Minerco Resources, Inc.
Form 10-K
October 14, 2011

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

FORM 10-K

þ ANNUAL REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED JULY 31, 2011

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)

22503 Katy Highway
Suite 18
Katy, TX 77450
(Address of principal executive offices, including zip code.)

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

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of October 13, 2011: $434,861.

At October 13, 2011, 719,861,026 shares of the registrant's common stock were outstanding.

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PART I

ITEM 1. BUSINESS.

Forward-Looking Statements

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

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

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

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

Overview

Our principal offices are located at 22503 Katy Highway, Suite 18, Katy, Texas 77450. Our telephone number is 281-994-4187. Information about our business can be obtained from our website www.minercoresources.com.

History

We were incorporated as a Nevada company on June 21, 2007 and we have one subsidiary Minerco Honduras. We were engaged in the acquisition of interests and leases in oil and natural gas properties from our inception in June 2007 until May 27, 2010. In May, 2010 we changed the focus of our business to the development, production and provision of clean, renewable energy solutions in Central America. We currently have an interest in two Hydro-Electric Projects and one Wind Project in various parts of Honduras. Both of our Hydro-Electric projects are classified as run-of-the-river projects (not conventional retention dams). Our Chiligatoro Hydro-Electric Project is in the final permitting stage of development and our Iscan Hydro-Electric Project is currently in the early feasibility stage of development. Our wind project is also in the early feasibility stage of development. To date, we have not completed construction of any of the projects and we have not received any revenue from any of the projects. There can be no assurance given that these projects will be completed in a timely manner, if at all. We will require additional funds to complete these projects, estimated at $200,000,000 in the aggregate. The feasibility stage of development is the stage of development where the preliminary permits are obtained, measurement of the water flow for hydro-electric projects or wind and weather patterns for wind projects are observed, and final project size are determined. See Managements’ Discussion and Analysis. Additionally, if the projects are completed, there is no guarantee that they will be successfully used to create electricity or that they will generate a consistent revenue stream for us.

Our common stock is quoted on the OTCQB under the symbol "MINE". On March 30, 2010, the Company effected a 6 for 1 forward stock split, increasing the issued and outstanding shares of common stock from 55,257,500 to 331,545,000 shares. All share amounts throughout this annual report have been retroactively adjusted for all periods to reflect this stock split.

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The Projects

Chiligatoro

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

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 by early 2012.

The revenue for Chiligatoro (or any hydro or wind project) is expected to be generated from the following; however there can be no guarantee that such anticipated revenue level or any revenue at all will be generated:

Power Generation Sales

Chiligatoro Example: 6 MWh x 24 hr/day x $115.97 /MWh = US$ 16,700 / day or US$ 6,095,000 per year of Gross Energy Generation Revenue

Carbon Credits

Carbon Emission Reduction (CER) Credits can be pre-sold or traded on the open market. The spot price is currently over US$ 10 per Credit. Carbon Credits are relatively new but are measured in tonnes of $CO2$.

The Chiligatoro Project is expected eliminate approximately 27,000 tonnes of $CO2$.per year, or earn 27,000 CER Credits annually. 27,000 CER /year x $10 /CER = US$ 270,000 per year.

Reforestation in Project Buffer Zone

Reforestation generates revenue directly and indirectly. Planting tropical hardwood trees such as mahogany is expected to generate direct revenue in less than 20 years. Current prices yield more than US$ 8,000 per tree.

More importantly, reforestation of the Project’s Buffer Zone (water supply zone) is expected to increase the Projects total efficiency within a couple years adding additional power generation revenue. This increase in efficiency is typically 2 – 3%. Additional CER Credits are also realized with reforestation.

We acquired the rights to Chiligatoro from ROTA INVERSIONES S.DE R.L., a corporation formed under the laws of Honduras (“Rota”), pursuant to the terms of an acquisition agreement we entered into with Rota on May 27, 2010. We agreed to pay Rota at total of 18,000,000 shares of common stock consisting of 9,000,000 shares of our common stock within 3 days of closing, 4,500,000 shares of our common stock within 180 days of closing and 4,500,000 shares of our common stock upon us raising of $12,000,000 no later than 24 months after closing. We also agreed to pay Rota a royalty of 10% of the adjusted gross revenue, derived after all applicable taxes, from Chiligatoro prior to completion of the payment of the foregoing. Further, we agreed to pay Rota a royalty of 20% of the adjusted gross revenue, derived after all applicable taxes, from Chiligatoro after the completion of the payout for the life of Chiligatoro, including any renewal, transfer or sale, if any, in perpetuity. "Payout" is defined as all associated costs related to the development of Chiligatoro. If we are unable to obtain the financing requirements of this agreement, Rota will have the right to terminate the agreement with full rights of rescission, and all rights, title and interest to Chiligatoro shall be transferred back to Rota. 13,500,000 shares of common stock were issued to ROTA on June 4, 2010.

Iscan

On January 5, 2011, we acquired 100% of the 4 mega-watt per hour (MWh) Iscan Hydro-Electric Project ("Iscan") in Olancho, Honduras. This project is classified as a run-of-the-river project (not a conventional retention dam) and is currently in the feasibility stage of development. Acquisition in this phase of development allows us to have full control of the final design and construction of this project. To date, the construction of Iscan has not started, and we have not received any revenues from the project. There is no assurance that Iscan will be completed in a timely manner, if at all. Additionally, if the Iscan project is completed, there is no guarantee that it will be successfully used to create electricity or that it will generate a consistent revenue stream for us.

We acquired the rights to Sayab from Energia Renovable Hondurenas S.A., a corporation formed under the laws of Honduras (the " Sayab Seller"), pursuant to the terms of an acquisition agreement we entered into with the Sayab Seller on January 18, 2011. We agreed to pay the Sayab Seller a total of 1,000,000 shares of common stock consisting of 500,000 shares of our common stock within 30 days of closing and 500,000 shares of our common stock upon us raising $10,000,000 no later than 18 months after closing. We also agreed to pay the Sayab Seller a royalty of 6% of the adjusted gross revenue, derived after all applicable taxes, from Sayab prior to completion of the payment of the foregoing. Further, we agreed to pay the Sayab Seller a royalty of 12% of the adjusted gross revenue, derived after all applicable taxes, from Sayab after the completion of the payout for the life of Sayab, including any renewal, transfer or sale, if any, in perpetuity. "Payout" is defined as all associated costs related to the development of Sayab. As additional consideration for this Agreement, the Sayab Seller will have the right to, upon written notice delivered to us , to purchase back from us up to an additional 8% of Sayab. The buyback purchase price will be determined by actual costs incurred by us relating to Sayab. The Sayab Seller can buy back or obtain 0.5% increments until a maximum 20% total interest is obtained. If we are unable to obtain the financing requirements of this agreement, the Sayab Seller shall have the right to terminate this agreement with full rights of rescission, and all rights, title and interest to Sayab shall be transferred back to the Sayab Seller. Minerco has not issued any shares because it is awaiting approval from SERNA for the project before the transfer of title and we expect title to be transferred in the middle of the second quarter of calendar 2012.

Caserio Rio Frio

On January 10, 2011, we entered into a binding letter of intent with Sesacepa Energy Company S.A. de CV ("SENCO"), a corporation formed and operated under the laws of Honduras (”SENCO"), for the acquisition of a 30% interest in a Hydro – Electric Project known as "Caserio Rio Frio Hydro – Electric Project" in Honduras in Central America (”Caserio Rio Frio"). The agreement also provides for us to obtain a minimum 30% interest and a maximum 80% interest in the remaining 2 phases of Caserio Rio Frio known as "El Chaguiton and El Palmar." Actual ownership will be determined at the actual equity placement for the projects. We will pay SENCO$562,028 over the course of a twelve (12) month period upon execution of a definitive agreement.

Sayab

On January 18, 2011, we acquired 100% of the 100 mega-watt per hour (MWh) Sayab Wind Project ("Sayab") in Choluteca, Honduras. This project is currently in the feasibility stage of development. Acquisition in this phase of development allows us to have full control of the final design and construction of this project. To date, the construction of Sayab has not started, and we have not received any revenues from the project. There is no assurance that Sayab will be completed in a timely manner, if at all. Additionally, if Sayab is completed, there is no guarantee that it will be successfully used to create electricity or that it will generate a consistent revenue stream for us.

We acquired the rights to Sayab from Energia Renovable Hondurenas S.A., a corporation formed under the laws of Honduras (the " Sayab Seller"), pursuant to the terms of an acquisition agreement we entered into with the Sayab Seller on January 18, 2011. We agreed to pay the Sayab Seller a total of 1,000,000 shares of common stock consisting of 500,000 shares of our common stock within 30 days of closing and 500,000 shares of our common stock upon us raising $10,000,000 no later than 18 months after closing. We also agreed to pay the Sayab Seller a royalty of 6% of the adjusted gross revenue, derived after all applicable taxes, from Sayab prior to completion of the payment of the foregoing. Further, we agreed to pay the Sayab Seller a royalty of 12% of the adjusted gross revenue, derived after all applicable taxes, from Sayab after the completion of the payout for the life of Sayab, including any renewal, transfer or sale, if any, in perpetuity. "Payout" is defined as all associated costs related to the development of Sayab. As additional consideration for this Agreement, the Sayab Seller will have the right to, upon written notice delivered to us , to purchase back from us up to an additional 8% of Sayab. The buyback purchase price will be determined by actual costs incurred by us relating to Sayab. The Sayab Seller can buy back or obtain 0.5% increments until a maximum 20% total interest is obtained. If we are unable to obtain the financing requirements of this agreement, the Sayab Seller shall have the right to terminate this agreement with full rights of rescission, and all rights, title and interest to Sayab shall be transferred back to the Sayab Seller. Minerco is awaiting approval from SERNA for the project before the transfer of title and we expect title to be transferred in the middle of the second quarter of calendar 2012.

Rio Sixe

On January 24, 2011, we entered into a binding letter of intent with Sesacepa Energy Company S.A. de CV ("SENCO"), a corporation formed and operated under the laws of Honduras ("the Rio Sixe Seller") for the acquisition of a minimum 30% interest and a maximum of 80% interest in a Hydro – Electric Project known as "Rio Sixe Hydro – Electric Project" in Honduras in Central America (the "Project"). We will pay the Rio Sixe Seller $12,800 over the course of a five (5) month period upon execution of a definitive agreement.

Business Plan

We plan to concurrently:

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

Benefits of Clean, Renewable Energy Projects in Latin America

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

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

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

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Clean Energy Incentives in Honduras

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

Clean energy price (10% over "dirty" marginal cost, currently $115.97 /MWh);

Payable in US$ (to counter currency fluctuations);

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

No import or sales taxes on construction materials;

No sales tax on electricity sales;

Income tax holiday (10 years); and

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

Competition

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

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

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

Funding

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

Employees

As of July 31, 2011, we had 4 full time employees. We currently expect to hire approximately 10-15 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 22503 Katy Highway, Suite 18, Katy, Texas 77450. This space consists of approximately 150 square feet. We are currently in a month to month lease for the property. We believe these facilities are adequate to serve our present needs.

INDUSTRY OVERVIEW

REGULATION

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

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

taxes, in particular Enterprise Income Tax and Value Added Tax.

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

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

ITEM 1A. RISK FACTORS.

Investing in our common stock involves a high degree of risk, and you should be able to bear the complete loss of your investment. You should carefully consider the risks described below, the documents incorporated by reference herein and the risk factors discussed in our other filings with the Securities and Exchange Commission when evaluating our company and our business. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known by us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business could be harmed. In such case, the trading price of our common stock could decline and investors could lose all or a part of the money paid to buy our common stock.

RISK FACTORS

An investment in our securities involves significant risks. You should carefully consider the risks described below, together with all of the other information in this annual report, including our consolidated and other financial statements and related notes, and the financial statements of our acquired subsidiaries, included elsewhere in this annual report, before you decide to purchase our securities. If any of these risks actually occurs, our business, prospects, financial condition or results of operations could be materially and adversely affected, the trading price and value of our securities could decline and you could lose all or part of your investment.

Risks Relating to our Company and the Central American Hydropower Industry

We have a limited operating history which provides limited reference for you to evaluate our ability to achieve our business objectives.

Our company has a limited operating history, is subject to the risks and uncertainties associated with early stage companies and has historically operated at a loss. Accordingly, you will have a limited basis on which to evaluate our ability to achieve our business objectives. We were formed in July 2007 as a Nevada corporation without any operating business. We were engaged in the oil and gas business since inception until we switched our focus to the development, production and provision of renewable energy in May 2010. We have acquired the rights to two hydropower and one wind electric plants located in Honduras .Our financial condition, results of operations and our future success will, to a significant extent, depend on our ability to successfully develop these projects We cannot assure you that we will be able to complete the projects or that any additional acquisitions can be consummated on terms favorable to us or at all, or that if we achieve those acquisitions we will be able to operate our expanded business profitably. We also may not successfully complete the projects we have undertaken to develop given our lack of experience developing hydro-electric projects, which refer to projects that lack one or more construction permits and have not begun construction.

We may not be profitable.

We expect to incur operating losses for the foreseeable future. The construction of the projects and the obtainment of the regulatory approvals necessary to operate such plants, which are crucial to our future success, has required and will continue to require significant expenditures. These expenditures will result in a loss until adequate revenues are derived from the operations of the projects. For the year ended July 31, 2011 we had no revenue and sustained a net loss of $1,079,916. Our ability to become profitable depends on our ability to have successful operations and generate and sustain sales, while maintaining reasonable expense levels, all of which are uncertain in light of our limited operating history in our current line of business.

If we fail to achieve our business objectives, then we may not be able to realize our expected revenue growth, maintain our existing revenue levels or operate at a profit. Even if we do realize our business objectives, our business may not be profitable in the future.

We may not be able to continue as a going concern.

The opinion of our independent registered accounting firm for our fiscal years ended July 31, 2011 and July 31, 2010 is qualified subject to substantial doubt as to our ability to continue as a going concern. See “Report of Independent Registered Public Accounting Firm” and the notes to our Financial Statements. During the year ended July 31, 2011 we incurred $1,094,851of total expenses, had a net loss of $1,079,916 and at July 31, 2010 had an accumulated deficit of $1,315,972 and stockholders’ equity of $50,412. During the year ended July 31, 2010 we incurred $134,109 of total expenses, had a net loss of $123,809 and at July 31, 2009 had an accumulated deficit of $236,056 and a stockholders’ equity of $591,140.

We currently do not have an operating plant and only have the rights to construct three plants in three territories all located in Honduras, making us dependent on a few plants for our income.

To date, we only have acquired rights to three projects in Honduras, none of which have been constructed yet and therefore, initially all of our revenue will be derived from these three plants. If we should experience construction delays or fail to obtain necessary regulatory approvals, our operations will not commence when anticipated, if at all. If we experience operational problems at such plants or demand or operational problems in Honduras, our revenue will be adversely impacted.

We may be adversely affected by the slowdown of Central American economy caused in part by the recent global crisis in the financial services and credit markets.

It is uncertain how long the global crisis in the financial services and credit markets will continue and the impact this will have on the global economy in general and the economy of Central America in particular. We are currently unable to estimate the impact the slowing of the Central American economy will have on our business. Reduction in demand we anticipate for electricity generated by our hydropower plants would have a material and adverse effect on our financial condition and results of operations.

Our business is also dependent upon hydrological conditions, which may from time to time result in conditions that are unfavorable to our business operations.

Our hydroelectric power generating prospects will be dependent upon hydrological conditions prevailing from time to time in the broad geographic regions in which our existing and future hydropower plants are located. There can be no assurance that the water flows at our existing and future sites will be consistent with our expectations, or that climatic and environmental conditions will not change significantly from the prevailing conditions at the time our projections were made. Water flows vary each year, and depend on factors such as rainfall, snowfall, rate of snowmelt and seasonal changes. Our existing and future hydropower plants may be subject to substantial variations in climatic and hydrological conditions which may reduce water flow and thus our ability to generate electricity. While we have selected and will continue to select our hydropower plants for acquisition in part on the basis of their projected outputs, the actual water flow required to produce those outputs may not exist or be sustained. If hydrological conditions result in droughts or other conditions that negatively affect our existing or proposed hydroelectric generation business, our results of operations could be materially and adversely affected.

The operation of our hydropower and wind plants and customer demand for our power may be vulnerable to disruptions caused by natural and man-made disasters, which may materially and adversely affect our results of operations.

Our plants, once operational, if at all, could be required to cease operating in the event of a drought, and to cease operating or even be damaged in the event of a flood. Water supply to our power plants and the plants themselves are vulnerable to natural disasters including, but not limited to, earthquakes, storms, tornadoes and floods, as well as disasters caused by human actions such as terrorist attacks, military conflicts and other deliberate or inadvertent actions which may affect the availability of water supplies or water flow to our power plants. Such disasters are unpredictable and can significantly damage our access to water supply and power plant equipment as well as the property of our consumers. Under such circumstances, market demand for power in general may be significantly adversely affected, reducing the need for the electricity we produce, and we may be unable to continue operation of our plants or to produce the level of electricity we expect. The insurance coverage we maintain may not be adequate to compensate us for all damages and economic losses which may arise in connection with these disasters. Such disruption to our operations could materially and adversely affect our results of operations.

Changes in weather patterns may affect our ability to operate our proposed projects.

Meteorological data we collect during the development phase of a project may differ from actual results achieved after wind turbines are erected. While long-term wind patterns have not varied significantly, short-term patterns, either on a seasonal or on a year-to-year basis, may vary substantially. These variations may result in lower revenues and higher operating losses.

Environmental damage on our properties may cause us to incur significant financial expenses.

Environmental damage may result from the development and operation of our wind and solar farms. The construction of wind and solar farms involves, among other things, land excavation and the installation of concrete foundations. Equipment, such as wind turbines located on farms, can be a source of environmental concern, including noise pollution, damage to the soil as a result of oil spillage, and peril to certain migratory birds and animals that live on, feed on, fly over, or cross the property. We will be required to carry out reclamation work to return leased properties to their original state at the termination of the lease. The costs to complete reclamation work and remove obsolete equipment may be significant. In addition, environmental regulators may impose restrictions on our operations, which would limit our ability to obtain the appropriate zoning or conditional use permits for new renewable energy farms. We may also be assessed significant financial penalties for any environmental damage caused on properties that are leased, and we may be unable to sell properties that are owned. Financial losses and liabilities that may result from environmental damage could affect our ability to continue to do business.

We have several notes that are due in 2011 and we will need additional capital to repay these loans when due and may not be able to obtain it.

As of October 13, 2011 we have notes in the aggregate principal amount of $429,500. Of such amount, a note in the principal amount of $200,000 is due on demand, a note in the principal amount of $53,000 is due on November 7, 2011, a note in the principal amount of $27,500 is due December 29, 2011, a note in the principal amount of $32,500 is due on March 26, 2012, a note in the principal amount of $27,500 is due on May 11, 2012, a note in the principal amount of $36,000 is due on December 6, 2011, a note in the principal amount of $18,000 is due on February 6, 2012 and a note in the principal amount of $35,000 is due on June 29, 2012. We currently do not have the funds to repay any of these loans. We will need to raise additional funds in order to repay these loans. We cannot assure you that additional financing will be available if needed on terms favorable to us. We currently do not have any commitments for additional funding in light of the fact that we terminated our equity line due to our inability to meet the sales volume requirements for its use.

Certain of our notes contain features that could have a dilutive effect to our investors.

We have issued seven notes, one in the principal amount of $53,000, one in the principal amount of $36,000, one in the principal amount of $35,000, one in the principal amount of $18,000, two in the principal amount of $27,500 and one in the principal amount of $32,500 that convert to shares of our common stock which shall be calculated as the average of the lowest 3 days during the preceding 10 days before conversion. The note in the amount of $53,000 converts at the market price of 31%, one note in the principal amount of $27,500 converts in the amount of 31%, one note in the principal amount of $36,000 converts at 50%, one note in the principal amount of $18,000 converts at 50% and the other notes of $27,500, one in the principal amount of $35,000 converts at 51%, and $32,500 convert at the rate of 55%. Any decrease in our stock price could result in a g