SINOCOKING COAL & COKE CHEMICAL INDUSTRIES, INC.
Form 424B3
November 16, 2012

Filed Pursuant to Rule 424(b)(3)

Registration No. 333-166720

PROSPECTUS SUPPLEMENT NO. 1

(To Prospectus dated October 24, 2012)

SINOCOKING COAL AND COKE CHEMICAL INDUSTRIES, INC.

11,384,566 shares of Common Stock

This Prospectus Supplement No. 1 is required to be delivered by certain holders of the above-referenced shares or by their transferees, pledges, donees or their successors in connection with the offer and sale of the above-referenced shares.

This Prospectus Supplement supplements the Prospectus dated October 24, 2012 of SinoCoking Coal and Coke Chemical Industries, Inc. (the "Company") with the following additions and changes:

(1) Update, amend and supplement the Company's Prospectus dated October 24, 2012 with information in the Company's attached Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012 as filed with the Securities and Exchange Commission on November 14, 2012.

The attached information modifies and supersedes, in part, the information in the Prospectus. Any information that is modified or superseded in the Prospectus shall not be deemed to constitute a part of the Prospectus except as modified or superseded by this Prospectus Supplement No. 1. This Prospectus Supplement No. 1 should be read in conjunction with the Prospectus.

INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 3 OF THE PROSPECTUS, AND ANY OF OUR OTHER FILINGS

INCORPORATED THEREIN BY REFERENCE.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus Supplement is November 16, 2012.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **September 30, 2012**

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:	001-15931

SinoCoking Coal and Coke Chemical Industries, Inc.
(Exact name of registrant as specified in its charter)

Florida (State or other jurisdiction of incorporation or organization)	98-0695811 (I.R.S. Employer Identification Number)

Kuanggong Road and Tiyu Road 10th Floor

Chengshi Xin Yong She, Tiyu Road, Xinhua District

Pingdingshan, Henan Province

People's Republic of China (Address of principal executive offices)	**467000** (Zip Code)

+86-3752882999
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large Accelerated Filer	o	Accelerated Filer	o
Non-accelerated filer	o	Smaller reporting company	x

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

As of November 9, 2012, the registrant had 21,121,372 shares of common stock outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this report, other than statements of historical facts, that address future activities, events or developments, are forward-looking statements, including, but not limited to, statements containing the words “believe,” “anticipate,” “expect,” “project,” “may,” “might,” “will,” the negative forms thereof, and words of similar import. These staten are based on certain assumptions and analyses made by us in light of our experience and our assessment of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. Forward-looking statements by their nature involve substantial risks and uncertainties, certain of which are beyond our control. Actual results, performance or achievements may differ materially from those expressed or implied by forward-looking statements depending on a variety of important factors, including, but not limited to, weather, local, regional, national and global coke and coal price fluctuations, levels of coal and coke production in the region, the demand for raw materials such as iron and steel which require coke to produce, availability of financing and interest rates, competition, changes in, or failure to comply with, government regulations, costs, uncertainties and other effects of legal and other administrative proceedings, and other risks and uncertainties. Such risks and uncertainties are described in greater details in the “*Risk Factors*” section beginning on page 21 of the registrant’s annual report on Form 10-K for the year ended June 30, 2012 filed with the Securities and Exchange Commission (the “SEC”) on September 28, 2012 (the “Annual Report”).

Consequently, all of the forward-looking statements made in this report are qualified by these cautionary statements, and there can be no assurance that the actual results anticipated by management will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the registrant’s business operations. The registrant is not undertaking to update or revise any forward-looking statement, whether as a result of new information, future events or circumstances or otherwise.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SINOCOKING COAL AND COKE CHEMICAL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

ASSETS

	September 30, 2012	June 30, 2012
CURRENT ASSETS		
Cash	$410,594	$2,366,718
Restricted cash	8,081,000	9,668,000
Accounts receivable, trade, net	11,632,935	12,017,231
Notes receivable, trade	6,388,164	14,176,800
Notes receivable, mine acquisition	-	9,155,520
Other receivables	635,932	1,412,008
Loans receivable	8,933,037	9,849,937
Refundable deposit	4,743,000	4,752,000
Inventories	3,543,090	2,382,444
Advances to suppliers	7,344,232	12,267,806
Prepaid expenses	391,870	633,313
Total current assets	52,103,854	78,681,777
PLANT AND EQUIPMENT, net	15,861,813	16,211,984
CONSTRUCTION IN PROGRESS	39,304,970	39,379,553
OTHER ASSETS		
Prepayments	60,635,515	36,071,853
Intangible assets, net	31,558,360	31,635,487
Long-term investments	2,820,378	2,825,730
Other assets	110,670	110,880
Total other assets	95,124,923	70,643,950
Total assets	$202,395,560	$204,917,264

LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Short term loans - banks	$26,244,600	$26,294,400
Accounts payable, trade	570	4,023
Notes payable	3,162,000	4,752,000
Other payables and accrued liabilities	878,330	802,028
Other payables - related parties	188,829	156,227
Acquisition payable	4,584,900	4,593,600
Customer deposits	138,195	138,457
Taxes payable	914,981	1,522,062
Total current liabilities	36,112,405	38,262,797
LONG TERM LIABILITIES		
Long term loans	36,363,000	36,432,000
Warrants liability	43,118	716,648
Total long term liabilities	36,406,118	37,148,648
Total liabilities	72,518,523	75,411,445
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Common shares, $0.001 par value, 100,000,000 authorized, 21,121,372 issued and outstanding as of September 30, 2012 and June 30, 2012	21,121	21,121
Additional paid-in capital	3,592,053	3,592,053
Statutory reserves	3,689,941	3,689,941
Retained earnings	110,917,045	110,257,132
Accumulated other comprehensive income	7,325,277	7,613,972
Total SinoCoking Coal and Coke Chemicals Industries, Inc's equity	125,545,437	125,174,219
NONCONTROLLING INTERESTS	4,331,600	4,331,600
Total equity	129,877,037	129,505,819
Total liabilities and equity	$202,395,560	$204,917,264

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

SINOCOKING COAL AND COKE CHEMICAL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(UNAUDITED)

	For the Three Months Ended September 30,	
	2012	2011
REVENUE	$17,562,194	$22,151,334
COST OF REVENUE	15,652,938	14,947,457
GROSS PROFIT	1,909,256	7,203,877
OPERATING EXPENSES:		
Selling	43,581	81,543
General and administrative	626,828	427,419
Total operating expenses	670,409	508,962
INCOME FROM OPERATIONS	1,238,847	6,694,915
OTHER INCOME (EXPENSE)		
Interest income	222,640	558,551
Interest expense	(1,021,604)	(415,559)
Other finance expense	(72,244)	(35,666)
Other (expense) income, net	-	(17,581)
Change in fair value of warrants	673,530	3,019,722
Total other (expense) income, net	(197,678)	3,109,467
INCOME BEFORE INCOME TAXES	1,041,169	9,804,382
PROVISION FOR INCOME TAXES	381,256	1,495,669
NET INCOME	659,913	8,308,713
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation adjustment	(288,695)	1,188,744
COMPREHENSIVE INCOME	$371,218	$9,497,457
WEIGHTED AVERAGE NUMBER OF COMMON SHARES		

Basic	21,121,372	21,090,948
Diluted	21,121,372	21,090,948
EARNINGS PER SHARE		
Basic	$0.03	$0.39
Diluted	$0.03	$0.39

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

SINOCOKING COAL AND COKE CHEMICAL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the Three Months Ended September 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$659,913	$8,308,713
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation	320,043	421,287
Amortization and depletion	17,212	236,821
Change in fair value of warrants	(673,530)	(3,019,722)
Reservation of mine maintenance fee	-	43,313
Change in operating assets and liabilities		
Accounts receivable, trade	361,536	(3,791,984)
Notes receivable, trade	(15,557,964)	(4,054,959)
Other receivables	775,616	(516,448)
Inventories	(1,165,156)	(2,487,100)
Advances to suppliers	13,674,890	(488,437)
Prepaid expenses	240,245	-
Accounts payable, trade	(3,445)	(47,030)
Other payables and accrued liabilities	76,740	(569,367)
Customer deposits	-	(39,455)
Taxes payable	(604,198)	(976,874)
Net cash used in operating activities	(1,878,098)	(6,981,242)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal advances of loans receivable	(350,000)	(1,892,300)
Repayment of loans receivable	316,500	8,718,653
Payments on equipment and construction in progress	(575)	(10,519,831)
Prepayments on construction in progress	-	(9,598,763)
Refunds of coal mine acquisition prepayments	-	7,827,739
Prepayments of intangible assets	-	(1,247,200)
Net cash used in investing activities	(34,075)	(6,711,702)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in restricted cash	1,581,000	(500,000)
Payments of note payable	(1,581,000)	-
Proceeds from short-term loans - bank	-	4,988,800
Payments of short-term loans - bank	-	(4,988,800)

Proceeds from related parties	33,201	118,810
Net cash (used in) provided by financing activities	33,201	(381,190)
EFFECT OF EXCHANGE RATE ON CASH	(77,152)	219,457
DECREASE IN CASH	(1,956,124)	(13,854,677)
CASH, beginning of period	2,366,718	26,266,687
CASH, end of period	$410,594	$12,412,010
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income tax	$513,866	$1,546,837
Cash paid for interest expense, net of capitalized interest	$793,082	$338,656
NON-CASH TRANSACTIONS OF INVESTING AND FINANCING ACTIVITIES		
Construction-in-progress acquired with prepayments made by note receivables, trade	$15,493,800	$-
Construction-in-progress acquired with prepayments made by note receivables, mine acquisition	$9,138,180	$-
Reclassification of note receivables, trade to advances to suppliers	$8,774,550	$-
Reclassification of loan receivables to note receivable, trade	$948,600	$-
Reclassification of coal mine prepayment made in prior year to other receivable	$-	$12,139,270
Reclassification of prepayment for coal mine acquistion to advance to suppliers	$-	$1,101,079

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

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SINOCOKING COAL AND COKE CHEMICAL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of business and organization

SinoCoking Coal and Coke Chemical Industries, Inc. ("SinoCoking" or the "Company") was organized on September 30, 1996, under the laws of the State of Florida as "J.B. Financial Services, Inc." On July 19, 1999, the Company changed its name to "Ableauctions.com, Inc." On February 5, 2010, the Company changed its name to "SinoCoking Coal and Coke Chemical Industries, Inc."

The Company is a vertically-integrated coal and coke producer based in the People's Republic of China ("PRC" or "China"). All of the Company's business operations are conducted by a variable interest entity ("VIE"), Henan Pingdingshan Hongli Coal & Coking Co., Ltd., ("Hongli"), which is controlled by Top Favour's wholly-owned subsidiary, Pingdingshan Hongyuan Energy Science and Technology Development Co., Ltd. ("Hongyuan"), through a series of contractual arrangements (see Note 2).

Due to an accident during the quarter ended December 31, 2011 at one of the mines owned by Yima Coal Group, a state-owned enterprise and one of the six provincial level coal mine consolidators in Henan, all mid-scale mines are required to undergo mandatory safety checks and inspections by relevant authorities before receiving clearance to resume coal mining operations. This requirement applies to all SinoCoking mines, including the Hongchang, Xingsheng, Shuangrui and Shunli coal mines which were previously awaiting government confirmation to resume operations.

The accompanying unaudited condensed consolidated financial statements reflect the activities of the Company and each of the following entities:

Name	Background	Ownership
Top Favour	• A British Virgin Islands company • Incorporated on July 2, 2008	100%
Hongyuan	• A PRC limited liability company and deemed a wholly foreign owned enterprise ("WFOE") • Incorporated on March 18, 2009	100%

	• Registered capital of $3 million fully funded	
Hongli		
	• A PRC limited liability company • Incorporated on June 5, 1996 • Initial registered capital of $1,055,248 or 8,808,000 Renminbi (“RMB”), further increased to $4,001,248 (RMB 28,080,000) on August 26, 2010, fully funded • 85.40% of equity interests held by Jianhua Lv, the Company’s Chief Executive Officer (“CEO”) and Chairman of the Board of Directors • Operates a branch, Baofeng Coking Factory (“Baofeng Coking”)	VIE by contractual arrangements (1)
Baofeng Hongchang Coal Co., Ltd. (“Hongchang Coal”)	• A PRC limited liability company • Incorporated on July 19, 2007 • Registered capital of $396,000 (RMB 3,000,000) fully funded	VIE by contractual arrangements as a wholly-owned subsidiary of Hongli
Baofeng Shunli Coal Co., Ltd.(“Shunli Coal”)	• A PRC limited liability company • Incorporated on August 13, 2009 • Registered capital of $461,700 (RMB3,000,000) fully funded • Acquired by Hongchang Coal on May 20, 2011	VIE by contractual arrangements as an indirect wholly-owned subsidiary of Hongli
Baofeng Hongguang Power Co., Ltd. (“Hongguang Power”)	• A PRC limited liability company • Incorporated on August 1, 2006 • Registered capital of $2,756,600 (RMB 22,000,000) fully funded	VIE by contractual arrangements as a wholly-owned subsidiary of Hongli
Baofeng Xingsheng Coal Co., Ltd. (“ Xingsheng Coal”)	• A PRC limited liability company • Incorporated on December 6, 2007 • Registered capital of $559,400 (RMB 3,634,600) fully funded • 60% of equity ownership acquired by Hongli on May 20, 2011	VIE by contractual arrangements as a 60% owned subsidiary of Hongli
Baofeng Shuangrui Coal Co., Ltd. (“Shuangrui Coal”)	• A PRC limited liability company • Incorporated on March 17, 2009 • Registered capital of $620,200 (RMB4,029,960) fully funded	VIE by contractual arrangements as a 100% owned subsidiary of Hongchang

	• 60% of equity ownership acquired by Hongli on May 20, 2011 • 100% of equity ownership acquired by Hongchang on June 20, 2012	
Zhonghong Energy Investment Company ("Zhonghong")	• A PRC company • Incorporated on December 30, 2010 • Registered capital of $7,842,800 (RMB51,000,000) fully funded equity interests of 100% held by three nominees on behalf of Hongli pursuant to share entrustment agreements	VIE by contractual arrangements as a wholly-owned subsidiary of Hongli
Baofeng Hongrun Coal Chemical Co., Ltd. ("Hongrun")	• A PRC limited liability company • Incorporated on May 17, 2011 • Registered capital of $ 4,620,000 (RMB30 million) fully funded	VIE by contractual arrangements as a wholly-owned subsidiary of Hongli

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SINOCOKING COAL AND COKE CHEMICAL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) On March 18, 2009, Hongyuan entered into certain exclusive agreements with Hongli and its equity owners. Pursuant to these agreements, Hongyuan provides exclusive consulting services to Hongli in return for a consulting services fee which is equal to Hongli’s net profits. In addition, Hongli’s equity owners have pledged their equity interests in Hongli to Hongyuan, irrevocably granted Hongyuan an exclusive option to purchase all or part of the equity interests in Hongli and agreed to entrust all the rights to exercise their voting power to the person(s) appointed by Hongyuan.

Through these contractual arrangements, Hongyuan has the ability to control Hongli’s daily operations and financial affairs, appoint its senior executives and approve all matters requiring shareholder approval. As part of these contractual arrangements, Hongyuan and Hongli entered into an operating agreement which, amongst other matters, precludes Hongli from borrowing money, selling or acquiring assets, including intellectual property rights, providing guarantees to third parties or assigning any business agreements, without the prior written consent of Hongyuan. Hongyuan also agreed that, if any guarantee for Hongli’s performance of any contract or loan was required, Hongyuan would provide such guarantee to Hongli.

As a result of these contractual arrangements, Hongyuan is entitled to receive the expected residual returns of Hongli. Additionally, although Hongli has been profitable, in the event that Hongli were to incur losses, Hongyuan would be obligated to absorb a majority of the risk of loss from Hongli’s activities as a result of its inability to receive payment for its accumulated consulting fees that are equal to Hongli’s net income.

In August 2010, the Pingdingshan municipal government notified Hongli to increase its registered capital by RMB 20,000,000 to RMB 28,080,000 in order to maintain its coal trading license. Accordingly, the equity owners of Hongli contributed such additional registered capital, which amount was contributed in full as of August 26, 2010. However, the equity owners did not contribute in proportion to their original ownership percentages, such that Hongli is now 85.40% owned by Mr. Jianhua Lv (the Company’s CEO), 9.1% by Ms. Xin Zheng, 3.99 % by Mr. Wenqi Xu and 1.42% by Mr. Guoxiang Song. As a result, on September 9, 2011, certain of the contractual arrangements between Hongyuan and Hongli (namely, the operating agreement, option agreement, voting rights proxy agreement and equity pledge agreement) were re-executed to reflect such new ownership percentages in Hongli from the increased registered capital, and the Company was made a party to such re-executions. Otherwise, the terms of these agreements remain unchanged. Registration of the additional registered capital and the change in ownership percentages in Hongli with the Pingdingshan Administration for Industry and Commerce was completed on April 29, 2011.

The Company believes that the equity owners of Hongli do not have the characteristics of a controlling financial interest, and that the Company is the primary beneficiary of the operations and residual returns of Hongli and, in the event of losses, would be required to absorb a majority of such losses. Accordingly, the Company consolidates

Hongli's results, assets and liabilities in the accompanying financial statements.

SINOCOKING COAL AND COKE CHEMICAL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Selected financial data of Hongli and its subsidiaries is set forth below:

	September 30, 2012	June 30, 2012
Total current assets	$32,957,425	$58,535,803
Total assets	$183,249,131	$184,771,289
Total current liabilities	$52,264,106	$53,633,472
Total liabilities	$88,627,106	$90,065,472

Presently, the Company's coking related operations are carried out by Baofeng Coking, coal related operations by Hongchang Coal, Shuangrui Coal, Shunli Coal and Xingsheng Coal, and electricity generation by Hongguang Power. However, it is the Company's intention to transfer all coal related operations to a joint-venture between Zhonghong and Henan Province Coal Seam Gas Development and Utilization Co., Ltd. ("Henan Coal Seam Gas") (see Note 13). As of September 30, 2012, the transfer of the Company's coal related operations to the joint-venture had not been carried out, and Shuangrui Coal, Shunli Coal and Xingsheng Coal have had no operations since their acquisitions by the Company (see Note 21).

Note 2 – Summary of significant accounting policies

Basis of presentation

Management has included all adjustments, consisting only of normal recurring adjustments, considered necessary to give a fair presentation of operating results for the periods presented. Interim results are not necessarily indicative of results for a full year. The information included in this quarterly report on Form 10-Q should be read in conjunction with information included in the annual report on Form10-K for the fiscal year ended June 30, 2012, which was filed with the Securities and Exchange Commission ("SEC") on September 28, 2012.

Principles of consolidation

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The unaudited condensed consolidated financial statements include the financial statements of the Company, its wholly-owned subsidiaries – Top Favour and Hongyuan, and its VIEs – Hongli and its subsidiaries. All significant inter-company transactions and balances between the Company, its subsidiaries and VIEs are eliminated upon consolidation.

In accordance with accounting standard for consolidation of variable interest entities, VIEs are generally entities that lack sufficient equity to finance their activities without additional financial support from other parties or whose equity holders lack adequate decision making ability. All VIEs with which the Company is involved must be evaluated to determine the primary beneficiary of the risks and rewards of the VIE. The primary beneficiary is required to consolidate the VIE for financial reporting purposes. As a result of the contractual arrangements described below, the Company, through Hongyuan, is obligated to absorb a majority of the risk of loss from Hongli’s activities and the Company is enabled to receive a majority of Hongli’s expected residual returns. The Company accounts for Hongli as a VIE and is the primary beneficiary. The primary beneficiary is required to consolidate the VIE for financial reporting purposes. Management makes ongoing assessments of whether Hongyuan is the primary beneficiary of Hongli and its subsidiaries.

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions relate to coal reserves that are the basis for future cash flow estimates and units-of-production depletion calculations; asset impairments; allowance for doubtful accounts and loans receivable; valuation allowances for deferred income taxes; reserves for contingencies; stock-based compensation and the fair value and accounting treatment for warrants. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates.

Stock-based compensation

The Company records share-based compensation expense based upon the grant date fair value of share-based awards. The value of the award is principally recognized as expense ratably over the requisite service periods. The Company uses the Black-Scholes Merton (“BSM”) option-pricing model, which incorporates various assumptions including volatility, expected life and interest rates to determine fair value. The Company’s expected volatility assumption is based on the historical volatility of Company’s stock. The expected life assumption is primarily based on the simplified method of the terms of the options. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

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SINOCOKING COAL AND COKE CHEMICAL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Stock-based compensation expense is recognized based on awards expected to vest. U.S. GAAP require forfeitures to be estimated at the time of grant and revised in subsequent periods, if necessary, when actual forfeitures differ from those estimates. There were no estimated forfeitures as the Company has a short history of issuing options.

Revenue recognition

Coal and coke sales are recognized at the date of shipment to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of the Company exist and collectability is reasonably assured. This generally occurs when coal and coke is loaded onto trains or trucks at one of the Company’s loading facilities or at third party facilities.

Substantially, if not all, of the electricity generated by Hongguang Power is typically used internally by Baofeng Coking. Supply of surplus electricity generated by Hongguang Power to the national power grid is mandated by the local utilities board. The value of the surplus electricity supplied, if it exists, is calculated based on actual kilowatt-hours produced and transmitted and at a fixed rate determined under contract.

Coal and coke sales represent the invoiced value of goods, net of a value-added tax (“VAT”), sales discounts and actual returns at the time when product is sold to the customer.

Foreign currency translation and other comprehensive income

The reporting currency of the Company is the U.S. dollar. The functional currency of the Company, its subsidiaries and VIEs in the PRC is denominated in RMB.

For the subsidiaries and VIEs whose functional currencies are other than the U.S. dollar, all assets and liabilities accounts were translated at the exchange rate on the balance sheet date; shareholders’ equity is translated at the historical rates and items in the statement of operations are translated at the average rate for the period. Items in the cash flow statement are also translated at average translation rates for the period, therefore, amounts reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheet. Translation adjustments resulting from this process are included in accumulated other comprehensive income in the statement of equity. The resulting transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations.

The balance sheet amounts, with the exception of equity, at September 30, 2012 and June 30, 2012 were translated at RMB 6.33 to $1 and RMB 6.31 to $1, respectively. The average translation rates applied to income and cash flow statement amounts for the three months ended September 30, 2012 and 2011 were at RMB 6.33 to $1 and RMB 6.41 to $1, respectively.

Fair value of financial instruments

The Company uses accounting standards regarding fair value of financial instruments and related fair value measurements. Those accounting standards established a three-level valuation hierarchy for disclosures of fair value measurement and enhance disclosures requirements for fair value measures. The carrying amounts reported in the accompanying consolidated balance sheets for receivables, payables and short term loans qualify as financial instruments are a reasonable estimate of fair value because of the short period of time between the origination of such instruments, their expected realization and, if applicable, the stated rate of interest is equivalent to rates currently available. The three levels of valuation hierarchy are defined as follows:

Level 1	Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2	Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.
Level 3	Inputs to the valuation methodology are unobservable.

The Company determined that the carrying value of the long-term loans approximated their fair value using level 2 inputs by comparing the stated loan interest rate to the rate charged by the Bank of China on similar loans (see Note 14). For long-term investments (which consist of a 2.86% equity interest in a credit union in China and a 49% equity interest in a joint venture between Zhonghong and Henan Coal Seam Gas), it was impracticable for the Company to obtain their fair values at September 30, 2012.

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The following table sets forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2012:

	Carrying Value at September 30, 2012	Fair Value Measurement at September 30, 2012		
		Level	Level 2	Level 3
Warrants liability	$ 43,118	$ —	$ 43,118	$ —

The following is a reconciliation of the beginning and ending balances of warrants liability measured at fair value on a recurring basis using observable inputs as of September 30, 2012 and June 30, 2012:

	September 30, 2012	June 30, 2012
Beginning fair value	$716,648	$5,569,047
Realized gain recorded in earnings	(673,530)	(4,852,399)
Ending fair value	$43,118	$716,648

The Company's warrants are not traded on an active securities market; therefore, the Company estimates the fair value of its warrants using the Cox-Ross-Rubinstein binomial model on September 30, 2012 and June 30, 2012.

	September 30, 2012	June 30, 2012
Number of shares exercisable	3,906,853	3,906,853
Exercise price	$6.00-48.00	$6.00-48.00
Stock price	$1.69	$2.05
Expected term (year)	2.35-4.53	2.60-4.78
Risk-free interest rate	0.26-0.55 %	0.38-0.69 %
Expected volatility	51-83 %	75-85 %

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company is required to record certain financial assets and liabilities at fair value on a non-recurring basis. Generally, assets are recorded at fair value on a non-recurring basis as a result of impairment charges. For the three months ended September 30, 2012 and 2011, the two long term investments are not considered impaired.

The Company did not identify any other assets and liabilities that are required to be presented on the unaudited condensed consolidated balance sheets at fair value.

Cash

The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents for cash flow statement purposes. Cash includes cash on hand and demand deposits in accounts maintained with state owned banks within the PRC and with banks in Hong Kong and in the United States of America.

Balances at financial institutions or state owned banks within the PRC are not covered by insurance. Balances at financial institutions in Hong Kong may, from time to time, exceed Hong Kong Deposit Protection Board's insured limits. As of September 30, 2012 and June 30, 2012, the Company had $8,351,215 and $11,880,025 of cash deposits, including restricted cash, which were not covered by insurance, respectively. The Company has not experienced any losses in such accounts.

Restricted cash

Restricted cash represents amounts set aside by the Company in accordance with the Company's debt agreements with certain financial institutions in the PRC. These cash amounts are designated for the purpose of paying down the principal amounts owed to the financial institutions, and these amounts are held at the same financial institutions with which the Company has the debt agreements. Due to the short-term nature of the Company's debt obligations to these banks, the corresponding restricted cash balances have been classified as current in the unaudited condensed consolidated balance sheets.

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Accounts receivables, trade, net

During the normal course of business, the Company extends unsecured credit not exceeding three months to its customers. Management regularly reviews aging of receivables and changes in payment trends by its customers, and records an allowance when management believes collection of amounts due are at risk. Accounts receivables are considered past due after three months from the date credit was granted. Accounts considered uncollectible after exhaustive efforts to collect are written off. The Company regularly reviews the credit worthiness of its customers and, based on the results of the credit review, determines whether extended payment terms can be granted to or, in some cases, partial prepayment is required from certain customers. No allowance for doubtful accounts is considered necessary at the balance sheets dates.

Notes receivable, trade

These notes receivable represent trade accounts receivable due from customers where the customers' banks have guaranteed the payment of the receivable. This amount is non-interest bearing and is normally paid within three to nine months. The Company is allowed to submit its request for payment to the customers' banks prior to the due dates. However, early request for payment will incur an interest charge and a processing fee.

Notes receivable, mine acquisition

These notes receivable represented settlement of the receivables from payments made for mine acquisition where the issuers' banks had guaranteed the payment of the receivables. This amount was non-interest bearing and is normally paid within three to nine months. The Company is allowed to submit its request for payment to the issuers' banks earlier than the scheduled payment dates.

Other receivables

Other receivables include advances to employees for general business purposes and other short term non-traded receivables from unrelated parties, primarily as unsecured demand loans, with no stated interest rate or due date. Management regularly reviews aging of receivables and changes in payment trends and records a reserve when management believes collection of amounts due are at risk. Accounts considered uncollectible are written off after exhaustive efforts at collection. No allowance for doubtful accounts is considered necessary at the balance sheet dates.

Loans receivable

Loans receivable represents the amount the Company expects to collect from unrelated parties. The loans either are due on demand or mature within a year, and are either unsecured or secured by the properties of the borrowers or guaranteed by unrelated parties. All loans receivables are subject to interest charges. No allowance for doubtful accounts is considered necessary at the balance sheet dates.

Refundable deposit

A deposit was made to Henan Coal Seam Gas and is refundable when the joint venture between it and Zhonghong starts operations.

Inventories

Inventories are stated at the lower of cost or market, using the weighted average cost method. Inventories consist of raw materials, supplies, work in process, and finished goods. Raw materials mainly consist of coal (mined and purchased), rail, steel, wood and additives used by the Company. The cost of finished goods includes (1) direct costs of raw materials, (2) direct labor, (3) indirect production costs, such as allocable utilities cost, and (4) indirect labor related to the production activities, such as assembling and packaging. Management compares the cost of inventories with the market value and an allowance is made for writing down the inventory to its market value, if lower than cost. On an ongoing basis, inventories are reviewed for potential write-down for estimated obsolescence or unmarketable inventories equal to the difference between the costs of inventories and the estimated net realizable value based upon forecasts for future demand and market conditions. When inventories are written-down to the lower of cost or market, they are not marked up subsequently based on changes in underlying facts and circumstances. As of September 30, 2012 and June 30, 2012, no allowance for inventory valuation was deemed necessary.

Advances to suppliers

The Company advances monies to certain suppliers for raw material purchases. These advances are interest-free and unsecured. Management regularly reviews aging of advances to suppliers and changes in materials receiving trends and records an allowance when management believes collection of materials due are at risk. Advances aged over one year and considered uncollectible are written off after exhaustive efforts at collection. No allowance for doubtful accounts is considered necessary at the balance sheet dates.

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Plant and equipment, net

Plant and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; while additions, renewals and betterments that extend the useful life are capitalized. When items of plant and equipment are retired or otherwise disposed, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Mine development costs are capitalized and amortized by the units of production method over estimated total recoverable proven and probable reserves. Depreciation of plant and equipment is provided using the straight-line method for substantially all assets with estimated lives as follows:

	Estimated Useful Life
Building and plant	20 years
Machinery and equipment	10-20 years
Other equipment	1-5 years
Transportation equipment	5-7 years

Construction-in-progress ("CIP") includes direct costs of construction for mining tunnel improvements and the Company's new coking plant. Interest incurred during the period of construction, if material, is capitalized. For the three months ended September 30, 2012 and 2011, $0, and $347,938 in interest were capitalized into CIP, respectively. All other interest is expensed as incurred. CIP is not depreciated until such time the assets are completed and put into service. Maintenance, repairs and minor renewals are charged to expense as incurred. Major additions and betterment to property and equipment are capitalized.

Intangible assets

Land use rights, net

Costs to obtain land use rights are recorded based on the fair value at acquisition and amortized over 36 years, the contractual period of the rights. Intangible assets with finite lives are amortized over their useful lives and reviewed at least annually for impairment.

Mining rights, net

Mining rights are capitalized at fair value when acquired, including amounts associated with any value beyond proven and probable reserves, and amortized to operations as depletion expense using the units-of-production method over the estimated proven and probable recoverable tons. The Company's coal reserves are controlled through direct ownership and our VIE's which generally lasts until the recoverable reserves are depleted.

Impairment of long - lived assets

The Company evaluates long-lived tangible and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows, in accordance with the accounting guidance regarding "Disposal of Long-Lived Assets." Recoverability is measured by comparing an asset's carrying value to the related projected undiscounted cash flows generated by the long-lived asset or asset group, considering a number of factors including past operating results, budgets, economic projections, market trends and product development cycles. When the carrying value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third party independent appraisals, as considered necessary.

Long-term investment

Investments in equity securities of privately-held companies in which the Company holds less than 20% voting interest and to which the Company does not have the ability to exercise significant influence are accounted for under the cost method.

Entities in which the Company has the ability to exercise significant influence, but does not have a controlling interest, are accounted for under the equity method. Significant influence is generally considered to exist when the Company has an ownership interest in the voting stock between 20% and 50%, and other factors, such as representation on the board of directors, voting rights and the impact of commercial arrangements, are considered in determining whether the equity method of accounting is appropriate.

The Company evaluates potential impairment whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. For investments carried at cost, the Company recognizes impairment in the event that the carrying value of the investment exceeds the Company's proportionate share of the net book value of the investee.

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Asset retirement cost and obligations

The Company accounts for the asset retirement cost and obligations to retire tangible long-lived assets in accordance with U.S. GAAP, which requires that the Company's legal obligations associated with the retirement of long-lived assets be recognized at fair value at the time the obligations are incurred. Obligations are incurred at the time development of a mine commences for underground mines or construction begins for support facilities, refuse areas and slurry ponds. If an entity has a conditional asset retirement obligation, a liability should be recognized when the fair value of the obligations can be reasonably estimated.

The obligation's fair value is determined using discounted cash flow techniques and is accreted over time to its expected settlement value. Upon initial recognition of a liability, a corresponding amount is capitalized as part of the carrying amount of the related long-lived asset. Amortization of the related asset is calculated on a unit-of-production method by amortizing the total estimated cost over the salable reserves as determined under SEC Industry Guide 7, multiplied by the production during the period.

Asset retirement costs generally include the cost of reclamation (the process of bringing the land back to its natural state after completion of exploration activities) and environmental remediation (the physical activity of taking steps to remediate, or remedy, any environmental damage caused).

In May 2009, the Bureau of Finance and the Bureau of Land and Resource of Henan Province issued regulations on mine environmental control and recovery which require mining companies to file an evaluation report regarding the environmental impacts of mining (the "Evaluation Report") before December 31, 2010. The corresponding authorities would then determine whether to approve the Evaluation Report after performing on-site investigation, and the asset retirement obligation will be determined by the authorities based on the approved filing. Such requirement was extended along with the extension of the provincial mine consolidation schedule. However, such extension date has not been finalized by the related provincial authorities.

The Company did not record such asset retirement obligation as of September 30, 2012 and June 30, 2012 because the Company did not have sufficient information to reasonably estimate the fair value of such obligation. The range of time over which the Company may settle the obligation is unknown and cannot be reasonably estimated. In addition, the settlement method for the obligation cannot be reasonably determined. The amount of the obligation to be determined by the government authorities is affected by several factors, such as the extent of remediation required in and around the mining area, the methods to be used to remediate the mining site, and any government grants which may or may not be credited to the mining companies.

The Company will recognize the liability in the period in which sufficient information is available to reasonably estimate its fair value.

Income taxes

Deferred income taxes are provided on the asset and liability method for temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probably that taxable profit will be available against which deductible temporary differences can be utilized. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it related to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. No significant penalties or interest relating to income taxes have been incurred during the three months ended September 30, 2012, and 2011.

Chinese income taxes

The Company’s subsidiary and VIEs that operate in the PRC are governed by the income tax laws of the PRC and various local income tax laws (the “Income Tax Laws”), and are generally subject to an income tax at a statutory rate of 25% of taxable income, which is based on the net income reported in the statutory financial statements after appropriate tax adjustment.

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Value added tax (“VAT”)

Sales revenue represents the invoiced value of goods, net of VAT. All of the Company’s coal and coke are sold in the PRC and are subject to a Chinese VAT at a rate of 17% of the gross sales price. This VAT may be offset by VAT paid by the Company on raw materials and other materials included in the cost of producing finished products. The Company records VAT payable and VAT receivable net of payments in the consolidated financial statements. The VAT tax return is filed to offset the payables against the receivables.

Warrants liability

A contract is designated as an asset or a liability and is carried at fair value on a company’s balance sheet, with any changes in fair value recorded in a company’s results of operations. The Company then determines which options, warrants and embedded features require liability accounting and records the fair value as a derivative liability. The changes in the values of these instruments are shown in the accompanying unaudited condensed consolidated statements of income and other comprehensive income as “change in fair value of warrants.”

In connection with the Company’s share exchange transaction in February 2010 with Top Favour Limited (“Top Favour”), whereby Top Favour became a wholly-owned subsidiary of the Company (the “Share Exchange”), the Company adopted the provisions of an accounting standard regarding instruments that are indexed to an entity’s own stock. This accounting standard specifies that a contract that would otherwise meet the definition of a derivative but is both (a) indexed to the Company’s own stock and (b) classified in equity in the statement of financial position would not be considered a derivative financial instrument. It provides a new two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer’s own stock and thus able to qualify for the scope exception within the standards. As a result of the adoption of this accounting standard, all warrants issued after the Share Exchange are recorded as a liability because the strike price of such warrants is denominated in U.S. dollars, a currency other than the Company’s functional currency which is denominated in RMB.

All warrants issued before the Share Exchange, which were treated as equity pursuant to the derivative treatment exemption prior to the Share Exchange, are also no longer afforded equity treatment because the strike price of such warrants is denominated in U.S. dollar, a currency other than the Company’s functional currency which is denominated in RMB. Therefore, such warrants are not considered indexed to the Company’s own stock, and as such, all future changes in the fair value of these warrants will be recognized currently in earnings until such warrants are exercised or expire.

Noncontrolling interests

As further discussed in Note 21, noncontrolling interests mainly consist of a 40% equity interest of Xingsheng Coal owned by unrelated parties. For the three months ended September 30, 2012, and 2011, there was no net income or loss attributable to such noncontrolling interests because neither entities were operational during such periods.

Earnings per share

The Company reports earnings per share in accordance with the provisions of ASC – 260 “Earnings Per Share.” This standard requires presentation of basic and diluted earnings per share in conjunction with the disclosure of the methodology used in computing such earnings per share. Basic earnings per share excludes dilution and is computed by dividing income available to common stockholders by the weighted average common shares outstanding during the period. Diluted earnings per share takes into account the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted into common stock. Dilution is computed by applying the treasury stock method. Under this method, option and warrants were assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

Comprehensive income

Accounting standards regarding comprehensive income establishes requirements for the reporting and display of comprehensive income, its components and accumulated balances in a full set of general purpose financial statements. This accounting standard defines comprehensive income to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, it also requires all items to be recognized under current accounting standards as components of comprehensive income be reported in financial statement that is presented with the same prominence as other financial statements. The Company's only current component of comprehensive income is the foreign currency translation adjustments.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. For the three months ended September 30, 2011, the Company reclassified $216,510 from non-operating income to general and administrative expenses and reclassified $19,285 from non-operating expense to provision for income taxes as the natures of these incomes/expenses are related to our operations. The reclassifications did not have any material impact to the accompanying unaudited condensed financial statements.

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Note 3 – Concentration risk

For the three months ended September 30, 2012, 81.5% of the Company's total revenues were from four major customers who individually accounted for 21.0%, 20.6%, 20.4% and 19.5% of total revenues, respectively. Accounts receivable of these four customers were 22.4%, 21.6%, 15.7%, and 22.8% of the total accounts receivable balance at September 30, 2012, respectively. For the three months ended September 30, 2011, 82.6% of the Company's total revenues were from four major customers who individually accounted for 23.6%, 22.0%, 19.2% and 17.8% of total revenues, respectively.

For the three months ended September 30, 2012, five major suppliers provided 62.1% of the Company's total raw material purchases, with each supplier individually accounting for 16.6%, 12.4%, 11.9%, 10.8% and 10.4% of total raw material purchases, respectively. For the three months ended September 30, 2011, four major suppliers provided 52.4% % of total raw material purchases, with each supplier individually accounting for 15.0%, 14.2%, 12.2% and 11.0% of total raw material purchases, respectively. The Company held no accounts payable from its major suppliers as of September 30, 2012 and June 30, 2012.

Note 4 – Loans receivable

On June 8, 2011, Capital Paradise Limited ("CPL"), an unrelated party, borrowed $10,044,200 from Top Favour in an unsecured loan at an annual interest rate of 9.45%, with interest due every six months. The loan matured on June 7, 2012. On June 8, 2012, Top Favour and CPL entered into a supplemental agreement to extend the maturity date to December 7, 2012, and to decrease the interest rate to 7% annually. On June 15, 2011, CPL repaid $86,610 of the loan principal, on July 19, 2011, CPL repaid $1,859,053 of the loan principal, and in August 2012, CPL repaid $316,500 of the loan principal.

In August 2011, Top Favour loaned an additional $801,000 to CPL. This loan is unsecured, interest free, and due on demand. On November 4, 2011, Top Favour entered into a supplement agreement with CPL to extend the loan to November 4, 2012 and to add an annual interest rate of 7%. CPL fully repaid the loan principal on November 7, 2012.

In August and September 2012, Top Favour loaned an additional $350,000 to CPL. This loan is unsecured, interest free, and due on demand.

On February 20, 2012, the Company loaned $950,400 (RMB 6 million) to Pingdingshan Hongfeng Coal Wash Co., Ltd. (“Hongfeng”), an unrelated party. This loan was due on August 20, 2012, was unsecured, and had an annual interest rate of 3.5%. The principal of this loan was settled in full on August 9, 2012 by a note from Hongfeng guaranteed by its bank. The note is due on February 9, 2013.

For the three months ended September 30, 2012 and 2011, interest income from loans receivable amounted to $195,990 and $537,113, respectively.

Note 5 – Other receivables

Other receivables consisted of the following:

	September 30, 2012	June 30, 2012
Receivables from an unrelated company	$370,336	$1,099,910
Advances to employees	145,503	117,394
Interest receivable	118,449	193,119
Miscellaneous	1,644	1,585
Total	$635,932	$1,412,008

For the three months ended September 30, 2012 and 2011, the Company did not write off any uncollectible other receivables.

Note 6 – Inventories

Inventories consisted of the following:

	September 30, 2012	June 30, 2012
Raw materials	$324,879	$244,425
Work in process	1,506,239	315,143

Supplies	91,136	55,043
Finished goods	1,620,836	1,767,833
Total	$3,543,090	$2,382,444

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Note 7 – Advances to suppliers

Advances to suppliers are monies deposited with or advanced to unrelated vendors for future inventory purchases, which consist mainly of raw coal purchases. Most of the Company's vendors require a certain amount of funds to be deposited with them as a guarantee that the Company will receive its purchases on a timely basis and with favorable pricing.

Advances to suppliers as of September 30, 2012 and June 30, 2012 amounted to $7,344,232 and $12,267,806, respectively. For the three months ended September 30, 2012 and 2011, the Company did not write off any uncollectible advances to suppliers.

Note 8 – Prepaid expenses

Prepaid expenses consisted of the following:

	September 30, 2012	June 30, 2012
Prepaid interest	$ 391,298	$ 620,995
Prepaid rental	-	11,745
Miscellaneous	572	573
Total	$ 391,870	$ 633,313

Prepaid interest arose from the Company's loans from Bairui Trust Co., Ltd. ("Bairui") (see Note 14). As required by its supplemental loan agreement with Bairui, the Company prepaid one year of interest on April 2, 2012, the beginning date of the loans per the supplemental loan agreement, at an annual interest rate of 1.5%, and is required to pay the remaining 4.8% annual interest on a monthly basis.

Note 9 – Prepayments

Prepayments consisted of the following:

	September 30, 2012	June 30, 2012
Land use rights	$11,089,513	$11,110,556
Construction	49,546,002	24,961,297
Total	$60,635,515	$36,071,853

Prepayments for land use rights

Prepayments for land use rights are monies advanced in connection with acquiring land use rights to expand the site of the Company's new coking plant that is still under construction. Such prepayments were paid to the former occupants of the land underlying the land use rights, and are not refundable. As of September 30, 2012 and June 30, 2012, prepayments for land use rights amounted to $11,089,513 and $11,110,556, respectively. The Company is in the process of registering the land use right certificates with Pingdingshan Bureau of Land and Resources Department and expects to complete such registrations by December 31, 2012, at an estimated total cost of $11,549,205 (RMB 73,050,000).

Prepayments for construction

Prepayments for construction consisted of the following:

	September 30, 2012	June 30, 2012
Baofeng new coking plant (1)	$20,487,222	$20,526,097
Hongchang new mining tunnels (2)	1,264,800	1,267,200
Hongchang safety instruments (3)	3,162,000	3,168,000
Xingsheng safety instruments (4)	13,770,510	-
Hongchang mine consolidation (5)	10,861,470	-
Total	$49,546,002	$24,961,297

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Prepayments for construction are mainly cash advanced to contractors and equipment suppliers in connection with the Company's new coking plant under construction, tunnel improvement at the Company's Hongchang coal mine, safety instruments upgrades at Hongchang coal mine, safety instruments upgrades at Xingsheng coal mine and the construction related to the consolidation of the Hongchang coal mine, Shunli coal mine and Shuangrui coal mine.

(1) At September 30, 2012, the Company has made prepayments of approximately $20.5 million (RMB 129.6 million) toward construction of its new coking plant.

(2) The Company made prepayments of approximately $1.26 million (RMB 8 million) during the year ended June 30, 2010 for constructing new mining tunnels. As of September 30, 2012, this project had not commenced. The Company expects to start this project in late 2012.

(3) The Company made prepayments of approximately $3.16 million (RMB 20 million) during May 2012 for upgrading the safety instruments at the Hongchang coal mine. As of September 30, 2012, this project had not commenced. The Company expects to complete this project in the middle of 2013.

(4) The Company made prepayments of approximately $13.8 million (RMB 87.1 million) during August and September 2012 for upgrading the safety instruments at the Xingsheng coal mine. As of September 30, 2012, this project had not commenced. The Company expects to complete this project in the middle of 2013.

(5) The Company made prepayments of approximately $10.9 million (RMB 68.7 million) during August and September 2012 for consolidating the Hongchang coal mine, Shunli coal mine and Shuangrui coal mine. As of September 30, 2012, this project had not commenced. The Company expects to complete this project in the middle of 2013.

Note 10 –Plant and equipment, net

Plant and equipment consisted of the following:

	September 30, 2012	June 30, 2012

Buildings and improvements	$10,813,457	$10,833,976
Mine development cost	11,424,357	11,446,035
Machinery and equipment	7,307,099	7,320,964
Other equipment	436,559	436,810
Total	29,981,472	30,037,785
Less accumulated depreciation	(14,119,659)	(13,825,801)
Total plant and equipment, net	$15,861,813	$16,211,984

Depreciation expense amounted to $320,043, and $421,287 for the three months ended September 30, 2012, and 2011, respectively. No depreciation expense was incurred for mining-related assets due to the shutdown of all coal mine operations in September 2011.

Note 11 – Construction in progress

Construction in progress at September 30, 2012 and June 30, 2012 amounted to $39,304,970 and $39,379,553, respectively. Construction in progress was related to the new coking plant. No depreciation is provided for construction in progress until such time the assets are completed and placed into service.

Project	Total as of September 30, 2012	Estimated cost to complete	Estimated total cost	Estimated completion date
New coking plant	$ 39,304,970	$ 26,214,248	$65,519,218	June 2013

Note 12 – Intangible assets

Intangible assets consisted of land use rights and mining rights, which consisted of the following:

	September 30, 2012	June 30, 2012
Land use rights	$2,478,550	$2,483,253
Mining rights	42,913,446	42,994,875
Total intangible assets	45,391,996	45,478,128
Accumulated amortization – land use rights	(602,425)	(586,323)
Accumulated depletion – mining rights	(13,231,211)	(13,256,318)
Total intangible assets, net	$31,558,360	$31,635,487

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Amortization expense for the three months ended September 30, 2012 and 2011 amounted to $17,212, and $16,973, respectively. Depletion expense for the three months ended September 30, 2012 and 2011 amounted to $0, and $219,848, respectively. Depletion expenses were charged to cost of revenue in the period incurred using the unit-of-production method. No depletion was incurred due to the shutdown of all coal mine operations since September 2011.

Amortization expense of the land use rights for the next five years and thereafter is as follows:

Year ending June 30,	Amortization Expense
2013	$ 51,636
2014	68,849
2015	68,849
2016	68,849
2017	68,849
Thereafter	1,549,094
Total	$ 1,876,126

Note 13 – Long-term investments

Long-term investments consisted of investments accounted for using the cost and equity methods.

In February 2011, the Company invested approximately $1.2 million (RMB 8 million) in Pingdingshan Xinhua District Rural Cooperative Bank ("Cooperative Bank"). This investment represents an approximately 2.86% interest in Cooperative Bank, and is accounted for under the cost method.

In April 2011, Hongyuan CSG was established by Zhonghong (49%) and Henan Coal Seam Gas (51%) as a joint venture. The total registered capital of Hongyuan CSG is approximately $15.47 million (RMB 100 million). As of June 30, 2012, approximately $3.09 million (RMB 20 million) of the registered capital was funded, of which $1.5 million (RMB 9.8 million) was paid by Zhonghong. The remaining registered capital is due on April 20, 2013, of which approximately $6.0 million (RMB 39.2 million) will be paid by Zhonghong. Zhonghong's investment in

Hongyuan CSG is accounted for under the equity method. For the three months ended September 30, 2012 and 2011, Hongyuan CSG was inactive.

For the three months ended September 30, 2012 and 2011, there was no equity investment income (loss).

Note 14 – Loans

Short-term loans

On June 16, 2011, Hongyuan entered a one-year loan agreement with Shanghai Pudong Development bank ("SPDB") to borrow $4,950,400 (RMB 32 million) with a per annum interest rate of 6.435%. The collateral for this bank loan was pledged by Top Favour through a bank deposit with SPDB of $6 million with an annual interest rate of 1.3%, which is classified as restricted cash; the loan was guaranteed by the Company's CEO. The loan was paid off on September 14, 2011, and Hongyuan renewed the loan for another year with SPDB to borrow $5,033,600 (RMB 32 million) with per annum interest rate of 6.71%. On March 15, 2012, the loan was paid off and Hongyuan entered into a new loan agreement and borrowed $5,702,400 (RMB 36,000,000) for one year with a per annum interest rate of 7.22%. The collateral for this bank loan was pledged by Top Favour through a bank deposit with SPDB of $6.5 million with an annual interest rate of 1.3%. The new loan is guaranteed by the Company's CEO.

On November 30, 2011, the Company entered into a supplemental agreement with Bairui Trust Co., Ltd., an unrelated party ("Bairui"), and $20,553,000 (RMB 130 million) of the long term loan from Bairui was reclassified to a short term loan (see "Long-term loans" below).

As of September 30, 2012 and June 30, 2012, the balance of short-term loans amounted to $26,244,600 and $26,294,400, respectively.

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Long-term loans

Long-term loans represent amounts due to unrelated lenders and mature over one year.

On April 2, 2011, Hongli entered into a loan agreement with Bairui pursuant to which Bairui agreed to loan Hongli the sum of approximately $56.9 million (RMB 360 million) with annual interest of 6.3%, of which approximately $28.5 million (RMB 180 million) is due on April 2, 2013, and approximately $28.5 million (RMB 180 million) on April 2, 2014. The loan was issued on April 3, 2011 and guaranteed by Hongyuan and the Company's CEO.

On November 30, 2011, the Company entered into a supplemental agreement with Bairui to revise the terms of the prior agreement. As supplemented, approximately $4.7 million (RMB 30 million) with annual interest of 6.3% became due on October 2, 2012, approximately $15.8 million (RMB 100 million) with annual interest of 6.3%, is now due on April 2, 2013, approximately $7.9 million (RMB 50 million) with annual interest of 6.3% is now due on October 2, 2013, and approximately $28.5 million (RMB 180 million) with annual interest of 6.3% became now due on April 2, 2014. For the $4.7 million (RMB 30 million) principal payment that became due on October 2, 2012, the Company entered into another supplemental agreement with Bairui on October 8, 2012 to extend the principal payment due date to April 2, 2013 with an annual interest rate of 8.7% starting from October 3, 2012.

As of September 30, 2012 and June 30, 2012, the balance of long-term loans amounted to $36,363,000 and $36,432,000, respectively.

Weighted average interest rate of the short-term and long-term loans was 6.34% and 5.03% for the three months ended September 30, 2012 and 2011, respectively. Total interest expense on short-term and long-term loans for the three months ended September 30, 2012 and 2011 amounted to $1,021,604 and $763,497, respectively, of which $0 and $347,938 was capitalized into CIP, respectively.

Note 15 – Notes payable

Notes payable represents lines of credit extended by banks. When purchasing raw materials, the Company often issues a short term note payable to the vendor funded with draws on such lines of credit. The short term note payable is guaranteed by the banks for its complete face value through a letter of credit and matures within three to six months of issuance.

On March 19, 2012, the Company entered into another note payable agreement with SPDB. Pursuant to the agreement, SPDB agreed to grant a line of credit of $1,581,000 (RMB 10 million) maturing on September 21, 2012, to the Company to purchase raw coal. SPDB requires the Company to deposit 100% of the note payable balance as a guarantee deposit, which is classified on the balance sheet as restricted cash. In addition, the note payable is guaranteed by the Company's CEO and Hongli. SPDB charges processing fees based on 0.05% of the face value of the notes. This note payable was satisfied on September 22, 2012.

On April 25, 2012, the Company entered into another note payable agreement with SPDB. Pursuant to the agreement, SPDB agreed to grant a line of credit of $3,162,000 (RMB 20 million) maturing on October 25, 2012, to the Company to purchase raw coal. SPDB requires the Company to deposit 50% of the notes payable balance as a guarantee deposit, which is classified on the balance sheet as restricted cash. In addition, the note payable is guaranteed by the Company's CEO and Hongli. SPDB charges processing fees based on 0.05% of the face value of the notes. The Company fully paid this note payable on October 25, 2012.

Note 16 – Other payables and accrued liabilities

Other payables mainly consisted of accrued salaries, utilities, professional services, and other general and administrative expenses.

Other payables and accrued liabilities consisted of the following:

	September 30, 2012	June 30, 2012
Other payables	$ 502,404	$ 571,919
Accrued liabilities	375,926	230,109
Total	$ 878,330	$ 802,028

Note 17 – Acquisition payables

On August 10, 2010, Hongli acquired 60% of the equity interest of Shuangrui Coal. During the year ended June 30, 2012, Hongli agreed to acquire the remaining 40% of Shuangrui Coal's equity interest. The title of the remaining 40% equity interest of Shuangrui Coal was transferred to Hongli, and Hongli has full control of Shuangrui Coal at June 30, 2012. The purchase price of the remaining 40% equity interest was tentatively set at approximately $4,426,800 (RMB 28 million) subject to certain price adjustments to be finalizing at the closing. As of September 30, 2012 and June 30, 2012, acquisition payable was $4,584,900 and $4,593,600, respectively, which represented the accrued purchase price of Shuangrui Coal (see Note 21).

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Note 18 – Taxes

Income tax

SinoCoking is subject to the United States federal income tax provisions. Top Favour is a tax-exempt company incorporated in the British Virgin Islands. All of the Company's businesses are conducted by its PRC subsidiary and VIEs, namely Hongyuan, Hongli, Baofeng Coking, Hongchang Coal, Shunli Coal, Xingsheng Coal, Shuangrui Coal, Hongguang Power and Zhonghong.

Hongyuan, Hongli, Baofeng Coking, Hongguang Power, Shunli Coal, Xingsheng Coal, Shuangrui Coal and Zhonghong are subject to 25% enterprise income tax rate in China.

Hongchang Coal has not been required to pay income tax since its operations were halted in September 2011.

The estimated tax savings due to the foregoing reduced tax rate amounted to $0 and $319,376 for the three months ended September 30, 2012 and 2011, respectively. If the statutory income tax had been applied, the basic and diluted earnings per share remains at $0.03 for the three months ended September 30, 2012, respectively, and decreased basic and diluted earnings per share from $0.39 to $0.38 for the three months ended September 30, 2011, respectively.

The provision for income taxes consisted of the following:

	For the three months ended September 30,	
	2012	2011
U.S. current income tax expense	$-	$-
BVI current income tax expense	-	-
PRC current income tax expense	381,256	1,495,669
Total	$381,256	$1,495,669

SinoCoking is incorporated in the U.S. and has incurred a net operating loss for income tax purposes for 2012. As of September 30, 2012, the estimated net operating loss carryforwards for U.S. income tax purposes was approximately $1,967,000, which may be available to reduce future years' taxable income. The net operating loss carry forward will expire through 2032 if not utilized. Management believes that the realization of the benefits arising from this loss appears to be uncertain due to the Company's limited operating history and continuing losses for U.S. income tax purposes. Accordingly, the Company has provided a 100% valuation allowance at September 30, 2012 and 2011, respectively. The Company's management reviews this valuation allowance periodically and makes adjustments as necessary.

The following table reconciles the valuation allowance and consisted of the following:

	For the three months ended September 30,	
	2012	2011
Beginning balance	$620,000	$460,000
Additions	47,000	48,000
Deductions	-	-
Ending balance	$667,000	$508,000

The Company has cumulative undistributed earnings of foreign subsidiaries of approximately $43.1 million as of September 30, 2012, which was included in consolidated retained earnings and will continue to be reinvested in its operations in China. Accordingly, no provision has been made for U.S. deferred taxes related to future repatriation of these earnings, nor is it practicable to estimate the amount of income taxes that would have to be provided if we concluded that such earnings will be remitted in the future.

Value added tax

The Company incurred VAT on sales and VAT on purchases in the PRC amounting to $2,989,590 and $2,755,233 for the three months ended September 30, 2012, respectively, and $4,252,029 and $3,201,915 for the three months ended September 30, 2011, respectively.

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Sales and purchases are recorded net of VAT collected and paid, as the Company acts as an agent for the government.

Taxes payable

Taxes payable consisted of the followings:

	September 30, 2012	June 30, 2012
VAT	$70,366	$499,658
Income tax	680,065	814,217
Others	164,550	208,187
Total	$914,981	$1,522,062

Note 19 – Capital transactions

Increase of registered capital in Hongli

As required by the local government and in order for Hongli to retain its coal trading license, Hongli increased its registered capital by $3,050,000 (RMB 20 million). The increased amount was paid by Hongli's equity owners on August 26, 2010. The registration for the registered capital increase was completed as of September 30, 2011.

Options

2002 Stock Option Plan for Directors

In 2002, the Board of Directors adopted the 2002 Stock Option Plan for Directors (the "Directors Plan"). The purpose of the Directors Plan is to attract and retain the services of experienced and knowledgeable individuals to serve as its directors. On the date the Directors Plan was adopted, the total number of shares of common stock subject to it was 11,057. This number of shares may be increased on the first day of January of each year so that the common stock available for awards will equal 5% of the common stock outstanding on that date, provided, however, that the number of shares included in the Directors Plan may not exceed more than 10% of all shares of common stock outstanding. The Directors Plan is administered by the Board of Directors, or any Committee that may be authorized by the Board of Directors. The grant of an option under the Directors Plan is discretionary. The exercise price of an option must be the fair market value of the common stock on the date of grant. An option grant may be subject to vesting conditions. Options may be exercised in cash, or with shares of the common stock of the registrant already owned by the person. The term of an option granted pursuant to the Directors Plan may not be more than 10 years.

2002 Consultant Stock Plan

In 2002 the Board of Directors adopted the 2002 Consultant Stock Plan (the "Consultants Plan"). The purpose of the Consultants Plan is to be able to offer consultants and others who provide services to the registrant the opportunity to participate in the registrant's growth by paying for such services with equity awards. The Consultants Plan is administered by the Board of Directors, or any Committee that may be authorized by the Board of Directors. Persons eligible for awards under the Consultants Plan may receive options to purchase common stock, stock awards or stock restricted by vesting conditions. The exercise price of an option must be no less than 85% of the fair market value of the common stock on the date of grant. An option grant may be subject to vesting conditions. Options may be exercised in cash, or with shares of the common stock of the registrant already owned by the person or with a fully recourse promissory note, subject to applicable law. The term of an option granted pursuant to the Consultants Plan may not be more than 10 years.

1999 Stock Option Plan

In 1999 the Board of Directors adopted the 1999 Stock Option Plan (the "Option Plan"). The purpose of the Option Plan is to enable the Company retain the services of employees and consultants and others who are valuable to the registrant and to offer incentives to such persons to achieve the objectives of the registrant's shareholders. The total number of shares of common stock subject to the Option Plan is 45,417. The Option Plan is administered by the Board of Directors, or any Committee that may be authorized by the Board of Directors. Employees eligible for awards under the Option Plan may receive incentive options to purchase common stock. If a recipient does not receive an incentive option, he or she will receive a non-qualified stock option. The exercise price of an option must be no less than the fair market value of the common stock on the date of grant, unless the recipient of an award owns 10% or more of the registrant's common stock, in which case the exercise price of an incentive stock option must not be less than 110% of the fair market value. An option grant may be subject to vesting conditions. Options may be exercised in cash, or with shares of the common stock of the registrant already owned by the recipient of the award. The term of an option granted pursuant to the Option Plan may not be more than five years if the option is an incentive option granted to a recipient who owns 10% or more of the registrant's common stock, or 10 years for all other recipients and for recipients of non-qualified stock options.

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Under the Directors Plan, there were outstanding options exercisable to 4,792 shares of the Company's common stock. Options exercisable for 1,666 shares of the Company's common stock were granted on October 11, 2002, with an exercise price of $36.00 per share and an expiration date of October 15, 2012. Options exercisable for 3,126 shares of the Company's common stock were granted on November 16, 2004, with an exercise price of $96.00 per share and an expiration date of November 16, 2014.

Under the Option Plan, there were outstanding options exercisable to 6,332 shares of the Company's common stock. Options exercisable for 6,059 shares of the Company's common stock were granted on November 14, 2004, with an exercise price of $96.00 per share and an expiration date of November 14, 2014. These outstanding options were fully vested before the completion of the Share Exchange on February 5, 2010, and no additional options had been granted.

In May 2012, the Company issued 30,424 shares of restricted common stock for consulting services, for total expense of $150,000.

The following consisted of the outstanding and exercisable options at September 30, 2012

Outstanding Options			Exercisable Options		
Number Of Options	Average Remaining Contract Life	Average Exercise Price	Number of Options	Average Remaining Contractual Life	Average Exercise Price
10,851	1.81 years	$ 86.79	10,851	1.81 years	$ 86.79

A summary of changes in options activity is presented as follows:

	Options
Outstanding, September 30, 2011	10,851
Granted	-
Forfeited	-
Exercised	-

Outstanding, June 30, 2012	10,851
Granted	-
Forfeited	-
Exercised	-
Outstanding, September 30, 2012	10,851

Warrants

In connection with its equity financing, the Company issued warrants exercisable into 4,039,636 shares of the Company's common stock. In addition, the Company had existing warrants exercisable into 36,973 shares of the Company's common stock ("Existing warrants") outstanding on February 5, 2010.

On July 1, 2010, the Company granted callable warrants exercisable for 50,000 shares of the Company's common stock in exchange for consulting service. These warrants expire on July 1, 2015 with an exercise price of $20.00, and such exercise price was modified to $15.00 in March 2011. The fair value of these warrants was $325,285, and was charged to general and administrative expense for the year ended June 30, 2011.

The Company follows the provisions of U.S. GAAP regarding instruments that are indexed to an entity's own stock. This accounting standard specifies that a contract that would otherwise meet the definition of a derivative but is both (a) indexed to the Company's own stock and (b) classified in stockholders' equity in the statement of financial position would not be considered a derivative financial instrument. It provides a two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer's own stock and thus able to qualify for the scope exception within the standards.

As a result, the Company's warrants are not afforded equity treatment because their strike price is denominated in U.S. dollar, a currency other than the Company's functional currency RMB, and are therefore not considered indexed to the Company's own stock, and as such, all changes in the fair value of such warrants are recognized currently in earnings until such time as such warrants are exercised or expire.

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As of September 30, 2012 and June 30, 2012, warrants that were exercisable into 3,906,853 shares of the Company's common stock were recorded as derivative instruments. The value of warrant liabilities was $43,118 and $716,648 at September 30, 2012 and June 30, 2012, respectively. The decrease in fair value of warrants was $673,530 for the three months ended September 30, 2012, and was recorded as gain on change in fair value of warrants. The decrease in fair value of warrants was $3,019,722 and was recorded as gain on change in fair value of warrants for the three months ended September 30, 2011.

A summary of changes in warrant activity is presented as follows:

	Existing warrants at $48.00 (1)	Investor warrants at $12.00 (2)	Callable warrants at $12.00 (3)(6)	Callable warrants at $6.00 (4)(6)	Callable warrants at $15.00 (5)(6)	Total
Outstanding, September 30, 2011	36,973	590,446	3,199,190	30,244	50,000	3,906,853
Granted	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Outstanding, June 30, 2012	36,973	590,446	3,199,190	30,244	50,000	3,906,853
Granted	-		-	-	-	-
Forfeited	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Outstanding September 30, 2012	36,973	590,446	3,199,190	30,244	50,000	3,906,853

(1) The warrants underlying 36,973 shares of the Company's common stock are exercisable at any time until April 9, 2017, with remaining contractual term of 4.53 years as of September 30, 2012

(2) The warrants underlying 590,446 shares of the Company's common stock are exercisable at any time until February 5, 2015, with remaining contractual term of 2.35 years as of September 30, 2012.

(3) The warrants underlying 3,082,027 and 117,163 shares of the Company's common stock are exercisable at any time until March 11, 2015 and March 18, 2015, respectively, with remaining contractual term of 2.44 and 2.46 years as of September 30, 2012, respectively.

(4) The warrants underlying 30,244 shares of the Company's common stock are exercisable until March 11, 2015, with remaining contractual term of 2.44 years as of September 30, 2012.

(5) The warrants underlying 50,000 shares of the Company's common stock are exercisable until July 1, 2015, with remaining contractual terms of 2.75 years as of September 30, 2012.

(6) The callable warrants are exercisable for a period of five years from the date of issuance, and are callable at the Company's election six months after the date of issuance if the Company's common stock trades at a price equal to at least 150% of the exercise price with an average trading volume of at least 150,000 shares of common stock (as adjusted for any stock splits, stock dividends, combination and the like) per trading date for at least 10 consecutive trading days, and the underlying shares of common stock are registered.

Note 20 – Earnings per share

The following is a reconciliation of the basic and diluted earnings per share computation:

	For the three months ended September 30,	
	2012	2011
Net income for earnings per share	$659,913	$8,308,713
Weighted average shares used in basic and diluted computation	21,121,372	21,090,948
Earnings per share – Basic and Diluted	$0.03	$0.39

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The Company had warrants and options exercisable for 3,917,704 shares of the Company's common stock in the aggregate at September 30, 2012 and 2011, respectively. For the three months ended September 30, 2012 and 2011, all outstanding options were excluded from the diluted earnings per share calculation since they are anti-dilutive.

Note 21- Coal mine acquisitions

On May 20, 2011, the Company acquired 60% of the equity interests of Shuangrui Coal and Xingsheng Coal, and 100% of the equity interests of Shunli Coal.

In August and September 2011, the Company entered into supplemental agreements with the sellers of these three companies (collectively the "Supplement Agreements") to memorialize certain agreed terms that were not reflected in the original purchase agreements. Specifically, all assets and liabilities of each company on or before the closing of the Company's acquisition, other than such company's mining rights, would be disposed of and assumed by the sellers as soon as practicable. At June 30, 2011, the Company's acquisition of these three companies included only their mining rights, as all other assets and liabilities were being disposed of by the sellers, and none of the three companies was operational. Therefore, the operating results of these three companies (other than with respect to their mining rights) from May 20, 2011 through September 30, 2012, which were mainly from disposing assets and liabilities (other than their mining rights), are not included in the accompanying unaudited condensed consolidated financial statements.

Although the Company has acquired the equity interests of these three entities, the parties' intention, as memorialized in the Supplemental Agreements, is for the Company to acquire only their mining rights while all other assets and liabilities remain with the sellers. Thus, the respective purchase prices have been allocated solely to the mining rights.

Acquisition of Shuangrui Coal

On August 10, 2010, Hongli entered into an equity purchase agreement to acquire 60% of equity interests of Shuangrui Coal, which operates Shuangrui coal mine, for a consideration of approximately $6.4 million (RMB 42 million), payable in cash. Transfer of such equity interests to Hongli, and registration of such transfer with the appropriate PRC authorities, were completed on May 20, 2011. As a result, Hongli owns 60% of the equity interests of Shuangrui Coal, with the remaining 40% owned by the sellers. As memorialized in the Supplement Agreement with the sellers, all assets and liabilities of Shuangrui Coal at the time of Hongli's acquisition, other than its mining rights, are to be disposed of and/or assumed by the sellers. As such, Hongli's acquisition consideration is equivalent to the purchase price for 60% ownership of Shuangrui's mining rights. As of September 30, 2012, $6.3 million (RMB 41 million) of the purchase price was paid, with the balance of approximately $158,000 (RMB 1 million) to be paid by the company for 60% equity interests. During the year ended June 30, 2012, both Hongli and Shuangrui Coal's sellers entered into an agreement to transfer the remaining 40% of Shuangrui to Hongli, with Hongli then transferring 100% of the ownership of Shuangrui to Hongchang. The ownership transfer was completed on June 20, 2012. As a result, the Company accrued $4,435,200 (RMB 28 million) payable to Shuangrui Coal's sellers (see Note 17).

Acquisition of Xingsheng Coal

On August 10, 2010, Hongli entered into an equity purchase agreement to acquire 60% of equity interests of Xingsheng Coal, which operates the Xingsheng Mine, for a consideration of approximately $6.4 million (RMB 42 million), payable in cash. Transfer of such equity interests to Hongli, and registration of such transfer with the appropriate PRC authorities, were completed on May 20, 2011. As a result, Hongli owns 60% of the equity interests of Xingsheng Coal, with the remaining 40% owned by the sellers. As memorialized in the Supplement Agreement with the sellers, all assets and liabilities of Xingsheng Coal at the time of Hongli's acquisition, other than its mining rights, are to be disposed of and/or assumed by the sellers. As such, Hongli's acquisition consideration is equivalent to the purchase price for 60% ownership of Xingsheng's mining rights. The purchase price was paid in full in June 2011.

Acquisition of Shunli Coal

On May 19, 2011, Hongchang Coal entered into an equity purchase agreement to acquire 100% of equity interests of Shunli Coal, which operates the Shunli Mine, for a consideration of approximately $6.4 million (RMB 42 million), payable in cash. Transfer of such equity interests to Hongchang, and registration of such transfer with the appropriate PRC authorities, were completed on May 20, 2011. As a result, Hongchang owns 100% of the equity interests of Shunli Coal. As memorialized in the Supplement Agreement with the sellers, all assets and liabilities of Shunli Coal at the time of Hongli's acquisition, other than its mining rights, were to be disposed of and/or are assumed by the sellers. As such, Hongli's acquisition consideration is equivalent to the purchase price for 100% ownership of Shunli's mining rights. The purchase price was paid in full in June 2011.

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Since the initial accounting for these acquisitions were for the mining rights only, the entire purchase price was allocated to the mining rights. The mining rights acquired are not being amortized because the businesses have not commenced any operations since their acquisitions.

Note 22 – Commitments and contingencies

Lease agreement

In April 2010, the Company entered into a lease agreement to lease three office units in Beijing from June 15, 2010 to June 14, 2013, with monthly lease payments of $22,688 (RMB 145,529) and monthly management fees of $4,003 (RMB 25,681). On August 12, 2010, the Company renewed the lease agreement to relocate the office units and lease the new units from August 15, 2010 to June 14, 2013, with monthly lease payments of $10,845 (RMB 69,565) and monthly management fee of $1,914 (RMB 12,276). The prior lease was terminated on August 14, 2010.

In August 2011, the Company entered into another lease agreement for three different office units within the same building to replace the above lease. The new lease is from September 15, 2011 to June 14, 2013, with monthly lease payments of $7,258 (RMB 46,565) and monthly management fees of $1,281 (RMB 8,184). The prior lease agreement was terminated on September 14, 2011.

Zhonghong is leasing an office place in Zhengzhou from February 25, 2011 to August 24, 2013, with monthly lease payments of $5,780 (RMB 37,075).

For the three months ended September 31, 2012, and 2011, lease expenses were $29,190, and $60,215, respectively.

As of September 30, 2012, total future minimum lease payments for the unpaid portion under an operating lease were as follows:

Year ending June 30,	Amount
2013	$127,205
2014	10,551
Total	$137,756

Purchase commitment

The Company entered into several contracts with contractors and suppliers for the following projects:

	Aggregate contract amount	Payments made	Purchase commitment
Baofeng new coking plant	$64,800,890	$58,061,973	$6,738,917
Hongchang new mining tunnels	1,517,760	1,264,800	252,960
Hongchang safety instruments	15,810,000	3,162,000	12,648,000
Xingsheng safety instruments	19,150,653	13,770,510	5,380,143
Hongchang mine consolidation	32,016,831	10,861,470	21,155,361
Total	$133,296,134	$87,120,753	$46,175,381

The Company has signed annual purchase agreements with its vendors to supply coal to be delivered based on the quarterly demand. For the calendar year ended December 31, 2012, the aggregate purchase contract amount was approximately $98.3 million (RMB 621.8 million). The Company has purchased approximately $48.2 million (RMB 304.8 million) during the nine months ended September 30, 2012, with the remaining approximately $50.1 million (RMB 317.0 million) to be paid based on purchase contracts.

Note 23 – Statutory reserves

The laws and regulations of the PRC require that before foreign invested enterprise can legally distribute profits, it must first satisfy all tax liabilities, provide for losses in previous years, and make allocations, in proportions determined at the discretion of the board of directors, after the statutory reserves. The statutory reserves include the statutory surplus reserve fund and the enterprise expansion fund.

Each of the Company's subsidiary and VIEs in the PRC is required to transfer 10% of its net income, as determined in accordance with the PRC Company Law, to a statutory surplus reserve fund until such reserve balance reaches 50% of each such entity's registered capital. The transfer must be made before distribution of any dividends to shareholders. The surplus reserve fund is non-distributable other than during liquidation and can be used to fund previous years' losses, if any, and may be utilized for business expansion or converted into share capital by issuing new shares to existing shareholders in proportion to their shareholdings or by increasing the par value of the shares currently held by them, provided that the remaining reserve balance after such issue is not less than 25% of the registered capital.

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The enterprise fund may be used to acquire plant and equipment or to increase the working capital to expend on production and operation of the business. No minimum contribution is required

As of September 30, 2012, the statutory surplus reserves of Hongchang Coal and Hongli had reached 50% of each entity's registered capital. Hongguang Power did not make any contribution to the statutory reserve due to its net operating loss. Zhonghong and Hongrun did not make any contribution to the statutory reserves as neither entity had operations as of September 30, 2012. Shuangrui Coal, Xingsheng Coal and Shunli Coal did not make any contribution to the statutory reserve due to their respective operating losses.

Hongchang Coal is required by the PRC government to reserve safety and maintenance expense to the cost of production based on the actual quantity of coal exploited. The amount of reserves is determined within the unit price range provided by Ministry of Finance of PRC. Currently, Hongchang Coal reserves at RMB 6 per metric ton for safety expense and RMB 8.5 per metric ton for maintenance expense. Shuangrui Coal, Xingsheng Coal and Shunli Coal had no special reserve as of September 30, 2012.

The component of statutory reserves and the future contributions required pursuant to PRC Company Law are as follows:

	September 30, 2012	June 30, 2012	50% of registered capital	Future contributions required as of September 30, 2012
Hongli	$2,067,215	$ 2,067,215	$2,064,905	$ -
Hongguang Power	-	-	1,514,590	1,514,590
Hongchang Coal	218,361	218,361	218,361	-
Shuangrui Coal	-	-	310,105	310,105
Xingsheng Coal	-	-	279,682	279,682
Hongrun	-	-	2,310,000	2,310,000
Hongyuan	-	-	1,500,000	1,500,000
Zhonghong	-	-	1,521,990	1,521,990
Statutory surplus reserve	2,285,576	2,285,576	9,719,633	7,436,367
Mine reproduction reserve	1,404,365	1,404,365	-	-
Total	$3,689,941	$ 3,689,941	$9,719,633	$ 7,436,367

Note 24 – Related party transactions

Other payables-related parties represented advances from its CEO. Advances from the CEO amounted to $188,829 and $156,227 at September 30, 2012 and June 30, 2012, respectively. Such advances are interest free, due on demand and will be settled in cash payments.

Note 25 – Revenues by products

The Company considers itself, including its coal mining and coking operations and the sales of its coal and coke products, to be operating within one reportable segment. All of the Company's products are sold within the PRC. Major products and respective are summarized as follows:

	For the three months ended September 30,	
	2012	2011
Coke	$9,220,237	$10,145,826
Coal tar	367,481	701,795
Raw coal	924,461	3,019,933
Washed coal	7,050,015	8,283,780
Total	$17,562,194	$22,151,334

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the results of our operations and financial condition for the three months ended September 30, 2012 and 2011 should be read in conjunction with our financial statements and the notes thereto that are included elsewhere in this report. All monetary figures are presented in U.S. dollars, unless otherwise indicated.

Overview

We are a vertically-integrated coal and coke producer based in Henan Province, People's Republic of China ("China" or "PRC"). We use coal that we extract and buy to produce basic and value-added coal products including raw (unprocessed) coal, washed coal, medium coal and coal slurries (by-products of the coal-washing process), and coke products including chemical and metallurgical coke and coal tar (a by-product of the coke manufacturing process).

Our business operations are conducted through Henan Province Pingdingshan Hongli Coal & Coke Co., Ltd. ("Hongli"), a PRC company that we control by a series of contractual arrangements between Hongli and Pingdingshan Hongyuan Energy Science and Technology Development Co., Ltd. ("Hongyuan"). Hongyuan is a PRC company wholly-owned by Top Favour Limited, a British Virgin Island company and our wholly-owned subsidiary.

As of September 30, 2012, our coke related activities were carried out by Hongli's branch operation, Baofeng Coking Factory ("Baofeng Coking"), coal related activities by three of Hongli's subsidiaries, namely Baofeng Hongchang Coal Co., Ltd. ("Hongchang Coal"), Baofeng Shuangrui Coal Mining Co., Ltd. ("Shuangrui Coal") and Baofeng Xingsheng Coal Mining Co., Ltd. ("Xingsheng Coal"), and electricity generation by another Hongli subsidiary, Baofeng Hongguang Environment Protection Electricity Generating Co., Ltd. ("Hongguang Power"). Baofeng Shunli Coal Mining Co., Ltd. ("Shunli Coal"), the operator of Shunli coal mine and which we acquired in May 2011, was dissolved in July 2012, and we are in the process of transferring its mines assets to, and consolidating them, under Hongchang Coal.

The coal-related activities for the periods discussed below are those of Hongchang Coal only, although its mining operations were halted in September 2011. Our other coal mine companies have halted operations since the provincial-wide mining moratorium was imposed in June 2010. As of the date of this report, although we expect the mining moratorium will end sometime in the first half of the 2013 calendar year, there can be no assurance as to exactly when the mining moratorium will be lifted, or when we can resume our mining operations, if at all.

We intend to transfer all coal related activities to the joint-venture established with Henan Province Coal Seam Gas Development and Utilization Co., Ltd. ("Henan Coal Seam Gas"), a state-owned enterprise and qualified provincial-level coal mine consolidator. The joint-venture, Henan Hongyuan Coal Seam Gas Engineering Technology Co., Ltd. ("Hongyuan CSG"), has been established, although our planned transfer of coal related activities to Hongyuan CSG has not been carried out as of the date of this report.

Our interests in Hongyuan CSG are held by Henan Zhonghong Energy Investment Co., Ltd. ("Zhonghong"), a company established in December 2010 and which equity interests are presently held on Hongli's behalf and for its benefits by three nominees pursuant to share entrustment agreements.

Results of Operations

Three months ended September 30, 2012 as compared to three months ended September 30, 2011

Overall, results of operations for the three months ended September 30, 2012 did not improve as compared to the same period of last year, mainly due to weaker market demand for both coke and coal products.

On a macro level, management has observed the following trends, which may have a direct impact on our operations in the near future: (1) the economic slowdown and the tightening real estate and land developments in China are negatively impacting upstream industries such as steel and raw materials; (2) state-mandated coal mine consolidations in Henan and elsewhere are tempering the negative impact of the slowing economy on coal price; and (3) the Chinese government's policy to improve mining safety will increase the overall operating cost for the mining industry.

Revenue

Revenue decreased by $4,589,140 or 20.72% for the three months ended September 30, 2012 to $17,562,194 as compared to the same period of last year. Such decrease was mainly attributable to decreased sales of all products in both product categories. Revenue and quantity sold by product type for the three months ended September 30, 2012 and 2011 were as follows:

	Revenues Coke Products	Coal Products	Total
Revenue			
Three months ended September 30, 2011	$10,847,621	$11,303,713	$22,151,334
Three months ended September 30, 2012	9,587,718	7,974,476	17,562,194
Decrease in $	$(1,259,903)	$(3,329,237)	$(4,589,140)
Decrease in %	(11.61)%	(29.45)%	(20.72)%
Quantity sold (metric tons)			
Three months ended September 30, 2011	45,060	84,085	129,145
Three months ended September 30, 2012	49,281	56,243	105,524
Increase (decrease)	4,221	(27,842)	(23,621)
% Increase (decrease)	9.37 %	(33.11)%	(18.29)%

54.59% of our revenue came from coke products and 45.41% from coal products for the three months ended September 30, 2012, as compared to 48.97% from coke products and 51.03% from coal products for the same period of last year. The percentage changes reflect us having less coal products available than a year ago. The volume of coke increased by 9.37%, because we started producing and sold coke powder especially suitable for the non-ferrous metallurgical industry which had a stronger market demand than grade II coke. Our coal products sold decreased by 33.11% from a year ago, because we did not have large amounts of raw coal and washed coal in stock in the first quarter of the 2013 fiscal year, as compared to the same period in 2012.

Coke products include finished coke, a key raw material for producing steel, and coal tar, a byproduct of the coke manufacturing process which can be used for various industrial applications. Coal products include unprocessed metallurgical coal, processed coal (washed coal), and by-products of the coal washing process (coal slurry) which is used by customers primarily for electricity generation and heating applications. As used in this discussion and analysis, “raw coal” includes both thermal and metallurgical coal that is unwashed and relatively unprocessed, in addition to coal washing byproducts such as coal slurry.

Average selling price per metric ton for our four principal products for the three months ended September 30, 2012 and 2011 are as follows:

	Coke	Coal Tar	Raw Coal	Washed Coal
Three months ended September 30, 2011	$240	$ 252	$77	$ 185
Three Months ended September 30, 2012	193	256	58	175
Decrease in $	$(47)	$ 4	$(19)	$ (10)
Decrease in %	(19.58)%	1.59 %	(24.68) %	(5.41) %

Generally, our selling prices are driven by a number of factors, including the particular composition and quality of the coal or coke we sell, their prevailing market prices locally and throughout China, as well as in the global marketplace, timing of sales, delivery terms, and our relationships with our customers and our negotiations of their purchase orders. Management believes that the changes in average selling prices period over period were primarily driven by weaker market demand for coke and coal products.

We generally sell our raw coal inventory and other coal products when prices are stable at seasonally high levels, or at levels that are considered above historical norms. The average price of raw coal was calculated based on the weighted average price of unprocessed coal, coal byproducts and mixed thermal coal. We note that the average selling prices for coal products are also influenced by changes in the coal mixtures (with different grades and heat content) that we sell to our customers.

Revenue and quantity sold of each coke product for the three months ended September 30, 2012 and 2011 are as follows:

	Coke Products		
	Coke	Coal Tar	Total
Revenue			
Three months ended September 30, 2011	$10,145,826	$701,795	$10,847,621
Three months ended September 30, 2012	9,220,237	367,481	9,587,718
Decrease in $	$(925,589)	$(334,314)	$(1,259,903)
Decrease in %	(9.12)%	(47.64)%	(11.61)%
Quantity sold (metric tons)			
Three months ended September 30, 2011	42,272	2,788	45,060
Three months ended September 30, 2012	47,848	1,433	49,281
Increase (decrease)	5,576	(1,355)	4,221
% Increase (decrease)	13.19%	(48.60)%	9.37%

The lower coke revenue for the three months ended September 30, 2012 resulted from a weaker market demand for grade II coke with a decrease in our average selling price and sales volume offset by the increase of revenue from sales of coke powder which currently has a better market demand from the non-ferrous metallurgical and special steel industries. The lower coal tar revenue for the three months ended September 30, 2012 resulted from less production of such byproduct, due to less production of grade II coke.

Revenue and quantity sold of each coal product for the three months ended September 30, 2012 and 2011 are as follows:

	Coal Products		
	Raw Coal	Washed Coal	Total
Revenue			
Three months ended September 30, 2011	$3,019,933	$8,283,780	$11,303,713
Three months ended September 30, 2012	924,461	7,050,015	7,974,476
Decrease in $	(2,095,472)	(1,233,765)	(3,329,237)
Decrease in %	(69.39)%	(14.89)%	(29.45)%
Quantity sold (metric tons)			
Three months ended September 30, 2011	39,360	44,725	84,085
Three months ended September 30, 2012	16,056	40,187	56,243
Decrease	(23,304)	(4,538)	(27,842)
% Decrease	(59.21)%	(10.15)%	(33.11)%

The lower raw coal revenue for the three months ended September 30, 2012 resulted from decreases in our average raw coal selling price, and our sales volume due to the weaker market demand for such product, as well as the shortage of supply of coking coal from our mines. We currently anticipate that the mining moratorium will end sometime in the first half of the 2013 calendar year, although there cannot be any assurance as to the exact timing.

The lower washed coal revenue for the three months ended September 30, 2012 resulted from decreases in our selling price and sales volume due to the same reasons that caused our raw coal revenue to decrease.

Cost of Revenue

Cost of revenue increased by 4.72% for the three months ended September 30, 2012, from $14,947,457 to $15,652,938 as compared to the same period of last year, as a result of increased coke sales, offset by decreased coal tar and coal products sales. We also did not obtain any coking coal from our own mines, as compared to approximately 20,000 metric tons of coking coal production from our Hongchang mine last year. As a result, we had to purchase more coking coal in the open market for both coking and coal processing, and such increased coal material purchase cost also resulted in the increase of our cost of revenue for the quarter ended September 30, 2012 as compared to the same period of last year.

Gross Profit

Gross profit for the three months ended September 30, 2012 was $1,909,256, a decrease of $5,294,621 or 73.5%, from $7,203,877 as compared to the same period of last year, as a result of a decrease in revenue and selling price of coke, raw coal and washed coal while our coal material cost has increased. As a result, gross profit margin decreased by approximately 21.65% to 10.87%.

Operating Expenses

Operating expenses, which consist of selling expenses and general and administrative expenses, was $670,409 for the three months ended September 30, 2012, an increase of $161,447 or 31.72% as compared to the same period of last year. Selling expenses decreased by $37,962 or 46.55%, to $43,581 mainly due to decreases in meal and entertainment, and traveling expenses. General and administrative expenses increased by $199,409 or 46.65%, to $626,828 mainly due to increases in salary, and repair and maintenance expenses.

Other Income and Expense

Other income and expense includes finance expenses (which consist of interest and other finance expenses, net of interest income), income and expense not related to our principal operations, and change in fair value of warrants.

Finance expenses were $871,208 for the three months ended September 30, 2012. We had $1,021,604 interest expense mainly for our loans from Bairui trust and our short term loans from Shanghai Pudong Development Bank, and $222,640 interest income mainly for our loan receivables to third parties. For the same period of last year, we had finance income of $107,326 largely from interest income related to our loan receivables offset by interest expense for our loans from Bairui trust.

Change in fair value of warrants amounted to $673,530 in gain, as compared to $3,019,722 in gain for the same period of last year. Because our functional currency is denominated in the Chinese Renminbi (“RMB”), our warrants cannot be considered indexed to our own common stock and, as such, we must record them as derivative instruments and recognize any change in their fair value in our earnings. The primary factor affecting the fair value of the warrants is the price of our common stock during the relevant period.

As a result of the foregoing, we had other expense of $197,678, as compared to other income of $3,109,467 for the same period last year.

Provision for Income Taxes

Provision for income taxes period over period decreased by $1,114,413 to $381,256, due primarily to the decrease in our company’s taxable income.

Net Income

Net income, including change in fair value of warrants, was $659,913, as compared to $8,308,713 for the same period last year.

We use non-GAAP adjusted net income to measure the performance of our business internally by excluding non-cash charges related to warrants, and believe that such non-GAAP financial measure allows us to focus on managing business operating performance because the measure reflects the Company’s essential operating activities and provides a consistent method of comparison to historical periods. We believe that providing such non-GAAP financial measure is useful to investors for a number of reasons. The non-GAAP financial measure provides a consistent basis for investors to understand our financial performance in comparison to historical periods without variation of non-recurring items and non-operating related charges. In addition, it allows investors to evaluate the Company’s performance using the same methodology and information that are used by our management. Non-GAAP financial 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 regarding which charges are excluded. However, we compensate for these limitations by providing the relevant disclosure of excluded charges.

The following table provides our adjusted net income and a reconciliation of such non-GAAP financial measure to our GAAP net income:

	Three months ended September 30,	
	2012	2011
Net (loss) income	$659,913	$8,308,713
Change in fair value of warrant liabilities	(673,530)	(3,019,722)
Adjusted net income	$(13,617)	$5,288,991
Earnings per share - basic	$0.03	$0.39
Earnings per share - diluted	$0.03	$0.39
Adjusted earnings per share – basic	$(0.00)	$0.25
Adjusted earnings per share - diluted	$(0.00)	$0.25
Weighted average number of common shares - basic	21,121,372	21,090,948
Weighted average number of common shares - diluted	21,121,372	21,090,948

Liquidity and Capital Resources

In summary, our cash flows are as follows:

	Three months ended September 30	
	2012	2011
Net cash used in operating activities	$(1,878,098)	$(6,981,242)
Net cash used in investing activities	(34,075)	(6,711,702)
Net cash provided by (used in) financing activities	33,201	(381,190)

Net Cash Used in Operating Activities

Net operating outflows for the three months ended September 30, 2012 resulted from a combination of the following factors: (1) Decreases in accounts receivables and other receivables, along with the decrease in advances to our suppliers and prepaid expense were the main factors which contributed to the cash inflow from our operating activities. During the three months ended September 30, 2012, we improved our collections in our accounts receivable and other receivables. In addition, we used some of our bank guaranteed notes on hand to pay advances to our suppliers, and resulted in a significant decrease in advances to suppliers. Because of the decline in coal prices, we reduced the volume in each coal purchase order in order to decrease our cost for purchasing coal materials, and such action also resulted in a decrease in advances to suppliers. (2) Significant collections in note receivables, as well as an increase in inventories, were the key factors which caused our cash outflow as a result of operating activities. We made significant collections in note receivables from our customers during the three months ended September 30, 2012 and we then immediately endorsed these notes receivables and used them as payments to our vendors and contractors on our construction projects, which significantly increased our operating cash outflow. We increased our washed coal inventories during the quarter ended September 30, 2012, because we believe that coal prices may rise during the winter time, and thus we can trade some of our coal inventory for profit.

Net operating outflows for the three months ended September 30, 2011 resulted from increases in notes receivable, accounts receivable, and inventories. Although our accounts receivable increased by approximately $7.9 million, our customers’ creditworthiness remained relatively consistent as our collections maintained at less than 90 days. In anticipation of completing our new coking plant, we increased our raw and washed coal inventories as raw materials to use at the plant.

Net Cash Used in Investing Activities

For the three months ended September 30, 2012, net cash used in investing activities was mainly due to a $350,000 loan to an unrelated third party with an interest rate of 7.0% and a repayment of prior loan of $316,500 from the same party.

Net cash used in investing activities for the three months ended September 30, 2011 included: (1) approximately $20.1 million for purchasing the equipment and machineries, as well as the payment for the construction of the buildings and other infrastructures for our new coking plant, (2) approximately $1.2 million for the land use rights to the land underlying our new coking plant, and (3) approximately $1.9 million in loans to two unrelated parties. We settled approximately $7.8 million in refundable deposits made to owners of four coal companies that we were planning to acquire, when they were allocated by the government to be acquired by Pingdingshan Coal Group. We also settled approximately $8.7 million in repayments from unrelated-party loans.

Net Cash Provided by (Used in) Financing Activities

For the nine months ended September 30, 2012, net cash provided by financing activities resulted from proceeds from Mr. Jianhua Lv, our Chief Executive Officer ("CEO"), in the amount of $33,201. We had notes payable in amount of $1,581,000 that matured, and such notes were paid when due from restricted cash.

Net cash used in financing activities for the three months ended September 30, 2011 included a $500,000 increase in restricted cash as a guarantee for an approximately $5 million (RMB 32 million) loan from Shanghai Pudong Development Bank ("SPDB"), which we extended for another six months. We also received $118,810 from Mr. Jianhua Lv, our CEO, as working capital to support our operations.

Capital Resources

Funding for our business activities has historically been provided by cash flow from operations, short-term bank loan financing, and loans from our CEO.

We also have arrangements with certain banks pursuant to which we are able to issue short-term notes to pay our vendors, secured against our deposits with the banks of 50% or 100% of the face value of the notes as well as guarantees from our CEO, Hongli and/or an unrelated third party. We currently have such arrangements with SPDB. Under our arrangements with SPDB, we are subject to a diligence review for each note issued, and SPDB charges us a processing fee based on 0.05% of the face value of each note.

On April 2, 2011, Hongli entered into a loan agreement with Bairui Trust, pursuant to which Bairui Trust agreed to loan Hongli RMB 360 million (approximately $57.0 million), of which RMB 180 million is due on April 2, 2013, and RMB 180 million on April 2, 2014, with annual interest rate of 6.3%. Bairui Trust made the loan to Hongli on April 3, 2011. On November 30, 2011, Hongli entered into a supplemental agreement with Bairui Trust to amend the terms such that RMB 30 million (approximately $4.8 million) will now be due on October 2, 2012, RMB 100 million (approximately $15.8 million) will now be due on April 2, 2013, RMB 50 million (approximately $7.9 million) will now be due on October 2, 2013, and RMB 180 million (approximately $28.5 million) will now be due on April 2, 2014. For the $4.7 million (RMB 30 million) principal payment that was due on October 2, 2012, the Company entered into another supplemental agreement with Bairui on October 8, 2012 to extend the principal payment due date and is now due on April 2, 2013 with annual interest rate of 8.7% starting from October 3, 2013.

Our business plan involves growing our business through: (1) expanding and modernizing our production facilities and achieving greater energy efficiency while also lessening any environmental impact; (2) recapturing more coking by-products for refinement into useful industrial chemicals, and producing more high value-added chemical products; (3) acquiring other coal mines to source raw materials; and (4) looking for opportunities to build up long term strategic business relations with quality mining companies to expand our coal trading business. Of the foregoing, the following is expected to require capital resources:

- *New Coking Facility.* On March 3, 2010, we announced that we began construction of our new coking facility to be located adjacent to our current facilities in Pingdingshan. Because the new facility will share the electricity, water and heating systems of our existing facilities, we have revised our previously estimated cost for the new facility from approximately $70 million to approximately $64.8 million. We intend to use the line of credit from PRCB to complete the construction of our new coking facility, although we have slowed down construction in light of the weak coke market.

- *Coal Mine Safety Improvement Projects.* We are required by the Henan government to upgrade safety-related systems at our coal mines in order to be approved to resume our mining operations. The total estimated cost for such upgrades is approximately $35.0 million. We will be responsible for approximately 70% of the total estimated cost, approximately $22.0 million, under the structure of our joint-venture with Henan Coal Seam Gas. As of the date of this report, we have paid approximately $16.9 million for these projects. We currently expect to complete these projects sometime during calendar 2013. We are also in the process of merging the operations of Chongchang mine, Shunli mine and Shuangrui mine into a fully integrated mining operation. The total estimated cost of such integration is approximately $32,016,831, and we have paid approximately $10.9 million toward such integration.

During the three months period ended September 30, 2012, we had capital expenditures of approximately $24.6 million, for upgrading our mining safety-related system, as well as integrating our Hongchang, Shuangrui, and Shunli mine operations.

Our management presently anticipates that the proceeds from our prior equity issuance, access to credit and cash flow from operations will provide sufficient capital resources to pursue and complete the construction of our new coking plant. We intend to utilize existing cash, cash flow from operations and bank loans and credit to complete our new coking plant. Any future facility expansion and acquisitions will require additional financing and/or equity capital and will be dependent upon the availability of financing arrangements and capital at the time.

We have not experienced any material losses since inception relating to accidents or other similar events. See "*Risk Factors - We may suffer losses resulting from industry-related accidents and lack of insurance*" in the Annual Report.

Off-balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. Other than warrants liability, we have not entered into any derivative contracts that are indexed to its shares and classified as shareholder's equity or that are not reflected in its consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

Critical Accounting Policies

Our management's discussion and analysis of our financial condition and results of operations are based on our financial statements that have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported net sales and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and assumptions. We base our estimates on historical experience and on various other factors that we believe are 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.

While our significant accounting policies are described in Note 2 to our financial statements elsewhere in this report, we believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating this management discussion and analysis:

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions relate to coal reserves that are the basis for future cash flow estimates and units-of-production depletion calculations; asset impairments; allowance for doubtful accounts and loans receivable; valuation allowances for deferred income taxes; reserves for contingencies; stock-based compensation and the fair value and accounting treatment for warrants. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates.

Revenue recognition

Coal and coke sales are recognized at the date of shipment to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of the Company exist and collectability is reasonably assured. This generally occurs when coal and coke is loaded onto trains or trucks at one of the Company's loading facilities or at third party facilities.

Substantially, if not all, of the electricity generated by Hongguang Power is typically used internally by Baofeng Coking. Supply of surplus electricity generated by Hongguang Power to the national power grid is mandated by the local utilities board. The value of the surplus electricity supplied, if it exists, is calculated based on actual kilowatt-hours produced and transmitted and at a fixed rate determined under contract.

Coal and coke sales represent the invoiced value of goods, net of a value-added tax ("VAT"), sales discounts and actual returns at the time when product is sold to the customer.

Accounts receivables, trade, net

During the normal course of business, the Company extends unsecured credit not exceeding three months to its customers. Management regularly reviews aging of receivables and changes in payment trends by its customers, and records an allowance when management believes collection of amounts due are at risk. Accounts receivables are considered past due after three months from the date credit was granted. Accounts considered uncollectible after exhaustive efforts to collect are written off. The Company regularly reviews the credit worthiness of its customers and, based on the results of the credit review, determines whether extended payment terms can be granted to or, in some cases, partial prepayment is required from certain customers. No allowance for doubtful accounts is considered necessary at the balance sheets dates.

Notes receivable, trade

These notes receivable represent trade accounts receivable due from customers where the customers' banks have guaranteed the payment of the receivable. This amount is non-interest bearing and is normally paid within three to nine months. The Company is allowed to submit its request for payment to the customers' banks prior to the due dates. However, early request for payment will incur an interest charge and a processing fee.

Plant and equipment, net

Plant and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; while additions, renewals and betterments that extend the useful life are capitalized. When items of plant and equipment are retired or otherwise disposed, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Mine development costs are capitalized and amortized by the units of production method over estimated total recoverable proven and probable reserves. Depreciation of plant and equipment is provided using the straight-line method for substantially all assets with estimated lives as follows:

	Estimated Useful Life
Building and plant	20 years
Machinery and equipment	10-20 years
Other equipment	1-5 years
Transportation equipment	5-7 years

Construction-in-progress ("CIP") includes direct costs of construction for mining tunnel improvements and the Company's new coking plant. Interest incurred during the period of construction, if material, is capitalized. All other interest is expensed as incurred. CIP is not depreciated until such time the assets are completed and put into service. Maintenance, repairs and minor renewals are charged to expense as incurred. Major additions and betterment to property and equipment are capitalized.

Intangible assets

Land use rights, net

Costs to obtain land use rights are recorded based on the fair value at acquisition and amortized over 36 years, the contractual period of the rights. Intangible assets with finite lives are amortized over their useful lives and reviewed at least annually for impairment.

Mining rights, net

Mining rights are capitalized at fair value when acquired, including amounts associated with any value beyond proven and probable reserves, and amortized to operations as depletion expense using the units-of-production method over the estimated proven and probable recoverable tons. The Company's coal reserves are controlled through direct ownership and our VIE's which generally lasts until the recoverable reserves are depleted.

Impairment of long - lived assets

The Company evaluates long-lived tangible and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows, in accordance with the accounting guidance regarding "Disposal of Long-Lived Assets." Recoverability is measured by comparing an asset's carrying value to the related projected undiscounted cash flows generated by the long-lived asset or asset group, considering a number of factors including past operating results, budgets, economic projections, market trends and product development cycles. When the carrying value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third party independent appraisals, as considered necessary.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the three months ended March 31, 2012, there were no material changes to the quantitative and qualitative information about market risk that we previously disclosed in Item 7A of our Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

During the reporting period covered by this report, and under the supervision and with the participation of our management, including our Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal financial officer), we conducted an evaluation of our disclosure controls and procedures that were in effect at the end of the period covered by this report. Disclosure controls and procedures are defined under Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as those controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Based on their evaluation of the disclosure controls and procedures, management concluded that the Company continues to have the following material weakness in its internal control over financial reporting as of September 30, 2012:

(a) We did not have sufficient skilled accounting personnel that are either qualified as Certified Public Accountants in the United States or that have received education from U.S. institutions or other educational programs that would provide adequate relevant education relating to U.S. GAAP. The Company’s Chief Financial Officer and Controller have limited experience with U.S. GAAP and are not U.S. Certified Public Accountants. Furthermore, our operating subsidiaries are based in China and are therefore required to comply with PRC GAAP, rather than U.S. GAAP. Thus, the accounting skills and understanding necessary to fulfill the requirements of U.S. GAAP-based reporting, including the preparation of consolidated financial statements, are inadequate, and determined to be a material weakness.

Based on their evaluation, and considering the material weaknesses and significant deficiencies previously identified and discussed in our internal control over financial reporting under Item 9A (“Controls and Procedures”) in our Annual Report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures at September 30, 2012 were not effective.

Management's Remediation Initiatives

In an effort to remedy the foregoing material weaknesses in the future, we intend to do the following:

- Develop a comprehensive training and development plan for our finance, accounting and internal audit personnel, including our Chief Financial Officer, Controller, in the principles and rules of U.S. GAAP, SEC reporting requirements and the application thereof;
- Design and implement a program to provide ongoing company-wide training regarding our internal controls, with particular emphasis on our finance and accounting staff;
- Implement an internal review process over financial reporting to review all recent accounting pronouncements and to verify that any accounting treatment identified in such report has been fully implemented and confirmed by our third-party consultant, and to continue to improve our ongoing review and supervision of our internal control over financial reporting; and
- Hire a full-time employee who possesses the requisite U.S. GAAP experience and education.

Despite the material weaknesses and deficiencies reported above, our management believes that our consolidated financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented and that this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2012 covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 1A. RISK FACTORS.

There have been no material changes to the Company's risk factors which are included and described in our Annual Report other than as set forth in the following amended risk factor:

Fluctuations in the exchange rate could have an adverse effect upon our business and reported financial results.

We conduct our business in RMB, thus our functional currency is the RMB, while our reporting currency is the U.S. dollar. The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, the political situation as well as economic policies and conditions. On July 21, 2005, the PRC government changed its decade old policy of pegging its currency to the U.S. currency. Under the current policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximate 31% appreciation of the RMB against the U.S. dollar between July 21, 2005 and September 30, 2012. However, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the RMB against the U.S. dollar. To the extent any of our future revenues are denominated in currencies other than the United States dollar, we would be subject to increased risks relating to foreign currency exchange rate fluctuations which could have a material adverse effect on our financial condition and operating results since operating results are reported in United States dollars and significant changes in the exchange rate could materially impact our reported earnings.

Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES

The disclosures required by Item 4 are not applicable to our operations, as the Company has no mining operations in the United States.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Articles of Incorporation, as amended (1)
3.2	Articles of Amendment to Articles of Incorporation (2)
3.3	Bylaws (1)
31.1	Certification pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended, 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. *
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* **

* Filed herewith.

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

(1) Incorporated by reference to the Form 10-SB filed by the Company with the Securities and Exchange Commission on November 18, 1999.

(2) Incorporated by reference to the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on February 8, 2011.

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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.

SINOCOKING COAL AND COKE
CHEMICAL INDUSTRIES, INC.

Dated: November 14, 2012 By: /s/ Jianhua Lv
Jianhua Lv
Chief Executive Officer
(Principal Executive Officer)

Dated: November 14, 2012 By: /s/ Zan Wu
Zan Wu
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Jianhua Lv, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SinoCoking Coal and Coke Chemical Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 14, 2012 By: /s/ Jianhua Lv
Jianhua Lv,
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Zan Wu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SinoCoking Coal and Coke Chemical Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 14, 2012 By: /s/ Zan Wu
Zan Wu,
Chief Financial Officer

(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION

In connection with the periodic report of SinoCoking Coal and Coke Chemical Industries, Inc. (the “Company”) on Form 10-Q for the quarter ending September 30, 2012, as filed with the Securities and Exchange Commission (the “Report”), I, Jianhua Lv, Chief Executive Officer (Principal Executive Officer) of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: November 14, 2012 By: /s/ Jianhua Lv
Jianhua Lv,
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION

In connection with the periodic report of SinoCoking Coal and Coke Chemical Industries, Inc. (the "Company") on Form 10-Q for the quarter ending September 30, 2012, as filed with the Securities and Exchange Commission (the "Report"), I, Zan Wu, Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: November 14, 2012	By:	/s/ Zan Wu
		Zan Wu,
		Chief Financial Officer
		(Principal Financial and Accounting Officer)