USCORP
Form 10KSB/A
May 12, 2005

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-KSB/A

Amendment No. 1

(Mark One)

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the fiscal year ended September 30, 2004

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)	(I.R.S. Employer Identification No.)

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Names of each exchange on which registered
None	None

Securities registered pursuant to Section 12(g) of the Act:

Common Shares, $0.01 Par Value

Indicate by check mark whether the Registrant (l) 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 [X] No [__]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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-KSB or any amendment to this Form 10-KSB. [X]

State the issuer's revenues for its most recent fiscal year. $0.0

State the aggregate market value of the voting stock held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and asked price of such stock, as of a specified date within the past 60 days. As of October 7, 2004, the value of such stock was $2,065,370.44.

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Explanatory Note: This amendment is being filed to revise the business description to delete references to subcontractors. All other items remain unchanged.

FORM 10-KSB

September 30, 2004

USCORP

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FORWARD LOOKING STATEMENTS

Some of the information contained in this Report may constitute forward-looking statements or statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations and projections about future events. The words estimate , plan , intend , expect , anticipate and similar expressions are intended to identify forward-looking statements which involve, and are subject to, known and unknown risks, uncertainties and other factors which could cause Registrant s actual results, financial or operating performance, or achievements to differ from future results, financial or operating performance, or achievements expressed or implied by such forward-looking statements. Projections and assumptions contained and expressed herein were reasonably based on information available to Registrant at the time so furnished and as of the date of this filing. All such projections and assumptions are subject to significant uncertainties and contingencies, many of which are beyond Registrant s control, and no assurance can be given that the projections will be realized. Potential investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date hereof. Registrant undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

A. Recent Developments.

Except as set forth herein or otherwise in this Form 10-KSB, information presented here is as of September 30, 2004.

1. During fiscal 2004, Registrant's primary accountant, Henry Schiffer, C.P.A., An Accountancy Corporation ("Schiffer"), was dismissed by the Company on March 19, 2004.

No reports on the financial statements prepared by Schiffer over the two most recent fiscal years contained any adverse opinion or disclaimer of opinion, or was qualified or modified as to uncertainty, audit scope, or accounting principals except for an uncertainty relating to the registrant's ability to continue as a going concern, which was stated in the reports for both years. The decision to change accountants was approved by the Board on March 19, 2004.During the registrant's two most recent fiscal years, and any subsequent interim period preceding the dismissal

on March 19, 2004, there were no disagreements with the former accountant, Schiffer, on any matter of accounting principals or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of Schiffer, would have caused him to make reference to the subject matter of the disagreement(s) in connection with his reports.

Schiffer did not advise the registrant that internal controls necessary to develop reliable financial statements did not exist; no information had come to Schiffer's attention which would make him unwilling to rely on management's representations, or unwilling to be associated with the financial statements prepared by management. Schiffer did not advise the registrant that the scope of the audit should be expanded significantly, or that information had come to his attention that would materially impact the fairness or reliability of a previously issued audit report or the underlying financial statements or the financial statements issued or to be issued covering the fiscal periods subsequent to the date of the most recent audited financial statements, dated October 10, 2003, (including information that might preclude the issuance of an unqualified audit report).

Following the dismissal of Schiffer, Registrant retained the services of Donahue Associates, L.L.C., Monmouth Beach, New Jersey ("Donahue") on March 19, 2004, as its principal accountant. For more information please see Registrant's 8-K Report filed in March 2004.

2. On May 29, 2004, the Company concluded the acquisition of an aggregate of 29 additional gold mining claims located in Imperial County, California from two individuals. In lieu of cash payment for the claims the Company entered into what is essentially a joint venture with the former owners whereby the Company is obligated to commence production on these claims within two years with the former owners entitled to receive 20% of all net smelter returns of gold, whether paid in cash or in kind.

Under the terms of the acquisition, the Company granted each of the two sellers an option to acquire 50,000 shares of the Company s common stock at the then current market price at any time within a two year period. The agreements further provide that the Company s obligation to commence gold production within two years would be terminated in the event that the foregoing stock options were exercised. Further, in the event that the Company subsequently sells the claims within two years of the acquisition date, then the sellers will be entitled to receive 20% of the net proceeds of such sale. For more information regarding this acquisition please see Registrant s 8-K Report dated May 29, 2004.

B. DESCRIPTION OF CURRENT BUSINESS OPERATIONS.

Registrant s plan of operation and business objectives will be to engage in (a) the precious metals exploration, mining, and refining business, and (b) the acquisition of qualified candidates engaged in businesses that would complement Registrant s existing or proposed operations. All of Registrant s business operations are conducted through its subsidiaries

USMETALS - Summary of Organization and Business.

USMetals (USMetals) was formed and organized under the laws of the State of Nevada on May 3, 2000. On or about April 2, 2002, Registrant acquired USMetals; including its 141 lode mining claims (the Mining Claims). The purpose of USMetals is to engage in the business of acquiring and developing mineral properties, exploring for gold, silver, and other non-ferrous metals and minerals within the contiguous United States. It is the further intention of USMetals to mine and to process any commercially-proven resources developed at its properties.

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The Mining Claims of USMetals are located in West-Central Arizona, in the Eureka Mining District of Yavapai County, Arizona, approximately 42 miles west of Prescott, Arizona. Within the boundaries of USMetals Mining Claims, more commonly referred to as the Twin Peaks Mine, are the historic sites of the Crosby, Hayes, Swiss Belle and Glory Hole Mines, past producers of gold and silver. The claims are geographically located in the southwestern division of the Eureka Mining District, which includes many significant mines and prospects. The exceptions are the tungsten mines in the Camp Wood area, to the northeast, the existing historic gold mines and prospects, which abut USMetals property to the southeast along the Santa Maria River, and tungsten, copper, and zinc mines to the south and southeast. The area has a long history of mining activities. Mining companies and prospectors can obtain experienced labor, affordable housing, equipment repair, and mining services within the district.

The Santa Maria River traverses the Mining Claims and USMetals is the only company that holds water rights to that section of the river, a valuable asset for a mining company in this arid country.

All of USMetals mining properties are unpatented mining claims; consequently, Registrant has only possessory title with respect to such properties. The claims were duly transferred by official deed from the prior owner to USMetals on March 22, 2002. The real property upon which USMetals claims are located is subject to a paramount lien by the United States of America; all of USMetals claims are subject to the applicable rules and regulations of the United States Department of the Interior, Bureau of Land Management, which administers USMetals use and activities on said Mining Claims. USMetals has paid all of the required fees in order to maintain the 141 Mining Claims, which USMetals owns, for the current periods. All of the necessary documents and affidavits have been filed with the Yavapai County Recorder, as was mentioned hereinabove.

Registrant and USMetals have had a number of strategic working relationships with various independent contractors in order to develop its Mining Claims. USMetals further relies on the declarations and valuations formed and given by Ernst & Whinny and by Geo-Processing, Inc. and, to a lesser extent, California Core Drilling Company. USMetals has had consulting relationships with International Energy and Resources, Inc., It should be noted that if USMetals was forced to disassociate itself with one or more of the abovementioned independent contractors, it could readily secure the services of other individuals or entities to perform the work or services of equal or greater quality; the loss of any one or all of the abovementioned contractors would not cause USMetals material adverse effects; however, each of these firms has demonstrated its capability and reliability in assisting Registrant and USMetals to develop the Mining Claims, and, to date, the abovementioned companies have provided invaluable assistance to Registrant s senior executive management in evaluating the potential represented by USMetals Mining Claims.

SOUTHWEST RESOURCE DEVELOPMENT, INC. **- Summary of Organization and Business**

Southwest Resource Development, Inc. (Southwest) was formed and organized under the laws of the State of Nevada on April 3, 2004 as a wholly owned subsidiary of USCorp. On or about May 29, 2004, Southwest acquired 8 lode and 21 placer mining claims (the Mining Claims) known as the Chocolate Mountain Region Claims and the Picacho Area Claims. The purpose of Southwest is to engage in the business of acquiring and developing mineral properties, exploring for gold, silver, and other non-ferrous metals and minerals within the contiguous United States. It is the further intention of Southwest to mine and to process any commercially-proven resources developed at its properties.

In lieu of cash payment for the claims the Company entered into what is essentially a joint venture with the former owners whereby the Company is obligated to commence production on these claims within two years with the former owners entitled to receive 20% of all net smelter returns of gold after expenses, whether paid in cash or in kind.

Registrant has spent the last 3 years developing a plan that would bring multiple properties under Company ownership. Through its wholly owned subsidiary, Southwest Resource Development, Inc., Registrant has acquired for development of a total of 3,520 acres of precious metal properties located in the Chocolate Mountain region of Imperial County, California: Geological testing has successfully recovered gold and silver from dry washes and feeder rills. Laboratory analysis indicates these findings warrant continued development.

The Chocolate Mountains region, located in southeastern Imperial county of California, includes the Picacho State Park and surrounding areas that has a rich history of gold mining activities dating back to 1775. This property is in a district that has been producing gold since the 1800s. In 1890 a large stamp mill was built beside the Colorado River at the town of Picacho. The Picacho Mine was opened in the Picacho Basin area and a narrow gauge railroad began hauling ore from the mine to the mill. By 1904, the town of Picacho had a population of 2,500 people. The ruins of the mill are a few miles from USCorp's newly acquired claims in the Picacho State Recreation Area. Thousands of people visit the old mill ruins each year. To the south and west of the claims there are ruins of many old placer and lode workings as well as recently producing major mining operations.

Numerous discoveries of placer gold throughout Imperial County have remained undeveloped due to a common problem encountered by small miners. Due to the lack of an adequate water supply to support placer gold recovery operations in the region, scores of small and medium size mining operations have failed to successfully recover precious metals known to exist throughout the region. Southwest believes it has located a potentially adequate water source. Southwest intends to use a state of the art gold recovery system designed and developed by the Company s Process Engineer for the specific conditions found on these properties. Based on the recent reports of geologists and engineers, Southwest believes this property has the potential to develop into a significant gold producing operation.

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Mining has been carried out in the Chocolate Mountains of Imperial County using old hard rock mining and placer methods. However, in 1984, new mining methods were used to develop and mine a low-grade ore body discovered along the southern spur of the Chocolate Mountains in an area called Mesquite. The Mesquite ore body is a disseminated gold deposit with a lenticular form, northwest trending and steeply dipping. Hydrothermal waters deposited gold in the highly fractured and porous rock following along a detachment fault system that is common in the area. The lode deposits of gold are identified as pre-Tertiary in age and are directly related to Tertiary plutonic bodies. Portions of Southwest s newly acquired properties are adjacent to the Mesquite area described above and share some of the same geological features. The mineral property controlled by USCorp is within the mineralization trend between producing mines to the west and past producers to the east. The geology and history of this area indicate it is rich in gold deposits. Southwest intends to go into production as soon as possible after approvals and financing are obtained.

Recent Initial Exploration and Exploitation

Although many companies and individuals are engaged in the mining business, including large established mining companies, there is a limited supply of desirable mineral lands available for claim staking, lease, or other acquisition in the United States and other areas where USMetals contemplates conducting its exploration and/or production activities. However, it has been determined by qualified geologists and mining companies that USMetals Arizona properties have both proven and non-proven estimates on a variety of precious and non-precious minerals. Historically, the specific geographic region in which USMetals intends to conduct its exploratory and mining activities has been the subject of various general samplings, which were performed by the State of Arizona, the United States Department of the Interior Bureau of Mines, and the United States Department of the Interior Bureau of Land Management, as well as by the results of historic and current mining activities by companies that are not presently affiliated or associated with USMetals

Registrant has relied upon a number of studies to determine the feasibility and valuation of USMetals pursuit to develop the Mining Claims; these studies are comprised of several exploration techniques, such as geological and geophysical surveys, drilling, and excavations, in order to determine the economic potential, and subsequent exploratory and mining development, of the overall Mining Claims, and have been performed by a number of different firms, each of which has utilized varied means to calculate the potential of the exploration and development of the Twin Peaks Mine s Mining Claims.

Following are summaries from each of the principal studies, beginning with the report performed by California Core Drilling Company, then, the report by International Energy and Resources, Inc. To substantiate each of these reports, the Company will set forth certain conclusions made by Geo-Processing, Inc. and by Ernst & Whinny.

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Early Exploration Conducted and Valuations Determined by California Core Drilling Company.

Beginning in 1981, R. W. Barnes, a geologist for California Core Drilling Company, performed certain exploratory drillings in order to obtain samples of the contents from the Crosby Mine Site No. 6, located Yavapai County, Arizona (included in USMetals Twin Peaks Mine). Mr. Barnes drilled 28 core drill holes on the Crosby Mine site. His report was based on 200-foot depth cores. This area was 18,519 cubic yards, or approximately 20,000 tons of ore reserve. The total area that was drilled was 1,500 x 600 x 200 . A total of 744 core samples were taken from the 6,000-foot of core hole drillings. The samples were assayed for gold and silver.

The results were .14 ounces of gold per ton and .70 ounces of silver per ton. Moreover, this ground value was before processing. The core samples also revealed quartz monzonite porphyry formations throughout the area of sampling. The many faults located in this area were of considerable importance in controlling supergene enrichment; the largest quantity and highest grade of ore occurs when these faults intersect or are closely spaced. There was significant evidence of this enrichment recorded from the samples taken from the Crosby Mine site area. And, the gold and silver that was found is natural to the formations of the enrichment zone. In Mr. Barnes report, his qualified and professional conclusion was that the sampling area at the Crosby Mine site (which consisted of 1,800,000 tons) contained 252,000 ounces of gold and 1,260,000 ounces of silver in the form of proven reserves. Mr. Barnes certified these figures as total ground production values.

Recent Exploration and Samplings

Through extensive recent geological surveys, Registrant and USMetals have been gratified by the results of such surveys provided by one of USMetals principal advisors. It was determined that the Twin Peaks Mine is on the same structure and flat zone as the Phelps-Dodge Cypress deposit. The claims and previous producing mines are on the Jasper Peak, with gold carrying mineralization in the Jasperoid. To the date of the report (2002), numerous geological, geochemical, and geophysical studies were conducted in order to confirm historical assays and to establish estimated reserves at USMetals properties.

Historically, over 10,000 feet of core drillings were performed 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, at today s mining capability, proves over 652,000 ounces of gold and 2,488,000 ounces of silver in reserve using only 1 area of 3 claims.

The geological, geophysical, and geochemical studies stated above were reviewed and evaluated by Nicholas H. Carouso, the President of Geo-Processing, Inc., which was an independent mining, consulting, and geologic firm. Mr. Carouso was engaged to evaluate the commercial feasibility of the claims. Mr. Carouso s report and economic study recommended the continuation of exploration and the start of production.

Specific Environmental Regulation.

Mining is subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration and production. Environmental liability may result from mining activities conducted by others prior to USMetals ownership of a property. Insurance for environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) is not generally available at a reasonable price to companies within the industry. To the extent USMetals is subject to environmental liabilities, the payment of such liabilities would reduce funds otherwise available to USMetals and could have a material adverse effect on USMetals

In the context of environmental compliance and permitting, including the approval of reclamation plans, USMetals must comply with standards, laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted, constructed and operated and how stringently the regulations are implemented by the applicable regulatory authority. It is possible that the costs and delays associated with compliance with such laws, regulations and permits could become such that a company would not proceed with the development of a project or the operation or further development of a mine. Laws, regulations and regulatory policies involving the protection and remediation of the environment are constantly changing at all levels of government and are generally becoming more restrictive and the costs imposed on the development and operation of mineral properties are increasing as a result of such changes. USMetals has made, and expects to make in the future, significant expenditures to comply with such laws and regulations.

The Environmental Protection Agency (*EPA*) continues the development of a solid waste regulatory program specific to mining operations under the Resource Conservation and Recovery Act (*RCRA*). The difficulty is that many Federal laws duplicate existing state regulations.

Mining companies in the United States are also subject to regulations under (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (*CERCLA*) which regulates and establishes liability for the release of hazardous substances and (ii) the Endangered Species Act (*ESA*) which identifies endangered species of plants and animals and regulates activities to protect these species and their habitats. Revisions to CERCLA and ESA are being considered by Congress; the impact on USMetals of these revisions is not clear at this time. Environmental laws and regulations enacted and adopted in the future may have a significant impact upon USMetals future operations.

Reclamation plans which are approved by various environmental regulatory authorities are subject to on-going review and modification. Although USMetals management believes that the reclamation plans developed and implemented for its mine sites are reasonable under current conditions, any future re-determination of reclamation conditions or

requirements could significantly increase USMetals   costs of implementation of such plans.

Competition.

There is aggressive competition within the minerals industry to discover and acquire properties considered to have commercial potential. USMetals will compete for promising gold exploration projects with other entities, many of which have greater financial and other resources than USMetals In addition, USMetals will compete with other firms in its efforts to obtain financing to explore and develop mineral properties including the claims its already owns. Further, the mining industry is typified by companies with significantly greater financial resources and market recognition than the Company. At present, Registrant is not a significant factor within this industry.

Employees and Independent Contractors.

As of the Date of this Report, Registrant did not employ any persons other than its executive officers and directors named herein.

As of the Date of this Report, Registrant and its wholly owned subsidiaries have utilized two principal consultants/advisors: Quantum GeoConsulting Group, under its managing partner, Edwin Arbar and International Energy and Resources, Inc. (IERI) under the guidance and direction of IERI s current Chairman and CEO, John Owen, which, in turn, employ subcontractors that perform work indirectly for Registrant and its subsidiaries.

C. Risk Factors

Lack of Operating History and Earnings. Registrant has no operating history or revenues. Registrant expects to incur further losses in the foreseeable future due to significant costs associated with its business development, and the business development of its subsidiaries, including costs associated with its acquisition of new mining claims and/or operations. There can be no assurance that Registrant s operations will ever generate sufficient revenues to fund its continuing operations that Registrant will ever generate positive cash flow from its operations, or that Registrant will attain or thereafter sustain profitability in any future period.

Speculative Nature of Registrant s Proposed Operations; Dependence Upon Management. The success of Registrant s operations, independently and through its subsidiaries, and its proposed plan of operation will depend largely on the operations, financial condition, and management of Registrant. While management intends to engage in the business purposes stated herein, there can be no assurance that it, or any of its subsidiaries, will be successful in conducting such business. Presently, Registrant is totally dependent upon the personal efforts of its current management. The loss of any officer or director of Registrant could have a material adverse effect upon its business and future prospects. Registrant does not presently have key-man life insurance upon the life of any of its officers or directors. Registrant will also employ independent consultants to provide business, geological, mining and marketing

advice. Such consultants have no fiduciary duty to Registrant or its shareholders, and may not perform as expected. The success of Registrant will, in significant part, depend upon the efforts and abilities of management, including such consultants as are or may be engaged in the future. **See PART III, ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS .**

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Risks Inherent In Exploration and Mining Operations. Mineral exploration is highly speculative and capital intensive. Most exploration efforts are not successful, in that they do not result in the discovery of mineralization of sufficient quantity or quality to be profitably mined. Registrant s Mining Claims are also indirectly subject to all hazards and risks normally incident to developing and operating mining properties. These risks include insufficient ore reserves, fluctuations in production costs that may make mining of reserves uneconomic; significant environmental and other regulatory restrictions; and the risks of injury to persons, property or the environment. In particular, the profitability of gold mining operations is directly related to the price of gold. The price of gold fluctuates widely and is affected by numerous factors that are beyond the control of any mining company. These factors include expectations with respect to the rate of inflation, the exchange rates of the dollar and other currencies, interest rates, global or regional political, economic or banking crises, and a number of other factors. If the price of gold should drop dramatically, the value of the Mining Claims could also drop dramatically, and the Company might then be unable to recover its investment in those interests or properties. Selection of a property for exploration or development; the determination to construct a mine and to place it into production, and the dedication of funds necessary to achieve such purposes, are decisions that must be made long before the first revenues from production will be received. Price fluctuations between the time that such decisions are made and the commencement of production can drastically affect the economics of a mine. The volatility of gold prices represents a substantial risk, generally, which no amount of planning or technical expertise can eliminate.

Uncertainty of Reserves and Mineralization Estimates. There are numerous uncertainties inherent in estimating proven and probable reserves and mineralization, including many factors beyond Registrant s control. The estimation of reserves and mineralization is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may justify revision of such estimates. No assurances can be given that the volume and grade of reserves recovered and rates of production will not be less than anticipated. Assumptions about prices are subject to great uncertainty and gold prices have fluctuated widely in the past. Declines in the market price of gold or other precious metals also may render reserves or mineralization containing relatively lower grades of ore uneconomic to exploit. Changes in operating and capital costs and other factors including, but not limited to, short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades, may materially and adversely affect reserves.

Environmental Risks. Mining is subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration and production. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) is not generally available to Registrant (or to other companies within the gold industry) at a reasonable price. To the extent Registrant becomes subject to environmental liabilities, the satisfaction of any such liabilities would reduce funds otherwise available and could have a material adverse effect on Registrant. Laws and regulations intended to ensure the protection of the environment are constantly changing, and are generally becoming more restrictive.

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Proposed Federal Legislation. Over the past ten years, the U.S. Congress has adopted revisions of the General Mining Law of 1872, which governs the creation of mining claims and related activities on Federal public lands in the United States. Similarly, the U. S. Congress and the Clinton Administration eliminated the U.S. Bureau of Mines, which was the agency responsible for gathering and maintaining data on mines throughout the United States. Beyond changes to the existing laws, the Congress or the Bush Administration may propose or adopt new laws; any such revisions could also impair USMetals and Southwest s ability to develop, in the future, any mineral prospects that are located on unpatented mining claims on Federal lands.

Title to Properties. The validity of unpatented mining claims, which constitute all of Registrant s property holdings, is often uncertain and such validity is always subject to contest. Unpatented mining claims are unique property interests and are generally considered subject to greater title risks than patented mining claims, or other real property interests that are owned in fee simple. Registrant has not filed any patent applications for any of its properties that are located on Federal public lands in the United States, (specifically, in the States of Arizona and California), and, under changes to the General Mining Law, patents may not be available for such properties. Although management believes it has taken requisite action to acquire satisfactory title to its undeveloped properties, it does not intend to go to the expense to obtain title opinions until financing is secured to develop the property, with the attendant risk that title to some properties, particularly title to undeveloped properties, may be defective.

Competition. There is aggressive competition within the minerals industry to discover and acquire properties considered to have commercial potential. Registrant will compete for promising gold exploration projects with other entities, many of which have greater financial and other resources than Registrant. In addition, Registrant will compete with other firms in its efforts to obtain financing to explore and develop mineral properties.

Registrant s Financial Statements Contain a Going Concern Qualification. Registrant may not be able to operate as a going concern. The independent auditors report accompanying its financial statements contains an explanation that Registrant s financial statements have been prepared assuming that it will continue as a going concern. Note 1 to these financial statements indicates that Registrant is in the development stage and needs additional funds to implement its plan of operations. This condition raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Registrant s audit report and financial statements are included herein as PART F/S .

Uncertainty As To Management's Ability To Control Costs And Expenses. With respect to Registrant's development of its mining properties and the implementation of commercial operations, management cannot accurately project or give any assur–ance, with respect to its ability to control develop–ment and operating costs and/or expenses. Conse–quently, if management is not able to ade–quately control costs and expenses, such operations may not generate any profit or may result in operating losses.

No Dividends. The Company has not paid any dividends nor, by reason of its present financial status and contemplated financial requirements, does it anticipate paying any dividends in the foreseeable future.

Risks of Low-Priced Stocks And Possible Effect of Penny Stock Rules on Liquidity. Currently Registrant s stock is defined as a penny stock under Rule 3a51-1 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. In general, a penny stock includes securities of companies which are not listed on the principal stock exchanges or the National Association of Securities Dealers Automated Quotation System (NASDAQ) or National Market System (NASDAQ NMS) and have a bid price in the market of less than $5.00; and companies with net tangible assets of less than $2,000,000 ($5,000,000 if the issuer has been in continuous operation for less than three years), or which has recorded revenues of less than $6,000,000 in the last three years. Penny stocks are subject to rule 15g-9, which imposes additional sales practice requirements on broker-dealers that sell such securities to persons other than established customers and accredited investors (generally, individuals with net worth in excess of $1,000,000 or annual incomes exceeding $200,000, or $300,000 together with their spouses, or individuals who are officers or directors of the issuer of the securities). For transactions covered by Rule 15g-9, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser s written consent to the transaction prior to sale. Consequently, this rule may adversely affect the ability of broker-dealers to sell Registrant s stock, and therefore, may adversely affect the ability of Registrant s stockholders to sell stock in the public market.

Shares Eligible for Future Sale. A total of 29,531,459 shares of Common Stock are issued and outstanding as of the date of this Report, of which approximately 23,586,257 shares thereof are restricted securities as that term is defined under the Securities Act. Therefore, all such restricted shares must be held indefinitely unless subsequently registered under the Securities Act or an exemption from registration becomes available. One exemption that may be available in the future is Rule 144 adopted under the Securities Act. Generally, under Rule 144 any person holding restricted securities for at least one year may publicly sell in ordinary brokerage transactions, within a 3 month period, the greater of one (1%) percent of the total number of a company s shares outstanding or the average weekly reported volume during the four weeks preceding the sale, if certain conditions of Rule 144 are satisfied by the company and the seller. Furthermore, with respect to sellers who are non-affiliates of the company, as that term is defined in Rule 144, the volume sale limitation does not apply and an unlimited number of shares may be sold, provided the seller meets a holding period of 2 years. Sales under Rule 144 may have a depressive effect on the market price of Registrant s securities, should a public market be available for Registrant s shares.

Forward-Looking Statements. This document contains forward-looking statements. Readers are cautioned that all forward-looking statements involve risk and uncertainty. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward-looking statements included in this document will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved. (**See Forward Looking Statements , PART I**).

(D) Reports to Security Holders

The public may read and copy any materials filed with the SEC at the SEC s Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that SEC internet site is http://www.sec.gov.

ITEM 2. DESCRIPTION OF PROPERTY

The Company's principle executive offices are located at 4535 W. Sahara Ave., Suite 204, Las Vegas, NV 89102 and its telephone number is (702) 933-4034.

ITEM 3. LEGAL PROCEEDINGS

During the fiscal year ended September 30, 2004, the Company was not a party to legal proceedings requiring disclosure in this Report and none of the Company's officers or directors are involved in any litigation in their capacities as such officers or directors of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Two matters were put to the vote of the shareholders during the fiscal year ended on September 30, 2004. On June 14, 2004 the shareholders approved the addition of a second class of convertible preferred stock, 50,000,000 shares designated Series B and convertible into two shares of common stock. On September 15, 2004 the shareholders approved increasing the number of common shares authorized to be issued from 100,000,000 to 300,000,000. Subsequent to the date of this report, on November 8, 2004, the shareholders approved the addition of a second class of common stock, 25,000,000 shares designated Series B common.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's securities are quoted on the OTC Bulletin Board and as of December 23, 2003 the Company s shares are also traded on the Third Segment of the Berlin Stock Exchange under symbol UCP.BER, WKN number A0BLBB.

The following table sets forth for the periods indicated the range of high and low closing bid quotations for the Company's common stock during the past two fiscal years. These quotations represent inter-dealer prices without retail mark-up, mark-down or commission and may not represent actual transactions:

PERIOD	HIGH	LOW
Quarter ended December 31, 2002	$ 3.00	$ 0.31
Quarter ended March 30, 2003	$ 1.01	$ 0.31
Quarter ended June 30, 2003	$ 0.40	$ 0.31
Quarter ended September 30, 2003	$ 0.45	$ 0.27
Quarter ended December 31, 2003	$ 0.55	$ 0.23
Quarter ended March 30, 2004	$ 0.50	$ 0.31
Quarter ended June 30, 2004	$ 0.63	

$ 0.34

Quarter ended September 30, 2004

$ 0.44

$ 0.25

On October 7, 2004 the reported closing price for the Company's common stock was $0.26 per share; there were approximately 171 record holders of the Company's shares.

The Company has not paid any dividends and there are presently no plans to pay any such dividends in the foreseeable future. The declaration and payment of dividends in the future will be determined by the Board of Directors in light of conditions then existing, including earning, financial condition, capital requirements and other factors. There are no contractual restrictions on the Company's present or future ability to pay dividends. Further, there are no restrictions on any of the Company's subsidiaries which would, in the future, adversely affect the Company's ability to pay dividends to its shareholders.

Recent Sales of registered and unregistered securities.

During fiscal year 2004, the Company issued (i) 1,069,945 shares of common stock to vendors to pay outstanding invoices of $470,776; (ii) 550,000 shares of common stock and received proceeds of $212,000.

Additionally, In June 2004, the Company commenced a private placement of 6 million units of its securities with each unit consisting of one share of preferred stock and one warrant to purchase an additional share of preferred stock at a price of $0.50 per unit. The offer terminates in January 2005. Each preferred share is convertible into two common shares at any time at the election of the preferred shareholder. Each warrant represents the right of the holder to purchase one additional preferred share at a price of $0.50 during the two-year period following the date of their issuance. The Company may call the warrants at any time at a redemption price of $0.001 per warrant provided the price of its common stock has traded above $1 for 20 consecutive days.

The preferred shares accrue interest at the rate of 10% per annum of the purchase price of $0.50, or $0.05 per year, payable annually in arrears. The Company may elect to make payment of interest in the form of common shares. In which case the number of common shares payable will equal the amount of interest payable divided by the closing price of the common shares on the date the dividend is declared by the Company.

The preferred shares are redeemable by the Company at any time after one year from the date of their issuance provided that the common shares have sustained a trading price of not less than $1.00 per common share for at least 20 consecutive trading days. If the Company elects to redeem the Shares, the redemption price shall be determined as follows:

(i)

During the second year after their issuance at $0.575 per preferred share;

(ii)

During the third year after their issuance at $0.55 per preferred share;

(iii)

During the fourth year after their issuance at $0.525 per preferred share;

(iv)

After the fourth year after their issuance at $0.50 per preferred share.

During September 2004, the Company received $55,175 of subscriptions for 112,500 units in this private placement.

Finally, the company issued registered shares as follows: 2,118,441 shares of common stock to consultants for services rendered valued at $673,898.

ITEM 6. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with the Consolidated 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 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 agreements or inability to enter into additional operating agreements, (iii) inability to satisfy anticipated working capital or other cash requirements, (iv) changes in or developments under domestic or foreign laws, regulations, governmental requirements or in the mining industry, (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.

OVERVIEW

The Company is a "development stage" company. During fiscal year ended September 30, 2004, the Company's operations centered on the development of USMetals' mining property known as the Twin Peaks Mine and the acquisition of Chocolate Mountain Region claims and Picacho Area claims in Imperial County, California. During the fiscal year, the Company did not engage in any commercially viable operations and realized no revenues from operations. The annual operating costs incurred to date were primarily for the continued development of the Company's mining properties, development and maintenance of the Company's website, legal and accounting costs in conjunction with the Company's general and administrative expenses in anticipation of completing exploration and development of USMetals' mining properties, the Twin Peaks Mine and the Picacho Area Claims. The annual lease payment for the 170 claims owned by the Registrant was increased from $100 per claim to $125 per claim for a total of $21,250.

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

As a result of the acquisition of USMetals, Inc., Registrant 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 claims 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.

As a result of the acquisition of Southwest Resource Development, Inc., Registrant owns 8 unpatented lode and 21 unpatented placer mining claims totaling approximately 3,520 acres in eastern Imperial County, California which the Company refers to as the Chocolate Mountain Region claims and the Picacho Area Claims. These claims and the surrounding Mesquite Mining District have a history of mining activity going back almost 200 years. Similarly to the Company s Arizona property, under the prior owners of the Chocolate Mountain Region claims and the Picacho Area Claims exploration, drilling and assessment work was done and several geological reports were completed indicating the presence of economically viable deposits of precious metals.

I. Results of Operations

Comparison of operating results.

The Company has not yet commenced commercial operations and has had no revenues from operations.

General and administrative expense for fiscal 2004 was $956,174 compared to $865,287 for last year, an increase of approximately 10.5%. The main areas of increase were in administration costs ($149,048 for fiscal 2004 compared to $83,532 last year); license expense ($26,289 in fiscal 2004 compared to $14,100 in fiscal 2003) and professional fees ($50,180 in fiscal 2004 compared to $5,133 in fiscal 2003). The increase in license expense was due to (a) an increase by the Bureau of Land Management in the year lease payment from $100 to $125 per claim and (b) to the increase in claims from 141 to 170.

After interest expense in fiscal 2004 of $7,934, compared to $0 in the prior year, the Company realized a net loss for fiscal 2004 of $964,108 as compared to a net loss of $865,287 for the prior fiscal year. This loss translated into a loss of $0.04 per shares for fiscal 2004, compared to a loss of only $0.03 for fiscal 2003.

II. Discussion of Financial Condition: Liquidity and Capital Resources

At September 30, 2004 cash on hand was $16,781 as compared with $59,555 at September 30, 2003. During fiscal 2004 the Company received $267,175 through the sale of common stock and preferred stock. In addition, the Company received services and the cancellation of existing indebtedness in the aggregate amount of $1,144,674 through the issuance of additional shares of common stock. See**, Recent Sales of Unregistered Securities** above.

The Company used these cash proceeds to pay for its business operations.

At September 30, 2004, the Company had a working capital deficit of $115,840 compared to working capital deficit of $505,989 at September 30, 2003. Working capital increased mainly as a result of issuing preferred and common stock in cancellation of existing debt and for cash proceeds as discussed above.

Total assets at September 30, 2004 were $2,468,664 as compared to $2,509,021 at September 30, 2003.

The Company's total stockholders' equity increased $392,566 from September 30, 2003 to $2,336,043 at September 30, 2004. Stockholders equity increased because of the issuance of preferred and common stock for cash proceeds and in payment for services and cancellation of prior debt as discussed above.

Impact of Inflation

The general level of inflation has been relatively low during the last several fiscal years and has not had a significant impact on the Company.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Independent Auditor s Report

The Shareholders

USCorp

(A Development Stage Company)

We have audited the accompanying consolidated balance sheets of USCorp. as of September 30, 2004 and September 30, 2003 and the related consolidated statements of operations and consolidated statements of changes in shareholders equity and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance using auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USCorp. as of September 30, 2004 and September 30, 2003 and the related consolidated statements of operations and consolidated statement of changes in shareholders equity and cash flows for the years then ended then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

As more fully discussed in Note 2 to the consolidated financial statements, there are significant matters concerning the Company that raise substantial doubt as to the ability of the Company to continue as a going concern. Management s plans with regard to these matters are also described in Note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts and classifications of recorded liabilities that might be necessary in the event that the

Company cannot continue in existence.

/s/ Donahue Associates, L.L.C.

Donahue Associates, L.L.C.

Monmouth Beach, New Jersey

November 10, 2004

USCorp

(A Development Stage Company)

Consolidated Balance Sheets

As of September 30, 2004 and September 30, 2003

ASSETS	**2004**	**2003**
Current assets:		
Cash	$16,781	$59,555
Total current assets	16,781	59,555
Other assets:		
Mining rights	2,449,466	2,449,466
Equipment- net	2,417	0
Total assets	$2,468,664	$2,509,021
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
	$38,797	$529,311

Accounts payable & accrued expenses		
Subscriptions payable-net	49,657	0
Advance payable to shareholder	44,167	36,233
Total current liabilities	132,621	565,544
Shareholders equity:		
Series A preferred stock, one share convertible to eight shares of common; no stated dividend, stated value $0.01, 10,000,000 shares authorized, no shares outstanding at September 30, 2004 and September 30, 2003	$0	$0
Series B preferred stock, one share convertible to two shares of common; 10% cumulative stated dividend, stated value $0.50, 50,000,000 shares authorized,no shares outstanding at September 30,		

2004 and September 30, 2003	0	0
Common stock-$.01 par value, authorized 300,000,000 shares, issued and outstanding, 29,531,459 shares at September 30, 2004 and 25,793,073 shares at September 30, 2003	295,314	257,931
Additional paid in capital	6,685,716	5,366,425
Accumulated deficit	(4,644,987)	(3,680,879)
Total shareholders equity	2,336,043	1,943,477
Total Liabilities & Shareholders Equity	$2,468,664	$2,509,021

See the notes to the financial statements.

USCorp

(A Development Stage Company)

Consolidated Statements of Operations

For the Years Ended September 30, 2004 and September 30, 2003

and from Inception, May 1989 through September 30, 2004

	2004	**2003**	**Inception to Date**
General and administrative expenses:			
Consulting	$730,657	$762,522	$2,752,789
Administration	149,048	83,532	840,113
License expense	26,289	14,100	109,532
Professional fees	50,180	5,133	334,619
Total general & administrative expenses	956,174	865,287	4,037,053
Net loss from operations	(956,174)	(865,287)	(4,037,053)
Other income (expenses):			
Interest expense	(7,934)	0	(7,934)
Loss on mining claim	0	0	(600,000)

Net loss before provision for income taxes	(964,108)	(865,287)	(4,644,987)
Provision for income taxes	0	0	0
Net loss	($964,108)	($865,287)	($4,644,987)
Basic & fully diluted net loss per common share	($0.04)	($0.03)	
Weighted average of common shares outstanding:			
Basic & fully diluted	27,352,907	25,352,944	

See the notes to the financial statements.

USCorp

(A Development Stage Company)

Consolidated Statements of Cash Flows

For the Years Ended September 30, 2004 and September 30, 2003

and from Inception, May 1989 through September 30, 2004

	2004	**2003**	**Inception to Date**
Operating Activities:			
Net loss	($964,108)	($865,287)	($4,644,987)
Adjustments to reconcile net income items			
not requiring the use of cash:			
Loss on sale of mining claim	0	0	600,000
Consulting fees	673,898	272,784	1,946,492
Depreciation expense	583	0	583
Interest expense	7,934		7,934
Changes in other operating assets and liabilities :			
Accounts payable and	(19,738)	529,309	(303,749)

accrued expenses			
Net cash used by operations	(301,431)	(63,194)	(2,393,727)
Investing activities:			
Purchase of equipment	(3,000)	0	(3,000)
Net cash used by investing activities	(3,000)	0	(3,000)
Financing activities:			
Issuance of common stock	212,000	0	2,088,539
Subscriptions received	55,175	0	55,175
Placement fees	(5,518)	0	(1,750)
Advance from shareholder	0	40,000	40,000
Capital contributed by shareholders	0	81,472	231,544
Net cash provided by financing activities	261,657	121,472	2,413,508
Net increase (decrease) in cash during the fiscal year	(42,774)	58,278	16,781
Cash balance at beginning of the fiscal year	59,555	1,277	0

Cash balance at end of the fiscal year	$16,781	$59,555	$16,781
Supplemental disclosures of cash flow information:			
Interest paid during the fiscal year	$0	$0	$0
Income taxes paid during the fiscal year	$0	$0	$0

See the notes to the financial statements.

USCorp

(A Development Stage Company)

Consolidated Statement of Changes in Shareholders Equity

From October 1, 2001 to September 30, 2004

	Common Shares	**Common Par Value**	**Paid in Capital**	**Accumulated Deficit**	**Total**
Balance at October 1, 2001	453,573	$4,536	$2,668,851	($2,673,387)	$0
Issued stock to purchase subsidiary	24,200,000	242,000	2,207,466		2,449,466
Issued shares to employees	267,500	2,675	(2,675)		0
Capital contributed by shareholders			143,480		143,480
Net loss for the fiscal year				(142,205)	(142,205)
Balance at September 30, 2002	24,921,073	249,211	5,017,122	(2,815,592)	2,450,741
Issued stock for services	872,000	8,720	264,064		272,784
Beneficial conversion feature			3,767		3,767
Capital contributed by shareholders			81,472		81,472
Net loss for the fiscal year				(865,287)	(865,287)

Balance at September 30, 2003	25,793,073	257,931	5,366,425	(3,680,879)	1,943,477
Issuance of common stock	550,000	5,500	206,500		212,000
Issued stock to pay bills	1,069,945	10,699	460,077		470,776
Issued stock for services	2,118,441	21,184	652,714		673,898
Net loss for the fiscal year				(964,108)	(964,108)
Balance at September 30, 2004	29,531,459	$295,314	$6,685,716	($4,644,987)	$2,336,043

See the notes to the financial statements.

USCorp

(A Development Stage Company)

Notes to the Consolidated Financial Statements

For the Years Ended September 30, 2004 and September 30, 2003

1. Organization of the Company and Significant Accounting Principles

USCorp (the Company) is a publicly held corporation formed in May 1989 in the state of Nevada as The Movie Greats Network, Inc. In August 1992, the Company changed its name to The Program Entertainment Group, Inc. and in August 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 US Corp.

In April 2002 the Company acquired US Metals, Inc. (USMetals), a Nevada corporation, by issuing 24,200,000 shares of common stock. US Metals became a wholly owned subsidiary of the Company.

The Company, through its wholly owned subsidiary, USMetals, owns 141 Lode Mining Claims in the Eureka Mining District of Yavapai County, Arizona, called the Twin Peaks Mine; and through its wholly owned subsidiary Southwest Resource Development, Inc., owns 8 Lode and 21 Placer Claims in the Mesquite Mining District of Imperial County, California, which the Company refers to as the Chocolate Mountain Region Claims.

The Company has no business operations to date.

Consolidation- the accompanying consolidated financial statements include the accounts of the company and its wholly owned subsidiary. All significant inter-company balances have been eliminated.

Use of Estimates- The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make reasonable estimates and assumptions that affect the reported amounts of the

assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses at the date of the financial statements and for the period they include. Actual results may differ from these estimates.

Cash and interest bearing deposits- For the purpose of calculating changes in cash flows, cash includes all cash balances and highly liquid short-term investments with an original maturity of three months or less.

Long Lived Assets- The Company reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount.

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1. Organization of the Company and Significant Accounting Principles (Continued)

Shareholder Loans Payable- The Company applies Emerging Issues Task Force (EITF) No. 98-5, *Accounting for Convertible Debt Issued with Beneficial Conversion Features.* EITF No.98-5 requires that a beneficial conversion feature be recognized upon the issuance of the debt with a favorable conversion feature, and the resultant debt discount be amortized to interest expense during the period from the date of issuance to the date the securities become convertible.

*Property and Equipment***-** Property and equipment are stated at cost. Depreciation expense is computed using the straight-line method over the estimated useful life of the asset, which is estimated at three years.

Income taxes- The Company accounts for income taxes in accordance with the Statement of Accounting Standards No. 109 (SFAS No. 109), *Accounting for Income Taxes* . SFAS No. 109 requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between financial statement and income tax bases of assets and liabilities that will result in taxable income or deductible expenses in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets and liabilities to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period adjusted for the change during the period in deferred tax assets and liabilities.

Mineral Properties- The Company uses the successful efforts method of accounting for mineral properties. Costs incurred to acquire mineral interest in properties, to drill and equip exploratory sites within the 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 are expensed. Potential mineral properties are periodically assessed for impairment of value and a loss will be recognized at the time of impairment.

Revenue Recognition- Mineral sales will 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.

Development Stage Company- the Company has had no operations or revenues since its inception and therefore qualifies for treatment as a development stage company as per Statement of Financial Accounting Standards (SFAS)

No. 7. As per SFAS No.7, financial transactions are accounted for as per generally accepted accounted principles. Costs incurred during the development stage are accumulated in losses accumulated during the development stage and are reported in the Stockholders Equity section of the balance sheet.

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2. Going Concern

The accompanying financial statements have been presented in accordance with generally accepted accounting principals, which assume the continuity of the Company as a going concern. However, during the twelve months ending September 30, 2004 and in the prior several fiscal years, the Company has experienced, and continues to experience, certain going concern issues related to profitability. The Company incurred a net loss of $962,107 in fiscal 2004 and $4,642,986 since its inception and continues to rely on the issuance of shares to raise capital to fund its business operations.

Management s plans with regard to this matter are as follows:

-

Raise capital to complete the company s mining plan of operations.

-

Complete exploration and drilling on claims of the Twin Peaks Mine and Chocolate Mountain Region Claims.

-

Complete testing operations on all properties.

-

Complete reports and feasibility studies on the Twin Peaks Mine and Chocolate Mountain Region Claims.

-

Bring the Twin Peaks Mine and Chocolate Mountain Region Claims to full-scale commercial mining.

-

Obtain a credit facility based in part on the value of its proven reserves when available and if appropriate given market conditions.

3. Net Loss per Share

The Company applies SFAS No. 128, *Earnings per Share* to calculate loss per share. In accordance with SFAS No. 128, basic net loss per share has been computed based on the weighted average of common shares outstanding during the years. Fully diluted loss per share includes the dilutive effects of outstanding common stock equivalents. There were shareholder notes convertible into 100,000 shares of common stock outstanding during fiscal 2004 that expired on September 30, 2004. The effect of the outstanding convertible debt is not included in the calculation for net loss per share because their inclusion would be anti-dilutive.

The weighted average of common shares outstanding for the fiscal years ended 2004 and 2003 has been computed as follows:

	2004	**2003**
Shares outstanding	29,531,459	25,793,073
Weighted average	27,352,907	25,352,944

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4. Issuances of Common Stock

During fiscal year 2003, the Company issued 872,000 shares to employees and consultants for services rendered valued at $272,784.

During fiscal year 2004, the Company issued 1,069,945 shares of common stock to vendors to pay outstanding invoices of $470,776.

During fiscal year 2004, the Company issued 550,000 shares of common stock and received proceeds of $212,000.

During fiscal year 2004, the Company issued 2,118,441 shares of common stock to consultants for services rendered valued at $673,898.

5. Related Party Transactions

The Company is provided office space by the chief executive officer and majority shareholder at no cost to the Company.

During fiscal year 2003, the chief executive officer and majority shareholder and other shareholders contributed capital of $81,472 to the Company for no shares.

In September 2003, the Company issued convertible debt at no interest to shareholders in the Company and received proceeds of $40,000. The debt matured in September 2004 and entitled the shareholders to convert the debt into 100,000 shares of common stock at an exercise price of $0.40 per share. The Company recorded a beneficial conversion feature of $3,767 as a result of the transaction and amortized the beneficial conversion feature to interest expense during fiscal year 2004. In addition, the Company imputed interest on the shareholder advance of 10% and recorded the interest expense in the statement of operations.

6. Property and Equipment

A summary of equipment at September 30, 2004 is as follows:

	2004	**2003**
Office equipment	3,000	0
Accumulated depreciation	(583)	0
Net property & equipment	$2,417	$0

7. Private Placement

In June 2004, the Company offered a private placement of 6 million units. Each unit of the private placement contained on share of preferred stock and one warrant at a price of $0.50 per unit. The offer terminates in January 2005.

Each preferred share is convertible into two common shares at any time at the election of the preferred shareholder. Each warrant represents the right of the holder to purchase one additional preferred share at a price of $0.50 during the two-year period following the date of their issuance. The Company may call the warrants at any time at a redemption price of $0.001 per warrant provided the price of its common stock has traded above $1 for 20 consecutive days.

The preferred shares accrue interest at the rate of 10% per annum of the purchase price of $0.50, or $0.05 per year, payable annually in arrears. The Company may elect to make payment of interest in the form of common shares. In which case the number of common shares payable will equal the amount of interest payable divided by the closing price of the common shares on the date the dividend is declared by the Company.

The preferred shares are redeemable by the Company at any time after one year from the date of their issuance provided that the common shares have sustained a trading price of not less than $1.00 per common share for at least 20 consecutive trading days. If the Company elects to redeem the Shares, the redemption price shall be determined as follows:

(v)

During the second year after their issuance at $0.575 per preferred share;

(vi)

During the third year after their issuance at $0.55 per preferred share;

(vii)

During the fourth year after their issuance at $0.525 per preferred share;

(viii)

After the fourth year after their issuance at $0.50 per preferred share.

During 2004, the Company received $55,175 of subscriptions for 112,500 units.

8. Income Tax Provision

Provision for income taxes is comprised of the following:

	2004	**2003**
Net loss before provision for income taxes	($957,174)	($865,287)
Current tax expense:		
Federal	$0	$0
State	0	0
Total	$0	$0
Less deferred tax benefit:		
Timing differences	(1,871,059)	(1,482,447)
Allowance for recoverability	1,871,059	1,482,447
Provision for income taxes	$0	$0

8. Income Tax Provision (Continued)

A reconciliation of provision for income taxes at the statutory rate to provision
for income taxes at the Company's effective tax rate is as follows:

Statutory U.S. federal rate	34%	34%
Statutory state and local income tax	10%	10%
Less allowance for tax recoverability	-44%	-44%
Effective rate	0%	0%

Deferred income taxes are comprised of the following:

Timing differences	$1,871,059	$1,482,447
Allowance for recoverability	(1,871,059)	(1,482,447)
Deferred tax benefit	$0	$0

Note: The deferred tax benefits arising from the timing differences

begin to expire in fiscal
year 2010 and may not be recoverable
upon the purchase of the Company
under current.
IRS statutes

9. Addendum to the Consolidated Statement of Cash Flows

The following transaction during the fiscal year 2004 has been classified as a non-cash transaction and has been excluded from the statement of cash flows.

During fiscal year 2004, the Company issued 1,069,945 shares of common stock to a consultant to pay for outstanding invoices of $470,776.

10. Subsequent Event

In October 2004, the Company issued 115,000 shares of preferred B stock to subscription purchasers discussed in Note 7 and new subscription purchases received in October 2004. Also in October 2004 the shareholders approved a new class of Common Stock, 25,000,000 shares of $.001 par value Series B Common Stock.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

i. Registrant's primary accountant, Henry Schiffer, C.P.A., An Accountancy Corporation ("Schiffer"), was dismissed by the Company on March 19, 2004.

ii. No reports on the financial statements prepared by Schiffer over the two most recent fiscal years contained any adverse opinion or disclaimer of opinion, or was qualified or modified as to uncertainty, audit scope, or accounting principals except for an uncertainty relating to the registrant's ability to continue as a going concern, which was stated in the reports for both years.

iii. The decision to change accountants was approved by the Board on March 19, 2004.

iv. During the registrant's two most recent fiscal years, and any subsequent interim period preceding the dismissal on March 19, 2004, there were no disagreements with the former accountant, Schiffer, on any matter of accounting principals or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of Schiffer, would have caused him to make reference to the subject matter of the disagreement(s) in connection with his reports.

Schiffer did not advise the registrant that internal controls necessary to develop reliable financial statements did not exist; no information had come to Schiffer's attention which would make him unwilling to rely on management's representations, or unwilling to be associated with the financial statements prepared by management. Schiffer did not advise the registrant that the scope of the audit should be expanded significantly, or that information had come to his attention that would materially impact the fairness or reliability of a previously issued audit report or the underlying financial statements or the financial statements issued or to be issued covering the fiscal periods subsequent to the date of the most recent audited financial statements, dated October 10, 2003, (including information that might preclude the issuance of an unqualified audit report).

v. The registrant retained the services of Donahue Associates, L.L.C., Monmouth Beach, New Jersey ("Donahue") on March 19, 2004, as its principal accountant and to conduct an audit for the year ended September 30, 2003.

vi. The registrant did not contact the new accountant prior to its engaging the new accountant regarding the application of accounting principals to a specified transaction, or the type of audit opinion that might be rendered on the registrant's financial statements.

vii. The registrant did not contact the new accountant prior to its engaging the new accountant regarding any matter that was either the subject of a disagreement or a reportable event.

ITEM 8A. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure and controls and procedures. Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2004. This evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and principal financial officer. Based on this evaluation, these officers have concluded that the design and operation of our disclosure controls and procedures are effective.

(b) Changes in internal controls. There were no significant changes to our internal controls or in other factors that could significantly affect internal controls subsequent to the date of their most recent evaluation.

Disclosure controls and procedures are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Item 8B. Other Information

In October 2004 the shareholders approved a new class of Common Stock, 25,000,000 shares of $.001 par value Series B Common Stock. Effective November 17, 2004, the Company amended its Articles of Incorporation to create a new series of $.001 par value common stock in the amount of 25,000,000 shares.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

Name	Age	Position Held
Robert Dultz	63	Chief Executive Officer, acting Chief Financial Officer and Chairman
Larry Dietz	57	President and Director
Carl W. O'Baugh	73	Vice President and Director
Spencer Eubank	52	Secretary, Treasurer and Director
Tom Owens	56	Director
Judith Ahrens	64	Director

Directors hold office until the next annual shareholders meeting or until their death, resignation, retirement, removal, disqualification, or until a successor has been elected and qualified. Vacancies in the Board are filled by majority vote of the remaining directors. Officers of the Company serve at the will of the Board of Directors.

BUSINESS EXPERIENCE OF CURRENT DIRECTORS AND OFFICERS AS OF SEPTEMBER 30, 2004

Robert Dultz, age 63, is Chairman of the Board, Chief Executive Officer, and the Principal Stockholder of the Registrant. Mr. Dultz is responsible for coordinating and directing the Registrant's Board of Directors, and chairing the direction of the Registrant. Mr. Dultz has acted as an investor and consultant for longer than the past 10 years. He has served on the boards of a number of publicly traded companies and on the boards of a number of private companies.

Larry Dietz, age 57, is President and Director of the Registrant. Mr. Dietz is in charge of Land Management and Development. Mr. Dietz brings to the Registrant a seasoned expertise in the field of mining, as well as an extensive knowledge of the entire mining industry in the western United States and especially in the State of Arizona. He is responsible for managing the properties owned or under the control of the Registrant as well as identifying additional properties for the Registrant to acquire and/or lease for the purpose of developing their mineral resources. While in the U.S. Navy he had a Top Secret/Crypto security clearance. He attended the University of Nebraska School of Technology and Agriculture where he earned a degree in Drafting, Surveying and Soil Science. He has been a consultant to the mining industry since 1982 as President of Dietz and Associates. He authored and released the updated, corrected and expanded versions of the Arizona Mineral Industry Location System (MILS) which is a database system for use on micro computers identifying all known mineral occurrences in Arizona.

Mr. Dietz also developed and released Mineral Databases from the U.S. Bureau of Mines for the western U.S., as well as a program called DLG1-2 which consists of the Digital Line Graph (DLG) data at a scale of 1:250,000 for the entire U.S. providing graphic displays of the mineral data for use on micro computers. Mr. Dietz is approved by the U.S. Department of Justice to provide title evidence and abstracts for both surface and mineral rights to lands located in the State of Arizona, and his Land Status Reports are recognized by the Vancouver Stock Exchange. He is registered as an Expert Witness with the Technical Advisory Services for Attorneys. He is currently an associate member of the Society of Mining Engineers of the American Institute of Mining, Metallurgical and Petroleum Engineers. Mr. Dietz is also proficient in the use of computers, database, word-processing, CAD graphics and communications software.

Carl W. O'Baugh, age 73, is Vice President and Director of the Registrant. Mr. O'Baugh is a past President of American Metals and Minerals, Inc., a Nevada Company which owned mining claims in central Arizona. He was President of Golconda Gems, Inc., from 1973 to 1985, a wholesale gem cutting, importing and distribution company with operations in the United States and Mexico. Mr. O'Baugh has served on the Boards of several public Companies and brings to the Registrant his knowledge and experience concerning gems, minerals and metals, as well as his wholesale, retail marketing and import-export expertise. Mr. O'Baugh has demonstrated his capabilities in effective senior corporate management and, in general, in business, by employing over 200 persons and directing the affairs of a corporation capable of sustaining that number of employees.

Spencer Eubank, age 53, is Secretary, Treasurer and Director of the Registrant. Mr. Eubank is responsible for maintaining the records of the Registrant and works closely with the senior executive management of the Registrant in day-to-day operations. Mr. Eubank has served on the boards of several public, private and not-for-profit companies as an officer and director. Mr. Eubank is the owner of an independent research and consulting service. Mr. Eubank has degrees in Theology (B.Th., 1985) and Sociology (B.A., 1988).

Tom Owens, age 56 is a Director for the Company. He served four tours of duty in Vietnam with the U.S. Marines. He is a graduate of the U.S. Defense Department's Information School in Maryland and served as a public relations specialist before retiring from the military in 2000. During his 25 years of active and reserve military service, Mr. Owens served as both a non-commissioned officer and commissioned officer. Prior to his retirement, he was assigned as a print and electronic journalist working out of the U.S. Embassy in Managua, Nicaragua during the Hurricane Mitch disaster recovery operations. In 1994, Mr. Owens authored his book, Lying Eyes, a chronology of his work as a part of the team of professionals representing LAPD beating victim Rodney King.

Prior to his work as a litigation consultant and investigator, Mr. Owens worked as a law enforcement officer where he achieved the rank of captain. He holds the Los Angeles Police Medal and Police Star for valorous actions, awarded for service to the people of the city of Los Angeles. Mr. Owens serves the Registrant as an independent Director and on the Registrant's Audit Committee.

Judith A. Ahrens, age 64, is a Director for the Company. Ms. Ahrens has been involved in the political scene for over twenty years. Her specialized knowledge in the political arena has made her a top consultant for over two decades. Her contributions are not only in domestic matters, but international as well. Her lobbying skills and legislation efforts in agriculture and environmental matters have been instrumental in growth, development and success in start-up companies as well as Fortune 100 companies. Ms. Ahrens established and served as the first president of the California Alcohol Fuels Commission. While in Washington, with the Department of Agriculture, she helped coordinate "The Rural Loan Program" formally referred to as "The Farmers Home Loan" with leading lending institutions throughout the United States. She also has acted as Media Consultant for Presidential, Gubernatorial and Congressional candidates including Jimmy Carter, and was the Advance Press Person for former President Carter, Vice President Mondale and then Secretary of Agriculture Bob Bergland. Most recently Ms. Ahrens worked with Rob Hogg in his successful bid for a seat in the Iowa State Legislature in November 2002. Ms. Ahrens' is currently with National Grant Conferences where she is serving as Head Coordinator (since 1998). Ms. Ahrens served her country as Special Confidential Assistant to the Secretary of Agriculture. In this position she researched and developed a position paper on policies and activities related to the public affairs program for the U.S. Department of Agriculture, she arranged conferences for the Secretary of Agriculture to inform the public of the Administration's policies, she participated in the task force on behalf of the White House evaluating all of the U.S.D.A.'s audio-video productions, and she wrote the file treatment for the Land Reclamation video produced by the U.S.D.A. Ms. Ahrens serves the Company as an independent Director and on the Company's Audit Committee.

(b) Family relationships.

There are no family relationships among the officers or directors.

(c) Involvement in certain legal proceedings.

There have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions material to the evaluation of the ability and integrity of any director or executive officer during the past five years.

(d) Adoption of Code of Ethics.

On September 22, 2004 USCorp adopted a Code of Ethics for officers and directors of the Company, included in this report as Exhibit 14.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than ten percent of its common stock, to file reports of ownership and changes of ownership with the Securities and Exchange Commission ("SEC") and each exchange (or market quotation system) on which the Company's securities are registered. Officers, directors and greater than ten-percent stockholders are required by SEC regulation to furnish the Company with copies of all ownership forms they file.

Based solely on current management's review of the copies of such forms received by it from former management, the Company believes that, during the year ended September 30, 2004 its officers, directors, and greater than ten-percent beneficial owners complied with all applicable filing requirements.

ITEM 10. EXECUTIVE COMPENSATION

During the fiscal year, USCorp's officers or directors did not devote their full time to the affairs of USCorp. As reported in previous Form 10-QSB filings by the Company they did not receive compensation for their services; however, USCorp's officers received shares of the Company's common stock in consideration of their agreement to serve.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the security ownership of executive officers, directors and certain beneficial owners of more than five percent (5%) of issuer's voting securities as of September 30, 2004. Unless otherwise stated, the Company believes the shares indicated were held directly.

Title of Class	Name and Address of Beneficial Owner	Amount of Ownership	Percentage of Ownership
Common	Robert Dultz (1) c/o USCorp, 4535 W. Sahara Ave., Suite 204, Las Vegas, NV 89102	7,234,820	24.50%
Common	Dultz Family Trust, Robert Dultz Trustee (1) c/o USCorp, 4535 W. Sahara Ave., Suite 204, Las Vegas, NV 89102	10,000,000	33.86%
Common	Larry Dietz (1) c/o USCorp, 4535 W. Sahara Ave., Suite 204, Las Vegas, NV 89102	51,000	0.17%
Common	Spencer Eubank (1) c/o USCorp, 4535 W. Sahara Ave., Suite 204, Las Vegas, NV 89102	240,750	0.82%
Common	Carl O Baugh (1) c/o USCorp,	50,250	0.17%

	4535 W. Sahara Ave., Suite 204, Las Vegas, NV 89102		
Common	Tom Owens (1) c/o USCorp, 4535 W. Sahara Ave., Suite 204, Las Vegas, NV 89102	50,000	0.17%
Common	Judith Ahrens (1) c/o USCorp, 4535 W. Sahara Ave., Suite 204, Las Vegas, NV 89102	50,000	0.17%
Common	U.S. Metals And Minerals, Inc. 2338 W. Royal Palm Rd., Suite J, Phoenix, AZ 85021	2,700,000	9.14%
Common	Officers, Directors and Affiliates as a group (7 individuals)	20,376,820	69.00%

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company is provided office equipment and space by the chief executive officer and majority shareholder at no cost to the Company.

PART IV

ITEM 13. EXHIBITS

(A) EXHIBITS

14.1

Code of Ethics for Chief Executive Officer and Senior Financial Officers*

31.1

Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002*

32.1

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

* Previously filed

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Audit Committee has adopted a policy regarding the retention of the independent auditors that requires pre-approval of all services by the Audit Committee or the Chairman of the Audit Committee. When services are pre-approved by the Chairman of the Audit Committee, notice of such approvals is given simultaneously to the other members of the Audit Committee.

The Audit Committee has reviewed and discussed the fees paid to Donahue Associates, L.L.C. for the reports covering fiscal 2003 and 2004 for audit, audit-related, tax and other services.

The Audit Committee has reviewed and discussed the audited financial statements with the Company's management; and discussed with Donahue Associates, L.L.C., independent auditors for the Company, the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended.

The aggregate fees billed for the fiscal years ended September 30, 2003 and September 30, 2004 for professional services rendered by Donahue Associates, L.L.C. for the audit of the Company s financial statements were $1,750 for fiscal 2003 and $2,500 and $2,550 for audit and quarterly review of interim financial statements filed on Form 10QSB, respectively, for fiscal 2004.

The aggregate fees billed during the last two fiscal years for professional services rendered by Henry Schiffer, C.P.A. for the audit of the Company s financial statements for the fiscal year ended September 30, 2003 and for his review of financial statements included in the Company s Form 10-QSB s during the last two fiscal years ended September 30, 2003 and other services that are normally provided by an accountant in connection with statutory and regulatory filings or engagements during such fiscal years were $4,000 for fiscal 2003 and $5,000 for fiscal 2002.

Audit-Related Fees

Donahue Associates, L.L.C. did not bill us for any assurance or related services that were related to the performance of the audit of the financial statements.

Henry Schiffer, C.P.A. did not bill us for any assurance or related services that were related to the performance of the audit of the financial statements.

Tax Fees

Since March 19, 2004 Donahue Associates, L.L.C. has not provided any professional services for tax compliance, tax advice and tax planning.

Henry Schiffer, C.P.A. did not provide any professional services for tax compliance, tax advice and tax planning.

Other Fees

No other fees were paid to Donahue Associates, L.L.C. or to Henry Schiffer, C.P.A.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

/s/ Larry Dietz

Larry Dietz

President and Director

Dated: May 11, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature

Title

Date

/s/ Robert Dultz

Chairman and Chief

May 11, 2005

Robert Dultz

Executive Officer

/s/ Larry Dietz

President and Director

May 11, 2005

Larry Dietz

/s/ Carl O'Baugh

Vice President and Director

May 11, 2005

Carl O'Baugh

/s/ Spencer Eubank

Secretary Treasurer and Director

May 11, 2005

Spencer Eubank

and Acting Chief Financial Officer

/s/ Judith Ahrens

Director

May 11, 2005

Judith Ahrens

size: 10pt; font-family: Arial, Helvetica; color: #000000; background: transparent"> **10. Benefit Obligations**

The components of net periodic benefit costs recognized are as follows:

	Pension Benefits		Postretirement Benefits		Pension Benefits		Postretirement Benefits	
	Three Months Ended June 30,				Six Months Ended June 30,			
	2010	2009	2010	2009	2010	2009	2010	2009
	(In $ millions)							
Service cost	8	7	1	1	16	14	1	1
Interest cost	48	48	3	4	96	95	7	8
Expected return on plan assets	(50)	(52)	-	-	(100)	(102)	-	-
Recognized actuarial (gain) loss	2	1	(1)	(2)	4	1	(2)	(3)
Curtailment (gain) loss	(1)	1	-	-	(3)	1	-	-
Total	7	5	3	3	13	9	6	6

The Company expects to contribute $52 million to its defined benefit pension plans in 2010. As of June 30, 2010, $24 million of contributions have been made. The Company s estimates of its US defined benefit pension plan contributions reflect the provisions of the Pension Protection Act of 2006.

The Company expects to make benefit contributions of $27 million under the provisions of its other postretirement benefit plans in 2010. As of June 30, 2010, $14 million of benefit contributions have been made.

The Company participates in multiemployer defined benefit plans in Europe covering certain employees. The Company s contributions to the multiemployer defined benefit plans are based on specified percentages of employee contributions and totaled $3 million and $4 million for each of the six months ended June 30, 2010 and 2009, respectively.

11. Environmental

General

The Company is subject to environmental laws and regulations worldwide that impose limitations on the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of solid and hazardous wastes. The Company believes that it is in substantial compliance with all applicable environmental laws and regulations. The Company is also subject to retained environmental obligations specified in various contractual agreements arising from the divestiture of certain businesses by the Company or one of its predecessor companies.

The Company s environmental remediation reserves are recorded in the unaudited consolidated balance sheets as follows:

	As of June 30, 2010	As of December 31, 2009
	(In $ millions)	
Current other liabilities	15	13
Noncurrent other liabilities	82	93
Total	97	106

Remediation

Due to its industrial history and through retained contractual and legal obligations, the Company has the obligation to remediate specific areas on its own sites as well as on divested, orphan or US Superfund sites (as defined below). In addition, as part of the demerger agreement between the Company and Hoechst AG (Hoechst), a specified portion of the responsibility for environmental liabilities from a number of Hoechst divestitures was transferred to the Company. The Company provides for such obligations when the event of loss is probable and reasonably estimable. The Company believes that environmental remediation costs will not have a material adverse effect on

the financial position of the Company, but may have a material adverse effect on the results of operations or cash flows in any given accounting period.

US Superfund Sites

In the US, the Company may be subject to substantial claims brought by US federal or state regulatory agencies or private individuals pursuant to statutory authority or common law. In particular, the Company has a potential liability under the US Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and related state laws (collectively referred to as Superfund) for investigation and cleanup costs at approximately 40 sites. At most of these sites, numerous companies, including certain companies comprising the Company, or one of its predecessor companies, have been notified that the Environmental Protection Agency, state governing bodies or private individuals consider such companies to be potentially responsible parties (PRP) under Superfund or related laws. The proceedings relating to these sites are in various stages. The cleanup process has not been completed at most sites and the status of the insurance coverage for most of these proceedings is uncertain. Consequently, the Company cannot accurately determine its ultimate liability for investigation or cleanup costs at these sites.

As events progress at each site for which it has been named a PRP, the Company accrues, as appropriate, a liability for site cleanup. Such liabilities include all costs that are probable and can be reasonably estimated. In establishing these liabilities, the Company considers its shipment of waste to a site, its percentage of total waste shipped to the site, the types of wastes involved, the conclusions of any studies, the magnitude of any remedial actions that may be necessary and the number and viability of other PRPs. Often the Company joins with other PRPs to sign joint defense agreements that settle, among PRPs, each party s percentage allocation of costs at the site. Although the ultimate liability may differ from the estimate, the Company routinely reviews the liabilities and revises the estimate, as appropriate, based on the most current information available.

The Company s environmental remediation reserves are recorded in the unaudited consolidated balance sheets as follows:

	As of June 30, 2010	As of December 31, 2009
	(In $ millions)	
Demerger obligations (Note 17)	29	32
Divestiture obligations (Note 17)	30	32
US Superfund sites	11	10
Other environmental remediation reserves	27	32
Total	97	106

12. Shareholders Equity

Preferred Stock

On February 1, 2010, the Company delivered notice to the holders of its 4.25% Convertible Perpetual Preferred Stock (the Preferred Stock) that it was calling for the redemption of all 9.6 million outstanding shares of Preferred Stock.

Holders of the Preferred Stock were entitled to convert each share of Preferred Stock into 1.2600 shares of the Company s Series A Common Stock, par value $0.0001 per share (Common Stock), at any time prior to 5:00 p.m., New York City time, on February 19, 2010. As of such date, holders of Preferred Stock had elected to convert 9,591,276 shares of Preferred Stock into an aggregate of 12,084,942 shares of Common Stock. The 8,724 shares of Preferred Stock that remained outstanding after such conversions were redeemed by the Company on February 22, 2010 for 7,437 shares of Common Stock, in accordance with the terms of the Preferred Stock. In addition to the shares of Common Stock issued in respect of the shares of Preferred Stock converted and redeemed, the Company paid cash in lieu of fractional shares. The Company recorded expense of less than $1 million in Additional paid-in capital in the unaudited interim consolidated statements of shareholders equity and comprehensive income (loss) for the six months ended June 30, 2010 related to the conversion and redemption of the Preferred Stock.

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Treasury Stock

In February 2008, the Company s Board of Directors authorized the repurchase of up to $400 million of the Company s Common Stock. This authorization was increased by the Board of Directors to $500 million in October 2008. The authorizations give management discretion in determining the conditions under which shares may be repurchased. The number of shares repurchased and the average purchase price paid per share pursuant to this authorization are as follows:

	Six Months Ended June 30,		Total From Inception Through
	2010	2009	June 30, 2010
Shares repurchased	678,592	-	10,441,792
Average purchase price per share	$ 29.47	$ -	$ 38.09
Amount spent on repurchased shares (in millions)	$ 20	$ -	$ 398

Purchases of treasury stock reduce the number of shares outstanding and the repurchased shares may be used by the Company for compensation programs utilizing the Company s stock and other corporate purposes. The Company accounts for treasury stock using the cost method and includes treasury stock as a component of Shareholders equity.

Dividends

In April 2010, the Company announced that its Board of Directors approved a 25% increase in the Company s quarterly Common Stock cash dividend. The Board of Directors increased the quarterly dividend rate from $0.04 to $0.05 per share of Common Stock on a quarterly basis and $0.16 to $0.20 per share of Common Stock on an annual basis. The new dividend rate will be applicable to dividends payable beginning in August 2010.

Other Comprehensive Income (Loss), Net

Adjustments to Net earnings (loss) used to calculate Other comprehensive income (loss) are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In $ millions)			
Adjustments to net earnings (loss)	(19)	101	(44)	(10)
Income tax (provision) benefit	(3)	1	(5)	1
Adjustments to net earnings (loss), net	(22)	102	(49)	(9)

13. Other (Charges) Gains, Net

	Three Months Ended	Six Months Ended

	June 30,		June 30,	
	2010	2009	2010	2009
	(In $ millions)			
Employee termination benefits	(4)	(5)	(9)	(29)
Ticona Kelsterbach plant relocation (Note 20)	(4)	(3)	(10)	(6)
Plumbing actions	2	2	14	3
Insurance recoveries associated with Clear Lake, Texas	-	-	-	6
Asset impairments	-	-	(72)	(1)
Plant/office closures	-	-	(6)	-
Total	(6)	(6)	(83)	(27)

2010

During the first quarter of 2010, the Company concluded that certain long-lived assets were partially impaired at its acetate flake and tow manufacturing operations in Spondon, Derby, United Kingdom (Note 3). Accordingly, the

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Company wrote down the related property, plant and equipment to its fair value of $31 million, resulting in long-lived asset impairment losses of $72 million for the six months ended June 30, 2010. The Company calculated the fair value using a discounted cash flow model incorporating discount rates commensurate with the risks involved for the reporting unit which is classified as a Level 3 measurement under FASB ASC Topic 820. The key assumptions used in the discounted cash flow valuation model include discount rates, growth rates, cash flow projections and terminal value rates. Discount rates, growth rates and cash flow projections are the most sensitive and susceptible to change as they require significant management judgment. The Spondon, Derby, United Kingdom facility is included in the Consumer Specialties segment.

As a result of the Company s Pardies, France Project of Closure (Note 3), the Company recorded exit costs of $1 million in employee termination benefits for the three months ended June 30, 2010. The Company recorded exit costs of $9 million during the six months ended June 30, 2010, which consisted of $2 million in employee termination benefits, $1 million of long-lived asset impairment losses, $3 million of contract termination costs and $3 million of reindustrialization costs. The Pardies, France facility is included in the Acetyl Intermediates segment.

Other charges for the six months ended June 30, 2010 was partially offset by $13 million of recoveries and a $1 million decrease in legal reserves associated with plumbing cases included in the Advanced Engineered Materials segment.

2009

During the first quarter of 2009, the Company began efforts to align production capacity and staffing levels with the Company s view of an economic environment of prolonged lower demand. For the six months ended June 30, 2009, Other charges included employee termination benefits of $28 million related to this endeavor. As a result of the shutdown of the vinyl acetate monomer (VAM) production unit in Cangrejera, Mexico, the Company recognized employee termination benefits of $1 million and long-lived asset impairment losses of $1 million during the six months ended June 30, 2009. The VAM production unit in Cangrejera, Mexico is included in the Acetyl Intermediates segment.

Other charges for the six months ended June 30, 2009 was partially offset by $6 million of insurance recoveries in satisfaction of claims the Company made related to the unplanned outage of the Company s Clear Lake, Texas acetic acid facility during 2007, a $2 million decrease in legal reserves for plumbing claims for which the statute of limitations has expired and $1 million of insurance recoveries associated with plumbing cases.

The changes in the restructuring reserves by business segment are as follows:

	Advanced Engineered Materials	Consumer Specialties	Industrial Specialties	Acetyl Intermediates	Other	Total
			(In $ millions)			
Employee Termination Benefits						
Reserve as of December 31, 2009	7	4	3	60	7	81
Additions	2	2	-	-	2	6
Cash payments	(3)	(3)	(2)	(19)	(2)	(29)
Other changes	-	-	-	-	(1)	(1)
Exchange rate changes	(1)	-	-	(7)	(1)	(9)

Reserve as of June 30, 2010	5	3	1	34	5	48
Plant/Office Closures						
Reserve as of December 31, 2009	-	-	-	17	1	18
Additions	-	-	-	6	-	6
Cash payments	-	-	-	(17)	-	(17)
Exchange rate changes	-	-	-	(2)	-	(2)
Reserve as of June 30, 2010	-	-	-	4	1	5
Total	5	3	1	38	6	53

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14. Income Taxes

The Company s effective income tax rate for the three months ended June 30, 2010 was 27% compared to 13% for the three months ended June 30, 2009. The increase in the effective rate was primarily due to foreign losses not resulting in tax benefits in the current period and increases in reserves for uncertain tax positions and related interest. The Company s effective income tax rate for the six months ended June 30, 2010 was 19% compared to 19% for the six months ended June 30, 2009. The 2010 effective rate was favorably impacted by the effect of new tax legislation in Mexico, offset by foreign losses not resulting in tax benefits in the current period and the effect of healthcare reform in the US.

In March 2010, the President of the United States signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. Currently, employers providing retiree prescription drug coverage that is at least as valuable as the coverage offered under Medicare Part D are entitled to a subsidy from the government. Prior to the enactment of the new law, employers were entitled to deduct the entire cost of providing the retiree prescription drug coverage, even though a portion was offset by the subsidy. Under the new law, in years subsequent to 2012, the tax deductible prescription coverage is reduced by the amount of the subsidy. As a result, the Company reduced its deferred tax asset related to postretirement prescription drug coverage by the amount of the subsidy to be received subsequent to 2012. This reduction of $7 million to the Company s deferred tax asset was charged to deferred tax expense during the three months ended March 31, 2010.

On December 7, 2009, Mexico enacted the 2010 Mexican Tax Reform Bill (Tax Reform Bill) effective January 1, 2010. The estimated income tax impact to the Company of the Tax Reform Bill at December 31, 2009 was $73 million and was charged to tax expense during the three months ended December 31, 2009.

On March 31, 2010, the Mexican tax authorities issued new regulations clarifying various provisions in the 2010 Tax Reform Bill, including certain aspects of the recapture rules related to income tax loss carryforwards, intercompany dividends and differences between consolidated and individual Mexican tax earnings and profits. At March 31, 2010, the application of the new regulations resulted in a reduction of $43 million to the estimated income tax impact of the Tax Reform Bill that was recorded by the Company during the three months ended December 31, 2009. After inflation and exchange rate changes, the Company s estimated tax liability at June 30, 2010 related to the combined Tax Reform Bill and the new regulations is as follows:

	(In $ millions)
2010	-
2011	2
2012	3
2013	4
2014 and thereafter	23
Total	32

Liabilities for uncertain tax positions and related interest and penalties are recorded in Uncertain tax positions and current Other liabilities in the unaudited consolidated balance sheets. For the six months ended June 30, 2010, the total unrecognized tax benefits, interest and penalties related to uncertain tax positions increased by $8 million for interest and changes in unrecognized tax benefits in US and foreign jurisdictions, and decreased $25 million due to exchange

rate changes. Currently, uncertain tax positions are not expected to change significantly over the next 12 months.

15. Derivative Financial Instruments

Risk Management

To reduce the interest rate risk inherent in the Company s variable rate debt, the Company utilizes interest rate swap agreements to convert a portion of its variable rate debt into a fixed rate obligation. These interest rate swap agreements are designated as cash flow hedges. If an interest rate swap agreement is terminated prior to its maturity, the amount previously recorded in Accumulated other comprehensive income (loss), net is recognized into earnings over the period that the hedged transaction impacts earnings. If the hedging relationship is discontinued because it is probable that the forecasted transaction will not occur according to the original strategy, any related amounts

previously recorded in Accumulated other comprehensive income (loss), net are recognized into earnings immediately.

The Company also enters into foreign currency forwards and swaps to minimize its exposure to foreign currency fluctuations. Through these instruments, the Company mitigates its foreign currency exposure on transactions with third party entities as well as intercompany transactions. The foreign currency forwards and swaps are not designated as hedges under FASB ASC 815, *Derivatives and Hedging*. Gains and losses on foreign currency forwards and swaps entered into to offset foreign exchange impacts on intercompany balances are classified as Other income (expense), net, in the unaudited interim consolidated statements of operations. Gains and losses on foreign currency forwards and swaps entered into to offset foreign exchange impacts on all other assets and liabilities are classified as Foreign exchange gain (loss), net, in the unaudited interim consolidated statements of operations.

The notional values of the Company s derivative arrangements are as follows:

	As of June 30, 2010	As of December 31, 2009
	(In millions)	
US dollar interest rate swap agreements	$ 1,500	$ 1,600
Euro interest rate swap agreements	150	150
Foreign currency forwards and swaps	$ 900	$ 1,500

Information regarding changes in the fair value of the Company s derivative arrangements is as follows:

	Three Months Ended June 30, 2010		Six Months Ended June 30, 2010	
	Gain (Loss) Recognized in Other Comprehensive Income	Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Other Comprehensive Income	Gain (Loss) Recognized in Income
	(In $ millions)			
Derivatives designated as cash flow hedging instruments				
Interest rate swaps	(7) [2]	(17) [1]	(23) [3]	(35) [1]
Derivatives not designated as hedging instruments				
Foreign currency forwards and swaps	-	13	-	38
Total	(7)	(4)	(23)	3

(1) Amount represents reclassification from Accumulated other comprehensive income and is classified as Interest expense in the unaudited interim consolidated statements of operations.

(2) Amount excludes $3 million of losses associated with the Company s equity method investments derivative activity and $1 million of tax expense.

(3) Amount excludes $5 million of losses associated with the Company s equity method investments derivative activity and $4 million of tax expense.

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	Three Months Ended June 30, 2009		Six Months Ended June 30, 2009	
	Gain (Loss) Recognized in Other Comprehensive Income	Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Other Comprehensive Income	Gain (Loss) Recognized in Income
	(In $ millions)			
Derivatives designated as cash flow hedging instruments				
Interest rate swaps	2	(15) [(1)]	(13)	(27) [(1)]
Derivatives designated as net investment hedging instruments				
Euro-denominated term loan	(1)	-	-	-
Derivatives not designated as hedging instruments				
Foreign currency forwards and swaps	-	(6)	-	(15)
Total	1	(21)	(13)	(42)

(1) Amount represents reclassification from Accumulated other comprehensive income and is classified as Interest expense in the unaudited interim consolidated statements of operations.

See Note 16 for additional information regarding the fair value of the Company s derivative arrangements.

16. Fair Value Measurements

On January 1, 2009, the Company adopted the provisions of FASB ASC Topic 820 for nonrecurring fair value measurements of non-financial assets and liabilities, such as goodwill, indefinite-lived intangible assets, property, plant and equipment and asset retirement obligations. The adoption did not have a material impact on the Company s financial position, results of operations or cash flows.

FASB Topic ASC 820 establishes a three-tiered fair value hierarchy that prioritizes inputs to valuation techniques used in fair value calculations. The three levels of inputs are defined as follows:

Level 1	unadjusted quoted prices for identical assets or liabilities in active markets accessible by the Company
Level 2	inputs that are observable in the marketplace other than those inputs classified as Level 1
Level 3	inputs that are unobservable in the marketplace and significant to the valuation

FASB ASC Topic 820 requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs. If a financial instrument uses inputs that fall in different levels of the hierarchy, the instrument will be categorized based upon the lowest level of input that is significant to the fair value calculation.

The Company s financial assets and liabilities are measured at fair value on a recurring basis and include securities available for sale and derivative financial instruments. Securities available for sale include US government and corporate bonds and equity securities. Derivative financial instruments include interest rate swaps and foreign currency forwards and swaps.

Marketable Securities. Where possible, the Company utilizes quoted prices in active markets to measure debt and equity securities; such items are classified as Level 1 in the hierarchy and include equity securities and US government bonds. When quoted market prices for identical assets are unavailable, varying valuation techniques are used. Common inputs in valuing these assets include, among others, benchmark yields, issuer spreads and recently reported trades. Such assets are classified as Level 2 in the hierarchy and typically include corporate bonds and other US government securities.

Derivatives. Derivative financial instruments are valued in the market using discounted cash flow techniques. These techniques incorporate Level 1 and Level 2 inputs such as interest rates and foreign currency exchange rates.

These market inputs are utilized in the discounted cash flow calculation considering the instrument s term, notional amount, discount rate and credit risk. Significant inputs to the derivative valuation for interest rate swaps and foreign currency forwards and swaps are observable in the active markets and are classified as Level 2 in the hierarchy.

The following fair value hierarchy tables present information about the Company s assets and liabilities measured at fair value on a recurring basis:

	Fair Value Measurement Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
	(In $ millions)		
Marketable securities, at fair value			
US government debt securities	-	30	30
US corporate debt securities	-	1	1
Total debt securities	-	31	31
Equity securities	45	-	45
Money market deposits and other securities	-	1	1
Derivatives not designated as hedging instruments			
Foreign currency forwards and swaps	-	3	3 (1)
Total assets as of June 30, 2010	45	35	80
Derivatives designated as cash flow hedging instruments			
Interest rate swaps	-	(63)	(63) (2)
Interest rate swaps	-	(35)	(35) (3)
Derivatives not designated as hedging instruments			
Foreign currency forwards and swaps	-	(4)	(4) (2)
Total liabilities as of June 30, 2010	-	(102)	(102)
Marketable securities, at fair value			
US government debt securities	-	28	28
US corporate debt securities	-	1	1
Total debt securities	-	29	29
Equity securities	52	-	52

Money market deposits and other securities	-	2	2
Derivatives not designated as hedging instruments			
Foreign currency forwards and swaps	-	12	12 (1)
Total assets as of December 31, 2009	52	43	95
Derivatives designated as cash flow hedging instruments			
Interest rate swaps	-	(68)	(68) (2)
Interest rate swaps	-	(44)	(44) (3)
Derivatives not designated as hedging instruments			
Foreign currency forwards and swaps	-	(7)	(7) (2)
Total liabilities as of December 31, 2009	-	(119)	(119)

(1) Included in current Other assets in the unaudited consolidated balance sheets.

(2) Included in current Other liabilities in the unaudited consolidated balance sheets.

(3) Included in noncurrent Other liabilities in the unaudited consolidated balance sheets.

Summarized below are the carrying values and estimated fair values of financial instruments that are not carried at fair value in the Company s unaudited consolidated balance sheets:

	As of June 30, 2010		As of December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In $ millions)			
Cost investments (As adjusted, Note 3)	132	-	129	-
Insurance contracts in nonqualified pension trusts	70	70	66	66
Long-term debt, including current installments of long-term debt	3,265	3,104	3,361	3,246

In general, the cost investments included in the table above are not publicly traded and their fair values are not readily determinable; however, the Company believes the carrying values approximate or are less than the fair values.

As of June 30, 2010 and December 31, 2009, the fair values of cash and cash equivalents, receivables, trade payables, short-term debt and the current installments of long-term debt approximate carrying values due to the short-term nature of these instruments. These items have been excluded from the table with the exception of the current installments of long-term debt. Additionally, certain noncurrent receivables, principally insurance recoverables, are carried at net realizable value.

The fair value of long-term debt is based on valuations from third-party banks and market quotations.

17. Commitments and Contingencies

The Company is involved in legal and regulatory proceedings, lawsuits and claims incidental to the normal conduct of business, relating to such matters as product liability, contract, antitrust, intellectual property, workers compensation, chemical exposure, prior acquisitions and divestitures, past waste disposal practices and release of chemicals into the environment. While it is impossible at this time to determine with certainty the ultimate outcome of these proceedings, lawsuits and claims, the Company is actively defending those matters where the Company is named as a defendant. Additionally, the Company believes, based on the advice of legal counsel, that adequate reserves have been made and that the ultimate outcomes of all such litigation and claims will not have a material adverse effect on the financial position of the Company; however, the ultimate outcome of any given matter may have a material impact on the results of operations or cash flows of the Company in any given reporting period.

Plumbing Actions

CNA Holdings LLC (CNA Holdings), a US subsidiary of the Company, which included the US business now conducted by the Ticona business that is included in the Advanced Engineered Materials segment, along with Shell Oil Company (Shell), E.I. DuPont de Nemours and Company (DuPont) and others, has been a defendant in a series of lawsuits, including a number of class actions, alleging that plastics manufactured by these companies that were utilized in the production of plumbing systems for residential property were defective or caused such plumbing systems to fail. Based on, among other things, the findings of outside experts and the successful use of Ticona s acetal

copolymer in similar applications, CNA Holdings does not believe Ticona s acetal copolymer was defective or caused the plumbing systems to fail. In many cases CNA Holdings potential future exposure may be limited by invocation of the statute of limitations since CNA Holdings ceased selling the resin for use in the plumbing systems in site-built homes during 1986 and in manufactured homes during 1990.

In November 1995, CNA Holdings, DuPont and Shell entered into national class action settlements that called for the replacement of plumbing systems of claimants who have had qualifying leaks, as well as reimbursements for certain leak damage. In connection with such settlement, the three companies had agreed to fund these replacements and reimbursements up to an aggregate amount of $950 million. As of June 30, 2010, the aggregate funding is $1,111 million due to additional contributions and funding commitments made primarily by other parties. The time to file claims for this class has now expired. Accordingly, the court has approved dissolution of the class with

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termination anticipated by the end of 2010. During the period between 1995 and 2001, CNA Holdings was also named as a defendant in the following putative class actions:

n *Cox, et al. v. Hoechst Celanese Corporation, et al.*, No. 94-0047 (Chancery Ct., Obion County, Tennessee) (class was certified).

n *Couture, et al. v. Shell Oil Company, et al.*, No. 200-06-000001-985 (Quebec Superior Court, Canada).

n *Dilday, et al. v. Hoechst Celanese Corporation, et al.*, No. 15187 (Chancery Ct., Weakley County, Tennessee).

n *Furlan v. Shell Oil Company, et al.*, No. C967239 (British Columbia Supreme Court, Vancouver Registry, Canada).

n *Gariepy, et al. v. Shell Oil Company, et al.*, No. 30781/99 (Ontario Court General Division, Canada).

n *Shelter General Insurance Co., et al. v. Shell Oil Company, et al.*, No. 16809 (Chancery Ct., Weakley County, Tennessee).

n *St. Croix Ltd., et al. v. Shell Oil Company, et al.*, No. 1997/467 (Territorial Ct., St. Croix Division, the US Virgin Islands).

n *Tranter v. Shell Oil Company, et al.*, No. 46565/97 (Ontario Court General Division, Canada).

In addition, between 1994 and 2008 CNA Holdings was named as a defendant in numerous non-class actions filed in Arizona, Florida, Georgia, Louisiana, Mississippi, New Jersey, Tennessee and Texas, the US Virgin Islands and Canada of which eight are currently pending. In all of these actions, the plaintiffs have sought recovery for alleged damages caused by leaking polybutylene plumbing. Damage amounts have generally not been specified but these cases generally do not involve (either individually or in the aggregate) a large number of homes.

The Company s remaining plumbing action accruals recorded in the unaudited consolidated balance sheets as of June 30, 2010 and December 31, 2009 are $54 million and $55 million, respectively. The Company recorded recoveries and reductions in legal reserves related to plumbing actions (Note 13) to Other (charges) gains, net in the unaudited interim consolidated statements of operations as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In $ millions)			
Recoveries	2	1	13	2
Legal reserve reductions	-	1	1	1
Total	2	2	14	3

Plumbing Insurance Indemnifications

Celanese GmbH entered into agreements with insurance companies related to product liability settlements associated with Celcon® plumbing claims. These agreements, except those with insolvent insurance companies, require the Company to indemnify and/or defend these insurance companies in the event that third parties seek additional monies for matters released in these agreements. The indemnifications in these agreements do not provide for time limitations.

In certain of the agreements, Celanese GmbH received a fixed settlement amount. The indemnities under these agreements generally are limited to, but in some cases are greater than, the amount received in settlement from the insurance company. The maximum exposure under some of these indemnifications is $95 million, while other settlement agreements with fixed settlement amounts have no stated indemnification limits.

There are other agreements whereby the settling insurer agreed to pay a fixed percentage of claims that relate to that insurer s policies. The Company has provided indemnifications to the insurers for amounts paid in excess of the settlement percentage. These indemnifications do not provide for monetary or time limitations.

Sorbates Antitrust Actions

In 2004 a civil antitrust action styled *Freeman Industries LLC v. Eastman Chemical Co., et al.* (No. C34355), was filed against Hoechst, Nutrinova, Inc. and others in the Law Court for Sullivan County in Kingsport, Tennessee. The

plaintiff sought monetary damages and other relief for alleged violations of Tennessee state antitrust laws involving the sorbates industry. The trial court dismissed the plaintiff s claims and upon appeal the Supreme Court of Tennessee affirmed the dismissal of the plaintiff s claims. In December 2005, the plaintiff lost an attempt to amend its complaint and the entire action was dismissed with prejudice. Plaintiff s counsel subsequently filed a new complaint with new class representatives in the same Tennessee court. The defendant s motion to strike the class allegations was granted in May 2008 and the plaintiff s request to appeal the ruling remains pending.

Polyester Staple Antitrust Litigation

CNA Holdings, the successor in interest to Hoechst Celanese Corporation (HCC), Celanese Americas Corporation and Celanese GmbH (collectively, the Celanese Entities) and Hoechst, the former parent of HCC, were named as defendants in two actions (involving 25 individual participants) filed in September 2006 by US purchasers of polyester staple fibers manufactured and sold by HCC. The actions allege that the defendants participated in a conspiracy to fix prices, rig bids and allocate customers of polyester staple sold in the United States. These actions were consolidated in a proceeding by a Multi-District Litigation Panel in the United States District Court for the Western District of North Carolina styled *In re Polyester Staple Antitrust Litigation*, MDL 1516. On June 12, 2008 the court dismissed these actions against all Celanese Entities in consideration of a payment by the Company of $107 million. This proceeding related to sales by the polyester staple fibers business which Hoechst sold to KoSa, Inc. in 1998. Accordingly, the impact of this settlement was reflected within discontinued operations in the consolidated statements of operations for the year ended December 31, 2008. The Company also previously entered into tolling arrangements with four other alleged US purchasers of polyester staple fibers manufactured and sold by the Celanese Entities. These purchasers were not included in the settlement and one such company filed suit against the Company in December 2008 in the Western District of North Carolina entitled *Milliken & Company v. CNA Holdings, Inc., Celanese Americas Corporation and Hoechst AG* (No. 8-CV-00578). The Company is actively defending this matter and has filed a motion to dismiss, which is pending with the court.

In December 1998, HCC sold its polyester staple business (the 1998 Sale) to KoSa B.V., f/k/a Arteva B.V., a subsidiary of Koch Industries, Inc. (KoSa), under an asset purchase agreement (APA). In August of 2002, Arteva Specialties, S.a.r.l., a subsidiary of KoSa (Arteva Specialties), pled guilty to a criminal violation of the Sherman Act relating to anti-competitive conduct following the 1998 Sale. Shortly thereafter, various polyester staple customers filed approximately 50 civil anti-trust lawsuits against KoSa and Arteva Specialties, some of which alleged anti-competitive conduct prior to the 1998 Sale. In a complaint filed on November 3, 2003 in the United States District Court for the Southern District of New York, *Koch Industries, Inc. et al. v. Hoechst Aktiengellschaft et al.*, No. 03-cv-8679, Koch Industries, Inc., KoSa, Arteva Specialties and Arteva Services S.a.r.l. sought recovery from Hoechst and the Celanese Entities exceeding $371 million. In the complaint, the plaintiffs alleged claims of fraud, unjust enrichment and indemnification for retained liabilities and for breach of contractual representations and warranties under the APA. Both parties filed motions for summary judgment in 2009. On July 19, 2010, the court granted in part and denied in part the pending motions. The court dismissed the plaintiffs claims for fraud and unjust enrichment, which also eliminated plaintiffs claims for punitive damages. The court also held that the plaintiffs cannot recover damages for liabilities arising out of the operation of the polyester staple business incurred after the 1998 Sale. The plaintiffs can recover damages for the costs of defending and settling civil antitrust actions brought against them to the extent such damages arose out of the operation of the polyester staple business prior to the 1998 Sale (i.e., Retained Liabilities as defined in the APA). The plaintiffs have alleged that they paid approximately $135 million for the costs of settling and defending both pre- and post-1998 Sale civil antitrust actions. The court reserved for trial the calculation and allocation of any damages to which the plaintiffs would be entitled under the relevant sections of the APA. Because of insufficient information, including that contained in the record, we are unable to estimate the amount of the Company s loss for this matter. The court also preserved for trial the plaintiffs claim for breach of contractual representations and warranties under the APA. No date has been set for trial. The Company is actively

defending this matter.

Acetic Acid Patent Infringement Matters

On May 9, 1999, Celanese International Corporation filed a private criminal action styled *Celanese International Corporation v. China Petrochemical Development Corporation* against China Petrochemical Development Corporation (CPDC) in the Taiwan Kaoshiung District Court alleging that CPDC infringed Celanese

International Corporation s patent covering the manufacture of acetic acid. Celanese International Corporation also filed a supplementary civil brief that, in view of changes in Taiwanese patent laws, was subsequently converted to a civil action alleging damages against CPDC based on a period of infringement of ten years, 1991-2000, and based on CPDC s own data that was reported to the Taiwanese securities and exchange commission. Celanese International Corporation s patent was held valid by the Taiwanese patent office. On August 31, 2005, the District Court held that CPDC infringed Celanese International Corporation s acetic acid patent and awarded Celanese International Corporation approximately $28 million (plus interest) for the period of 1995 through 1999. In October 2008, the High Court, on appeal, reversed the District Court s $28 million award to the Company. The Company appealed to the Superior Court in November 2008, and the court remanded the case to the Intellectual Property Court on June 4, 2009. On January 16, 2006, the District Court awarded Celanese International Corporation $800,000 (plus interest) for the year 1990. In January 2009, the High Court, on appeal, affirmed the District Court s award and CPDC appealed on February 5, 2009 to the Supreme Court. During the quarter ended March 31, 2010, ended this case was remanded to the Intellectual Property Court. On June 29, 2007, the District Court awarded Celanese International Corporation $60 million (plus interest) for the period of 2000 through 2005. CPDC appealed this ruling and on July 21, 2009, the High Court ruled in CPDC s favor. The Company appealed to the Supreme Court and in December 2009, the case was remanded to the Intellectual Property Court. All three cases remain pending in the Intellectual Property Court.

Workers Compensation Claims

The Company has been provided with notices of claims filed with the South Carolina Workers Compensation Commission and the North Carolina Industrial Commission. The notices of claims identify various alleged injuries to current and former employees arising from alleged exposure to undefined chemicals at current and former plant sites in South Carolina and North Carolina. As of June 30, 2010, there were 1,308 claims pending. The Company has reserves for defense costs related to these matters.

Asbestos Claims

As of June 30, 2010, the Company and several of its US subsidiaries are defendants in asbestos cases. During the six months ended June 30, 2010, asbestos case activity is as follows:

	Asbestos Cases
As of December 31, 2009	526
Case adjustments	2
New cases filed	22
Resolved cases	(43)
As of June 30, 2010	507

Because many of these cases involve numerous plaintiffs, the Company is subject to claims significantly in excess of the number of actual cases. The Company has reserves for defense costs related to claims arising from these matters.

Award Proceedings in relation to Domination Agreement and Squeeze-Out

On October 1, 2004, a Domination Agreement between Celanese GmbH and the Purchaser became operative, pursuant to which the Purchaser became obligated to offer to acquire all outstanding Celanese GmbH shares from the

minority shareholders of Celanese GmbH in return for payment of fair cash compensation (Squeeze-Out). The amount of this fair cash compensation was determined to be 41.92 per share, plus interest, in accordance with applicable German law. Until the Squeeze-Out was registered in the commercial register in Germany on December 22, 2006, any minority shareholder who elected not to sell its shares to the Purchaser was entitled to remain a shareholder of Celanese GmbH and to receive from the Purchaser a gross guaranteed annual payment on its shares of 3.27 per Celanese GmbH share less certain corporate taxes in lieu of any dividend.

The amounts of the fair cash compensation and of the guaranteed annual payment offered under the Domination Agreement as well as the Squeeze-Out compensation are under court review in two separate special award proceedings. The amounts of the fair cash compensation and of the guaranteed annual payment offered under the

Domination Agreement may be increased in special award proceedings initiated by minority shareholders, which may further reduce the funds the Purchaser can otherwise make available to the Company. As of March 30, 2005, several minority shareholders of Celanese GmbH had initiated special award proceedings seeking the court s review of the amounts of the fair cash compensation and of the guaranteed annual payment offered under the Domination Agreement. As a result of these proceedings, the amount of the fair cash consideration and the guaranteed annual payment offered under the Domination Agreement could be increased by the court so that all minority shareholders, including those who have already tendered their shares into the mandatory offer and have received the fair cash compensation could claim the respective higher amounts. The court dismissed all of these proceedings in March 2005 on the grounds of inadmissibility. Thirty-three plaintiffs appealed the dismissal, and in January 2006, twenty-three of these appeals were granted by the court. They were remanded back to the court of first instance, where the valuation will be further reviewed. On December 12, 2006, the court of first instance appointed an expert to help determine the value of Celanese GmbH. In the first quarter of 2007, certain minority shareholders that received 66.99 per share as fair cash compensation also filed award proceedings challenging the amount they received as fair cash compensation. The case remains pending before the court of the first instance.

The Company received applications for the commencement of award proceedings filed by 79 shareholders against the Purchaser with the Frankfurt District Court requesting the court to set a higher amount for the Squeeze-Out compensation. The motions are based on various alleged shortcomings and mistakes in the valuation of Celanese GmbH done for purposes of the Squeeze-Out. On May 11, 2007, the court of first instance appointed a common representative for those shareholders that have not filed an application on their own.

Should the court set a higher value for the Squeeze-Out compensation, former Celanese GmbH shareholders who ceased to be shareholders of Celanese GmbH due to the Squeeze-Out are entitled, pursuant to a settlement agreement between the Purchaser and certain former Celanese GmbH shareholders, to claim for their shares the higher of the compensation amounts determined by the court in these different proceedings. Payments these shareholders already received as compensation for their shares will be offset so that those shareholders who ceased to be shareholders of Celanese GmbH due to the Squeeze-Out are not entitled to more than the higher of the amount set in the two court proceedings.

Guarantees

The Company has agreed to guarantee or indemnify third parties for environmental and other liabilities pursuant to a variety of agreements, including asset and business divestiture agreements, leases, settlement agreements and various agreements with affiliated companies. Although many of these obligations contain monetary and/or time limitations, others do not provide such limitations.

As indemnification obligations often depend on the occurrence of unpredictable future events, the future costs associated with them cannot be determined at this time.

The Company has accrued for all probable and reasonably estimable losses associated with all known matters or claims that have been brought to its attention. These known obligations include the following:

Demerger Obligations

The Company agreed to indemnify Hoechst, and its legal successors, for various liabilities under the Demerger Agreement, including for environmental liabilities associated with contamination arising under 19 divestiture agreements entered into by Hoechst prior to the demerger.

The Company s obligation to indemnify Hoechst, and its legal successors, is subject to the following thresholds:

n The Company will indemnify Hoechst, and its legal successors, against those liabilities up to 250 million;

n Hoechst, and its legal successors, will bear those liabilities exceeding 250 million; provided, however, that the Company will reimburse Hoechst, and its legal successors, for one-third of liabilities exceeding 750 million in the aggregate.

The aggregate maximum amount of environmental indemnifications under the remaining divestiture agreements that provide for monetary limits is approximately 750 million. Three of the divestiture agreements do not provide for monetary limits.

Based on the estimate of the probability of loss under this indemnification, the Company had reserves of $29 million and $32 million as of June 30, 2010 and December 31, 2009, respectively, for this contingency. Where the Company is unable to reasonably determine the probability of loss or estimate such loss under an indemnification, the Company has not recognized any related liabilities.

The Company has also undertaken in the Demerger Agreement to indemnify Hoechst and its legal successors for (i) one-third of any and all liabilities that result from Hoechst being held as the responsible party pursuant to public law or current or future environmental law or by third parties pursuant to private or public law relates to contamination and (ii) liabilities that Hoechst is required to discharge, including tax liabilities, which are associated with businesses that were included in the demerger but were not demerged due to legal restrictions on the transfers of such items. These indemnities do not provide for any monetary or time limitations. The Company has not provided for any reserves associated with this indemnification as it is not probable or estimable. The Company has not made any payments to Hoechst or its legal successors during the six months ended June 30, 2010 and 2009, respectively, in connection with this indemnification.

Divestiture Obligations

The Company and its predecessor companies agreed to indemnify third-party purchasers of former businesses and assets for various pre-closing conditions, as well as for breaches of representations, warranties and covenants. Such liabilities also include environmental liability, product liability, antitrust and other liabilities. These indemnifications and guarantees represent standard contractual terms associated with typical divestiture agreements and, other than environmental liabilities, the Company does not believe that they expose the Company to any significant risk. As of June 30, 2010 and December 31, 2009, the Company had reserves in the aggregate of $30 million and $32 million, respectively, for these matters.

The Company has divested numerous businesses, investments and facilities through agreements containing indemnifications or guarantees to the purchasers. Many of the obligations contain monetary and/or time limitations, ranging from one year to thirty years. The aggregate amount of guarantees provided for under these agreements is approximately $1.9 billion as of June 30, 2010. Other agreements do not provide for any monetary or time limitations.

Purchase Obligations

In the normal course of business, the Company enters into commitments to purchase goods and services over a fixed period of time. The Company maintains a number of take-or-pay contracts for purchases of raw materials and utilities. As of June 30, 2010, there were outstanding future commitments of $1.7 billion under take-or-pay contracts. The Company recognized $0 and $3 million of losses related to take-or-pay contract termination costs for the three and six months ended June 30, 2010, respectively, related to the Company s Pardies, France Project of Closure (Note 3 and Note 13). The Company does not expect to incur any material losses under take-or-pay contractual arrangements. Additionally, as of June 30, 2010, there were other outstanding commitments of $659 million representing maintenance and service agreements, energy and utility agreements, consulting contracts and software agreements.

During March 2010, the Company successfully completed an amended raw material purchase agreement with a supplier who had filed for bankruptcy. Under the original contract, the Company made advance payments in exchange for preferential pricing on certain volumes of material purchases over the life of the contract. The cancellation of the original contract and the terms of the subsequent amendment resulted in the Company accelerating amortization on the unamortized prepayment balance of $0 and $22 million during the three and six months ended June 30, 2010, respectively. The accelerated amortization was recorded to Cost of sales in the unaudited interim consolidated statements of operations as follows: $20 million was recorded in the Acetyl Intermediates segment and $2 million was

recorded in the Advanced Engineered Materials segment.

18. Business Segments

Effective April 1, 2010, the Company moved its Ibn Sina affiliate from its Acetyl Intermediates segment to its Advanced Engineered Materials segment to reflect the change the affiliate s business dynamics and growth opportunities. The Company has retrospectively adjusted its reportable segments for its Advanced Engineered

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Materials segment and its Acetyl Intermediates segment for the three and six months ended June 30, 2009 to conform to the three and six months ended June 30, 2010 presentation.

	Advanced Engineered Materials	Consumer Specialties	Industrial Specialties	Acetyl Intermediates	Other Activities	Eliminations	Consolidated
			(In $ millions)				
Three months ended June 30, 2010							
Net sales	282	291 [1]	269	782 [1]	1	(108)	1,517
Other (charges) gains, net	(3)	(1)	-	(1)	(1)	-	(6)
Equity in net earnings (loss) of affiliates	39	1	-	1	4	-	45
Earnings (loss) from continuing operations before tax	79	137	16	70	(78)	-	224
Depreciation and amortization	18	9	10	24	3	-	64
Capital expenditures [2]	8	9	13	9	1	-	40
(As Adjusted, Note 3) Three months ended June 30, 2009							
Net sales	184	280	267	622 [1]	1	(110)	1,244
Other (charges) gains, net	(4)	(3)	(1)	-	2	-	(6)
Equity in net earnings (loss) of affiliates	31	-	-	1	3	-	35
Earnings (loss) from continuing operations before tax	31	119	19	41	(83)	-	127
Depreciation and amortization	19	12	14	32	2	-	79
Capital expenditures [2]	6	10	16	9	1	-	42

[1] Includes $108 million and $110 million of intersegment sales eliminated in consolidation for the three months ended June 30, 2010 and 2009, respectively.

[2] Excludes expenditures related to the relocation of the Company s Ticona plant in Kelsterbach (Note 20) and includes increase of accrued capital expenditures of $6 million and $2 million for the three months ended June 30, 2010 and 2009, respectively.

	Advanced Engineered Materials	Consumer Specialties	Industrial Specialties	Acetyl Intermediates	Other Activities	Eliminations	Consolidated
				(In $ millions)			
Six months ended June 30, 2010							
Net sales	564	529 [1]	511	1,506 [1]	1	(206)	2,905
Other (charges) gains, net	2	(74)	-	(8)	(3)	-	(83)
Equity in net earnings (loss) of affiliates	83	1	-	2	8	-	94
Earnings (loss) from continuing operations before tax	171	107	28	71	(160)	-	217
Depreciation and amortization	38 [3]	20	20	69 [3]	6	-	153
Capital expenditures [2]	13	15	18	14	3	-	63
Goodwill and intangible assets	420	275	54	256	-	-	1,005
Total assets	2,380	1,051	765	1,951	1,958	-	8,105
(As Adjusted, Note 3) Six months ended June 30, 2009							
Net sales	349	546	509	1,194 [1]	1	(209)	2,390
Other (charges) gains, net	(13)	(3)	(3)	(1)	(7)	-	(27)
Equity in net earnings (loss) of affiliates	31	1	-	3	6	-	41
Earnings (loss) from continuing operations before tax	13	188	29	53	(167)	-	116
Depreciation and amortization	36	24	27	59	4	-	150
Capital expenditures [2]	10	18	26	17	1	-	72
Goodwill and intangible assets as of December 31, 2009	385	299	62	346	-	-	1,092
Total assets as of December 31, 2009	2,268	1,083	740	1,984	2,337	-	8,412

(1) Includes $206 million and $209 million of intersegment sales eliminated in consolidation for the six months ended June 30, 2010 and 2009, respectively.

(2) Excludes expenditures related to the relocation of the Company s Ticona plant in Kelsterbach (Note 20) and includes decrease of accrued capital expenditures of $15 million and $24 million for the six months ended

June 30, 2010 and 2009, respectively.

(3) Includes $2 million for Advanced Engineered Materials and $20 million for Acetyl Intermediates for the accelerated amortization of the unamortized prepayment related to a raw material purchase agreement (Note 17).

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19. Earnings (Loss) Per Share

	Three Months Ended June 30,			
	2010		2009	
	Basic	Diluted	Basic	Diluted
			As Adjusted (Note 3)	
	(In $ millions, except share and per share data)			
Amounts attributable to Celanese Corporation				
Earnings (loss) from continuing operations	163	163	110	110
Earnings (loss) from discontinued operations	(3)	(3)	(1)	(1)
Net earnings (loss)	160	160	109	109
Less: Cumulative preferred stock dividends	-	-	(2)	-
Net earnings (loss) available to common shareholders	160	160	107	109
Weighted-average shares basic	156,326,226	156,326,226	143,528,126	143,528,126
Dilutive stock options		1,787,983		1,020,493
Dilutive restricted stock units		290,910		445,014
Assumed conversion of preferred stock		-		12,084,337
Weighted-average shares diluted		158,405,119		157,077,970
Per share				
Earnings (loss) from continuing operations	1.04	1.03	0.75	0.70
Earnings (loss) from discontinued operations	(0.02)	(0.02)	(0.01)	(0.01)
Net earnings (loss)	1.02	1.01	0.74	0.69

	Six Months Ended June 30,			
	2010		2009	
	Basic	Diluted	Basic	Diluted
			As Adjusted (Note 3)	
	(In $ millions, except share and per share data)			

Amounts attributable to Celanese Corporation				
Earnings (loss) from continuing operations	176	176	94	94
Earnings (loss) from discontinued operations	(2)	(2)	-	-
Net earnings (loss)	174	174	94	94
Less: Cumulative preferred stock dividends	(3)	-	(5)	-
Net earnings (loss) available to common shareholders	171	174	89	94
Weighted-average shares basic	153,315,950	153,315,950	143,517,588	143,517,588
Dilutive stock options		1,854,552		510,246
Dilutive restricted stock units		369,966		242,878
Assumed conversion of preferred stock		3,133,605		12,084,337
Weighted-average shares diluted		158,674,073		156,355,049
Per share				
Earnings (loss) from continuing operations	1.13	1.11	0.62	0.60
Earnings (loss) from discontinued operations	(0.01)	(0.01)	-	-
Net earnings (loss)	1.12	1.10	0.62	0.60

Securities that were not included in the computation of diluted net earnings per share as their effect would have been antidilutive are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Stock options	582,500	1,583,113	596,875	4,262,531
Restricted stock units	-	88,250	-	358,127
Convertible preferred stock	-	-	-	-
Total	582,500	1,671,363	596,875	4,620,658

20. Ticona Kelsterbach Plant Relocation

In November 2006, the Company finalized a settlement agreement with the Frankfurt, Germany Airport (Fraport) to relocate the Kelsterbach, Germany Ticona business, included in the Advanced Engineered Materials segment, resolving several years of legal disputes related to the planned Fraport expansion. As a result of the settlement, the Company will transition Ticona s operations from Kelsterbach to the Hoechst Industrial Park in the Rhine Main area in Germany by mid-2011. Under the original agreement, Fraport agreed to pay Ticona a total of 670 million over a five-year period to offset the costs associated with the transition of the business from its current location and the closure of the Kelsterbach plant. In February 2009, the Company announced the Fraport supervisory board approved the acceleration of the 2009 and 2010 payments of 200 million and 140 million, respectively, required by the settlement agreement signed in June 2007. In February 2009, the Company received a discounted amount of 322 million ($412 million) under this agreement. In addition, the Company received 59 million ($75 million) in value-added tax from Fraport which was remitted to the tax authorities in April 2009. Amounts received from Fraport are accounted for as deferred proceeds and are included in noncurrent Other liabilities in the unaudited consolidated balance sheets.

Below is a summary of the financial statement impact associated with the Ticona Kelsterbach plant relocation:

	Six Months Ended June 30,		Total From Inception Through
	2010	2009	June 30, 2010
	(In $ millions)		
Proceeds received from Fraport	-	412	749
Costs expensed	10	6	43
Costs capitalized [1]	131	162	747

[1] Includes decrease in accrued capital expenditures of $20 million and increase in accrued capital expenditures of $17 million for the six months ended June 30, 2010 and 2009, respectively.

21. Subsequent Events

On July 1, 2010, the Company declared a cash dividend of $0.05 per share on its Common Stock amounting to $8 million. The cash dividends are for the period from May 1, 2010 to July 31, 2010 and will be paid on August 2, 2010 to holders of record as of July 15, 2010.

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Item 2. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

In this Quarterly Report on Form 10-Q (Quarterly Report), the term Celanese refers to Celanese Corporation, a Delaware corporation, and not its subsidiaries. The terms the Company, we, our and us, refer to Celanese and its subsidiaries on a consolidated basis.

Forward-Looking Statements May Prove Inaccurate

Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and other parts of this Quarterly Report contain certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by, and information currently available to, us. When used in this document, words such as anticipate, believe, estimate, expect, intend, plan and project and similar exp they relate to us are intended to identify forward-looking statements. These statements reflect our current views with respect to future events, are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Further, certain forward-looking statements are based upon assumptions as to future events that may not prove to be accurate.

The following discussion should be read in conjunction with the Celanese Corporation and Subsidiaries consolidated financial statements as of and for the year ended December 31, 2009, as filed on February 12, 2010 with the Securities and Exchange Commission (SEC) as part of the Company s Annual Report on Form 10-K (the 2009 Form 10-K) and the unaudited interim consolidated financial statements and notes thereto included elsewhere in this Quarterly Report. We assume no obligation to revise or update any forward-looking statements for any reason, except as required by law.

See *Part I - Item 1A. Risk Factors* of our 2009 Form 10-K for a description of risk factors that could significantly affect our financial results. In addition, the following factors could cause our actual results to differ materially from those results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors include, among other things:

- changes in general economic, business, political and regulatory conditions in the countries or regions in which we operate;
- the length and depth of product and industry business cycles particularly in the automotive, electrical, electronics and construction industries;
- changes in the price and availability of raw materials, particularly changes in the demand for, supply of, and market prices of ethylene, methanol, natural gas, wood pulp, fuel oil and electricity;
- the ability to pass increases in raw material prices on to customers or otherwise improve margins through price increases;
- the ability to maintain plant utilization rates and to implement planned capacity additions and expansions;
- the ability to reduce production costs and improve productivity by implementing technological improvements to existing plants;
- increased price competition and the introduction of competing products by other companies;
- changes in the degree of intellectual property and other legal protection afforded to our products;

compliance costs and potential disruption or interruption of production due to accidents or other unforeseen events or delays in construction of facilities;

potential liability for remedial actions and increased costs under existing or future environmental regulations, including those relates to climate change;

potential liability resulting from pending or future litigation, or from changes in the laws, regulations or policies of governments or other governmental activities in the countries in which we operate;

changes in currency exchange rates and interest rates; and

various other factors, both referenced and not referenced in this Quarterly Report.

Many of these factors are macroeconomic in nature and are, therefore, beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from those described in this Quarterly Report as anticipated, believed, estimated, expected, intended, planned or projected. We neither intend nor assume any obligation to update these forward-looking statements, which speak only as of their dates.

Overview

We are a leading, global technology and specialty materials company. We are one of the world s largest producers of acetyl products, which are intermediate chemicals for nearly all major industries, as well as a leading global producer of high-performance engineered polymers that are used in a variety of high-value end-use applications. As an industry leader, we hold geographically balanced global positions and participate in diversified end-use markets. Our operations are primarily located in North America, Europe and Asia. We combine a demonstrated track record of execution, strong performance built on shared principles and objectives, and a clear focus on growth and value creation.

2010 Significant Events:

We concluded the formal consultation process with employees and their representatives and are continuing to consider a plan to close our acetate flake and tow manufacturing operations in Spondon, Derby, United Kingdom in the latter part of 2011.

We acquired two product lines, Zenite® liquid crystal polymer (LCP) and Thermx® polycyclohexylene-dimethylene terephthalate (PCT), from DuPont Performance Polymers.

We announced five-year Environmental Health and Safety sustainability goals for occupational safety performance, energy intensity, greenhouse gases and waste management for the year 2015.

We received American Chemistry Council s (ACC) 2010 Responsible Care Initiative of the Year Award. This award recognizes companies that demonstrate leadership in the areas of employee health and safety, security or environmental protection in the chemical industry.

We announced the construction of a 50,000 ton polyacetal (POM) production facility by our National Methanol Company affiliate (Ibn Sina) in Saudi Arabia and extended the term of the joint venture, which will now run until 2032. Upon successful startup of the POM facility, our indirect economic interest in Ibn Sina will increase from 25% to a total of 32.5%.

We received formal approval of our previously announced plans to expand flake and tow capacities, each by 30,000 tons, at our affiliate facility in Nantong, China, with our affiliate partner, China National Tobacco Corporation.

We announced a 25% increase in our quarterly common stock cash dividend beginning August 2010. The annual dividend rate will increase from $0.16 to $0.20 per share of common stock and the quarterly rate will increase from $0.04 to $0.05 per share of common stock.

Results of Operations

We indirectly own a 25% interest in Ibn Sina through CTE Petrochemicals Company (CTE), a joint venture with Texas Eastern Arabian Corporation Ltd. (which also indirectly owns 25%). The remaining interest in Ibn Sina is held

by Saudi Basic Industries Corporation (SABIC). SABIC and CTE entered into the Ibn Sina joint venture agreement in 1981. In April 2010, we announced that Ibn Sina will construct a 50,000 ton POM production facility in Saudi Arabia and that the term of the joint venture agreement was extended until 2032. Upon successful startup of the POM facility, our indirect economic interest in Ibn Sina will increase from 25% to 32.5%. SABIC s economic interest will remain unchanged.

In connection with this transaction, we reassessed the factors surrounding the accounting method for this investment and changed the accounting from the cost method of accounting for investments to the equity method of accounting

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for investments beginning April 1, 2010. Financial information relating to this investment for prior periods has been retrospectively adjusted to apply the equity method of accounting.

Effective April 1, 2010, we moved our Ibn Sina affiliate from our Acetyl Intermediates segment to our Advanced Engineered Materials segment to reflect the change in the affiliate s business dynamics and growth opportunities. Business segment information for prior periods included below has been retrospectively adjusted to reflect the change.

Financial Highlights

	Three Months Ended June 30,				Six Months Ended June 30,			
	2010	% of Net Sales	2009 (As Adjusted)	% of Net Sales	2010	% of Net Sales	2009 (As Adjusted)	% of Net Sales
	(unaudited) (In $ millions, except percentages)							
Net sales	1,517	100.0	1,244	100.0	2,905	100.0	2,390	100.0
Gross profit	303	20.0	248	19.9	521	17.9	448	18.7
Selling, general and administrative expenses	(123)	(8.1)	(114)	(9.2)	(246)	(8.5)	(228)	(9.5)
Other (charges) gains, net	(6)	(0.4)	(6)	(0.5)	(83)	(2.9)	(27)	(1.1)
Operating profit (loss)	156	10.3	89	7.2	142	4.9	116	4.9
Equity in net earnings (loss) of affiliates	45	3.0	35	2.8	94	3.2	41	1.7
Interest expense	(49)	(3.2)	(54)	(4.3)	(98)	(3.4)	(105)	(4.4)
Dividend income cost investments	72	4.7	53	4.3	72	2.5	56	2.3
Earnings (loss) from continuing operations before tax	224	14.8	127	10.2	217	7.5	116	4.9
Amounts attributable to Celanese Corporation								
Earnings (loss) from continuing operations	163	10.7	110	8.9	176	6.0	94	3.9
Earnings (loss) from discontinued operations	(3)	(0.2)	(1)	(0.1)	(2)			
Net earnings (loss)	160	10.5	109	8.8	174	6.0	94	3.9
Depreciation and amortization	64	4.2	79	6.4	153	5.3	150	6.3

	As of June 30, 2010	As of December 31, 2009
	(unaudited) (In $ millions)	

Short-term borrowings and current installments of long-term debt third party and affiliates	265	242
Long-term debt	3,162	3,259
Total debt	3,427	3,501

Summary of Consolidated Results for the Three and Six Months Ended June 30, 2010 Compared to the Three and Six Months Ended June 30, 2009

Net sales increased 22% during the three and six months ended June 30, 2010 compared to the same periods in 2009 primarily due to increased volumes across most business segments as a result of the gradual recovery of the global economy. Net sales also increased due to increases in selling prices across the majority of our business segments. The increase in net sales resulting from our acquisition of FACT GmbH (Future Advanced Composites Technology) (FACT) in December 2009 within our Advanced Engineered Materials segment only slightly offset the decrease in net sales due to the sale of our polyvinyl alcohol (PVOH) business in July 2009 within our Industrial Specialties segment. Unfavorable foreign currency impacts only slightly offset the increase in net sales.

Gross profit increased during the three and six months ended June 30, 2010 compared to the same periods in 2009 due to higher net sales. Gross profit as a percentage of sales was consistent for three months ended June 30, 2010 as

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compared to the three months ended June 30, 2009. Gross profit as a percentage of sales declined during the six months ended June 30, 2010 as compared to June 30, 2009 due to overall increased raw material and energy costs which were only partially offset by increased prices. The write-off of other productive assets of $17 million related to our Singapore and Nanjing, China facilities and increased depreciation and amortization also contributed to a lower gross profit percentage. The increase in amortization was a result of $22 million of accelerated amortization to write-off the asset associated with a raw material purchase agreement with a supplier who filed for bankruptcy during 2009. The accelerated amortization was recorded as $20 million to our Acetyl Intermediates segment and $2 million to our Advanced Engineered Materials segment.

Selling, general and administrative expenses increased for the three and six months ended June 30, 2010 compared to the same period in 2009 primarily due to the increase in operations. As a percentage of sales, selling, general and administrative expenses declined due to our fixed spending reduction efforts and restructuring efficiencies.

The components of Other (charges) gains, net are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(unaudited) (In $ millions)			
Employee termination benefits	(4)	(5)	(9)	(29)
Ticona Kelsterbach plant relocation	(4)	(3)	(10)	(6)
Plumbing actions	2	2	14	3
Insurance recoveries associated with Clear Lake, Texas	-	-	-	6
Asset impairments	-	-	(72)	(1)
Plant/office closures	-	-	(6)	-
Total	(6)	(6)	(83)	(27)

During the first quarter of 2010, we concluded that certain long-lived assets were partially impaired at our acetate flake and tow manufacturing operations in Spondon, Derby, United Kingdom (see Note 3 to the accompanying unaudited interim consolidated financial statements). Accordingly, we wrote down the related property, plant and equipment to its fair value of $31 million, resulting in long-lived asset impairment losses of $72 million for the six months ended June 30, 2010. The Spondon, Derby, United Kingdom facility is included in our Consumer Specialties segment.

As a result of our Pardies, France Project of Closure (see Note 3 to the accompanying unaudited interim consolidated financial statements), we recorded $1 million in employee termination benefits for the three months ended June 30, 2010. We recorded exit costs of $9 million during the six months ended June 30, 2010, which consisted of $2 million in employee termination benefits, $1 million of long-lived asset impairment losses, $3 million of contract termination costs and $3 million of reindustrialization costs. The Pardies, France facility is included in our Acetyl Intermediates segment.

Other charges for the six months ended June 30, 2010 was partially offset by $13 million of recoveries and a $1 million decrease in legal reserves associated with plumbing cases which is included in our Advanced Engineered

Materials segment.

During the first quarter of 2009, we began efforts to align production capacity and staffing levels given the potential for an economic environment of prolonged lower demand. For the six months ended June 30, 2009, we recorded employee termination benefits of $28 million related to this endeavor. As a result of the shutdown of the vinyl acetate monomer (VAM) production unit in Cangrejera, Mexico, we recognized employee termination benefits of $1 million and long-lived asset impairment losses of $1 million during the six months ended June 30, 2009. The VAM production unit in Cangrejera, Mexico is included in our Acetyl Intermediates segment.

Other charges for the six months ended June 30, 2009 was partially offset by $6 million of insurance recoveries in satisfaction of claims we made related to the unplanned outage of our Clear Lake, Texas acetic acid facility during 2007, a $2 million decrease in legal reserves for plumbing claims for which the statute of limitations has expired and $1 million of insurance recoveries associated with plumbing cases.

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Operating profit increased for the three and six months ended June 30, 2010 as compared to the same periods in 2009. The increase in operating profit is a result of increased gross profit.

Earnings (loss) from continuing operations before tax increased during the three and six months ended June 30, 2010 compared to the same period in 2009 primarily due to increased equity in net earnings of affiliates and increased dividend income from cost investments in addition to the increase in operating profit.

Our effective income tax rate for the three months ended June 30, 2010 was 27% compared to 13% for the three months ended June 30, 2009. The increase in our effective rate was primarily due to foreign losses not resulting in tax benefits in the current period and increases in reserves for uncertain tax positions and related interest. Our effective income tax rate for the six months ended June 30, 2010 was 19% compared to 19% for the six months ended June 30, 2009. Our 2010 effective rate was favorably impacted by the effect of new tax legislation in Mexico, offset by foreign losses not resulting in tax benefits in the current period and the effect of healthcare reform in the US.

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Selected Data by Business Segment

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009 (As Adjusted)	Change in $	2010	2009 (As Adjusted)	Change in $
	(unaudited) (In $ millions)					
Net sales						
Advanced Engineered Materials	282	184	98	564	349	215
Consumer Specialties	291	280	11	529	546	(17)
Industrial Specialties	269	267	2	511	509	2
Acetyl Intermediates	782	622	160	1,506	1,194	312
Other Activities	1	1	-	1	1	-
Inter-segment eliminations	(108)	(110)	2	(206)	(209)	3
Total	1,517	1,244	273	2,905	2,390	515
Other (charges) gains, net						
Advanced Engineered Materials	(3)	(4)	1	2	(13)	15
Consumer Specialties	(1)	(3)	2	(74)	(3)	(71)
Industrial Specialties	-	(1)	1	-	(3)	3
Acetyl Intermediates	(1)	-	(1)	(8)	(1)	(7)
Other Activities	(1)	2	(3)	(3)	(7)	4
Total	(6)	(6)	-	(83)	(27)	(56)
Operating profit (loss)						
Advanced Engineered Materials	40	1	39	88	(17)	105
Consumer Specialties	64	66	(2)	34	132	(98)
Industrial Specialties	16	19	(3)	28	29	(1)
Acetyl Intermediates	68	39	29	68	50	18
Other Activities	(32)	(36)	4	(76)	(78)	2
Total	156	89	67	142	116	26
Earnings (loss) from continuing operations before tax Advanced Engineered Materials	79	31	48	171	13	158
Consumer Specialties	137	119	18	107	188	(81)
Industrial Specialties	16	19	(3)	28	29	(1)
Acetyl Intermediates	70	41	29	71	53	18
Other Activities	(78)	(83)	5	(160)	(167)	7
Total	224	127	97	217	116	101

Depreciation and amortization						
Advanced Engineered Materials	18	19	(1)	38	36	2
Consumer Specialties	9	12	(3)	20	24	(4)
Industrial Specialties	10	14	(4)	20	27	(7)
Acetyl Intermediates	24	32	(8)	69	59	10
Other Activities	3	2	1	6	4	2
Total	64	79	(15)	153	150	3

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Factors Affecting Business Segment Net Sales

The charts below set forth the percentage increase (decrease) in net sales from the period ended June 30, 2009 to the period ended June 30, 2010 attributable to each of the factors indicated for the following business segments.

	Volume	Price	Currency	Other [1]	Total
			(unaudited) (In percentages)		
Three Months Ended June 30, 2010 Compared to Three Months Ended June 30, 2009					
Advanced Engineered Materials	52	2	(5)	4 [2]	53
Consumer Specialties	6	(1)	(1)	-	4
Industrial Specialties	13	9	(3)	(18) [3]	1
Acetyl Intermediates	14	15	(3)	-	26
Total Company	19	9	(3)	(3)	22
Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009					
Advanced Engineered Materials	61	(4)	-	5 [2]	62
Consumer Specialties	(3)	-	-	-	(3)
Industrial Specialties	14	3	-	(17) [3]	-
Acetyl Intermediates	14	12	-	-	26
Total Company	19	6	-	(3)	22

(1) Includes the effects of the captive insurance companies and the impact of fluctuations in intersegment eliminations.

(2) 2010 includes the effects of the FACT acquisition.

(3) 2010 does not include the effects of the PVOH business, which was sold on July 1, 2009.

Summary by Business Segment for the Three and Six Months Ended June 30, 2010 compared to the Three and Six Months Ended June 30, 2009

Advanced Engineered Materials

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009 (As Adjusted)	Change in $	2010	2009 (As Adjusted)	Change in $
	(unaudited) (In $ millions, except percentages)					

Net sales	282	184	98	564	349	215
Net sales variance						
Volume	52 %			61 %		
Price	2 %			(4) %		
Currency	(5) %			- %		
Other	4 %			5 %		
Other (charges) gains, net	(3)	(4)	1	2	(13)	15
Operating profit (loss)	40	1	39	88	(17)	105
Operating margin	14.2 %	0.5 %		15.6 %	(4.9) %	
Earnings (loss) from continuing operations before tax	79	31	48	171	13	158
Depreciation and amortization	18	19	(1)	38	36	2

Our Advanced Engineered Materials segment develops, produces and supplies a broad portfolio of high performance technical polymers for application in automotive and electronics products, as well as other consumer and industrial applications. Together with our strategic affiliates, we are a leading participant in the global technical polymers industry. The primary products of Advanced Engineered Materials are POM, polyphenylene sulfide (PPS), long-fiber reinforced thermoplastics (LFT), polybutylene terephthalate (PBT), polyethylene terephthalate (PET), ultra-high molecular weight polyethylene (GUR®) and liquid crystal polymers (LCP). POM, PPS, LFT, PBT and PET are used in a broad range of products including automotive components, electronics, appliances and industrial applications. GUR® is used in battery separators,

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conveyor belts, filtration equipment, coatings and medical devices. Primary end markets for LCP are electrical and electronics.

Advanced Engineered Materials net sales increased $98 million and $215 million for the three and six months ended June 30, 2010, respectively, compared to the same periods in 2009. The increase in net sales is primarily related to significant increases in volume which is due to the gradual recovery in the global economy, continued success in the innovation and commercialization of new products and applications and the acquisition of FACT in December 2009. Advanced Engineered Materials reported their lowest net sales during the three months ended March 31, 2009. Since then, the business segment has continued to see sequential volume improvement each quarter. The current quarter increase in net sales for the three months ended June 30, 2010 as compared to the same period in 2009 was positively impacted by increases in average pricing as a result of implemented price increases and product mix which was partially offset by unfavorable foreign currency impacts.

Operating profit increased $39 million and $105 million for the three and six months ended June 30, 2010, respectively, as compared to the same periods in 2009. The positive impact from higher sales volumes, increased pricing for our high performance polymers and inventory restocking was only partially offset by higher raw material and energy costs. Other charges positively impacted operating profit for the six months ended June 30, 2010 by decreasing from an expense of $13 million for the six months ended June 30, 2009 to income of $2 million for the six months ended June 30, 2010. Other charges decreased primarily as a result of plumbing recoveries and lower employee severance. Depreciation and amortization includes $2 million of accelerated amortization for the six months ended June 30, 2010 to write-off the asset associated with a raw material purchase agreement with a supplier who filed for bankruptcy during 2009.

Our equity affiliates, including Ibn Sina, have experienced similar volume increases due to increased demand during the three and six months ended June 30, 2010. As a result, our proportional share of net earnings of these affiliates increased $52 million compared to the same period in 2009.

Consumer Specialties

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change in $	2010	2009	Change in $
	(unaudited) (In $ millions, except percentages)					
Net sales	291	280	11	529	546	(17)
Net sales variance						
Volume	6 %			(3) %		
Price	(1) %			- %		
Currency	(1) %			- %		
Other	- %			- %		
Other (charges) gains, net	(1)	(3)	2	(74)	(3)	(71)
Operating profit (loss)	64	66	(2)	34	132	(98)
Operating margin	22.0 %	23.6 %		6.4 %	24.2 %	
Earnings (loss) from continuing operations before tax	137	119	18	107	188	(81)

Depreciation and amortization	9	12	(3)	20	24	(4)

Our Consumer Specialties segment consists of our Acetate Products and Nutrinova businesses. Our Acetate Products business primarily produces and supplies acetate tow, which is used in the production of filter products. We also produce acetate flake, which is processed into acetate tow and acetate film. Our Nutrinova business produces and sells Sunett®, a high intensity sweetener, and food protection ingredients, such as sorbates, for the food, beverage and pharmaceuticals industries.

The decrease in net sales for the six months ended June 30, 2010 as compared to the same period in 2009 is due to decreased volumes in our Acetate business and in Sunett® which were only partially offset by an increase in demand in sorbates. Decreased volumes were primarily due to softening in consumer demand in Sunett® and the timing of sales related to an electrical disruption and subsequent production outage at our manufacturing facility in Narrows,

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Virginia in our Acetate business. The facility resumed normal operations during the quarter and we expect to recover the impacted volume throughout the remainder of the year.

Operating profit decreased for the six month period ended June 30, 2010 as compared to the same period in 2009. Our fixed spending reduction efforts were not able to offset the lower volumes, higher energy and raw material costs, and additional expenditures related to the outage at our Narrows, Virginia facility. An increase in other charges for the six months ended June 30, 2010 had the most significant impact on operating profit as it was unfavorably impacted by long-lived asset impairment losses of $72 million associated with management s assessment of the potential closure of our acetate flake and tow production operations in Spondon, Derby, United Kingdom.

During the six month period ended June 30, 2010, earnings from continuing operations before tax decreased due to lower operating profit, which was partially offset by higher dividends from our China ventures of $15 million compared to 2009.

Industrial Specialties

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	**2009**	**Change in $**	**2010**	**2009**	**Change in $**
	(unaudited) **(In $ millions, except percentages)**					
Net sales	269	267	2	511	509	2
Net sales variance						
Volume	13 %			14 %		
Price	9 %			3 %		
Currency	(3) %			- %		
Other	(18) %			(17) %		
Other (charges) gains, net	-	(1)	1	-	(3)	3
Operating profit (loss)	16	19	(3)	28	29	(1)
Operating margin	5.9 %	7.1 %		5.5 %	5.7 %	
Earnings (loss) from continuing operations before tax	16	19	(3)	28	29	(1)
Depreciation and amortization	10	14	(4)	20	27	(7)

Our Industrial Specialties segment includes our Emulsions and ethylene vinyl acetate (EVA) Performance Polymers businesses. Our Emulsions business is a global leader which produces a broad product portfolio, specializing in vinyl acetate ethylene emulsions, and is a recognized authority on low volatile organic compounds, an environmentally-friendly technology. Our emulsions products are used in a wide array of applications including paints and coatings, adhesives, construction, glass fiber, textiles and paper. EVA Performance Polymers offers a complete line of low-density polyethylene and specialty ethylene vinyl acetate resins and compounds. EVA Performance Polymers products are used in many applications including flexible packaging films, lamination film products, hot melt adhesives, medical devices and tubing, automotive, carpeting and solar cell encapsulation films.

In July 2009, we completed the sale of our polyvinyl alcohol (PVOH) business to Sekisui Chemical Co., Ltd. (Sekisui) for a net cash purchase price of $168 million, excluding the value of accounts receivable and payable retained by Celanese. The transaction resulted in a gain on disposition of $34 million and includes long-term supply agreements between Sekisui and Celanese.

Net sales increased $2 million for the three months and six months ended June 30, 2010 compared to the same period in 2009. Lower net sales resulting from the sale of our PVOH business were more than offset by increased volumes from our EVA Performance Polymers and Emulsions businesses. EVA Performance Polymers volumes were lower for the second quarter of 2009 due to technical issues at our Edmonton, Alberta, Canada plant. Such technical production issues have been resolved and normal operations resumed prior to the end of the third quarter of 2009. Higher prices in our EVA Performance Polymers business due to a second quarter price increase and favorable product mix were partially offset by lower net sales in Emulsions due to an unfavorable foreign exchange rate. Vinyl acetate/ethylene emulsions production volumes at our Nanjing, China facility remained at full utilization on strong demand in the Asia-Pacific region. As previously announced, we plan to expand our production capacity in 2011 to support our continued success in new product development and application innovation.

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Operating profit decreased $3 million and $1 million for the three and six months ended June 30, 2010, respectively, compared to the same periods in 2009 primarily due to the divestiture of our PVOH business. Increased sales volumes and prices were largely offset by higher raw material costs in both our EVA Performance Polymers and Emulsions businesses and increased spending and energy costs attributable to the resumption of normal operations at our EVA Performance Polymers Edmonton, Alberta, Canada plant.

Acetyl Intermediates

	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009 (As Adjusted)	Change in $	2010	2009 (As Adjusted)	Change in $
	(unaudited) (In $ millions, except percentages)					
Net sales	782	622	160	1,506	1,194	312
Net sales variance						
Volume	14 %			14 %		
Price	15 %			12 %		
Currency	(3) %			- %		
Other	- %			- %		
Other (charges) gains, net	(1)	-	(1)	(8)	(1)	(7)
Operating profit (loss)	68	39	29	68	50	18
Operating margin	8.7 %	6.3 %		4.5 %	4.2 %	
Earnings (loss) from continuing operations before tax	70	41	29	71	53	18
Depreciation and amortization	24	32	(8)	69	59	10

Our Acetyl Intermediates segment produces and supplies acetyl products, including acetic acid, VAM, acetic anhydride and acetate esters. These products are generally used as starting materials for colorants, paints, adhesives, coatings, textiles, medicines and more. Other chemicals produced in this business segment are organic solvents and intermediates for pharmaceutical, agricultural and chemical products. To meet the growing demand for acetic acid in China and ongoing site optimization efforts, we successfully expanded our acetic acid unit in Nanjing, China from 600,000 tons per reactor annually to 1.2 million tons per reactor annually. Using new AOPlus®2 capability, the acetic acid unit could be further expanded to 1.5 million tons per reactor annually with only modest additional capital.

Acetyl Intermediates net sales increased $160 million and $312 million during the three and six months ended June 30, 2010, respectively, compared to the same periods in 2009 due to improvement in the global economy and increased overall demand. Current period increases in volume were also a direct result of our successful acetic acid expansion at our Nanjing, China plant. We also experienced favorable pricing which was driven by rising raw material costs and price increases in acetic acid and VAM across all regions. The increase in net sales was only slightly offset

by unfavorable foreign currency impacts.

Operating profit increased during the three and six months ended June 30, 2010 compared to the same periods in 2009. The increase in operating profit is primarily due to higher volumes and prices and reduction in plant costs resulting from the closure of our less advantaged acetic acid and VAM production operations in Pardies, France. The increase in operating profit was only slightly offset by higher variable costs and an increase in other charges. Higher variable costs were a direct result of price increases, primarily in ethylene. Other charges consisted primarily of plant closure costs related to our Pardies, France facility.

Earnings from continuing operations before tax increased during the three and six months ended June 30, 2010 compared to the same period in 2009 due to increased operating profit.

Other Activities

Other Activities primarily consists of corporate center costs, including financing and administrative activities, and our captive insurance companies.

Net sales remained flat for the three and six months ended June 30, 2010.

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The operating loss for Other Activities decreased $4 million and $2 million for the three and six months ended June 30, 2010, respectively, compared to the same periods in 2009. The decrease was primarily due to a $14 million gain on sale of assets, offset by $13 million higher selling, general and administrative costs. Higher selling, general and administrative expenses were primarily due to higher business optimization, finance improvement initiatives, management compensation and legal costs.

The loss from continuing operations before tax decreased $5 million and $7 million for the three and six months ended June 30, 2010, respectively, compared to the same period in 2009. The decrease is primarily due to reduced interest expense resulting from lower interest rates on our senior credit facilities in addition to higher returns on our equity investments.

Liquidity and Capital Resources

Our primary source of liquidity is cash generated from operations, available cash and cash equivalents and dividends from our portfolio of strategic investments. In addition, we have $137 million available for borrowing under our credit-linked revolving facility and $600 million available under our revolving credit facility to assist, if required, in meeting our working capital needs and other contractual obligations.

While our contractual obligations, commitments and debt service requirements over the next several years are significant, we continue to believe we will have available resources to meet our liquidity requirements, including debt service, for the remainder of 2010. If our cash flow from operations is insufficient to fund our debt service and other obligations, we may be required to use other means available to us such as increasing our borrowings, reducing or delaying capital expenditures, seeking additional capital or seeking to restructure or refinance our indebtedness. There can be no assurance, however, that we will continue to generate cash flows at or above current levels or that we will be able to maintain our ability to borrow under our revolving credit facilities.

As a result of the Pardies, France Project of Closure, we recorded exit costs of $18 million during the six months ended June 30, 2010 in the accompanying unaudited interim consolidated statements of operations. We may incur up to an additional $10 million in contingent employee termination benefits related to the Pardies, France Project of Closure. We expect that substantially all of the remaining exit costs will result in future cash expenditures through mid-2011. The Pardies, France facility is included in our Acetyl Intermediates segment. See Note 3 and Note 13 in the accompanying unaudited interim consolidated financial statements.

On a stand-alone basis, Celanese Corporation has no material assets other than the stock of its subsidiaries and no independent external operations of its own. As such, Celanese Corporation generally will depend on the cash flow of its subsidiaries to meet its obligations under its Series A common stock and its senior credit agreement.

Cash Flows

Cash and cash equivalents as of June 30, 2010 were $1,081 million, which was a decrease of $173 million from December 31, 2009.

Net Cash Provided by Operating Activities

Cash flow from operations decreased $80 million during the six months ended June 30, 2010 as compared to the same period in 2009. The increase in operating profit was more than offset by the increase in trade working capital.

Net Cash Provided by (Used in) Investing Activities

Net cash from investing activities decreased from a cash inflow of $183 million for the six months ended June 30, 2009 to a cash outflow of $275 million for the same period in 2010. The decrease is primarily related to receipt of proceeds of $412 million related to the Ticona Kelsterbach plant relocation and $15 million from the sale of marketable securities that were received in 2009. There were no such proceeds in 2010.

Our cash outflow for capital expenditures was $78 million and $96 million for the six months ended June 30, 2010 and 2009, respectively. Capital expenditures were primarily related to major replacements of equipment, capacity expansions, major investments to reduce future operating costs, and environmental and health and safety initiatives.

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Additionally, we had cash outflows for the six months ended June 30, 2010 of $46 million related to our acquisition of two product lines, Zenite® liquid crystal polymer (LCP) and Thermx® polycyclohexylene-dimethylene terephthalate (PCT), from DuPont Performance Polymers. In connection with the acquisition, we have committed to purchase certain inventory at a future date valued at a range between $12 million and $17 million.

Capital expenditures are expected to be approximately $243 million for 2010, excluding amounts related to the relocation of our Ticona plant in Kelsterbach. We anticipate cash outflows for capital expenditures for our Ticona plant in Kelsterbach to be 239 million during 2010. In connection with the construction of the POM facility in Saudi Arabia, our pro rata share of invested capital is expected to total approximately $150 million over a three year period beginning in late 2010.

Net Cash Used in Financing Activities

Net cash used in financing activities increased from a cash outflow of $59 million for the six months ended June, 2009 to a cash outflow of $78 million for the same period in 2010. The $19 million increase primarily relates to the $20 million repurchase of the Company s common stock that occurred during the second quarter of 2010.

Debt and Capital

On February 1, 2010, we delivered notice to the holders of our 4.25% Convertible Perpetual Preferred Stock (the Preferred Stock), pursuant to which we called for the redemption of all 9.6 million outstanding shares of Preferred Stock. Holders of the Preferred Stock were entitled to convert each share of Preferred Stock into 1.2600 shares of the our Series A common stock, par value $0.0001 per share (Common Stock), at any time prior to 5:00 p.m., New York City time, on February 19, 2010. As of such date, holders of Preferred Stock had elected to convert 9,591,276 shares of Preferred Stock into an aggregate of 12,084,942 shares of Common Stock. The 8,724 shares of Preferred Stock that remained outstanding after such conversions were redeemed by us on February 22, 2010 for 7,437 shares of Common Stock, in accordance with the terms of the Preferred Stock. In addition to the Common Stock issued in respect of the shares of Preferred Stock converted and redeemed, we paid cash in lieu of fractional shares. In issuing these shares of Common Stock, we relied on the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended. We paid cash dividends on our Preferred Stock of $3 million during the six months ended June 30, 2010. As a result of the redemption of our Preferred Stock, no future dividends on Preferred Stock will be paid.

In April 2010, we announced that our Board of Directors approved a 25% increase in the Celanese quarterly Common Stock cash dividend. The Board of Directors increased the quarterly dividend rate from $0.04 to $0.05 per share of Common Stock on a quarterly basis and $0.16 to $0.20 per share of Common Stock on an annual basis. The new dividend rate will be applicable to dividends payable beginning in August 2010.

On July 1, 2010, we declared a cash dividend of $0.05 per share on our Common Stock amounting to $8 million. The cash dividends are for the period from May 1, 2010 to July 31, 2010 and will be paid on August 2, 2010 to holders of record as of July 15, 2010.

In February 2008, our Board of Directors authorized the repurchase of up to $400 million of our Common Stock. This authorization was increased by the Board of Directors to $500 million in October 2008. The authorizations give management discretion in determining the conditions under which shares may be repurchased. This repurchase program does not have an expiration date. The number of shares repurchased and the average purchase price paid per share pursuant to this authorization are as follows:

	Six Months Ended	Total From

	June 30, 2010	June 30, 2009 (unaudited)	Inception Through June 30, 2010
Shares repurchased	678,592	-	10,441,792
Average purchase price per share	$ 29.47	-	$ 38.09
Amount spent on repurchased shares (in millions)	$ 20	-	$ 398

As of June 30, 2010, we had total debt of $3,427 million compared to $3,501 million as of December 31, 2009. We were in compliance with all of the covenants related to our debt agreements as of June 30, 2010.

Our senior credit agreement consists of $2,280 million of US dollar-denominated and 400 million of Euro-denominated term loans due 2014, a $600 million revolving credit facility terminating in 2013 and a $228 million credit-linked revolving facility terminating in 2014.

As of June 30, 2010, the balances available for borrowing under the revolving credit facility and the credit-linked revolving facility are as follows:

	(In $ millions) (unaudited)
Revolving credit facility	
Borrowings outstanding	-
Letters of credit issued	-
Available for borrowing	600
Credit-linked revolving facility	
Letters of credit issued	91
Available for borrowing	137

In June 2009, we entered into an amendment to the senior credit agreement. The amendment reduced the amount available under the revolving credit facility from $650 million to $600 million and increased the first lien senior secured leverage ratio that is applicable when any amount is outstanding under the revolving credit portion of the senior credit agreement. The first lien senior secured leverage ratio is calculated as the ratio of consolidated first lien senior secured debt to earnings before interest, taxes, depreciation and amortization, subject to adjustments identified in the credit agreement. Prior to giving effect to the amendment, the maximum first lien senior secured leverage ratio was 3.90 to 1.00. Our amended maximum first lien senior secured leverage ratios, estimated first lien senior secured leverage ratios and the borrowing capacity under the revolving credit facility as of June 30, 2010 are as follows:

	First Lien Senior Secured Leverage Ratios			
	Maximum	**Estimate (unaudited)**	**Estimate, If Fully Drawn**	**Borrowing Capacity**
				(In $ millions)
June 30, 2010	4.25 to 1.00	2.7 to 1.00	3.34 to 1.00	600
September 30, 2010	4.25 to 1.00			
December 31, 2010 and thereafter	3.90 to 1.00			

As a condition to borrowing funds or requesting that letters of credit be issued under the revolving credit facility, our first lien senior secured leverage ratio (as calculated) as of the last day of the most recent fiscal quarter for which financial statements have been delivered under the revolving facility) cannot exceed the threshold as specified above. Further, our first lien senior secured leverage ratio must be maintained at or below that threshold while any amounts are outstanding under the revolving credit facility.

Contractual Obligations

Except as otherwise described in this report, there have been no material revisions to our contractual obligations as described in our 2009 Form 10-K.

Off-Balance Sheet Arrangements

We have not entered into any material off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our unaudited interim consolidated financial statements are based on the selection and application of significant accounting policies. The preparation of unaudited interim consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the unaudited interim consolidated financial statements and the reported amounts of revenues, expenses and allocated charges during the reporting period. Actual results could differ from those

estimates. However, we are not currently aware of any reasonably likely events or circumstances that would result in materially different results.

We describe our significant accounting policies in Note 2, Summary of Accounting Policies, of the Notes to Consolidated Financial Statements included in our 2009 Form 10-K. We discuss our critical accounting policies and estimates in MD&A in our 2009 Form 10-K.

There have been no material revisions to the critical accounting policies as filed in our 2009 Form 10-K.

Recent Accounting Pronouncements

See Note 2 to the accompanying unaudited interim consolidated financial statements included in this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

Market risk for our Company has not changed materially from the foreign exchange, interest rate and commodity risks disclosed in Item 7A. Quantitative and Qualitative Disclosures about Market Risk in our 2009 Form 10-K.

Item 4. ***Controls and Procedures***

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

None.

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PART II OTHER INFORMATION

Item 1. *Legal Proceedings*

We are involved in a number of legal and regulatory proceedings, lawsuits and claims incidental to the normal conduct of our business, relating to such matters as product liability, contract, antitrust, intellectual property, workers compensation, chemical exposure, prior acquisitions, past waste disposal practices and release of chemicals into the environment. While it is impossible at this time to determine with certainty the ultimate outcome of these proceedings, lawsuits and claims, we are actively defending those matters where the Company is named as a defendant. Additionally, we believe, based on the advice of legal counsel, that adequate reserves have been made and that the ultimate outcomes of all such litigation claims will not have a material adverse effect on the financial position of the Company; however, the ultimate outcome of any given matter may have a material adverse effect on the results of operations or cash flows of the Company in any given reporting period. See also Note 17 to the unaudited interim consolidated financial statements for a discussion of material legal proceedings.

There have been no significant developments in the Legal Proceedings described in our 2009 Form 10-K other than those disclosed in Note 17 to the unaudited interim consolidated financial statements.

Item 1A. *Risk Factors*

There have been no material revisions to the Risk factors as described in our 2009 Form 10-K.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

The table below sets forth information regarding repurchases of our Common Stock during the three months ended June 30, 2010:

Period	Total Number of Shares Purchased	Average Price Paid per Share (unaudited)		Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares Remaining that may be Purchased Under the Program	
April 1-30, 2010	83,581 [(1)]	$	32.91	79,172	$	119,700,000
May 1-31, 2010	599,420	$	29.03	599,420	$	102,300,000
June 1-30, 2010	-	$	-	-	$	102,300,000

(1) 4,409 shares relate to shares employees have elected to have withheld to cover their statutory minimum withholding requirements for personal income taxes related to the vesting of restricted stock units.

Item 3. *Defaults Upon Senior Securities*

None.

Item 4. ***[Removed and Reserved]***

Item 5. ***Other Information***

None.

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Item 6. ***Exhibits***

Exhibit Number	Description
3.1	Second Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on January 28, 2005).
3.2	Third Amended and Restated By-laws, effective as of October 23, 2008 (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on October 29, 2008).
10.1	Agreement and General Release, dated April 23, 2010, between Celanese Corporation and Sandra Beach Lin (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on April 27, 2010).
10.2	Credit Agreement, dated April 2, 2007, among Celanese Holdings LLC, Celanese US Holdings LLC, the subsidiaries of Celanese US Holdings LLC from time to time party thereto as borrowers, the Lenders party thereto, Deutsche Bank AG, New York Branch, as administrative agent and as collateral agent, Merrill Lynch Capital Corporation as syndication agent, ABN AMRO Bank N.V., Bank of America, N.A., Citibank NA, and JP Morgan Chase Bank NA, as co-documentation agents (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on May 28, 2010).*
10.3	Guarantee and Collateral Agreement, dated April 2, 2007, by and among Celanese Holdings LLC, Celanese US Holdings LLC, certain subsidiaries of Celanese US Holdings LLC and Deutsche Bank AG, New York Branch (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on May 28, 2010).
10.4	Form of Performance-Based Restricted Stock Unit Agreement between Celanese Corporation and award recipient (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on May 28, 2010).
10.5	Restated Agreement and General Release, dated June 3, 2009, between Celanese Corporation and Miguel A. Desdin (Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed with the SEC on May 28, 2010).
10.6	Offer Letter, dated November 18, 2009, between Celanese Corporation and Jacquelyn H. Wolf (Incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed with the SEC on May 28, 2010).*
10.7	Form of Change in Control Agreement between Celanese Corporation and participant, together with a schedule of substantially identical agreements between Celanese Corporation and the individuals identified thereon (filed herewith).
10.8	Form of Time-Vesting Restricted Stock Unit Award Agreement (for non-employee directors) between Celanese Corporation and award recipient (filed herewith).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith.).
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Certain portions of these documents have been omitted based on a request for confidential treatment submitted by the Company to the SEC. The omitted information has been separately filed with the SEC. The redacted portions of these documents are indicated by **** Confidential Treatment Requested**** .

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SIGNATURES

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

CELANESE CORPORATION

By: /s/ David N. Weidman

David N. Weidman
Chairman of the Board of Directors and
Chief Executive Officer

Date: July 29, 2010

By: /s/ Steven M. Sterin

Steven M. Sterin
Senior Vice President and
Chief Financial Officer

Date: July 29, 2010