CANADIAN NATIONAL RAILWAY CO
Form 6-K
October 19, 2005

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of October, 2005

Commission File Number: 001-02413

Canadian National Railway Company

(Translation of registrant s name into English)

935 de la Gauchetiere Street West
Montreal, Quebec
Canada H3B 2M9
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F ___ Form 40-F _X_

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes ___ No _X_

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes ___ No _X_

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes ___ No _X_

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

Canadian National Railway Company

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Item 1

News

North America's Railroad

FOR IMMEDIATE RELEASE

Stock symbols: TSX: CNR / NYSE: CNI

www.cn.ca

CN reports record third-quarter earnings and nine-month free cash flow of more than $1 billion

MONTREAL, Oct. 18, 2005 — CN today reported its financial and operating results for the third quarter and nine-month period ended Sept. 30, 2005.

Third-quarter financial highlights

- Diluted earnings per share of $1.47, up 24 per cent;
- Record net income of $411 million, an increase of 19 per cent;
- Operating income of $665 million, an increase of 13 per cent;
- Operating ratio of 63.3 per cent, a 2.1-percentage point improvement;
- Record nine-month free cash flow of $1,058 million, up from $754 million for the same period of 2004;(1)

- Favourable income tax adjustments and other income helped to offset expenses related to the derailment at Wabamun Lake, Alta.

E. Hunter Harrison, president and chief executive officer of CN, said: CN posted record third-quarter earnings and nine-month free cash flow despite the headwinds of higher fuel costs, the effects of two hurricanes on our network in the Gulf Coast region of the United States, and unfortunate accidents.

Revenues for third-quarter 2005 increased six per cent to $1,810 million, with CN s grain and fertilizers, coal, and intermodal segments registering double-digit revenue growth. Forest products, metals and minerals, and automotive revenues also improved.

CN s revenue performance was driven largely by increased freight rates. An important contributor to these rate increases was a higher fuel surcharge owing to increased crude oil prices. Partly offsetting revenue gains during the quarter was the unfavourable $80-million translation impact of the stronger Canadian dollar on U.S.-dollar denominated revenues.

Grain and fertilizer revenues benefited from higher export shipments of Canadian peas, barley and canola, while improved coal revenues reflected metallurgical coal shipments originating at new mines in western Canada. Strong container imports over the Port of Vancouver helped to increase intermodal revenues. CN also enjoyed strong demand for construction materials, which benefited its forest products and metals and minerals revenues. Automotive revenues increased in part as a result of higher imports of vehicles over the ports of Vancouver and Halifax and increased finished vehicle traffic in the southern U.S. Petroleum and chemicals revenues were adversely affected by soft market conditions and reduced petrochemical production in the hurricane-stricken Gulf Coast region.

Operating expenses for the third quarter of 2005 increased by two per cent to $1,145 million, largely as a result of higher fuel costs and higher casualty and other expenses. These increases were partly offset by the favourable $50-million translation impact of the stronger Canadian dollar on U.S.-dollar denominated expenses.

The continued appreciation of the Canadian dollar reduced the company s third-quarter 2005 net income by approximately $15 million.

Financial results for the first nine months of 2005

Net income for the nine-month period ended Sept. 30 was $1,126 million, or $3.98 per diluted share, compared with net income of $882 million, or $3.05 per diluted share, for the comparable period of 2004.

Operating income for the latest nine-month period increased 22 per cent to $1,904 million.

CN s operating ratio for the nine-month period was 64.4 per cent, an improvement of 3.2 percentage points.

Revenues for the latest nine-month period increased 11 per cent to $5,354 million, due mainly to freight rate increases, the inclusion of nine months of revenues from the rail and related holdings of Great Lakes Transportation LLC (GLT) and BC Rail, and a return to normal intermodal volumes following the first-quarter 2004 strike by the Canadian Auto Workers union. Partly offsetting these gains was the unfavourable $220-million translation impact of the stronger Canadian dollar on U.S.-dollar denominated revenues.

CN acquired and consolidated GLT and BC Rail on May 10, 2004, and July 14, 2004, respectively.

Operating expenses increased six per cent to $3,450 million, primarily due to increased fuel costs, the inclusion of nine months of GLT and BC Rail expenses, and higher labour and fringe benefits. Partly offsetting these factors was the favourable $135-million translation impact of the stronger Canadian dollar on U.S. dollar-denominated expenses, and lower equipment rents.

The continued appreciation of the Canadian dollar reduced the company s nine-month 2005 net income by approximately $45 million.

The financial results in this press release are reported in Canadian dollars and were determined on the basis of U.S. generally accepted accounting principles (U.S. GAAP).

(1) Please see discussion and reconciliation of this non-GAAP adjusted performance measure in the attached supplementary schedule, Non-GAAP Measures.

This news release contains forward-looking statements. CN cautions that, by their nature, forward-looking statements involve risk and uncertainties and that its results could differ materially from those expressed or implied in such statements. Reference should be made to CN s most recent Form 40-F filed with the United States Securities and Exchange Commission, its Annual Information Form filed with the Canadian securities regulators, and its 2004 Annual and 2005 Quarterly Financial Statements and Management Discussion and Analysis, for a summary of major risks.

Canadian National Railway Company spans Canada and mid-America, from the Atlantic and Pacific oceans to the Gulf of Mexico, serving the ports of Vancouver, Prince Rupert, B.C., Montreal, Halifax, New Orleans, and Mobile, Ala., and the key cities of Toronto, Buffalo, Chicago, Detroit, Duluth, Minn./Superior, Wis., Green Bay, Wis., Minneapolis/St. Paul, Memphis, St. Louis, and Jackson, Miss., with connections to all points in North America.

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CANADIAN NATIONAL RAILWAY COMPANY

CONSOLIDATED STATEMENT OF INCOME *(U.S. GAAP)*

(In millions, except per share data)

	Three months ended September 30		Nine months ended September 30	
	2005	2004(1)	**2005**	2004(1)

		(Unaudited)		
Revenues	**$ 1,810**	$ 1,709	**$ 5,354**	$ 4,812
Operating expenses	**1,145**	1,118	**3,450**	3,251
Operating income	**665**	591	**1,904**	1,561
Interest expense	**(72)**	(79)	**(225)**	(219)
Other income (loss)	**11**	(9)	**2**	(45)
Income before income taxes	**604**	503	**1,681**	1,297
Income tax expense	**(193)**	(157)	**(555)**	(415)
Net income	**$ 411**	$ 346	**$ 1,126**	$ 882
Earnings per share				
Basic	**$ 1.50**	$ 1.21	**$ 4.05**	$ 3.09
Diluted	**$ 1.47**	$ 1.19	**$ 3.98**	$ 3.05
Weighted-average number of shares				
Basic	**273.7**	285.9	**277.9**	285.1
Diluted	**278.7**	290.8	**283.1**	289.6

See accompanying notes to consolidated financial statements.

(1) *Includes GLT and BC Rail from dates of acquisition. (See Note 2 - Acquisitions)*

CANADIAN NATIONAL RAILWAY COMPANY

CONSOLIDATED STATEMENT OF OPERATING INCOME *(U.S. GAAP)*

(In millions)

	Three months ended September 30	Nine months ended September 30

	2005	2004(1)	Variance Fav (Unfav)	2005	2004(1)	Variance Fav (Unfav)
			(Unaudited)			
Revenues						
Petroleum and chemicals	**$ 267**	$ 282	(5%)	**$ 813**	$ 791	3%
Metals and minerals	**209**	203	3%	**622**	521	19%
Forest products	**448**	417	7%	**1,302**	1,106	18%
Coal	**80**	71	13%	**256**	212	21%
Grain and fertilizers	**273**	234	17%	**809**	764	6%
Intermodal	**331**	302	10%	**931**	817	14%
Automotive	**114**	112	2%	**375**	385	(3%)
Other items	**88**	88	-	**246**	216	14%
	1,810	1,709	6%	**5,354**	4,812	11%
Operating expenses						
Labor and fringe benefits	**453**	465	3%	**1,388**	1,350	(3%)
Purchased services and material	**188**	190	1%	**590**	561	(5%)
Depreciation and amortization	**156**	153	(2%)	**470**	445	(6%)
Fuel	**181**	132	(37%)	**526**	377	(40%)
Equipment rents	**46**	64	28%	**146**	195	25%
Casualty and other	**121**	114	(6%)	**330**	323	(2%)
	1,145	1,118	(2%)	**3,450**	3,251	(6%)
Operating income	**$ 665**	$ 591	13%	**$ 1,904**	$ 1,561	22%
Operating ratio	**63.3%**	65.4%	2.1	**64.4%**	67.6%	3.2

See accompanying notes to consolidated financial statements.
(1) *Includes GLT and BC Rail from dates of acquisition. (See Note 2 - Acquisitions)*

Certain of the 2004 comparative figures have been reclassified in order to be consistent with the 2005 presentation.

CANADIAN NATIONAL RAILWAY COMPANY

CONSOLIDATED BALANCE SHEET *(U.S. GAAP)*

(In millions)

	September 30 2005	December 31 2004	September 30 2004
	(Unaudited)		*(Unaudited)*
Assets			
Current assets:			
Cash and cash equivalents	**$ 119**	$ 147	$ 132
Accounts receivable *(Note 4)*	**643**	793	743
Material and supplies	**175**	127	155
Deferred income taxes	**47**	364	106
Other	**252**	279	279
	1,236	1,710	1,415
Properties	**19,761**	19,715	20,022
Intangible and other assets	**930**	940	947
Total assets	**$ 21,927**	$ 22,365	$ 22,384
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued charges	**$ 1,429**	$ 1,605	$ 1,331
Current portion of long-term debt *(Note 4)*	**370**	578	257
Other	**115**	76	69
	1,914	2,259	1,657
Deferred income taxes	**4,743**	4,723	4,673
Other liabilities and deferred credits	**1,463**	1,513	1,616
Long-term debt *(Note 4)*	**4,608**	4,586	5,141
Shareholders' equity:			
Common shares	**4,605**	4,706	4,742
Accumulated other comprehensive loss	**(169)**	(148)	(57)
Retained earnings	**4,763**	4,726	4,612
	9,199	9,284	9,297
Total liabilities and shareholders' equity	**$ 21,927**	$ 22,365	$ 22,384

See accompanying notes to consolidated financial statements.

Certain of the 2004 comparative figures have been reclassified in order to be consistent with the 2005 presentation.

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CANADIAN NATIONAL RAILWAY COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY *(U.S. GAAP)*

(In millions)

	Three months ended September 30		Nine months ended September 30	
	2005	2004[1]	**2005**	2004[1]
		(Unaudited)		
Common shares [2]				
Balance, beginning of period	**$ 4,640**	$ 4,704	**$ 4,706**	$ 4,664
Stock options exercised and other	**45**	38	**146**	78
Share repurchase program *(Note 4)*	**(80)**	-	**(247)**	-
Balance, end of period	**$ 4,605**	$ 4,742	**$ 4,605**	$ 4,742
Accumulated other comprehensive loss				
Balance, beginning of period	**$ (106)**	$ (35)	**$ (148)**	$ (129)
Other comprehensive income (loss):				
Unrealized foreign exchange gain on translation of U.S. dollar denominated long-term debt designated as a hedge of the net investment in U.S. subsidiaries	**200**	238	**123**	109
Unrealized foreign exchange loss on translation of the net investment in foreign operations	**(283)**	(333)	**(190)**	(126)
Increase (decrease) in unrealized holding gains on fuel derivative instruments *(Note 6)*	**(12)**	69	**35**	112
	-	(6)	**-**	12

Realized gain (loss) on settlement of interest rate swaps								
Other comprehensive income (loss) before income taxes		**(95)**		(32)		**(32)**		107
Income tax recovery (expense)		**32**		10		**11**		(35)
Other comprehensive income (loss)		**(63)**		(22)		**(21)**		72
Balance, end of period	**$**	**(169)**	$	(57)	**$**	**(169)**	$	(57)
Retained earnings								
Balance, beginning of period	**$**	**4,720**	$	4,322	**$**	**4,726**	$	3,897
Net income		**411**		346		**1,126**		882
Share repurchase program *(Note 4)*		**(300)**		-		**(881)**		-
Dividends		**(68)**		(56)		**(208)**		(167)
Balance, end of period	**$**	**4,763**	$	4,612	**$**	**4,763**	$	4,612

See accompanying notes to consolidated financial statements.

(1) Includes GLT and BC Rail from dates of acquisition. (See Note 2 - Acquisitions)

(2) During the three and nine months ended September 30, 2005, the Company issued 0.7 million and 3.0 million common shares, respectively, as a result of stock options exercised. At September 30, 2005, the Company had 271.3 million common shares outstanding.

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CANADIAN NATIONAL RAILWAY COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS *(U.S. GAAP)*

(In millions)

	Three months ended September 30		Nine months ended September 30	
	2005	2004[1]	**2005**	2004[1]
		(Unaudited)		
Operating activities				

Net income	**$ 411**	$ 346	**$ 1,126**	$ 882
Adjustments to reconcile net income to net cash provided from operating activities:				
Depreciation and amortization	**157**	153	**473**	448
Deferred income taxes	**146**	158	**444**	300
Equity in earnings of English Welsh and Scottish Railway	**-**	(1)	**(6)**	7
Other changes in:				
Accounts receivable	**(10)**	(80)	**124**	(140)
Material and supplies	**9**	30	**(50)**	(8)
Accounts payable and accrued charges	**(103)**	(81)	**(184)**	(110)
Other net current assets and liabilities	**40**	26	**83**	45
Other	**(7)**	5	**1**	27
Cash provided from operating activities	**643**	556	**2,011**	1,451
Investing activities				
Net additions to properties	**(321)**	(323)	**(792)**	(707)
Acquisition of BC Rail *(Note 2)*	**-**	(984)	**-**	(984)
Acquisition of Great Lakes Transportation LLC's railroads and related holdings *(Note 2)*	**-**	6	**-**	(547)
Other, net	**17**	(3)	**90**	169
Cash used by investing activities	**(304)**	(1,304)	**(702)**	(2,069)
Dividends paid	**(68)**	(56)	**(208)**	(167)
Financing activities				
Issuance of long-term debt	**648**	2,903	**1,741**	6,924
Reduction of long-term debt	**(599)**	(2,132)	**(1,846)**	(6,198)
Issuance of common shares	**24**	30	**104**	61
Repurchase of common shares	**(380)**	-	**(1,128)**	-
Cash provided from (used by) financing activities	**(307)**	801	**(1,129)**	787
Net increase (decrease) in cash and cash equivalents	**(36)**	(3)	**(28)**	2
Cash and cash equivalents, beginning of period	**155**	135	**147**	130
Cash and cash equivalents, end of period	**$ 119**	$ 132	**$ 119**	$ 132
Supplemental cash flow information				
Net cash receipts from customers and other	**$ 1,825**	$ 1,738	**$ 5,545**	$ 4,761
Net cash payments for:				

Employee services, suppliers and other expenses	**(946)**	(974)	**(2,951)**	(2,746)
Interest	**(93)**	(71)	**(236)**	(199)
Workforce reductions	**(20)**	(25)	**(72)**	(81)
Personal injury and other claims	**(23)**	(23)	**(71)**	(78)
Pensions	**(19)**	(61)	**(73)**	(127)
Income taxes	**(81)**	(28)	**(131)**	(79)
Cash provided from operating activities	**$ 643**	$ 556	**$ 2,011**	$ 1,451

See accompanying notes to consolidated financial statements.

[(1)]Includes GLT and BC Rail from dates of acquisition. (See Note 2 - Acquisitions)

Certain of the 2004 comparative figures have been reclassified in order to be consistent with the 2005 presentation.

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CANADIAN NATIONAL RAILWAY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(U.S. GAAP)*

Note 1 Basis of presentation

In management's opinion, the accompanying unaudited interim consolidated financial statements, expressed in Canadian dollars, and prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), contain all adjustments (consisting of normal recurring accruals) necessary to present fairly Canadian National Railway Company's (the Company) financial position as at September 30, 2005 and December 31 and September 30, 2004, its results of operations, changes in shareholders' equity and cash flows for the three and nine months ended September 30, 2005 and 2004.

These interim consolidated financial statements and notes have been prepared using accounting policies consistent with those used in preparing the Company's 2004 Annual Consolidated Financial Statements. While management believes that the disclosures presented are adequate to make the information not misleading, these interim consolidated financial statements and notes should be read in conjunction with the Company's Interim Management's Discussion and Analysis and Annual Consolidated Financial Statements and notes thereto.

Note 2 Acquisitions

Great Lakes Transportation LLC's railroads and related holdings (GLT) and BC Rail Partnership and the former BC Rail Ltd. (collectively BC Rail) were acquired and consolidated effective May 10, 2004 and July 14, 2004, respectively. Accordingly, the Company's results of operations for the three and nine months ended September 30, 2004 included the results of operations of GLT as of May 10, 2004 and BC Rail as of July 14, 2004.

The Company's final cost to acquire GLT of U.S.$395 million (Cdn$547 million) and BC Rail of $991 million, included purchase price adjustments and transaction costs. By the second quarter of 2004, the Company had paid U.S.$399 million (Cdn$553 million) for the acquisition of GLT and subsequently received Cdn$6 million for purchase price adjustments finalized in the third quarter of 2004.

The Company had estimated, on a preliminary basis, the fair value of GLT's and BC Rail's assets acquired, owned and leased, and liabilities assumed at acquisition based on then current available information. The

Company has since finalized the allocations of the GLT and BC Rail purchase price and has not made any significant adjustments to the preliminary purchase price allocations as presented in Note 3 Acquisitions, of the Companys 2004 Annual Consolidated Financial Statements.

For comparative purposes only, if the Company had acquired both GLT and BC Rail on January 1, 2004, based on their respective historical amounts, net of the amortization of the difference between the Companys cost to acquire GLT and BC Rail and their respective net assets (based on preliminary estimates of the fair value of GLTs and BC Rails assets and liabilities), revenues, net income, and basic and diluted earnings per share would have been $1,719 million, $347 million, $1.21 per basic share and $1.19 per diluted share, respectively, for the three months ended September 30, 2004 and $5,037 million, $896 million, $3.14 per basic share and $3.09 per diluted share, respectively, for the nine months ended September 30, 2004.

The pro forma figures for both GLT and BC Rail do not reflect synergies, and accordingly, do not account for any potential increases in operating income, any estimated cost savings or facilities consolidation.

Note 3 Note receivable from English Welsh and Scottish Railway (EWS)

On April 28, 2005, EWS fully redeemed the Companys 8% note receivable due 2009. The Company received £26 million (Cdn$61 million), which included principal and accrued but unpaid interest to the date of redemption.

Note 4 Financing activities

In January 2005, the Company repaid its borrowings of U.S.$90 million (Cdn$108 million) outstanding at December 31, 2004 under its U.S.$1,000 million revolving credit facility. On March 29, 2005, the Company refinanced, by way of amendment, its revolving credit facility, which was scheduled to mature in December 2005, for a five-year period to March 2010. The credit facility is available for general corporate purposes, including back-stopping the Companys commercial paper program. The credit facility provides for borrowings at various interest rates, including the Canadian prime rate, bankers acceptance rates, the U.S. federal funds effective rate and the London Interbank Offer Rate, plus applicable margins. The amended credit facility agreement retains the customary limitation on debt as a percentage of total capitalization, but eliminates the requirement for maintaining tangible net worth above pre-defined levels. The Company has been in compliance with this covenant throughout the period. As at September 30, 2005, the Company had letters of credit of $317 million under its

revolving credit facility and outstanding borrowings of U.S.$383 million (Cdn$448 million) under its commercial paper program.

In May 2005, the Company repaid U.S.$100 million (Cdn$125 million) of 7.75% 10-year Notes with cash on hand.

The Company has an accounts receivable securitization program, expiring in June 2006, under which it may sell, on a revolving basis, a maximum of $500 million ($450 million prior to February 2005) of eligible freight trade and other receivables outstanding at any point in time, to an unrelated trust. The Company has a contingent residual interest of approximately 10% of receivables sold, which is recorded in Other current assets. At September 30, 2005, pursuant to the agreement, $480 million had been sold, compared to $445 million at December 31, 2004.

On July 20, 2005, the Board of Directors of the Company approved a new share repurchase program which allows for the repurchase of up to 16.0 million common shares between July 25, 2005 and July 24, 2006 pursuant to a normal course issuer bid, at prevailing market prices.

In the third quarter of 2005, under its current share repurchase program, the Company repurchased 4.75 million common shares for $380 million, at an average price of $79.98 per share.

In the second quarter of 2005, the Company completed its 14.0 million share repurchase program, which began November 1, 2004. The total cost of the program was $1,021 million (average price per share of $72.94), with 10.0 million common shares repurchased in 2005 for $748 million (average price per share of $74.78).

Note 5 Stock-based compensation

For the three and nine months ended September 30, 2005 and 2004, the Company recorded total compensation cost for awards under all plans of $38 million and $79 million, respectively, and $12 million and $37 million, respectively, for the same periods in 2004.

(a) Restricted share units

In 2005, the Company granted approximately 0.4 million restricted share units (RSUs) to designated management employees entitling them to receive payout in cash based on the Companys share price. The RSUs granted are scheduled for payout after three years and vest upon the attainment of targets relating to return on invested capital over the three-year period and to the Companys share price during the three-month period ending December 31, 2007. At September 30, 2005, the Company had approximately 1.6 million RSUs outstanding under the Plan. For the three and nine months ended September 30, 2005, the Company recorded compensation cost of $27 million and $58 million, respectively, compared to $8 million and $15 million, respectively, for the same 2004 periods.

(b) Stock options

In 2005, the Company granted approximately 0.7 million conventional stock options to designated senior management employees, that vest over a period of four years of continuous employment. The total number of options outstanding at September 30, 2005, including conventional, performance, and performance-accelerated options was 11.0 million. For the three and nine months ended September 30, 2005, the Company recorded compensation cost of $4 million and $15 million, respectively, compared to $2 million and $7 million, respectively, for the same 2004 periods. At September 30, 2005, 8.1 million options remained authorized for future issuances.

(c) Vision 2008 Share Unit Plan

In the first quarter of 2005, the Board of Directors of the Company approved a special share unit plan with a four-year term to December 2008, entitling designated senior management employees to receive payout in cash in January 2009. The Company granted 0.4 million share units which vest conditionally upon the attainment of targets relating to the Companys share price during the six-month period ending December 31, 2008. Payout is also conditional upon the attainment of targets relating to return on invested capital over the four-year period and to the Companys share price during the 20-day period ending on December 31, 2008. Award payout will be equal to the number of share units vested on December 31, 2008 multiplied by the Companys 20-day average share price ending on such date. Due to the nature of the vesting conditions, no compensation cost was recorded for the three and nine months ended September 30, 2005.

The Company follows the fair value based approach for stock option awards and had prospectively applied this method of accounting to all awards granted, modified or settled on or after January 1, 2003. The Company follows the intrinsic value method for cash settled awards. If compensation cost had been determined based upon fair values at the date of grant for awards under all plans, the Company's pro forma net income and earnings per share would have been as follows:

	Three months ended September 30		**Nine months ended September 30**	
In millions, except per share data	**2005**	2004	**2005**	2004
Net income, as reported	**$ 411**	$ 346	**$ 1,126**	$ 882
Add (deduct) compensation cost, net of applicable taxes, determined under:				
Fair value method for all awards granted after Jan 1, 2003 (SFAS No. 123)	**26**	9	**57**	19
Intrinsic value method for performance-based awards granted prior to 2003 (APB 25)	**-**	-	**-**	9

302,778

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 accompanying notes to the consolidated financial statements.

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USCorp.
(an Exploration Stage Company)
Statement of Consolidated Changes in Shareholders' Equity
From Inception, May 1989 to March 31, 2006
As Restated

	Common Shares	Common Par Value	Paid in Capital	Accumulated Deficit	Total	Stock Price *
Inception	0	$ 0	$ 0	$ 0	$ 0	
Issuance of common stock	84,688	847	1,185,153		1,186,000	$ 0.07
Net income fiscal 1990				520,000	520,000	
Balance at September 30, 1990-unaudited	84,688	847	1,185,153	520,000	1,706,000	
Net income fiscal 1991				1,108,000	1,108,000	
Balance at September 30, 1991-unaudited	84,688	847	1,185,153	1,628,000	2,814,000	
Issuance of common stock	472	5	32,411		32,416	$ 0.22
Net income fiscal 1992				466,000	466,000	
Balance at September 30, 1992-unaudited	85,160	852	1,217,564	2,094,000	3,312,416	
Net loss fiscal 1993				(3,116,767)	(3,116,767)	
Balance at September 30, 1993-unaudited	85,160	852	1,217,564	(1,022,767)	195,649	
Net loss fiscal 1994				(63,388)	(63,388)	
Balance at September 30, 1994-unaudited	85,160	852	1,217,564	(1,086,155)	132,261	
Net income fiscal 1995				(132,261)	(132,261)	
Balance at September 30, 1995-unaudited	85,160	852	1,217,564	(1,218,416)	0	
Net loss fiscal 1996				0	0	
	85,160	852	1,217,564	(1,218,416)	0	

Balance at September 30,
1996-unaudited

See the accompanying notes to the consolidated financial statements
***Adjusted for stock splits**

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USCorp.
(an Exploration Stage Company)
Statement of Consolidated Changes in Shareholders' Equity
From Inception, May 1989 to March 31, 2006
As Restated
(Continued)

	Common Shares	Common Par Value	Paid in Capital	Accumulated Deficit	Total	Stock Price *
Stock issued for mining claim	150,000	1,500	598,500		600,000	$ 0.20
Issuance of common stock	50,000	500	59,874		60,374	$ 0.06
Stock issued for services	14,878	149	29,608		29,757	$ 0.10
Net loss fiscal 1997				(90,131)	(90,131)	
Balance at September 30, 1997-unaudited	300,038	3,001	1,905,546	(1,308,547)	600,000	
Capital contributed by shareholder			58,668		58,668	
Net loss fiscal 1998				(58,668)	(58,668)	
Balance at September 30, 1998-unaudited	300,038	3,001	1,964,214	(1,367,215)	600,000	
Capital contributed by shareholder			28,654		28,654	
Net income fiscal 1999				(26,705)	(26,705)	
Balance at September 30, 1999-unaudited	300,038	3,001	1,992,868	(1,393,920)	601,949	
Capital contributed by shareholder			22,750		22,750	
Net loss fiscal 2000				(624,699)	(624,699)	
Balance at September 30, 2000-unaudited	300,038	3,001	2,015,618	(2,018,619)	0	

See the accompanying notes to the consolidated financial statements

***Adjusted for stock splits**

USCorp.
(an Exploration Stage Company)
Statement of Consolidated Changes in Shareholders' Equity
From Inception, May 1989 to March 31, 2006
As Restated
(Continued)

	Common Shares	Common Par Value	Paid in Capital	Accumulated Deficit	Total	Stock Price *
Issuance of common stock	103,535	1,035	611,943		612,978	$ 0.15
Issued stock for compensation	50,000	500	19,571		20,071	$ 0.04
Capital contributed by shareholder			21,719		21,719	
Net loss fiscal 2001				(654,768)	(654,768)	
Balance at September 30, 2001-unaudited	453,573	4,536	2,668,851	(2,673,387)	0	
Issued stock to purchase mining claim	24,200,000	242,000	2,207,466		2,449,466	$ 0.10
Issued shares to employees	267,500	2,675	(2,675)		0	$ 0.00
Capital contributed by shareholders			143,480		143,480	
Net loss for the fiscal year				(2,591,671)	(2,591,671)	
Balance at September 30, 2002-unaudited	24,921,073	249,211	5,017,122	(5,265,058)	1,275	
Issued stock for services	872,000	8,720	264,064		272,784	$ 0.31
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	(6,130,345)	(505,989)

See the accompanying notes to the consolidated financial statements

***Adjusted for stock splits**

USCorp.
(an Exploration Stage Company)
Statement of Consolidated Changes in Shareholders' Equity
From Inception, May 1989 to March 31, 2006
As Restated
(Continued)

	Common Shares	Common Par Value	Paid in Capital	Accumulated Deficit	Total	Stock Price *
Issuance of common stock	550,000	5,500	206,500		212,000	$ 0.39
Issued stock to pay bills	1,069,945	10,699	460,077		470,776	$ 0.44
Issued stock for services	2,118,441	21,184	652,714		673,898	$ 0.32
Net loss for the fiscal year				(964,108)	(964,108)	
Balance at September 30, 2004	29,531,459 $	295,314 $	6,685,716	($7,094,453)	($113,423)	
Issuance of common stock	150,000	1,500	46,500		48,000	$ 0.32
Issued stock for services	2,840,000	28,400	331,600		360,000	$ 0.13
Issued stock to pay debt	400,000	4,000	50,000		54,000	$ 0.14
Issuance of warrants			1,817		1,817	
Net loss for the fiscal year				(628,337)	(628,337)	
Balance at September 30, 2005	32,921,459	329,214	7,115,633	(7,722,790)	(277,943)	
Issued stock for services	1,135,000	11,350	90,800		102,150	$ 0.09
Net loss for the period				(430,326)	(430,326)	
Balance at March 31, 2006	34,056,459 $	340,564 $	7,206,433	($8,153,116)	($606,119)	

See the accompanying notes to the consolidated financial statements

***Adjusted for stock splits**

USCorp.
(an Exploration Stage Company)
Notes to Consolidated Financial Statements
For the Six Months Ended March 31, 2006 and March 31, 2005

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. 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 Company 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, and 1 Placer and 1 Lode claim which the Company refers to as the Kingman Area Claims, near Kingman, Arizona. As announced by the Company on May 5, 2006, based on the exploration and test results, the Company has determined that it is not economically viable to pursue exploration or development of this property any longer. Accordingly, due to certain conditions of the acquisition not being met, title to the claims has reverted back to prior claim holder.

The Company has no business operations to date.

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.

USCorp.
(an Exploration Stage Company)
Notes to Consolidated Financial Statements
For the Six Months Ended March 31, 2006 and March 31, 2005

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

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 is an exploration stage company. Costs incurred to acquire mineral interest in properties, to drill and equip exploratory sites within the claims groups are expensed to the Statement of Operations. 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 to the statement of operations. 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.

Exploration Stage Company- the Company has had no operations or revenues since its inception and therefore qualifies for treatment as an Exploration 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 accounting 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.

2. Going Concern

The accompanying consolidated financial statements have been presented in accordance with generally accepted accounting principals, which assume the continuity of the Company as a going concern. However, the Company has incurred significant losses since its inception and has no business operations 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:

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USCorp.
(an Exploration Stage Company)
Notes to Consolidated Financial Statements
For the Six Months Ended March 31, 2006 and March 31, 2005

2. Going Concern (Cont.)
- Raise capital to complete the Company's mining plan of operations.
- Complete exploration and drilling on claims of the Twin Peaks Mine in the Eureka Mining District of Arizona and Chocolate Mountain Region Claims in the Mesquite Mining District of California.
- Complete testing, reports and feasibility studies on the Twin Peaks Mine in the Eureka Mining District of Arizona and Chocolate Mountain Region Claims in the Mesquite Mining District of California; and
- Bring the Twin Peaks Mine in the Eureka Mining District of Arizona and Chocolate Mountain Region Claims in the Mesquite Mining District of California to full-scale commercial mining.

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, adjusted for the financial instruments outstanding that are convertible into common stock during the years. At March 31, 2006, there were 155,000 shares of preferred stock and 155,000 preferred warrants convertible into that were convertible into 620,000 shares of common stock, however these financial instruments have been excluded from the calculation of loss per share because their inclusion would be anti-dilutive.

Loss per share has been calculated as follows:

	31-Mar-06	**31-Mar-05**
Net loss before cumulative preferred dividend	($430,326)	($167,082)
Cumulative dividend preferred	(9,342)	0
Net loss	($439,668)	($167,082)
Weighted average	33,704,831	29,827,647
Basic & fully diluted net loss per common share	($0.01)	($0.01)

4. Related Party Transactions

During the six months ended March 31, 2006 and March 31, 2005, the Company was provided office space by the chief executive officer and majority shareholder.

During the six months ended March 31 2006, the Company repaid $135,606 of advances from a shareholder. The Company imputed interest of 9% on the outstanding advance balance based on the Company's current borrowing rate, and recorded interest of $3,043 in the statement of operations.

USCorp.
(an Exploration Stage Company)
Notes to Consolidated Financial Statements
For the Six Months Ended March 31, 2006 and March 31, 2005

4. Related Part Transactions (Cont.)
In September 2005, the Company issued a promissory note to a shareholder and received proceeds of $635,663. The note requires the Company to pay the shareholder 1,634 ounces of Gold Bullion (.999 pure) in September 2007. The note is unsecured and carries interest of 9%. As a result of the transaction, the Company recorded interest expense of $28,596 and a loss on the underlying derivative gold contract of $110,600 in the statement of operations for the six months ended March 31, 2006.

5. Gold Bullion Promissory Note

In September 2005, the Company issued a promissory note to a shareholder and received proceeds of $635,663. The note requires the Company to pay the shareholder 1,634 ounces of Gold Bullion (.999 pure) in September 2007. As a result of the transaction, the Company recorded interest expense of $28,596 and a loss on the underlying derivative gold contract of $110,600 in the statement of operations for the first six months of fiscal year 2006. The loss on the underlying derivative gold contract has been calculated as follows.

Carrying value of loan	$	664,729
Fair value of loan		790,625
Life to date loss on unhedged underlying derivative	$	125,896

6. Property and Equipment

A summary of equipment is as follows:

		31-Mar-06		30-Sep-05
Office equipment	$	7,585	$	6,581
Accumulated depreciation		(3,571)		(2,575)
Net property & equipment	$	4,014	$	4,006

USCorp.
(an Exploration Stage Company)
Notes to Consolidated Financial Statements
For the Six Months Ended March 31, 2006 and March 31, 2005

7. Issuances of Common stock

During the first six months of fiscal year 2006, the Company issued 1,135,000 valued at $.09 per share for a total value of $102,150: 835,000 shares of common stock to consultants for services, 300,000 shares were issued to the former owners of the Chocolate Mountain Region Claims in exchange for waiving any time limit to develop the property.

Subsequent to the date of this report the Company has issued to a European Fund 5,000,000 Class B non-voting Common Shares of a 25,000,000 share commitment of a 250,000,000 share private placement under Regulation S. Under Regulation S these shares will trade outside of the United States. The European fund has listed these shares on the Open Market (Freiverkehr) of the Frankfurt Exchange in Germany. The Company expects to receive 0.068 Euros per share upon consummation of the private placement.

8. Warrants Outstanding

At March 31, 2006, common stock warrants outstanding were comprised as follows:

	Amount	Wgtd Avg Exercise Price	Wgtd Years to Maturity
Outstanding at September 30, 2005	155,000		
Issued	0		
Outstanding at March 31, 2006	155,000	$ 0.50	0.79

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USCorp.
(an Exploration Stage Company)
Notes to Consolidated Financial Statements
For the Six Months Ended March 31, 2006 and March 31, 2005

9. Income Tax Provision

Provision for income taxes is comprised of the following:

		31-Mar-06		31-Mar-05
Net loss before provision for income taxes		($288,087)		($140,688)
Current tax expense:				
Federal	$	0	$	0
State		0		0
Total	$	0	$	0
Less deferred tax benefit:				
Timing differences		(2,228,159)		(1,539,566)
Allowance for recoverability		2,228,159		1,539,566
Provision for income taxes	$	0	$	0

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	$	2,228,159	$	1,539,566
Allowance for recoverability		(2,228,159)		(1,539,566)
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.

10. Subsequent Events

On April 21, 2006 USCorp increased the number authorized common class A shares from 300,000,000 to 550,000,000 shares by amendment to the articles of incorporation.

As announced by the Company on May 5, 2006, based on the exploration and test results, the Company has determined that it is not economically viable to pursue exploration or development of the Kingman Area Tailings any longer. Accordingly, due to certain conditions of the acquisition not being met, title to the claims has reverted back to prior claim holder.

ITEM 2. 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 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.

Significant Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to reserves and intangible assets. Management bases its estimates and judgments on historical experiences and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. These accounting policies are described at relevant sections in this discussion and analysis and in the notes to the consolidated financial statements included in our Annual Report on Form l0-KSB for the fiscal year ended September 30, 2005.

OVERVIEW

The Company is an "exploration stage" company. During period ended March 31, 2006, the Company's operations centered on completing exploration of USMetals' mining property known as the Twin Peaks Mine, Southwest's mining property known as the Chocolate Mountain Region claims, and its mining property known as the Kingman Area Mine Tailings. During the period, 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 exploration of the Company's mining properties, obtaining permits and approvals, maintenance of the Company's website, legal, accounting costs in conjunction with the Company's general and administrative expenses in anticipation of completing exploration of USMetals' and Southwest's mining properties and related acquisition costs. The annual payment to the Bureau of Land Management (BLM) for the claims owned by the Registrant is $125 per claim effective September 1, 2004.

All of the Company's mining business activities are conducted at this time through its subsidiaries, USMetals and Southwest Resource Development, Inc.

The Company, through its wholly-owned subsidiary, USMetals, owns 141 unpatented contiguous mining claims totaling 2,820 acres in the Eureka Mining District of 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. 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.

Impairment Expense

We acquired the Twin Peaks Mine asset in 2002 and have been conducting limited exploration work on it for four years, with the goal of commencing mineral production. Exploration activities have confirmed the presence of mineralization on this property. However, we have not commenced mining activities due to a lack of funding. Consequently, per our accounting policy regarding impairment charges, we decided to impair this asset and take it off the balance sheet. However, we are still aggressively pursing the financing necessary to complete a bankable feasibility study and proceed with our plans to commence mining activity. We believe with proper funding, the portions of the Twin Peaks property which have been more extensively explored could result in a value in excess of $200,000,000 per independent estimates of prior geochemical evaluations and geological studies.

We need $20 million to achieve a commercial level of mining on the Company's properties. We have prepared plans for completion of bankable feasibility studies and test production programs on our properties that require smaller amounts of capital. We are seeking equity or debt financing in Europe, North America and Asia via private placement, working interest joint venture, and/or gold bullion loans.

Chocolate Mountain Region Claims Acquisition

On June 15, 2004 the Company filed a Form 8-K with the Securities and Exchange Commission reporting that 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 was obligated to commence production on these claims with the former owners entitled to receive 20% of all net returns of gold, whether paid in cash or in kind. Further, in the event that the Company subsequently sells the claims, then the sellers will be entitled to receive 20% of the proceeds of such sale.

The Company gave each of the two sellers 150,000 shares of the Company's common stock in exchange for waiving the Company's obligation to commence gold production within any time period. The Company now has unencumbered rights to explore and develop these properties at any time without risk of the claims reverting to their prior owners.

Kingman Area Tailings Acquisition

On February 14, 2005, the Company filed a Form 8-K with the Securities and Exchange Commission reporting that the Company concluded the acquisition of 2 additional gold mining claims located near Kingman, Arizona from a private corporation. These claims consist of one 20 acre lode claim and one 40 acre placer claim. The placer claim covers and includes the underlying lode claim. In lieu of cash payment for the claims the Company entered into what is essentially a joint venture with the former owners entitling them o receive a minority percentage of all net returns of gold, after expenses, whether paid in cash or in kind.

As announced by the Company on May 5, 2006, based on the exploration and test results, the Company has determined that it is not economically viable to pursue exploration or development of this property any longer. Accordingly, due to certain conditions of the acquisition not being met, title to the claims has reverted back to prior claim holder. Subsequent to the date of this report the 250,000 shares issued in connection with this acquisition were cancelled and returned to the treasury.

MANAGEMENT'S EXPLORATION PLANS

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

- Secure additional equity or debt financing needed to accomplish corporate goals from private sources and institutional funds, nationally and internationally;

- Complete acquisitions of other potential producing properties in regions near our present Twin Peaks Mine, our California properties and in other areas of Arizona, California and Nevada;

- Establish a corporate office in Arizona, field offices on or near the Company's properties in California and Arizona and an office centrally located near the financial markets of Southern California;

- Complete exploration of the Twin Peaks Mine, and Chocolate Mountain Region Claims, in order to determine reserves, the best mining methods and recovery rates by implementing a comprehensive exploration program on all claims owned by the Company;

- Retain an environmental consulting firm to design post-production reclamation programs;

- Complete bankable feasibility studies meeting SEC standards for placing the true reserve value of existing claims on the financial statements;

- Complete, file and secure approvals for drilling, reclamation and Mining Plans of Operations with the U.S. Bureau of Land Management (BLM); and

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

As a result of these plans, management believes that it will generate sufficient cash flows to meet its obligations in 2006. On April 27, 2006, the Company signed a term sheet with Dutchess Capital Management, LLC providing for an equity line of credit of up to $10,000,000. The Company anticipates executing definitive documents for the equity line in its third fiscal quarter of 2006. However, no assurances can be given that such definitive documents will be executed.

Discussion of Financial Condition.

As of March 31, 2006 the Company had total assets of $306,792 with total liabilities of $52,121. The Company has incurred a net loss of approximately $430,326 for the three months ended March 31, 2006.

During the quarter, the Company implemented a test drilling program on the Company’s Kingman Area Tailings as announced in a press release dated March 21, 2006. In addition management has continued to acquire and implement office systems upgrades in preparation for completing exploration and mining permitting of the Company’s properties.

The Company will require significant additional funds in order to complete exploration of the Twin Peaks Mine and its other properties. Subsequent to the date of this report the Company has entered into a term sheet with Dutchess Capital Management, LLC providing for an equity line of credit of up to $10,000,000. Based upon available cash on hand, management is of the opinion that, without additional financing, the Company will have adequate funds available to meet its cash needs for the next three (3) months, and through the remainder of the current fiscal year. Thereafter, it will need to secure additional funds in order to continue its operations.

Subsequent to the date of this report the Company has issued to a European Fund 5,000,000 Class B non-voting Common Shares of a 25,000,000 share commitment of a 250,000,000 share private placement under Regulation S. Under Regulation S these shares will only trade outside of the United States. The European fund has listed these shares on the Open Market (Freiverkehr) of the Frankfurt Exchange in Germany. The Company expects to receive 0.068 Euros per share upon consummation of the private placement.

ITEM 3. CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this quarterly report, the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in the Company's internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

There are currently no legal proceedings against the company at this time.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

There were no matters requiring a vote of security holders during this period.

Item 5. Other Information.

On October 29, 2003 we announced a non-binding letter of intent to acquire International Energy and Resources, Inc. (“IERI”), and on March 12, 2004 we announced an extension to that Letter of Intent. The non-binding letter of intent has been cancelled by all parties. IERI was recently acquired by another corporation. We are discussing with IERI’s new parent corporation, U.S. American Resources, Inc., possible mining-related business operations.

On July 14, 2004 we announced consulting agreements with Victor Asai and Glenn Martin. Mr. Asai and Mr. Martin are no longer providing consulting services to the Company. Both men remain shareholders of USCorp.

On January 31, 2005, we filed an 8-K with the SEC and issued a press release announcing a Letter of Intent to acquire a private Arizona corporation which owned mining claims near Kingman, Arizona. We did not acquire this corporation; instead we acquired the claims from the corporation.

ITEM 6. EXHIBITS

(a) Exhibits:

31.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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.

USCORP

By: /s/ ROBERT DULTZ

Robert Dultz
Chairman and Chief Executive Officer
Dated: May 12, 2006

By: /s/ SPENCER EUBANK

Spencer Eubank
Secretary-Treasurer and Acting Chief Financial Officer
Date: May 12, 2006

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