertible 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.

On July 7, 2017, the Company reduced the number of authorized Class A Stock to 3,000,000 and amended the voting rights to 10,000 for every share of Class A Preferred.

### Class B Convertible Preferred Stock

On August 5, 2014, the Company filed a Certificate of Designations for the creation of a class of Series C Preferred Stock with the Nevada Secretary of State. The number of shares constituting Series B Preferred is 2,000,000. The stated value is \$10.00 per share. The holders of the Series B Preferred are also entitled to a liquidation preference equal to the stated value plus all accrued and unpaid dividends. Each share of Series B Preferred is convertible into 500 shares of common stock; however the conversion price is subject to adjustment. Holders of shares of Series B Preferred vote together with the common stock as a single class and each holder of Series B Preferred is entitled to 10 votes for each share of Common Stock into which such shares of Series B Preferred held by them could be converted. The Company has the right to redeem the shares of Series B Preferred at any time after the date of issuance at a per share price equal to 125% of the stated value.

On July 31, 2017, the Company issued 75,951 shares of Class B Convertible stock to satisfy \$759,509 of dividends payable.

On September 10, 2014, the Company issued 500,000 Class B convertible preferred shares to V. Scott Vanis ("Vanis"), its Chief Executive Officer valued at \$0.62 or \$1,550,000. The Company recognized this as compensation and will amortize this over the vesting period which is October 31, 2017. On January 7, 2015, the Company entered into an exchange agreement with Vanis, where, among other things, the Company and Vanis exchange Vanis' five hundred thousand (500,000) shares of the Company's Class 'B' Preferred stock and all accrued and unpaid dividends for two hundred fifty thousand (250,000) shares of the Company's Class 'C' Preferred stock. The total expense for Twelve months ended July 31, 2017 is \$598,077. On July 3, 2017, Vanis exchanged his 112,256 shares of Class B Preferred, 250,000 shares of Class C Preferred for 500,000 shares of Class A Preferred.

On September 10, 2014, the Company issued 500,000 Class B convertible preferred shares to Sam J Messina III ("Messina"), our former Chief Financial Officer valued at \$0.62 or \$1,550,000. The Company recognized this as compensation and will amortize this over the vesting period which is October 31, 2017. On January 7, 2015, the Company entered into an exchange agreement with Messina, where, among other things, the Company and Messina exchange Messina's five hundred thousand (500,000) shares of the Company's Class 'B' Preferred stock and all accrued and unpaid dividends for two hundred fifty thousand (250,000) shares of the Company's Class 'C' Preferred stock. On April 3, 2017,

the Messina returned his 250,000 shares of Class C Stock in exchange for a restatement of five promissory notes. The total expense for the twelve months ended July 31, 2017 is (\$951,673).

#### Class C Convertible Preferred Stock

On January 7, 2015, the Company filed a Certificate of Designations for the creation of a class of Series C Preferred Stock with the Nevada Secretary of State. The number of shares constituting Series C Preferred is 1,000,000. The stated value is \$20.00 per share. The holders of the Series C Preferred are also entitled to a liquidation preference equal to the stated value plus all accrued and unpaid dividends. Each share of Series C Preferred is convertible into 1,000 shares of common stock; however the conversion price is subject to adjustment. Holders of shares of Series C Preferred vote together with the common stock as a single class and each holder of Series C Preferred is entitled to 5 votes for each share of Common Stock into which such shares of Series C Preferred held by them could be converted. The Company has the right to redeem the shares of Series C Preferred at any time after the date of issuance at a per share price equal to 125% of the stated value.

#### Class D Convertible Preferred Stock

On July 7, 2017, the Company filed a Certificate of Designations for the creation of a class of Series D Preferred Stock with the Nevada Secretary of State. The number of shares constituting Series D Preferred is 3,000,000. The stated value is \$1.00 per share. The holders of the Series D Preferred are also entitled to a liquidation preference equal to the stated value plus all accrued and unpaid dividends. Each share of Series D Preferred is convertible into 1,000 shares of common stock; however the conversion price is subject to adjustment. Holders of shares of Series D Preferred vote together with the common stock as a single class and each holder of Series D Preferred is entitled to 1.5 votes for each share of Common Stock into which such shares of Series D Preferred held by them could be converted. The Company has the right to redeem the shares of Series D Preferred at any time after the date of issuance at a per share price equal to 125% of the stated value.

During the Twelve months ended July 31, 2017, the Company had accrued preferred dividends of \$640,722.

### **10. Related Parties**

As of July 31, 2017, the Company owes its current Chief Executive Officer \$463,911 (\$463,911 – July 31, 2016) in accrued salary (\$18,750 per month) and \$11,166 (\$11,166 – July 31, 2016) for advances made to the Company. The Company owes its current Chief Financial Officer \$190,000 (\$90,000 – July 31, 2016) in accrued salary (\$12,500 per month).

On April 30, 2016, the Company entered into a Convertible Promissory Note with its Chief Executive Officer in the amount of \$407,661 for salary accrued. The notes carry an interest rate of 5%. The note is convertible at the lower of a variable conversion price of 50% of the market price and calculated using the lowest trading days during the preceding 5 days before conversion or \$0.015. On April 3, 2017, the Company restated the conversion price to the lower of the lowest trading days during the preceding 5 days before conversion or \$0.0005.

On April 30, 2016, the Company entered into a Convertible Promissory Note with its former Chief Financial Officer in the amount of \$52,500 for salary accrued. The notes carry an interest rate of 5%. The note is convertible at the lower of a variable conversion price of 50% of the market price and calculated using the lowest trading days during the preceding 5 days before conversion or \$0.015. On April 3, 2017, the Company restated the conversion price to the lower of the lowest trading days during the preceding 5 days before conversion or \$0.0005.

On July 31, 2016, the Company entered into a Convertible Promissory Note with its Chief Executive Officer in the amount of \$56,250 for salary accrued. The notes carry an interest rate of 5%. The note is convertible at the lower of a variable conversion price of 50% of the market price and calculated using the lowest trading days during the preceding 5 days before conversion or \$0.015. On April 3, 2017, the Company restated the conversion price to the lower of the lowest trading days during the preceding 5 days before conversion or \$0.0005.

On July 31, 2016, the Company entered into a Convertible Promissory Note with its former Chief Financial Officer in the amount of \$37,500 for salary accrued. The notes carry an interest rate of 5%. The note is convertible at the lower of a variable conversion price of 50% of the market price and calculated using the lowest trading days during the preceding 5 days before conversion or \$0.015. On April 3, 2017, the Company restated the conversion price to the lower of the lowest trading days during the preceding 5 days before conversion or \$0.0005.

On October 31, 2016, the Company entered into a Convertible Promissory Note with its former Chief Financial Officer in the amount of \$37,500 for salary accrued. The notes carry an interest rate of 5%. The note is convertible at the lower of a variable conversion price of 50% of the market price and calculated using the lowest trading days during the preceding 5 days before conversion or \$0.015. On April 3, 2017, the Company restated the conversion price to the lower of the lowest trading days during the preceding 5 days before conversion or \$0.0005.

On January 31, 2017, the Company entered into a Convertible Promissory Note with its former Chief Financial Officer in the amount of \$37,500 for salary accrued. The notes carry an interest rate of 5%. The note is convertible at the lower of a variable conversion price of 50% of the market price and calculated using the lowest trading days during the preceding 5 days before conversion or \$0.015. On April 3, 2017, the Company restated the conversion price to the lower of the lowest trading days during the preceding 5 days before conversion or \$0.0005.

On March 31, 2017, the Company entered into a Convertible Promissory Note with its former Chief Financial Officer in the amount of \$25,000 for salary accrued. The notes carry an interest rate of 5%. The note is convertible at the lower of a variable conversion price of 50% of the

market price and calculated using the lowest trading days during the preceding 5 days before conversion or \$0.015. On April 3, 2017, the Company restated the conversion price to the lower of the lowest trading days during the preceding 5 days before conversion or \$0.0005.

## **ITEM 6. DESCRIBE THE ISSUER'S BUSINESS, PRODUCTS AND SERVICES.**

### **A. DESCRIPTION OF ISSUER'S BUSINESS OPERATIONS.**

MINE is a holding company with one subsidiary and one indirect subsidiary.

Since 2012, our primary focus has been on our subsidiary Athena Brands, Inc., formerly Level 5 Beverage Company, Inc., and its functional beverage business. In September, 2012, we formed Athena, a specialty beverage company which develops, produces, markets and distributes a diversified portfolio of forward-thinking, good-for-you consumer brands. Athena has developed or acquired exclusive rights to four separate and distinct brands: VitaminFIZZ®, Vitamin Creamer®, COFFEE BOOST and The Herbal Collection™, and The Herbal Collection has been transferred and assigned from Athena to us. During the year ended October 31, 2015 we generated revenue of \$233,824 all of which was generated from sales of our VitaminFIZZ® products.

We organically developed the 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 and in September 2014, we acquired 100% ownership of the brand. We are currently completing the research and development of the VitaminCreamer® brand to include a Boost and Relax, and we are completing the formulation and packaging for The Herbal Collection™ brand.

Athena also owns a majority interest in Avanzar, a sales and distribution company located in Brea, California. Avanzar is a full service brokerage which includes account management, trade development and logistics services as well as in house DSD operations throughout Southern California. Avanzar distributes products to some of the most trusted retailers in the United States, including Kroger, Albertsons, HEB, Golub (Price Chopper), Whole Foods, Walgreens, 7-Eleven, Tesoro, Circle K, Chevron, Kmart, Gelson's and Winco. On October 24, 2014 (effective September 15, 2014), we entered into a Membership Interest Purchase Agreement with Avanzar to acquire the controlling interest in Avanzar. Athena acquired an initial thirty percent (30%) equity position and fifty-one percent (51%) voting interest in Avanzar for the purchase price of \$500,000 with an option to acquire a twenty-one percent (21%) interest in Avanzar and second option to acquire up to an aggregate of seventy-five percent (75%) interest in Avanzar. The Agreement was effective as of September 15, 2014. As of October 31, 2015, all 3 of the options were exercised.

On July 15, 2016, the Company entered into an Asset Purchase Agreement with Pacific Isle, Ltd., to divest of One Hundred percent (100%) of all of the Seller's rights, title and interest in and to Seller's subsidiary, Athena Brands, Inc., formerly Level 5 Beverage, Inc., including all Seller's right, title and interest to Avanzar Sales & Distribution, LLC. The Company issued Pacific Isle, Ltd. a Promissory Note in principal amount of Two Hundred and Fifty Thousand Dollars (US\$250,000).

As of September 20, 2013, we completely discontinued operations of our Renewable Energy line of business. On May 5, 2015, effective October 31, 2015, we entered into a Securities Purchase Agreement (the "Agreement") with MSF a Belize corporation for the sale to MSF of all our rights and title and interest in its (i) Chiligatoro Hydro-Electric Project and its earned interest therein; (ii) Iscan Hydro-Electric Project and its 10% royalty interest therein; and (iii) its Sayab Wind Project and its 6% royalty interest therein (the "Assets"). The purchase price shall consist of MSF assuming Thirty Two Thousand Six Hundred Forty-two US Dollars (\$32,642) of certain accounts payable of the Company and a note payable by MSF to the Company in the principal amount of Six Hundred Eighty Two Thousand Eight Hundred Fifty US Dollars (\$682,850) Dollars, accruing interest at a rate of 5% per annum, with interest payable quarterly commencing September 1, 2015 and the principal balance thereof and accrued and unpaid interest due and payable twelve (12) months after the date of its closing.

### **B. DATE AND STATE OF INCORPORATION**

The Company was originally incorporated in the State of Nevada on June 21, 2007.

### **C. PRIMARY AND SECONDARY SIC CODES**

The Company's primary (and only) SIC code is 2833(Holding Companies)

### **D. THE COMPANY'S FISCAL YEAR END DATE**

The Company's fiscal year ends on July 31.

## **E. RESULTS OF OPERATIONS FOR THE TWELVE MONTHS ENDED JULY 31, 2017 COMPARED TO THE TWELVE MONTHS ENDED JULY 31, 2016:**

Revenues: The Company had \$0 in revenue for the twelve months ended July 31, 2017, compared to \$621,534 revenue for the Twelve months ended January 31, 2016.

Cost of Revenues: the Company had \$0 in costs of revenue for the twelve months ended July 31, 2017 compared to \$568,097 cost of revenue for the Twelve months ended January 31, 2016.

Gross Profit: The Company had \$0 in gross profit for the twelve months ended July 31, 2017, compared to \$58,991 gross profit for the Twelve months ended January 31, 2016.

Operating Costs: Operating costs consist of the Company's administrative expenses before depreciation and interest. Operating costs for the Twelve months ended July 31, 2017 totaled (\$61,172) compared to \$2,451,597 for the Twelve months ended January 31, 2016.

Operating Gain (Loss): The Company produced an operating loss for the twelve months ended July 31, 2017 of (\$61,172) compared to a loss of \$2,398,160 for the twelve months ended January 31, 2016.

Net Gain (Loss) Before Income Taxes: Net gain or loss before income taxes represents operating gain or loss plus other (non-operating) gain or loss. For the twelve months July 31, 2017, the company had a net loss of \$917,246 compared to a net loss of \$5,273,466 for the Twelve months ended January 31, 2016.

Liquidity and Capital Resources: During the twelve months ended July 31, 2017, the Company used cash or cash equivalents from operations of \$0.

## **G. OFF-BALANCE SHEET ARRANGEMENTS**

The Company did not engage in any off-balance sheet arrangements during the twelve months ended July 31, 2017.

## **ITEM 7. DESCRIBE THE ISSUER'S FACILITIES**

The Company is currently operating from leased offices located at 800 Bering Drive, Suite 201, Houston, TX 77057.

## **ITEM 8. OFFICERS, DIRECTORS AND CONTROL PERSONS**

### **A. NAMES OF OFFCERS, DIRECTORS AND CONTROL PERSONS**

The current CEO of the Company is V. Scott Vanis

There is one members of the board of directors: V. Scott Vanis

### **B. LEGAL/DISCIPLINARY HISTORY**

Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses):

NO.

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities or banking activities:

NO.

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended or vacated:



NO.

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities:

NO.

### **C. BENEFICIAL SHAREHOLDERS**

None.

## **ITEM 9. THIRD PARTY PROVIDERS**

### **A. Legal Counsel**

None.

### **B. Accountant or Auditor**

None.

### **C. Investor Relations Consultant**

None.

### **D. Other Advisor(s)**

None.

## **ITEM 10. OTHER INFORMATION**

None.

## **ITEM 11. EXHIBITS**

N/A

## **ITEM 12. CERTIFICATIONS**

I, V. Scott Vanis, certify that:

1. I have reviewed this annual disclosure statement of Minerco, Inc.

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements and other financial information included or incorporated by reference in this disclosure statement, fairly present, in all material respects, the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

/s/ V. Scott Vanis  
V. Scott Vanis, CEO

Dated: August 3, 2017