

Edgar Filing: USCORP - Form 10QSB/A

USCORP  
Form 10QSB/A  
October 08, 2002

=====

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

-----

FORM 10-QSB/A  
AMENDMENT NO. 2

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2002

or

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-19061

USCORP

-----  
(Exact name of registrant as specified in its charter)

Nevada

87-0403330

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(IRS Employer ID Number)

4535 W. SAHARA AVE. SUITE 204  
Las Vegas, NV 89102

-----  
(Address of principal executive offices)

(702) 933-4034

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

As of June 30, 2002, the Registrant had 25,571,067 shares of Common Stock par value \$0.01 outstanding.

Edgar Filing: USCORP - Form 10QSB/A

USCORP  
TABLE OF CONTENTS

	Page
	-----
PART I -- FINANCIAL INFORMATION	
-----	
Item 1. Financial Statements	
Independent Auditors Report	3
Consolidated Balance Sheets as of June 30, 2002 and September 30, 2001 .....	4
Consolidated Statements of Operations for the three and nine months ended June 30, 2002 and 2001 .....	5
Consolidated Statement of Shareholders' Equity for the period ended June 30, 2002 .....	6
Consolidated Statements of Cash Flows for the nine months ended June 30, 2002 and 2001 .....	7
Notes to Consolidated Financial Statements ....	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	19
PART II -- OTHER INFORMATION	
-----	
Item 2. Change in Securities and Use of Proceeds	22
Item 6. Exhibits and Reports on Form 8-K.....	22
SIGNATURE.....	23
-----	

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

The Shareholders  
USCorp  
4535 W. Sahara Ave. Suite 204  
Las Vegas, Nevada 89102

## Edgar Filing: USCORP - Form 10QSB/A

I have audited the accompanying consolidated balance sheet of USCorp (formerly Fantasticon, Inc.) and Subsidiary as of June 30, 2002 and the related consolidated statements of income and changes in stockholders' equity, and cash flows for the period ended June 30, 2002 and 2001. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements presented are free from material misstatement. The audit includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of USCorp and Subsidiary, a development stage company, for the dates indicated above and the results of their consolidated operations, stockholders' equity and cash flows for the year then ended in conformity with generally accepted accounting principles consistently applied.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in the Notes to the consolidated financial statements, the Company has suffered losses from operations and has a lack of net capital that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Henry Schiffer, CPA  
 An Accountancy Corporation  
 Beverly Hills, California  
 August 16, 2002

3

### USCORP AND SUBSIDIARY (a Development Stage Company) CONSOLIDATED BALANCE SHEET

	June 30, 2002	September 30, 2001
	-----	-----
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 118	\$ -
	-----	-----
<b>Other Assets:</b>		
Mineral properties -- at cost based on successful efforts method of accounting, net of accumulated depletion and amortization 1975 to 2001	2,115,758	-
Annual Assessment Work and Lease Payments to the BLM		

Edgar Filing: USCORP - Form 10QSB/A

1975 to 2001	319,600	-
	-----	-----
Total Assets	\$ 2,435,476	\$ -
	=====	=====
LIABILITIES & STOCKHOLDERS' EQUITY		
Shareholders' Equity:		
Common stock, \$.01 par value; authorized 100,000,000 shares; issued, and outstanding 25,571,067 at June 30, 2002; 10,560,657 at September 30, 2001.	255,711	105,607
Additional paid in capital	5,417,693	2,567,777
Retained deficit	(3,237,928)	(2,673,384)
	-----	-----
Total Shareholders' Equity	2,435,476	-
	-----	-----
	-----	-----
Total Liabilities & Shareholders' Equity	\$ 2,435,476	\$ -
	=====	=====

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

4

USCORP AND SUBSIDIARY  
(a Development Stage Company)  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE THREE AND NINE MONTHS ENDING  
JUNE 30, 2002 AND JUNE 30, 2001

	Nine Months Ended		Three Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
	-----	-----	-----	-----
Net Sales	\$ -	\$ -	\$ -	\$ -
Less Cost Of Sales	-	-	-	-
	-----	-----	-----	-----
Gross Profit	-	-	-	-
Administrative Expenses:				
Consulting	11,000	-	9,000	-
Public Relations	2,794	-	2,794	-
Accounting & Legal	40,179	-	14,275	-
Travel	2,354	-	869	-
Corporate Maintenance	2,248	-	877	-
Communications & Clerical	8,801	-	4,289	-
Transfer Agent	4,084	-	3,000	-
Bank Charges	60	-	-	-
Office Expenses	4,766	-	-	-
Officer Expenses	5,000	-	-	-

Edgar Filing: USCORP - Form 10QSB/A

Printing	986	-	-	-
Utilities	774	-	-	-
Entertainment	1,500	-	-	-
	-----	-----	-----	-----
Total Administrative Expenses	84,544	-	35,104	-
Loss From Operations	(84,544)	-	(35,104)	-
Other Income (expenses):				
Interest Income	-	-	-	-
Interest Expense	-	-	-	-
	-----	-----	-----	-----
Net Loss Before Income Tax Provision	(84,544)	-	(35,104)	-
Income Tax Expense	-	-	-	-
	-----	-----	-----	-----
Net Loss	\$ (84,544)	\$ -	\$ (35,104)	\$ -
	=====	=====	=====	=====
Earnings Per Common Share:				
Basic	\$ ( .00)	-	\$ ( .00)	-
	=====	=====	=====	=====
Weighted Average Of Common Share:				
Basic	25,337,083	-	10,560,657	-
	=====	=====	=====	=====

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

5

USCORP AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY  
FOR THE PERIOD ENDED JUNE 30, 2002

	Common Stock		Additional Paid-In Capital	R
	Shares	Amount		
	-----	-----	-----	-----
Balance at September 30 2001	10,560,657	\$ 105,607	\$ 2,567,777	\$ (
Combination of Retained Deficit and Development Stage Deficit	-----	-----	-----	-----
Balance at December 31, 2001	10,560,657	105,607	2,567,777	(
Cancellation of 6,025,000 common stock	(6,025,000)	(60,250)	60,250	
Adjustment 1 for 10 split down	(4,082,091)	(40,821)	40,821	
Issue 24,200,000 shares to acquire USMetals	24,200,000	242,000	(242,000)	
Issue 650,000 shares per 2002 Employee Compensation Plan	650,000	6,500	(6,500)	
Increase in Paid in Capital			2,435,358	
Expense 650,000 shares @ \$.72 per share			480,000	
Issue 310,000 shares to officers and directors	310,000	3,100	(3,100)	

Edgar Filing: USCORP - Form 10QSB/A

Cancellation of 42,500 common stock	(42,500)	(425)	425
Capital contributed by a stockholder			84,662
Loss from Operations	-----	-----	-----
Balance at June 30, 2002	25,571,067	\$ 255,711	\$ 5,417,693

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

6

USCORP AND SUBSIDIARY  
(a Development Stage Company)  
CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDING  
JUNE 30, 2002 AND JUNE 30, 2001

	June 30, 2002	June 30, 2001
	-----	-----
Operating Activities		
Net Loss		
Changes in Other Operating Assets & Liabilities:	\$ (84,544)	\$ -
Accrued Expenses	-	-
	-----	-----
Net Cash Provided By (used by) Operations	(84,544)	-
	-----	-----
Financing Activities:		
Contributed Capital by Stockholders	84,662	-
	-----	-----
Net Cash Provided by Financing Activities	84,662	-
	-----	-----
Net Increase (decrease) in Cash During Fiscal Year	118	-
Cash Balance at beginning of Fiscal Year	-	-
	-----	-----
Cash Balance at End of Period	\$ 118	\$ -
	=====	=====
Supplemental Disclosures of Cash Flow Information:		
Interest Paid During the Fiscal Year	-	-
Income Taxes Paid During the Fiscal Year	-	-

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

7

USCORP AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES

Nature of Operations

USCorp (the "Company") is a publicly held corporation formed on May 22, 1989 in the state of Nevada as The Movie Greats Network, Inc. On August 4, 1992, The Company changed its name to the Program Entertainment Group, Inc. and on August 5, 1997 the Company changed its name to Santa Maria Resources, Inc. In September 2000 the Company changed its name to Fantasticon, Inc. and in January 2002 the Company changed its name to USCorp.

On October 15, 2000, pursuant to an agreement signed on September 1, 2000, the Company's wholly owned subsidiary, Fantasticon.com, Inc., a Nevada corporation, merged with Fantasticon.Com, Inc., a Delaware corporation, Madman Backstage Productions, Inc., and Impact Interactive, Inc. Pursuant to the agreement, Santa Maria Resources Inc. changed its name to Fantasticon Inc. and effected a 1:2 reverse split of its common stock. As a condition of the agreement, Santa Maria divested itself of its business operations prior to the merger. The merger was rescinded in its entirety by the shareholders in January 2002. 6,025,000 shares issued to former management have been cancelled and returned to the Treasury. In addition, effective March 6, 2002 the Company effected a 1:10 reverse split of its common stock. Accordingly, equity has been restated to reflect the number of shares outstanding after the cancellation of said shares and the subsequent reverse split. The statement of operations presented for the three months ended June 30, 2002 and 2001 and the balance sheet presented at June 30, 2002 represent the results of operations and financial position of USCorp and USMetals.

In April 2002 USCorp acquired USMetals, Inc. ("USMetals"), a Nevada corporation as a wholly owned subsidiary. All of the Company's mining business operations are conducted at this time through USMetals. USMetals owns 141 Lode Mining Claims near Bagdad, Arizona, called the Twin Peaks Mine.

Management Plans

The company has incurred a net loss of approximately \$84,544 during 2002. At June 30 2002, current assets are approximately \$2,435,476.

In order to improve operations and liquidity and meet its cash flow needs, the company has or intends to do the following:

- o Raise \$20,000,000 in a private placement.
- o Resume and complete exploration and drilling on all claims of the Twin Peaks mine.

## Edgar Filing: USCORP - Form 10QSB/A

- o Build a test plant.
- o Complete feasibility studies on the Twin Peaks mine.
- o Bring the Twin Peaks mine to full-scale commercial mining.
- o Obtain a credit facility based in part on the value of its proven reserves when necessary and if appropriate given market conditions.

8

As a result of these plans, management believes that it will generate sufficient cash flows to meet its current obligations in 2002 and 2003.

### Principles of Consolidation

The consolidated financial statements include the accounts of the Company, and its wholly owned subsidiary, USMetals, Inc. ("USMetals"). All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company conducts all of its mining operations through its wholly owned subsidiary, USMetals. International Energy Resources, Inc. ("IERI"), a non-affiliated company, has agreed to continue to supervise and direct the work of the mine Exploration and Development Team upon adequate funding of the project.

### Mineral Properties

The Company uses the successful efforts method of accounting for mineral properties. Under this methodology, costs incurred to acquire mineral interest in properties, to drill and equip exploratory sites within the Twin Peaks claims groups are capitalized. Costs to conduct exploration and assay work that does not find proved reserves, geological and geophysical costs and costs of carrying and retaining unproved sites will be expensed.

Potential mineral properties that are individually significant will be periodically assessed for impairment of value and a loss will be recognized at the time of impairment by providing an impairment allowance. Other unproved properties will be amortized based on the Company's experience of successful drilling and historical lease expirations.

An impairment loss is indicated whenever net capitalized costs exceed expected future net cash flow based on engineering estimates. In this circumstance, the Company will recognize an impairment loss for the amount by which the carrying value of the properties exceeds the estimated fair value (based on discounted cash flow).

On the sale or retirement of a complete claim of proved property, the cost and related accumulated depletion and amortization will be eliminated from the property accounts, and the resultant gain or loss will be recognized. On the retirement or sale of a partial claim of property, the cost will be charged to accumulated depletion and amortization with a resulting gain or loss recognized in earnings.

### NOTE 2 MINING CLAIMS ACQUIRED AND PURCHASED -- APPRAISED VALUES:

The Company owns 141 unpatented contiguous mining claims totaling approximately 2,820 acres in Township 13, Yavapai County, Arizona. These claims have a history of mining activity from the middle of the 19th century to the beginning of World War II. Gold, silver, copper and other minerals were recovered in important quantities. The previous owners started acquisition of this claim group in the early 1940's and by 1978 the group totaled 134 claims. Exploration, drilling and assessment work was done and several geological reports were completed



## Edgar Filing: USCORP - Form 10QSB/A

indicating the presence of economically viable deposits of precious metals and complex ores.

9

### Appraisal and Valuation

The Late Mr. N. H. Carouso, formerly President of Geo-Processing, Inc., was retained in 1985 by the prior owners of these claims to prepare an Economic Evaluation of the 134 claims in the group at that time. Mr. Carouso earned a Bachelor of Arts and a Master of Science degree from the University of California, College of Engineering, Department of Mineral Technology and Mining. This report was for the recovery of gold and silver only.

The following is a statement from Mr. Carouso's report:

"The mining claims project area offers excellent economic potential. With the gold and silver mineralization cropping out at the surface and the favorable topography for surface mining techniques, it is felt that an early cash flow can be expected. The gross dollar potential of the areas evaluated, which the writer (Mr. Carouso) feels represents only about 30% of the potential of the entire group of claims, if combined, could be \$280,836,000.00. Even if one then takes a 50% confidence factor as to the grade of ore, the gross dollar potential would be \$115,418,000, and with an expected 70% recovery of precious metals, the adjusted gross dollar potential would be \$80,792,600.00 based on a spot price of \$325/oz, for gold and \$6.00/oz. for silver, and mining to a depth of 100 feet."

Other minerals are available from these claims as reported from the United States Geological Survey conducted in 1940. Of the minerals listed, one of the most notable was a content of Uranium Ore, U308 (Yellow Cake) which has a content ranging from .43% to 1.77% by volume. The Company has discussed the availability of mining U308 Uranium Ore. Management intends upon receipt of adequate funding to determine viability of economical recovery of uranium.

Additional minerals referred to as "Complex Ores" that have been identified on these claims have been ignored due to the expensive and sophisticated process of mining "Complex Ores." Management intends upon receipt of adequate funding to determine the extent of "Complex Ore" deposits and the feasibility of their economical recovery.

### Revenue Recognition

Mineral sales result from undivided interests held by the Company in mineral properties. Sales of minerals will be recognized when delivered to be picked up by the purchaser. Mineral sales from marketing activities will result from sales by the Company of minerals produced by the Company (or affiliated entities) and will be recognized when delivered to purchasers. Mining revenues generated from the Company's day rate contracts, included in mine services revenue, will be recognized as services are performed or delivered.

10

### Income Taxes

Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts based on enacted laws and statutory rates applicable to the period in which the differences are expected to affect taxable income. Valuation allowances are established when, in management's opinion, it is more likely than

## Edgar Filing: USCORP - Form 10QSB/A

not that a portion or all of the deferred tax assets will not be realized.

### Use of Estimates

In preparing financial statements, generally accepted accounting principles require management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Recent Accounting Pronouncements

On July 20, 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 is effective for all business combinations completed after June 30, 2001. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001; however, certain provisions of SFAS No. 142 apply to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of SFAS No. 142.

Major provisions of SFAS Nos. 141 and 142 and their effective dates for the Company are as follows:

- o All business combinations initiated after June 30, 2001 must use the purchase method of accounting. The pooling of interest method of accounting is prohibited, except for transactions initiated before July 1, 2001.
- o Intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal rights or are separable from the acquired entity and can be sold, transferred, rented or exchanged, either individually or as part of a related contract, asset or liability.
- o Effective January 1, 2002, goodwill and intangible assets with indefinite lives will be tested for impairment annually and whenever there is an impairment indicator.
- o All acquired goodwill must be assigned to reporting units for purposes of impairment testing and segment reporting.

11

In June 2001, FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations, and in August 2001, issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 143 requires entities to record the fair value of liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the carrying amount of the long-lived asset. Subsequently, the asset retirement cost should be allocated to expense using a systematic and rational method. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. SFAS No. 144 addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. It supersedes, with exceptions, SFAS No. 121, Accounting for the Impairment of Long-Lived Assets to Be Disposed Of, and is effective for the fiscal years beginning after December 15, 2001. The Company is currently assessing the impact of SFAS Nos. 143 and 144. However, at this time, the Company does not feel that the impact of these statements will be material to its consolidated financial position or results of operations.

## Edgar Filing: USCORP - Form 10QSB/A

### NOTE 3 - STOCKHOLDERS' EQUITY

On May 1, 2002, the Company adopted an employee stock option plan for certain employees with a maximum of 2,045,357 shares, which may be issued and granted exercisable at \$.72 per share. During 2002, the Company issued and granted a total of 650,000 options under the plan.

Option Terms. The plan provides for incentive stock options and non-qualified stock options. The committee or the Registrant's Board of Directors will determine whether an option is an incentive stock option or a non-qualified stock option when it grants the option and the option will be evidenced by an agreement describing the material terms of the option. The committee or the Registrant's Board of Directors will determine the exercise price of an option. The exercise price of an incentive stock option may not be less than the fair market value of the Registrant's Common Stock on the date of the grant, or less than 110% of the fair market value if the participant owns more than 10% of the Registrant's outstanding Common Stock. When the incentive stock option is exercised, we will be entitled to place a legend on the certificates representing the shares of Common Stock purchased upon exercise of the option to identify them as shares of Common Stock purchased upon the exercise of an incentive stock option. The exercise price of non-qualified stock options may be greater than, less than or equal to the fair market value of the Common Stock on the date that the option is awarded, based upon any reasonable measure of fair market value. The committee may permit the exercise price to be paid in cash or by the delivery of previously owned shares of Common Stock, and, if permitted in the applicable option agreement, through a cashless exercise executed through a broker or by having a number of shares of Common Stock otherwise issuable at the time of exercise withheld.

12

The committee or the Registrant's Board of Directors will also determine the term of an option. The term of an incentive stock option or non-qualified stock option may not exceed ten years from the date of grant, but any incentive stock option granted to a participant who owns more than 10% of the Registrant's outstanding Common Stock will not be exercisable after the expiration of five years after the date the option is granted. Subject to any further limitations in the applicable agreement, if a participant's employment terminates, an incentive stock option will terminate and become unexercisable no later than three months after the date of termination of employment. If, however, termination of employment is due to death or disability, one year will be substituted for the three-month period. Incentive stock options are also subject to the further restriction that the aggregate fair market value, determined as of the date of the grant, of the Registrant's Common Stock as to which any incentive stock option first becomes exercisable in any calendar year is limited to \$100,000 per recipient. If incentive stock options covering more than \$100,000 worth of the Registrant's Common Stock first become exercisable in any one calendar year, the excess will be non-qualified options. For purposes of determining which options, if any, have been granted in excess of the \$100,000 limit, options will be considered to become exercisable in the order granted.

The Company has decided to expense the value of the options when granted to account for its employee option plan in which compensation is recognized at the date of the grant. The fair market value exercise price of all options was the average of the closing price of the Company's stock for the five day period preceding the registration of the option shares. Accordingly, the compensation cost has been recognized for the options issued.

## Edgar Filing: USCORP - Form 10QSB/A

### NOTE 4 - COMMITMENTS AND CONTINGENCIES

#### General Commitments

The company has secured various commitments related to development and production of its mineral properties contingent upon receipt of adequate funding. It is management's belief that such commitments will not have significant adverse impact to the Company's financial position or results of operations.

#### Leases

As of the date of this report, all office furniture and equipment has been contributed by a shareholder. In March 2002, the 141 lode mine claims leases were transferred to USMetals, Inc. These claims leases are renewable annually by USMetals. Rent expense under these leases is \$14,100 each year.

#### Litigation

The Company is not a party to any matters of litigation.

13

### NOTE 5 - RELATED PARTY TRANSACTIONS

#### Joint Venture Agreements

USMetals, Inc. has no joint venture agreements at this time. Mining exploration and development has been performed under the general supervision and direction of International Energy and Resources, Inc., ("IERI") which was under agreement with prior owners of the property. IERI has agreed to provide similar services to the Company upon securing adequate financing. IERI will supervise and direct third parties for the purpose of completing the exploration and development of the Twin Peaks Mine claims group.

### NOTE 6 - ACQUISITION OF BUSINESS

On April 2, 2002, the Company acquired USMetals, Inc. ("USMetals") for 24,200,000 shares of its common stock in a share-for-share exchange whereby USMetals became a wholly owned subsidiary of USCorp. USMetals owns the 141 lode mining claims known as the Twin Peaks mine near Baghdad, Arizona. The fair value of the property is based upon the values that were estimated by field personnel. The estimated fair market values of the assets acquired and liabilities assumed in the acquisition of USMetals are as follows:

Estimated fair value of assets acquired	
Property	319,600
Mine Development	
Hayes Mining, Phillips Mining	400,000
American Metals and Minerals	297,758
Santa Maria Resources	600,000
International Energy and Resources	818,000
	-----
Total fair value of assets	2,435,358

Liabilities assumed

Edgar Filing: USCORP - Form 10QSB/A

Annual Lease Payment	-
	-----
Estimated fair value of acquisition	\$2,435,358
	=====

The following summarizes pro forma unaudited projections of results of operations for the first five years of full scale commercial production. These estimates were prepared for a prior owner of the property by Ernst and Whinney. Management believes these projections are a fair representation of the potential of the Twin Peaks Mine. However, management cannot guarantee any particular result in any given year, or that full scale commercial production will commence in any given year or will continue in any succession of years. These pro forma projections are not necessarily indicative of future results.

Please note that the price per ounce of Gold used by Ernst and Whinney in these projections is \$400. This price and the corresponding values in the projections which follow should be reduced by 25% in order to reflect the current range of prices per ounce of Gold.

14

PROJECTED  
CASH FLOW  
FIRST 5 YEARS

	YEAR 1	YEAR 2	YEAR 3	YEAR 4
	-----	-----	-----	-----
Statistics				
Tons of ore mined (000)	276	690	1,380	2,760
Ore reserve, beginning of year	3.6 million	10.8 million	25.1 million	48.7 million
New Proven Reserves (Tons)	7.5 million	15.0 million	25.0 million	50 million
Ore Grade - Gold (oz/ton)	0.12	0.12	0.12	0.12
- Silver (oz/ton)	0.57	0.57	0.57	0.57
Tons of Ore processed (000)	276	690	1,380	2,760
Recoverable oz - Gold	33,120	82,800	165,600	331,200
- Silver	157,320	393,300	786,600	1,573,200
Sales in oz - Gold	33,120	82,800	165,600	331,200
- Silver	157,320	393,300	786,600	1,573,200
-----				
Revenue - Gold @ \$400/oz.	13,248,000	33,120,000	66,240,000	132,480,000
- Silver @ \$5/oz.	786,600	1,966,500	3,933,000	7,866,000
-----				
Total Revenue	14,034,600	35,086,500	70,173,000	140,346,000
-----				
Operating Costs: Mining	1,290,000	1,770,100	2,760,000	4,560,000
Processing	2,021,800	2,692,200	4,162,700	6,517,600
G&A (site)	364,200	439,800	666,600	1,069,800
-----				
Total Operating Expenses	3,676,000	4,902,100	7,589,300	12,147,400
Capital Expenditures	4,629,700	3,846,750	6,574,600	10,135,300
-----				
Total Expenditures	8,305,700	8,748,850	14,163,900	22,282,700
Income Taxes	4,284,742	13,240,579	27,803,954	57,545,435
Net Cash Flow after Taxes	1,444,158	13,097,071	28,205,146	60,517,865
Accumulated Net Cash Flows	1,444,158	14,541,229	42,746,375	103,264,240
Present Value - Beginning of Year				

Edgar Filing: USCORP - Form 10QSB/A

10%	1,312,871	10,824,026	21,190,943	41,334,516
12%	1,289,427	10,440,904	20,075,865	38,460,197
14%	1,266,805	10,077,771	19,037,670	35,831,434
16%	1,244,964	9,733,257	18,069,843	33,423,478

15

PROJECTED  
PROFIT/LOSS

FIRST 5 YEARS

	YEAR 1	YEAR 2	YEAR 3	YEAR 4
	-----	-----	-----	-----
Net Cash Flow Before Taxes	5,728,900	26,337,650	56,009,100	118,063,000
Add - Capital Expenditures	4,629,700	3,846,750	6,574,600	10,135,300
Less - Depreciation	(462,970)	(847,645)	(1,505,105)	(2,518,635)
Less - Depletion (15% Gross)	(2,105,190)	(5,262,975)	(10,525,950)	(21,051,900)
	-----	-----	-----	-----
Taxable Income	7,790,440	24,073,780	50,552,645	104,627,765
State Income Tax (10%)	779,044	2,407,378	5,055,265	10,462,777
	7,011,396	21,666,402	45,497,381	94,164,989
federal Income Tax (50%)	(3,505,698)	(10,833,201)	(22,748,690)	(47,082,494)
Net Income	3,505,698	10,833,201	22,748,690	47,082,494

The operations of USMetals are included in the accompanying consolidated financial statements subsequent to the acquisition.

NOTE 7 - MINERAL RESERVE DATA (UNAUDITED)

The following estimates of proved reserve quantities and related standardized measure of discounted net cash flows are estimated only, and do not purport to reflect realizable values or fair market values of the Company's reserves. The Company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of producing mining properties.

Accordingly, these estimates are expected to change as future information becomes available. All of the Company's reserves are located in the United States, in the State of Arizona.

The following is a quote from a report prepared by International Energy and Resources, Inc. (The full report is available from the Company upon written request). All references to "Exhibits" refer to Exhibits of IERI's Report.

"...The Twin Peaks Mine is on the same structure and flat zone as the Phelps Dodge deposit. The claims and previous producing mines are on the Jasper Peak with gold carrying mineralization ... To date, numerous geological, geochemical, and geophysical studies have been conducted to confirm historical assays and establish estimated reserves. In the 1980's over 10,000 feet of core drillings were done and over 1,500 fire assays were conducted. These assays showed an overall average of .14 ounces of gold per ton and .595 ounces of silver per ton, which proves over 652,000 ounces of gold and 2,488,000 ounces of silver in reserve using 1 area covering 3 claims. At \$250 per ounce for gold and \$5.00 per ounce for silver this represents \$175,440,000.00. If we extend the depth to 400 ft. (early miners tunneled to this depth and the drilling results verified ore to this depth) the total amount would be multiplied by 4 and the value would be \$701,760,000.00. If we extend the same areas to a depth of 2,000 ft, which is the depth that the Phelps Dodge Mine in Bagdad is being mined, the estimated inferred reserves would be approximately: \$3,508,800,000.000 (over 3.5 billion dollars).

Some of the geological, geophysical, and geochemical studies listed above were audited and evaluated by Nicholas H. Carouso, President of Geo-Processing, Inc. which was an independent mining, consulting, and geology firm. Mr. Carouso's report and economic study recommended the continuation of exploration and start of production. (\*Excerpts from Carouso's report and assays mentioned above are part of exhibits #4, #5, and #6 [of IERI's Report])

In January 2001, International Energy and Resources, Inc. hired Spooner and Associates to do further geological studies. Spooner and Associates have over 100 years of mining experience (\*see Twin Peaks Mine Mining Team). After Spooner and Associates' Senior Geologist Scott Spooner and Cad Drawing Survey Specialist Eric C. Monk audited the geological studies previously mentioned they visited The Twin Peaks Mine in late January 2001. In March of 2001, by recommendation of Spooner and Associates, International Energy and Resources, Inc. mobilized a crew to build approximately 10 miles of road to gain access to the historic Hayes Mining area. This would enable them to conduct further geological studies. (\*see exhibit #1 [of IERI's Report]).

In late March 2001 International Energy and Resources, Inc. hired Hillbrands and Western Mining Co. to drill holes so that ore samples could be collected and assayed. They have currently drilled approximately 30 holes measuring 100 ft. in depth for a total of 3,000 ft. of drill cuttings. Spooner and Associates retained over 30 samples for assaying. In conjunction with the drilling operation, Spooner and Associates have also taken numerous ground samples from two different locations surrounding the historic Hayes Mine. These samples have also been assayed. The results of the geological studies were as follows:

Drill hole #30 was subject to a standard fire assay as well as oxidation prior to standard fire assaying. This assay and oxidation process was conducted on cuttings taken at a depth of 40-50ft. The standard fire assay results revealed gold values of .20 opt (ounces of ore per ton); while oxidation followed by fire assaying showed gold values of 1.16 opt. This structure is approximately 3,400 ft. long x 100 ft. wide x 100 ft. in depth. This yields reserves of 2,014,815 tons of ore x 1.16 opt gold equaling 2,337,185 ounces of gold. The lower results from the standard fire assaying are due to the presence of sulfides and arsenides that tend to drive the gold and silver into the slag phase during standard fire assaying (\*see exhibit #2 [of IERI's Report]). With this in mind it is reasonable to assume that all previous standard fire assays done would

## Edgar Filing: USCORP - Form 10QSB/A

increase 5.8 times through oxidation prior to fire assaying.

17

Rock material from the hanging wall and footwall of the quartz vein were subject to crushing, screening, and fire assaying. The results from the quartz dike revealed an average of .57 opt from fire assaying and 5.8 times or 3.31 opt using the oxidation method. That yields reserves of 16,694,056 ounces of gold. Rock chips were taken from the red conglomerate located just south of the Hayes Mine and just west of the volcanic plug. The fire assays revealed .20 opt of gold. As stated previously oxidation prior to fire assaying should increase the gold amount by 5.8 times to 1.16 opt. This area has ore reserves of 2,395,477 ounces of gold. These three areas have a combined total of 9,138,687 tons of ore, which yields a total of 21,426,718 reserves ounces of gold.

From these studies it is International Energy and Resources, Inc.'s and Spooner and Associates' recommendation that USMetals, Inc...do a fly over to determine areas of mineralization...a six month drilling program using reverse circular and core drilling to depths of 500 ft. per hole in conjunction with a pilot mill to further prove and develop reserves. It is important to note that International Energy And Resources, Inc. hasn't done any work on the Crosby area of the claims, and that history of this area is very favorable to further development."

Potential ore reserves are estimated reserves of ore that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known ore deposits under existing economic and operating conditions.

Operating costs and production taxes are estimated with respect to production of mineral properties. Future development costs are based on the best estimate of such costs assuming current economic and operating conditions.

Income tax expense is computed based on applying the appropriate statutory tax rate to the excess of future cash inflows less future production and development costs over the current tax basis of the properties involved, less applicable carryforwards, for both regular and alternative minimum tax.

The future net revenue information assumes no escalation of costs or prices, except for mineral sales which may be made under terms of contracts which would include fixed and determinable escalation. Future costs and prices could significantly vary from estimated amounts and, accordingly, revisions in the future could be significant.

18

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OR PLAN OF OPERATIONS

You should read the following discussion and analysis in conjunction with the Financial Statements and Notes thereto, and the other financial data appearing elsewhere in this Report.

The information set forth in Management's Discussion and Analysis of



## Edgar Filing: USCORP - Form 10QSB/A

Financial Condition and Results of Operations ("MD&A") contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, including, among others (i) expected changes in the Company's revenues and profitability, (ii) prospective business opportunities and (iii) the Company's strategy for financing its business. Forward-looking statements are statements other than historical information or statements of current condition. Some forward-looking statements may be identified by use of terms such as "believes", "anticipates", "intends" or "expects". These forward-looking statements relate to the plans, objectives and expectations of the Company for future operations. Although the Company believes that its expectations with respect to the forward-looking statements are based upon reasonable assumptions within the bounds of its knowledge of its business and operations, in light of the risks and uncertainties inherent in all future projections, the inclusion of forward-looking statements in this report should not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved.

The Company's revenues and results of operations could differ materially from those projected in the forward-looking statements as a result of numerous factors, including, but not limited to, the following: (i) changes in external competitive market factors, (ii) termination of certain operating relationships or inability to enter into additional operating relationships or agreements, (iii) inability to satisfy anticipated working capital or other cash requirements, (iv) changes in or developments under domestic or foreign laws, regulations, licensing requirements or telecommunications standards, (v) changes in the Company's business strategy or an inability to execute its strategy due to unanticipated changes in the market, (vi) various competitive factors that may prevent the Company from competing successfully in the marketplace, and (ix) the Company's lack of liquidity and its ability to raise additional capital. In light of these risks and uncertainties, there can be no assurance that actual results, performance or achievements of the Company will not differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. The foregoing review of important factors should not be construed as exhaustive. The Company undertakes no obligation to release publicly the results of any future revisions it may make to forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

19

### OVERVIEW

Prior to April 2002, the Company, a development-stage company, did not have any business operations.

On April 2, 2002, the Company acquired USMetals, Inc. ("USMetals") for 24,200,000 shares of its common stock in a share-for-share exchange whereby USMetals became a wholly owned subsidiary of USCorp. USMetals owns the 141 lode mining claims known as the Twin Peaks mine near Baghdad, Arizona. The fair value of the property is based upon the values that were estimated by field personnel. The estimated fair market values of the assets acquired and liabilities assumed in the acquisition of USMetals are as follows:

Estimated fair value of assets acquired	
Property	319,600
Mine Development	

## Edgar Filing: USCORP - Form 10QSB/A

Hayes Mining, Phillips Mining	400,000
American Metals and Minerals	297,758
Santa Maria Resources	600,000
International Energy and Resources	818,000
	-----
Total fair value of assets	2,435,358
Liabilities assumed	
Annual Lease Payment	-
	-----
Estimated fair value of acquisition	\$2,435,358
	=====

As a result of the acquisition and change in control of the Company, the following individuals have been added to the Company's board of directors following the closing of the acquisition: Robert Dultz, Michael D. Love, Donald E. Brown and Tom Owens, an outside director. Mr. Dultz has become the Chairman of the Board of Directors and Mr. Love and Mr. Brown have become Vice Presidents of the Company.

Complete details of the transaction have been disclosed in a Current Report on Form 8-K dated April 2, 2002.

All of the Company's mining business operations are conducted at this time through its subsidiary, USMetals. International Energy Resources, Inc. has agreed to continue to supervise and direct the work of the mine Exploration and Development Team upon adequate funding of the project.

As a result of the acquisition, the Company owns 141 unpatented contiguous mining claims totaling approximately 2,820 acres in Township 13, Yavapai County, Arizona. These claims have a history of mining activity from the middle of the 19th century to the beginning of World War II. Gold, silver, copper and other minerals were recovered in important quantities. The previous owners started acquisition of this claim group in the early 1940's and by the mid-1980's the group totaled 134 claims. Exploration, drilling and assessment work was done and several geological reports were completed indicating the presence of economically viable deposits of precious metals and complex ores.

20

### Appraisal and Valuation

The Late Mr. N. H. Carouso, formerly President of Geo-Processing, Inc., was retained in 1985 by the prior owners of these claims to prepare an Economic Evaluation of the 134 claims in the group at that time. Mr. Carouso earned a Bachelor of Arts and a Master of Science degree from the University of California, College of Engineering, Department of Mineral Technology and Mining. This report was for the recovery of gold and silver only.

The following is a statement from Mr. Carouso's report:

"The mining claims project area offers excellent economic potential. With the gold and silver mineralization cropping out at the surface and the favorable topography for surface mining techniques, it is felt that an early cash flow can be expected. The gross dollar potential of the areas evaluated, which the writer (Mr. Carouso) feels represents only about 30% of the potential of the entire group of claims, if combined, could be \$280,836,000.00. Even if one then takes a 50% confidence factor as to the grade of ore, the gross dollar potential would be \$115,418,000, and with an expected 70% recovery of precious metals, the adjusted gross dollar potential would be \$80,792,600.00 based on a spot price of

## Edgar Filing: USCORP - Form 10QSB/A

\$325/oz, for gold and \$6.00/oz. for silver, and mining to a depth of 100 feet."

Other minerals are available from these claims as reported from the United States Geological Survey conducted in 1940. Of the minerals listed, one of the most notable was a content of Uranium Ore, U308 (Yellow Cake) which has a content ranging from .43% to 1.77% by volume. The Company has discussed the potential of mining U308 Uranium Ore. Management intends upon receipt of adequate funding to determine viability of economical recovery of uranium.

Additional minerals referred to as "Complex Ores" that have been identified on these claims have been ignored due to the expensive and sophisticated process of mining "Complex Ores." Management intends upon receipt of adequate funding to determine the extent of "Complex Ore" deposits and the feasibility of their economical recovery.

### MANAGEMENT PLANS

The company has incurred a net loss of approximately \$84,544 during 2002. At June 30 2002, current assets are approximately \$2,435,476.

In order to improve operations and liquidity and meet its cash flow needs, the company has or intends to do the following:

- o Raise \$20,000,000 in a private placement.
- o Resume and complete exploration and drilling on all claims of the Twin Peaks mine.
- o Build a test plant.
- o Complete feasibility studies on the Twin Peaks mine.
- o Bring the Twin Peaks mine to full-scale commercial mining.
- o Obtain a credit facility based in part on the value of its proven reserves when necessary and if appropriate given market conditions.

21

As a result of these plans, management believes that it will generate sufficient cash flows to meet its current obligations in 2002 and 2003.

### PART II - OTHER INFORMATION

#### ITEM 2. CHANGE IN SECURITIES AND USE OF PROCEEDS

During this period the Registrant issued 24,200,000 shares of common stock (the "Acquisition Shares") to the stockholders of USMetals, Inc., in consideration for the acquisition of all the issued and outstanding shares of USMetals.

The Acquisition Shares were issued in reliance upon an exemption from registration provided by Section 4(2) of the Securities Act of 1933.

The Registrant also issued 650,000 shares to an officer of the Company pursuant to the Company's 2002 Stock Option Plan, 310,000 shares were issued to officers and directors as an inducement to serve the Company without compensation, and the Registrant canceled 42,500 shares previously issued by prior management shortly before the Company ceased operations in 2001.

Edgar Filing: USCORP - Form 10QSB/A

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits :

99.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \*

(b) Reports on Form 8-K:

In a report dated April 2, 2002, Registrant reported under Item 1, change in control of Registrant; under Item 2, the acquisition of USMetals; Inc., and under Item 5, reported Directors, Proposed Directors, Officers, and Proposed Officers of Registrant; New Committees of the Registrant's Board of Directors.

\* Previously filed

22

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

USCORP

Date: October 8, 2002

By: /s/ Larry Dietz

-----  
Larry Dietz  
President and Director

By: /s/ Robert Dultz

-----  
Robert Dultz  
Chairman, Chief Executive Officer,  
Chief Financial Officer

23