

# US China Mining Group, Inc. Reports Fourth Quarter and Full Year 2011 Financial Results

## Management to Host Conference Call Today at 1:00PM EST

CITY OF INDUSTRY, Calif., April 2, 2012 /PRNewswire/ -- US China Mining Group, Inc., ("US China Mining") (OTC Bulletin Board: SGZH) a Chinese leader in coal production and exploration in the People's Republic of China, on March 30, 2012 announced financial results for the fourth quarter and full year ended December 31, 2011.

### SUMMARY FINANCIALS

Fourth Quarter 2011 Results (audited)			
	2011	2010	Change
Net Sales	\$14.1 million	\$28.7 million	-51%
Gross Profit	\$4.0 million	\$12.1 million	-67%
Net Income	\$2.9 million*	\$5.6 million	-48%
EPS (Diluted)	\$0.15	\$0.36	-58%

\*Includes non-cash other income recorded in the fourth quarter but excludes income resulting from changes in fair value for first three quarters of 2011 related to derivative warrants issued in January 2011. Net Income excluding non-cash items is presented below at About Non-GAAP Financial Measures.

Full Year 2011 Results (audited)			
	2011	2010	Change
Net Sales	\$54.0 million	\$69.0 million	-22%
GAAP Gross Profit	\$18.9 million	\$28.6 million	-34%
Adjusted Gross Profit	\$19.8 million(1)	\$29.4 million(2)	-25%
GAAP Net Income	\$15.2 million	\$13.4 million	+13%
Adjusted Net Income	\$7.0 million(3)	\$14.5 million(4)	-46%
GAAP EPS (Diluted)	\$0.79	\$0.87	-9%
Adjusted EPS (Diluted)	\$0.37(3)	\$0.94(4)	-61%

(1) Excludes non-cash expense of \$0.9 million related to the difference in 2011 GAAP and PRC standards for amortization in mining rights and depreciation in mining shaft for the Company's Xing An and Tong Gong mining operations. See About Non-GAAP Financial Measures below.

(2) Excludes non-cash expense of \$1.6 million related to the difference in 2010 GAAP and PRC standards for amortization in mining rights and depreciation in mining shaft for the Company's Xing An and Tong Gong mining operations. See About Non-GAAP Financial Measures below.

(3) Excludes non-cash other incomes of \$11.3 million related to derivative warrants, non-cash

expense of \$1.26 million related to the difference in 2011 GAAP and PRC standards for amortization in mining rights, amortization in asset retirement obligation, and depreciation in mining shaft for the Company's Xing An and Tong Gong mining operations, additional stock-based compensation expense of \$0.5 million and non-recurring operating expenses of \$1.29 million incurred in Xing An. See About Non-GAAP Financial Measures below.

(4) Excludes non-cash expense of \$2.0 million related to the difference in 2010 GAAP and PRC standards for amortization in mining rights, amortization in asset retirement obligation, and depreciation in mining shaft for the Company's Xing An and Tong Gong mining operations. See About Non-GAAP Financial Measures below.

"The Company made some adjustments in our operation during 2011," commented by Mr. Hongwen Li, CEO of the Company. "Compared to the 2010, we produced more, brokered less and had fewer customers. The tightened capacity for coal transportation by rail was one of the main reasons for our increased efforts in selling more coal extracted from our mines to certain customers who were able to book railway cargoes for delivery during 2011."

"During 2011 the Company had to cope with increased pressures related to rising costs and operating expenses, resulting in squeezing effects on profit margin," Mr. Li said. "To relieve those effects, the Company continues our efforts to raise selling price and increase sales of coal we produce ourselves."

"In the meantime, the Company never stops executing our growth strategy," Mr. Li continued. "We are continuing the retrofit project in Xing An, which we anticipate will increase output capacity by 50% by 2013. We put into action a program to potentially capitalize an anthracite coal mine in Guizhou province and we have initiated an exploratory program to trade coal and other mineral products from the US for China's end users."

"For 2012, we intend to stay on the same track as we did in 2011. We estimate that our output will stay in the range of production output permitted under our mining rights. Management will keep focus on having all 2011's outstanding issues completed in a reasonable time schedule, which we expect will provide the more positive outcomes we have planned."

#### Fourth Quarter of 2011 Financial Results

For the three months ended December 31, 2011, the Company recorded revenues of \$14.1 million compared to \$28.7 million for the same period of 2010, a decrease of 51%. The composition of sales for each respective period is as follows:

Q4 Revenues			
	2011	2010	% CHANGE
Coal Production	\$ 10.6 million	\$ 19.6 million	-46%
Coal Brokerage	\$ 3.5 million	\$ 9.1 million	-62%
Total	\$ 14.1 million	\$ 28.7 million	-51%

	Q4 2011		Q4 2010	
	Tons (000's)	ASPs*	Tons (000's)	ASPs
Coal Production	222	\$48.0	395	\$49.7
Coal Brokerage	60	\$59.0	183	\$49.7
Total	282	\$49.9	578	\$49.7

\* Average selling prices ("ASPs").

Cost of sales for the three months ended December 31, 2011 was \$10.1 million, a decrease of \$6.5 million or approximately 39% over the year ago period.

Gross profit was \$4 million for the fourth quarter of 2011 compared to \$12.1 million for the same period of 2010, a decrease of 67%. Gross margin was 28% for the fourth quarter of 2011, compared to 42% for the same period of 2010, 14% decrease in gross margin primarily due to decreased sales volumes and higher average cost of coal sold in the fourth quarter of 2011.

Net income for the three months ended December 31, 2011 was \$2.9 million. The 2.9 million includes all non-cash income items for the fourth quarter of 2011, but excludes approximately \$9.04 million non-cash other income items recorded in the fourth quarter for changes in fair value measurements of derivative warrants issued in January 2011 for the first three quarters of 2011. This income compares to net income of \$5.6 million for the same period of 2010, a decrease of 48%. Diluted earnings per share for the fourth quarter 2011 were \$0.15 compared to \$0.36 in the same period of 2010.

### Full Year 2011 Financial Results

Sales for the full year of 2011 were \$54.0 million, a 22% decrease from the \$69.0 million reported in the same period in 2010. Average selling price per ton for 2011 was \$50.50, a 6.8% increase from 2010, resulting from increased efforts of management to raise the selling price. Total sales volume decreased 26.7% to 1.07 million tons for 2011, resulting primarily from decreased coal brokerage volume, due to difficulties in logistics, such as limited availability of railway transportation, and higher inventory cost for brokerage coal in Xing An mines during 2011.

Revenues			
	2011	2010	Change
Coal Production	\$38.8 million	\$33.7 million	+14%
Coal Brokerage	\$15.2 million	\$35.3 million	-57%
Total	\$54.0 million	\$69.0 million	-22%

	2011		2010	
	Tons (000's)	ASPs	Tons (000's)	ASPs
Coal Production	809	\$48.0	713	\$47.3
Coal Brokerage	260	\$58.4	747	\$47.3
Total	1,069	\$50.5	1,460	\$47.3

Cost of sales for the year ended December 31, 2011 was \$35.1 million, a decrease of \$5.4 million or 13% from 2010. The cost per ton in 2011 increased to \$32.83 from \$27.71 in 2010, due to higher labor, materials and energy costs.

GAAP gross profit was \$18.9 million for the year ended December 31, 2011, compared to approximately \$28.6 million for the 2010 period. Adjusted gross profit, excluding non-cash charges related to the difference in 2011 GAAP and PRC standards for amortization and depreciation, reached to \$19.8 million in 2011 and \$29.4 million in 2010, representing gross margins of approximately 36.7% and 42.6%, respectively. The decrease in gross profit margin was mainly attributable to the decreased sales volume and increased average cost per ton.

Operating expenses totaled \$12.8 million for the full year 2011 compared to \$9.4 million for 2010,

an increase of \$3.4 million or approximately 37%. Operating expenses were negatively impacted by increased government-related fees, such as transportation infrastructure construction fees, coal price adjusting fees, security fund fees, and newly-levied land use taxes started in 2011 at the Xing An mines, and a lump sum amount of one-time machine accessories expenses in Xing An, as well as increased non-cash compensation expenses related to the stock options and warrants issued to directors, officers and our IR firm, in addition to rising payroll and welfare expenses, and electricity fees as a result of overall price inflation in China.

GAAP Net income for full year 2011 was \$15.2 million compared to \$13.4 million for the 2010 period, an increase of \$1.8 million. Diluted earnings per share for the full year of 2011 were \$0.79 compared to \$0.87 for the 2010 period. In 2011, the Company recorded non-cash income of \$11,308,181, resulting from the change in fair value of the warrants that the Company issued to the investors and placement agents in the Private Placement in January 2011. The Company accounted for the warrants based on the fair value method under ASC Topic 505 and accordingly to FASB ASC 815-40-55, the warrants were classified as a derivative liability, measured at a fair value of \$13.2 million at the date of issuance, with changes in fair value recognized as a gain or loss for each reporting period thereafter. The Company recognized \$11.3 million of gain on these derivatives for the year ended December 31, 2011.

Adjusted net income, excluding non-cash charges related to the difference in 2011 GAAP and PRC standards for amortization and depreciation, derivative warrants, non-cash stock based compensation and non-recurring expenses, was \$7.0 million or \$0.37 per diluted share, compared to \$14.5 million, or \$0.94 per diluted share for the 2010 period. Diluted earnings per share were calculated using weighted average shares of 19,188,144 and 15,342,139 for the years ended December 31, 2011 and December 31, 2010, respectively. (Refer to "Reconciliation of GAAP Gross Profit and Net Income to Adjusted Gross Profit and Net Income, respectively" table below.)

#### Balance Sheet and Cash Flow

Cash and cash equivalents totaled \$44.5 million on December 31, 2011, compared to \$46.2 million on December 31, 2010. The Company had a current ratio of 7.4 to 1 at December 31, 2011. Working capital on December 31, 2011 was approximately \$50.5 million versus \$36.4 million in the year ago period.

On January 2, 2011, the Company raised \$15 million through a private placement. In March 2011, the Company filed the Registration Statement for the issued shares with SEC.

#### **Business Update**

1) The ongoing Xing An's retrofit project, which will be transitioning from room-and-pillar mining to long-wall mining to enable the year-round production, is close to completion in the construction. The Company incurred an additional \$7.4 million Cap-Ex during 2011 for this project, making a total of \$13.5 million Cap-Ex at the 2011 year end. The estimated cost for the retrofit was approximately \$15.5 million. After completing the construction, the Company will be applying for the necessary license and permit for the transition and we expect to complete this transition by 2013.

2) On January 20, 2011, the Company signed an advance agreement with an individual owner of a coal mine located in Guizhou China. Pursuant to the agreement, the Company has advanced a refundable RMB 30 million (approximately \$4,525,000, the maximum amount provided under the agreement) to an escrow account to be used for improvements to this mine. In addition, the

Company intends to undertake the acquisition of the mine from the individual owner if the owner can complete the necessary restructuring of the mine as appropriate for acquisition and the new mining company after the restructuring has received all government required permits for normal production. If the potential acquisition goes forward, the escrow amount will be treated as partial consideration. If not, the amount will be reimbursed to the Company. During 2011, the owner completed the mine improvement construction and organization restructuring as appropriate for potential acquisition. The renovated mine has been in official test runs since July 2011 and is currently in the process of applying for all necessary mining and operating permits. The Company expects to undertake the acquisition of the mine soon after all the necessary permits are in place during 2012.

3) During 2011, the Company started to execute its plan to export coal and other mineral products from the USA to China. The Company made a total of \$2.9 million refundable advances as of December 31, 2011 through coal brokers as deposits for buying coal and other mineral products in the U.S. The advance will be applied to the purchase price or refunded if no purchase is made. We are currently coordinating with China's end users for coal trading and expect to make the first delivery in the near future.

4) As disclosed in our Current Report on Form 8-K filed on March 29, 2011, the Company will restate the interim unaudited consolidated financial statements for the quarterly periods ended March 31, 2011, June 30, 2011 and September 30, 2011 included in the Company's Quarterly Reports on Form 10-Q for such periods. We anticipate that the changes on our consolidated statements of operations for the periods will be shown as reflected in the following chart.

Chart: Increase (Decrease) in

Period	Cash at each quarter end	Restricted Cash	Deposit Receivable	Loan Payable	Derivative Liability	Additional Paid In Capital	Net Income
	\$	\$	\$	\$	\$	\$	\$
March 31, 2011					7,591,679	(13,153,426)	5,561,747
June 30, 2011	(2,950,000)	3,000,000	2,950,000	3,000,000	6,689,841	(13,153,426)	6,463,585
September 30, 2011	(2,944,637)	3,000,000	2,935,530	3,000,000	3,648,549	(13,153,426)	9,495,770

The Company is presently finalizing the restated interim unaudited consolidated financial statements and amended Quarterly Reports on Form 10-Q for the periods March 31, 2011, June 30, 2011 and September 30, 2011 will be filed as soon as practicable.

### **About Non-GAAP Financial Measures**

This press release contains non-GAAP financial measures on an annual basis. The Company believes that these non-GAAP financial measures are useful to investors because they exclude non-cash charges that our management excludes when it internally evaluates the performance of the Company's business and makes operating decisions, including internal budgeting, and performance measurement, because these measures provide a consistent method of comparison to historical periods. Moreover, management believes these non-GAAP measures reflect the essential operating activities of US China Mining Group. Accordingly, management excludes expenses related to the difference in 2011 GAAP and PRC standards for amortization in mining rights, amortization in asset retirement obligations, and depreciation in mining shafts for the Company's Xing An and Tong Gong mining operations, non-cash income (expenses) related to changes in fair value of derivative warrants and non-cash stock-based compensation expenses

based on the GAAP's standard, as well as some non-recurring operating expense, when making operational decisions. The Company believes that providing the non-GAAP measures that management uses to its investors is useful to investors for a number of reasons. The non-GAAP measures provide a consistent basis for investors to understand the Company's financial performance in comparison to historical periods. In addition, it allows investors to evaluate the Company's performance using the same methodology and information as that used by our management. Non-GAAP measures are subject to inherent limitations because they do not include all of the expenses included under GAAP and because they involve the exercise of judgment of which charges are excluded from the non-GAAP financial measure. However, our management compensates for these limitations by providing the relevant disclosure of the items excluded.

The following table provides the non-GAAP financial measures and the related GAAP measures and provides a reconciliation of the non-GAAP measures to the equivalent GAAP measures on a yearly basis.

Reconciliation of GAAP Gross Profit and Net Income (Loss) to Adjusted Gross Profit and Net Income, respectively (Unaudited)

(In thousand US dollar)	Full Year Ended December 31	
	2011	2010
Gross Profit	18,887	28,577
Net Income (loss)	15,244	13,399
Difference in		
Amortization of Mining Rights	896	760
Depreciation of Mining Shafts	60	52
Amortization of Assets Retirement Obligations	305	241
Non-cash income related to changes of the fair value of derivative warrants issued in Q1, 2011)	(11,308)	
Non-recurring Operating Expenses related repairs /accessories of Xing An mines in Q2 2011	1,290	
Non-cash Compensation Expenses related to additional options and warrants issued in 2011	526	
Adjusted Gross Profit	19,843	29,389
Adjusted Net Income	7,013	14,452
Diluted Weighted average number of shares (shares)	19,188,144	15,342,139
Diluted Adjusted earnings per common share	\$0.37	\$0.94

## Conference Call

Mr. Hongwen Li, President of US China Mining Group, and Mr. Tony Peng, CFO will host the conference call. To attend the call, please use the dial in information below. When prompted, ask for the "U.S. China Mining Group Full Year 2011 conference call".

### Conference Call

Date: Monday, April 2, 2012, Time: 1:00 PM Eastern Time US

Conference Line Dial-In (U.S.): +1-877-317-6776; International Dial-In: +1-412-317-6776

Conference ID: "U.S. China Mining Group"

Webcast: <http://webcast.mz-ir.com/publico.aspx?codplataforma=3675>

This call is being webcast and can be accessed by clicking on this link: <http://webcast.mz->

[ir.com/publico.aspx?codplataforma=3675](http://ir.com/publico.aspx?codplataforma=3675).

A playback of the call will be available until 9:00 am ET on April 10, 2012. To listen, call +1-877-344-7529 within the United States or +1-412-317-0088 when calling internationally. Please use the replay pin number 10012029.

## **About US China Mining Group**

US China Mining Group is a company engaged in coal production and sales by exploring, assembling, assessing, permitting, developing and mining coal properties in the People's Republic of China ("PRC"). After obtaining permits from the Heilongjiang Province National Land and Resources Administration Bureau and the Heilongjiang Economic and Trade Commission, we extract coal from properties to which we have the right to mine capped amounts of coal, and then sell most of the coal on a per metric ton ("ton") basis in cash on delivery, primarily to power plants, cement factories, wholesalers and individuals for home heating. We do not own the coal mines, but have mining rights to extract a capped amount of coal from a mine as determined by government authorized mining engineers and approved by the Heilongjiang Department of Land and Resources. Our business consists of the operations of Tong Gong coal mine in northern PRC, located approximately 175 km southwest of the city of Heihe in the Heilongjiang Province and the Hong Yuan and Sheng Yu coal mines located in the city of Mohe in Heilongjiang Province.

## **Safe Harbor Statement**

This press release contains certain statements that may include 'forward-looking statements' as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are often identified by the use of forward-looking terminology such as "believe, expect, anticipate, optimistic, intend, will" or similar expressions. Such forward-looking statements involve known and unknown risks and uncertainties that may cause actual results to be materially different from those described herein as anticipated, believed, estimated or expected. Investors should not place undue reliance on these forward-looking statements, which speak only as of the date of this press release. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of a variety of risks and factors, including those discussed in the Company's periodic reports that are filed with and available from the Securities and Exchange Commission. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these risks and other factors. Other than as required under the securities laws, the Company does not assume a duty to update these forward-looking statements.

Company Contact:

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Chief Financial Officer

US China Mining Group Inc.

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- Financial Tables -

**U.S. CHINA MINING GROUP, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2011 AND 2010**

2011

2010

**ASSETS**

## CURRENT ASSETS

Cash & equivalents	\$ 44,543,696	\$ 46,224,944
Restricted cash	3,000,000	220,217
Accounts receivable	2,308,888	212,414
Other receivables and deposits	4,766,838	35,795
Deposit for coal trading	2,935,530	-
Inventory	915,873	1,117,086

Total current assets 58,470,825 47,810,456

## NONCURRENT ASSETS

Goodwill	26,180,923	26,180,923
Prepaid mining rights, net	14,734,143	15,646,300
Property and equipment, net	12,926,991	12,772,164
Construction in progress	13,506,677	6,130,861
Deferred tax asset, net	393,643	184,432
Asset retirement cost, net	2,626,262	2,796,520

Total noncurrent assets 70,368,639 63,711,200

## TOTAL ASSETS

\$ 128,839,464 \$ 111,521,656

## LIABILITIES AND STOCKHOLDERS' EQUITY

### CURRENT LIABILITIES

Accounts payable	\$ -	\$ 1,906,255
Unearned revenue	527,241	178,380
Accrued liabilities and other payables	1,184,912	2,774,978
Taxes payable	1,356,191	3,339,830
Loan payable	3,000,000	-
Warrant derivative liability	1,845,245	-
Advance from shareholder	2,000	3,180,338

Total current liabilities 7,915,589 11,379,781

### NONCURRENT LIABILITIES

Long-term payable	-	301,992
Asset retirement obligation, net of deposit for mine restoration of \$1,223,513 in 2011 and \$1,164,062 in 2010, respectively	4,689,114	4,243,129

Total noncurrent liabilities 4,689,114 4,545,121

Total liabilities 12,604,703 15,924,902

## CONTINGENCIES AND COMMITMENTS

### STOCKHOLDERS' EQUITY

Series A Preferred Stock, \$0.001 par value, 8,000,000 shares authorized, 400,000 shares issued and outstanding	400	400
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Common stock, \$0.001 par value, 100,000,000 shares authorized, 18,852,582 and 14,932,582 shares issued and outstanding at December 31, 2011 and 2010, respectively	18,852	14,932
Additional paid in capital	41,115,578	39,833,996
Statutory reserves	11,905,411	10,536,604
Accumulated other comprehensive income	9,576,877	5,468,674
Retained earnings	<u>53,617,643</u>	<u>39,742,148</u>
 Total stockholders' equity	 116,234,761	 95,596,754
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 <u><b>\$ 128,839,464</b></u>	 <u><b>\$ 111,521,656</b></u>

**U.S. CHINA MINING GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME**

	<u>YEARS ENDED DECEMBER 31,</u>	
	<u>2011</u>	<u>2010</u>
Net sales	\$ 53,982,243	\$ 69,030,412
Cost of goods sold	<u>35,094,794</u>	<u>40,453,630</u>
Gross profit	<u>18,887,449</u>	<u>28,576,782</u>
Operating expenses		
Selling	3,518,684	1,605,698
General and administrative	<u>9,319,362</u>	<u>7,777,818</u>
Total operating expenses	<u>12,838,046</u>	<u>9,383,516</u>
Income from operations	<u>6,049,403</u>	<u>19,193,266</u>
Non-operating income (expenses)		
Interest income	176,319	88,467
Interest expense	(228,373)	(365,805)
Financial expense	(26,780)	-
Changes in fair value of warrant derivative	11,308,181	-
Total non-operating expenses, net	<u>11,229,347</u>	<u>(277,338)</u>
Income before income tax	17,278,750	18,915,928
Provision for income tax	<u>2,034,448</u>	<u>5,516,722</u>
Net income	15,244,302	13,399,206
Other comprehensive income		
Foreign currency translation gain	<u>4,108,203</u>	<u>2,106,631</u>
Comprehensive income	<u>\$ 19,352,505</u>	<u>\$ 15,505,837</u>
Basic weighted average shares outstanding	<u>18,788,144</u>	<u>14,932,582</u>

Diluted weighted average shares outstanding	19,188,144	15,342,139
Basic net earnings per share	\$ 0.81	\$ 0.90
Diluted net earnings per share	\$ 0.79	\$ 0.87

**U.S. CHINA MINING GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 15,244,302	\$ 13,399,206
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	3,505,075	3,491,312
Warrant derivative liability	(11,308,181)	-
Accretion of interest on asset retirement obligation	223,674	205,129
Imputed interest on shareholder's loan	-	160,676
Loss on disposal of fixed asset	3,897	-
Warrants expense	259,110	596,580
Stock option compensation	266,590	147,456
Changes in deferred tax	(194,909)	263,726
(Increase) decrease in current assets:		
Accounts receivable	(2,034,638)	(207,808)
Other receivables and deposits	(7,549,951)	3,610
Inventory	251,951	(1,086,263)
Deposit for mine restoration	-	(149,683)
Increase (decrease) in current liabilities:		
Accounts payable	(1,954,121)	1,281,751
Unearned revenue	331,446	(1,546,262)
Accrued liabilities and other payables	(1,992,666)	1,948,252
Taxes payable	(2,101,547)	2,181,831
Net cash (used in ) provided by operating activities	<u>(7,049,968)</u>	<u>20,689,513</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Change in restricted cash	(2,774,195)	(247)
Acquisition of property, plant & equipment	(1,051,724)	(1,907,314)
Construction in progress	<u>(6,890,037)</u>	<u>(5,997,910)</u>
Net cash used in investing activities	<u>(10,715,956)</u>	<u>(7,905,471)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Bank loan payable	3,000,000	
Proceeds from issuance of common stock	13,650,500	-
Legal expense relating to private placement	(117,610)	-
Repayment to shareholder's advance	(2,800,000)	-

Due to shareholders	2,000	858,977
Due from shareholders	-	49,042
Net cash provided by financing activities	<u>13,734,890</u>	<u>908,019</u>
EFFECT OF EXCHANGE RATE CHANGE ON CASH & EQUIVALENTS	2,349,786	1,272,699
NET INCREASE (DECREASE) IN CASH & EQUIVALENTS	(1,681,248)	14,964,760
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	<u>46,224,944</u>	<u>31,260,184</u>
CASH & EQUIVALENTS, END OF YEAR	<u>\$ 44,543,696</u>	<u>\$ 46,224,944</u>
Supplemental Cash flow data:		
Income tax paid	<u>\$ 4,236,608</u>	<u>\$ 4,241,062</u>
Interest paid	<u>\$ 32,444</u>	<u>\$ -</u>

The accompanying notes disclosed in the 10K annual report are an integral part of these consolidated financial statements.

SOURCE US China Mining Group, Inc.