

SILVERSTAR MINING CORP.  
Form 10-Q  
February 14, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2011

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 333-140299

SILVERSTAR MINING CORP.

(Exact name of registrant as specified in its charter)

Nevada

98-0425627

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

2500 Plaza 5, 25th Floor, Harborside Financial Center, Jersey City, NJ

07311

(Address of principal executive offices)

(Zip Code)

210.633.4716

(Registrant's telephone number, including area code)

350 East 82nd Street Suite 15D New York, NY 10028

(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  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-K (§229.405 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  NO

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

Large accelerated  filer

Accelerated filer

Non-accelerated  (Do not check if a smaller reporting company) filer

Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)  
[ ] YES [X] NO

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

[ ] YES [ ] NO

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Our company had 169,171 common shares issued and outstanding as of February 10, 2012.

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PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements.

Our unaudited interim consolidated financial statements for the three month period ended December 31, 2011 immediately follow and are an integral part of this quarterly report. They are stated in United States Dollars (US\$) and are prepared in accordance with United States generally accepted accounting principles.

Silverstar Mining Corp.  
(A Development Stage Company)

Consolidated Financial Statements  
(Expressed in U.S. Dollars)  
(Unaudited)  
31 December 2011

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Silverstar Mining Corp.  
(A Development Stage Company)  
Consolidated Balance Sheets  
(Expressed in U.S. Dollars)  
(Unaudited)

|  | As at<br>31<br>December<br>2011 | As at<br>30<br>September<br>2011 |
|--|---------------------------------|----------------------------------|
|  | \$                              | \$                               |
| <b>Assets</b>  |                                 |                                  |
| <b>Current</b>   |                                 |                                  |
| Cash and cash equivalents                                | 28,356                          | 1,674                            |
| Prepaid expense  | 217                             | -                                |
| <b>Total Current Assets</b>                              | <b>28,573</b>                   | <b>1,674</b>                     |
| <b>Other</b>   |                                 |                                  |
| Investment in Mineral Properties (Note 5)                | 10,320                          | 10,000                           |
| <b>Total Assets</b>                                      | <b>38,893</b>                   | <b>11,674</b>                    |
| <b>Liabilities and Stockholder's Deficit</b>             |                                 |                                  |
| <b>Current Liabilities</b>                               |                                 |                                  |
| Accounts payable and accrued liabilities (Note 6)        | 5,050                           | 11,800                           |
| Convertible debentures (Note 7)                          | 18,996                          | 18,618                           |
| Shareholder's demand loans (Note 8)                      | 123,577                         | 120,960                          |
| Share issuance liability                                 | 7,500                           | 7,500                            |
| Due to related parties (Note 9)                          | 4,000                           | 2,500                            |
| <b>Total Current Liabilities</b>                         | <b>159,123</b>                  | <b>161,378</b>                   |
| <b>Stockholders' Deficit</b>                             |                                 |                                  |
| <b>Capital stock (Note 11)</b>                           |                                 |                                  |
| <b>Authorized</b>  |                                 |                                  |
| 225,000 of common shares, par value \$1.00               |                                 |                                  |
| <b>Issued and outstanding</b>                            |                                 |                                  |
| 2011 – 169,171 common shares, par value \$1.00 (Note 11) |                                 |                                  |
| 2010 – 42,171 common shares, par value \$1.00            | 169,171                         | 42,171                           |
| Additional paid-in capital                               | 1,275,170                       | 1,345,850                        |
| Deficit, accumulated during the development stage        | (1,564,571)                     | (1,537,725)                      |
|  | (120,230 )                      | (149,704 )                       |
|  | <b>38,893</b>                   | <b>11,674</b>                    |

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



Silverstar Mining Corp.  
(A Development Stage Company)  
Consolidated Statements of Operations  
(Expressed in U.S. Dollars)  
(Unaudited)

|  | For the<br>period from<br>the date of<br>inception<br>on 5<br>December<br>2003 to 31<br>December<br>2011 | For the<br>three<br>month<br>period<br>ended 31<br>December<br>2011 | For the<br>three month<br>period<br>ended 31<br>December<br>2010 |
|--|--|---|--|
|  | \$   | \$  | \$   |
| <b>Expenses</b>  |  |   |  |
| Bank charges and interest (Note 7, 8 and 13)                                   | 42,724   | 3,458   | 1,399  |
| Consulting   | 138,467  | -   | -  |
| Exploration and development (Note 5)   | 13,028   | -   | -  |
| Filing fees  | 22,868   | 374   | -  |
| Investor relations   | 84,992   | -   | -  |
| Legal and accounting (Note 9 and 10)   | 238,339  | 15,062  | 4,300  |
| Licences and permits   | 3,416  | -   | -  |
| Management fees (Notes 10, 11 and 13)  | 107,500  | 4,500   | 4,500  |
| Rent (Notes 10, 11 and 13)   | 40,299   | 1,599   | 1,500  |
| Transfer agent fees  | 26,608   | 660   | 905  |
| Travel, entertainment and office   | 27,981   | 1,193   | -  |
| Foreign exchange loss  | 53   | -   | -  |
| Write-down of mineral property acquisition costs (Note 5)                      | 811,696  | -   | -  |
| Write-down of website development costs (Note 4)                               | 6,600  | -   | -  |
| <b>Net loss for the period</b>   | <b>(1,564,571)</b>   | <b>(26,846 )</b>  | <b>(12,604 )</b>   |
| <b>Basic and diluted loss per common share</b>                                 |  | <b>(0.480 )</b>   | <b>(0.299 )</b>  |
| <b>Weighted average number of common shares used in per share calculations</b> |  | <b>55,975</b>   | <b>42,171</b>  |

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

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Silverstar Mining Corp.  
(A Development Stage Company)  
Consolidated Statements of Cash Flows  
(Expressed in U.S. Dollars)  
(Unaudited)

|  | For the period<br>from the date of<br>inception on 5<br>December 2003<br>to 31<br>December 2011 | For the<br>three<br>month<br>period<br>ended<br>31<br>December<br>2011 | For the<br>three<br>month<br>period<br>ended<br>31<br>December<br>2010 |
|--|---|--|--|
|  | \$  | \$   | \$   |
| <b>Cash flows from operating activities</b>                            |   |  |  |
| Net loss for the period  | (1,564,571 )  | (26,846 )  | (12,604 )  |
| Adjustments to reconcile loss to net cash used by operating activities |   |  |  |
| Accrued interest – convertible debentures (Note 7)                     | 18,996  | 378  | -  |
| Accrued interest – shareholder demand loan (Note 8)                    | 19,395  | 2,617  | 1,249  |
| Contributions to capital by related parties (Notes 10, 11 and 13)      | 179,500   | 6,000  | 6,000  |
| Write-down of mineral property acquisition costs (Note 5)              | 811,696   | -  | -  |
| Write-down of website development costs (Note 4)                       | 6,600   | -  | -  |
| Changes in operating assets and liabilities                            |   |  |  |
| Prepays and Mining property  | (537 )  | (537 )   | -  |
| Increase (decrease) in accounts payable and accrued liabilities        | 5,050   | (6,750 )   | (11,998 )  |
| Increase in due to related parties                                     | 4,000   | 1,500  | 80   |
|  | (519,873 )  | (23,638 )  | (17,273 )  |
| <b>Cash flows from investing activities</b>                            |   |  |  |
| Acquisition of Silverdale, net of cash received (Note 3)               | (140,221 )  | -  | -  |
| Mineral property acquisition costs (Note 5)                            | (31,375 )   | -  | -  |
| Website development costs (Note 4)                                     | (6,600 )  | -  | -  |
|  | (178,196 )  | -  | -  |
| <b>Cash flows from financing activities</b>                            |   |  |  |
| Convertible debenture  | 15,000  | -  | -  |
| Demand Loan  | 111,683   | -  | 17,183   |
| Share subscriptions received in advance                                | -   | -  | -  |
| Share issue costs  | (1,255 )  | -  | -  |
| Common shares issued for cash (Note 11)                                | 600,997   | 50,320   | -  |



|  |         |        |        |
|--|---------|--------|--------|
|  | 726,425 | 50,320 | 17,263 |
| Increase (decrease) in cash and cash equivalents | 28,356  | 26,682 | (90 )  |
| Cash and cash equivalents, beginning of period   | -       | 1,674  | 1,907  |
| Cash and cash equivalents, end of period         | 28,356  | 28,356 | 1,817  |

Supplemental Disclosures with Respect to Cash Flows (Note 13)

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

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Silverstar Mining Corp.  
(A Development Stage Company)  
Consolidated Statements of Changes in Stockholders' Equity (Deficiency)  
(Expressed in U.S. Dollars)  
(Unaudited)

|   | Number<br>of shares<br>issued | Share<br>capital | Share subscriptions<br>received in advance /<br>Additional paid-in<br>capital | Deficit, accumulated<br>during the<br>development stage | Stockholder's equity |
|---|-------------------------------|------------------|---|---|----------------------|
|   |                               |                  | \$  | \$  | \$                   |
| Balance at 5<br>December 2003<br>(inception)  | -                             | -                | -   | -   | -                    |
| Common shares<br>issued for cash (\$333<br>per share) (Note 11)                       | 0.003                         | -                | 1   | -   | 1                    |
| Net loss for the period   | -                             | -                | -   | (450 )  | (450 )               |
| Balance at 30<br>September 2004   | 0.003                         | -                | 1   | (450 )  | (449 )               |
| Net loss for the year   | -                             | -                | -   | (300 )  | (300 )               |
| Balance at 30<br>September 2005   | 0.003                         | -                | 1   | (750 )  | (749 )               |
| Common shares<br>issued for cash (\$1<br>per share) (Note 11)                         | 30,000                        | 30,000           | (20,000 )   | -   | 10,000               |
| Common shares<br>redeemed – cash (\$333<br>per share) (Note 11)                       | (0.003 )                      | -                | (1 )  | -   | (1 )                 |
| Contributions to<br>capital by related<br>parties – expenses<br>(Notes 10, 11 and 13) | -                             | -                | 24,000  | -   | 24,000               |
| Net loss for the year   | -                             | -                | -   | (40,190 )   | (40,190 )            |
| Balance at 30<br>September 2006   | 30,000                        | 30,000           | 4,000   | (40,940 )   | (6,940 )             |
| Contributions to<br>capital by related<br>parties – expenses                          | -                             | -                | 24,000  | -   | 24,000               |
| Common shares<br>issued for cash (\$3.33<br>per share) (Note 11)                      | 25,500                        | 25,500           | 59,500  | -   | 85,000               |
| Net loss for the year   | -                             | -                | -   | (64,567 )   | (64,567 )            |
| Balance at 30<br>September 2007   | 55,500                        | 55,500           | 87,500  | (105,507)   | 37,493               |
| Contributions to<br>capital by related  | -                             | -                | 12,000  | -   | 12,000               |

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parties – expenses  
(Notes 10, 11 and 13)

|  |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|
| Share subscriptions received in advance  | -         | -         | 422,176   | -         | 422,176   |
| Share issue costs  | -         | -         | (1,255 )  | -         | (1,255 )  |
| Common shares issued for business acquisition (\$150 per share) (Notes 3, 11 and 13) | 4,334     | 4,334     | 645,766   | -         | 650,100   |
| Common shares returned to treasury and cancelled (Notes 11 and 13)                   | (15,000 ) | (15,000 ) | 15,000    | -         | -         |
| Net loss for the year  | -         | -         | -         | (263,596) | (263,596) |
| Balance at 30 September 2008   | 44,834    | 44,834    | 1,181,187 | (369,103) | 856,918   |

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Silverstar Mining Corp.  
(A Development Stage Company)  
Consolidated Statements of Changes in Stockholders' Equity (Deficiency)  
(Expressed in U.S. Dollars)  
(Unaudited)

|  | Number<br>of shares<br>issued | Share<br>capital | Share subscriptions<br>received in advance /<br>Additional paid-in<br>capital | Deficit, accumulated<br>during the<br>development stage | Stockholders' equity |
|--|-------------------------------|------------------|---|---|----------------------|
|  |                               |                  | \$  | \$  | \$                   |
| Balance at 30<br>September 2008  | 44,834                        | 44,834           | 1,181,187   | (369,103 )  | 856,918              |
| Contributions to<br>capital by related<br>parties – expenses<br>(Notes 10, 11 and<br>13) | -                             | -                | 65,500  | -   | 65,500               |
| Share subscriptions<br>received in advance   | -                             | -                | (422,176 )  | -   | (422,176 )           |
| Common shares<br>issued for cash (\$250<br>per share) (Note 11)                          | 950                           | 950              | 236,550   | -   | 237,500              |
| Common shares<br>issued for cash (\$448<br>per share) (Note 11)                          | 487                           | 487              | 217,689   | -   | 218,176              |
| Common shares<br>returned to treasury<br>and cancelled (Notes<br>11 and 13)              | (4,100 )                      | (4,100 )         | 4,100   | -   | -                    |
| Intrinsic value of<br>beneficial conversion<br>feature (Note 11)                         | -                             | -                | 15,000  | -   | 15,000               |
| Net loss for the year  | -                             | -                | -   | (1,010,522)   | (1,010,522)          |
| Balance at 30<br>September 2009  | 42,171                        | 42,171           | 1,297,850   | (1,379,625)   | (39,604 )            |
| Contributions to<br>capital by related<br>parties – expenses<br>(Notes 10 and 13)        | -                             | -                | 24,000  | -   | 24,000               |
| Net loss for the year  | -                             | -                | -   | (85,165 )   | (85,165 )            |
| Balance at 30<br>September 2010  | 42,171                        | 42,171           | 1,321,850   | (1,464,790)   | (100,769 )           |
| Reverse split 1,000:1<br>(Note 11)   | -                             | -                | -   | -   | -                    |
| Contributions to<br>capital by related<br>parties – expenses<br>(Notes 10 and 13)        | -                             | -                | 24,000  | -   | 24,000               |

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|   |         |         |           |             |            |
|---|---------|---------|-----------|-------------|------------|
| Net loss for the year   | -       | -       | -         | (72,935 )   | (72,935 )  |
| Balance at 30<br>September 2011   | 42,171  | 42,171  | 1,345,850 | (1,537,725) | (149,704 ) |
| Contributions to<br>capital by related<br>parties – expenses<br>(Notes 10 and 13)                 | -       | -       | 6,000     | -           | 6,000      |
| Common shares<br>issued for business<br>acquisition (\$0.16<br>per share) (Notes 3,<br>11 and 13) | 2,000   | 2,000   | (1,680 )  | -           | 320        |
| Common shares<br>issued for cash<br>(\$0.40 per share)<br>(Note 11)                               | 125,000 | 125,000 | (75,000 ) | -           | 50,000     |
| Net loss for the<br>period  |         |         |           | (26,846 )   | (26,846 )  |
| Balance at 31<br>December 2011  | 169,171 | 169,171 | 1,275,170 | (1,564,571) | (120,230 ) |

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

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Silverstar Mining Corp.  
(A Development Stage Company)  
Notes to Consolidated Financial Statements

## 1. Nature, Basis of Presentation and Continuance of Operations

Silverstar Mining Corp. (the “Company”) was incorporated under the laws of the State of Nevada on 5 December 2003. On 4 March 2008, the Company completed a merger with its wholly-owned subsidiary, Silverstar Mining Corp., which was incorporated by the Company solely to effect the name change of the Company to Silverstar Mining Corp. The Company was incorporated for the purpose to promote and carry on any lawful business for which a corporation may be incorporated under the laws of the State of Nevada.

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Silverdale Mining Corp. (“Silverdale”) from 24 July 2008, the date of acquisition.

The Company is a development stage enterprise, as defined in Financial Accounting Standards Board No. 7. The Company is devoting all of its present efforts in securing and establishing a new business, and its planned principle operations have not commenced, and, accordingly, no revenue has been derived during the organization period.

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to development stage enterprises, and are expressed in U.S. dollars. The Company’s fiscal year end is 30 September.

These consolidated financial statements as at 31 December 2011 and for the three month period then ended have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company has a loss of \$26,846 (2010 - \$12,604, cumulative - \$1,564,571) and has working capital deficit of \$130,550 at 31 December 2011 (30 September 2011 - \$149,704).

Management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. Management believes that the Company’s capital resources should be adequate to continue operating and maintaining its business strategy during the fiscal year ending 30 September 2012. However, if the Company is unable to raise additional capital in the near future, due to the Company’s liquidity problems, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures. These consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

At 31 December 2011, the Company had suffered losses from development stage activities to date. Although management is currently attempting to implement its business plan, and is seeking additional sources of equity or debt financing, there is no assurance these activities will be successful. Accordingly, the Company must rely on its president to perform essential functions without compensation until a business operation can be commenced. These factors raise substantial doubt about the ability of the Company to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

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Silverstar Mining Corp.  
(A Development Stage Company)  
Notes to Consolidated Financial Statements

## 2. Significant Accounting Policies

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

### Principles of consolidation

All inter-company transactions and balances have been eliminated in these consolidated financial statements.

### Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

### Mineral property costs

The Company has been in the development stage since its formation on 5 December 2003 and has not yet realized any revenues from its planned operations. It is primarily engaged in the acquisition and exploration of mining properties.

Mineral property acquisition costs are initially capitalized as tangible assets when purchased. At the end of each fiscal quarter end, the Company assesses the carrying costs for impairment. If proven and probable reserves are established for a property and it has been determined that a mineral property can be economically developed, costs will be amortized using the units-of-production method over the estimated life of the probable reserve.

Mineral property exploration costs are expensed as incurred.

Estimated future removal and site restoration costs, when determinable are provided over the life of proven reserves on a units-of-production basis. Costs, which include production equipment removal and environmental remediation, are estimated each period by management based on current regulations, actual expenses incurred, and technology and industry standards. Any charge is included in exploration expense or the provision for depletion and depreciation during the period and the actual restoration expenditures are charged to the accumulated provision amounts as incurred.

As of the date of these consolidated financial statements, the Company has not established any proven or probable reserves on its mineral properties and incurred only acquisition and exploration costs (Note 5).

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

### Reclamation costs

The Company's policy for recording reclamation costs is to record a liability for the estimated costs to reclaim mined land by recording charges to production costs for each tonne of ore mined over the life of the mine. The amount charged is based on management's estimation of reclamation costs to be incurred. The accrued liability is reduced as



reclamation expenditures are made. Certain reclamation work is performed concurrently with mining and these expenditures are charged to operations at that time.

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

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Silverstar Mining Corp.  
(A Development Stage Company)  
Notes to Consolidated Financial Statements

Long-lived assets

Long-term assets of the Company are reviewed for impairment whenever events or circumstances indicate that the carrying amount of assets may not be recoverable, pursuant to guidance established in ASC 360-10-35-15, "Impairment or Disposal of Long-Lived Assets".

Management considers assets to be impaired if the carrying value exceeds the future projected cash flows from related operations (undiscounted and without interest charges). If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis

Financial instruments

The carrying value of cash and cash equivalents, accounts payable and accrued liabilities and convertible debentures approximates their fair value because of the short maturity of these instruments. The Company's operations are in Nevada and virtually all of its assets and liabilities are giving rise to significant exposure to market risks from changes in foreign currency rates. The Company's financial risk is the risk that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Derivative financial instruments

The Company has not, to the date of these consolidated financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations. The Company has derivative obligations through conversion features of some of its note, however such amounts were considered immaterial and not recorded.

Website development costs

The costs of computer software developed or obtained for internal use, during the preliminary project phase, as defined under ASC 350-40, "Internal-Use Software", will be expensed as incurred. The costs of website development during the planning stage, as defined under ASC 350-50, "Website Development Costs", will also be expensed as incurred.

Computer software, website development incurred during the application and infrastructure development stage, including external direct costs of materials and services consumed in developing the software and creating graphics and website content, will be capitalized and amortized over the estimated useful life, beginning when the software is ready for use and after all substantial testing is completed and the website is operational.

Income taxes

Deferred income taxes are reported for timing differences between items of income or expense reported in the consolidated financial statements and those reported for income tax purposes in accordance with SFAS No. 109, "Accounting for Income Taxes", which requires the use of the asset/liability method of accounting for income taxes. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax loss and credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected

to be recovered or settled. The Company provides for deferred taxes for the estimated future tax effects attributable to temporary differences and carry-forwards when realization is more likely than not.

#### Basic and diluted net loss per share

The Company computes net loss per share in accordance with SFAS No. 128, "Earnings per Share". SFAS No. 128 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the consolidated income statement. Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all potentially dilutive common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all potentially dilutive shares if their effect is anti-dilutive.

#### Comprehensive loss

SFAS No. 130, "Reporting Comprehensive Income", establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at 30 June 2009, the Company has no items that represent a comprehensive loss and, therefore, has not included a schedule of comprehensive loss in the consolidated financial statements.

#### Segments of an enterprise and related information

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise." SFAS No. 131 establishes standards for the way that public companies report information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial statements issued to the public. It also establishes standards for disclosures regarding products and services, geographic areas and major customers. SFAS No. 131 defines operating segments as components of a company about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company has evaluated this SFAS and does not believe it is applicable at this time.

#### Start-up expenses

The Company has adopted Statement of Position No. 98-5, "Reporting the Costs of Start-up Activities", which requires that costs associated with start-up activities be expensed as incurred. Accordingly, start-up costs associated with the Company's formation have been included in the Company's general and administrative expenses for the period from the date of inception on 5 December 2003 to 30 June 2009.

Foreign currency translation

The Company's functional and reporting currency is in U.S. dollars. The consolidated financial statements of the Company are translated to U.S. dollars in accordance with SFAS No. 52, "Foreign Currency Translation". Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income. The Company has not, to the date of these consolidated financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

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

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Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Comparative figures

Certain comparative figures have been adjusted to conform to the current year's presentation.

Changes in Accounting Policy

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-02, "Accounting and Reporting for Decreases in Ownership of a Subsidiary - a Scope Clarification". ASU No. 2010-02 addresses implementation issues related to the changes in ownership provisions in the Consolidation - Overall Subtopic (Subtopic 810-10) of the FASB ASC, originally issued as Statement of Financial Accounting Standards ("SFAS") No. 160, "Non-controlling Interests in Consolidated Financial Statements". Subtopic 810-10 establishes the accounting and reporting guidance for non-controlling interests and changes in ownership interests of a subsidiary. An entity is required to deconsolidate a subsidiary when the entity ceases to have a controlling financial interest in the subsidiary. Upon deconsolidation of a subsidiary, an entity recognizes a gain or loss on the transaction and measures any retained investment in the subsidiary at fair value. The gain or loss includes any gain or loss associated with the difference between the fair value of the retained investment in the subsidiary and its carrying amount at the date the subsidiary is deconsolidated. In contrast, an entity is required to account for a decrease in ownership interest of a subsidiary that does not result in a change of control of the subsidiary as an equity transaction. ASU No. 2010-02 was effective for the Company starting 1 January 2010. The Company's adoption of ASU No. 2010-02 did not have a material impact on the Company's consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-01, "Equity (ASC Topic 505): Accounting for Distributions to Shareholders with Components of Stock and Cash", which clarifies that the stock portion of a distribution to shareholders that allow them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected prospectively in earnings per share and is not considered a stock dividend for purposes of ASC Topic 505 and ASC Topic 260. ASU No. 2010-01 was effective for the Company starting 1 January 2010. The adoption of the ASU No. 2010-01 did not have a material impact on the Company's consolidated financial statements.

In August 2009, the FASB issued ASU No. 2009-05, "Fair Value Measurement and Disclosure (Topic 820) – Measuring Liabilities at Fair Value", which provides valuation techniques to measure fair value in circumstances in which a quoted price in an active market for the identical liability is not available. The guidance provided in this update is effective 1 October 2009. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

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In June 2009, the FASB issued SFAS No. 167, “Amendments to FASB Interpretation No. 46(R)”. SFAS No. 167, which amends ASC 810-10, “Consolidation”, prescribes a qualitative model for identifying whether a company has a controlling financial interest in a variable interest entity (“VIE”) and eliminates the quantitative model. The new model identifies two primary characteristics of a controlling financial interest: (1) provides a company with the power to direct significant activities of the VIE, and (2) obligates a company to absorb losses of and/or provides rights to receive benefits from the VIE. SFAS No. 167 requires a company to reassess on an ongoing basis whether it holds a controlling financial interest in a VIE. A company that holds a controlling financial interest is deemed to be the primary beneficiary of the VIE and is required to consolidate the VIE. SFAS No. 167, which is referenced in ASC 105-10-65, has not yet been adopted into the Codification and remains authoritative. SFAS No. 167 was effective 1 January 2010. The adoption of SFAS No. 167 did not have a material impact on the Company’s consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, “Accounting for Transfer of Financial Assets – an amendment of FASB Statement”. SFAS No. 166 removes the concept of a qualifying special-purpose entity from ASC 860-10, “Transfers and Servicing”, and removes the exception from applying ASC 810-10, “Consolidation”. This statement also clarifies the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. SFAS No. 166, which is referenced in ASC 105-10-65, has not yet been adopted into the Codification and remains authoritative. This statement was effective 1 January 2010. The adoption of SFAS No. 166 did not have a material impact on the Company’s consolidated financial statements.

In April 2008, the FASB issued new guidance for determining the useful life of an intangible asset, which is now part of ASC 350, “Intangibles – Goodwill and Other”. In determining the useful life of intangible assets, ASC 350 removes the requirement to consider whether an intangible asset can be renewed without substantial cost of material modifications to the existing terms and conditions and, instead, requires an entity to consider its own historical experience in renewing similar arrangements. ASC 350 also requires expanded disclosure related to the determination of intangible asset useful lives. The new guidance was effective for financial statements issued for fiscal years beginning after 15 December 2008. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

#### Recent accounting pronouncements

In February 2010, the FASB issued ASU No. 2010-11, “Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives”. ASU No. 2010-11 clarifies the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements. Specifically, only one form of embedded credit derivative qualifies for the exemption – one that is related only to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. The amendments in ASU No. 2010-11 are effective for each reporting entity at the beginning of its first fiscal quarter beginning after 15 June 2010. Early adoption is permitted at the beginning of each entity’s first fiscal quarter beginning after 5 March 2010. The adoption of ASC No. 2010-11 is not expected to have a material impact on the Company’s consolidated financial statements.

In February 2010, the FASB issued ASU No. 2010-09, “Amendments to Certain Recognition and Disclosure Requirements”, which eliminates the requirement for Securities and Exchange Commission (“SEC”) filers to disclose the

date through which an entity has evaluated subsequent events. ASU No. 2010-09 is effective for its fiscal quarter beginning after 15 December 2010. The adoption of ASU No. 2010-09 is not expected to have a material impact on the Company's consolidated financial statements

In January 2010, the FASB issued ASC No. 2010-06, "Fair Value Measurement and Disclosures (Topic 820): Improving Disclosure and Fair Value Measurements", which requires that purchases, sales, issuances, and settlements for Level 3 measurements be disclosed. ASU No. 2010-06 is effective for its fiscal quarter beginning after 15 December 2010. The adoption of ASU No. 2010-06 is not expected to have a material impact on the Company's consolidated financial statements.

### 3. Acquisition

In accordance with ASC 805, Business Combinations, acquisitions are accounted for under the purchase method of accounting. Under the purchase method of accounting, assets acquired and liabilities assumed are recorded at their estimated fair values. Goodwill is recorded to the extent the purchase price consideration, including certain acquisition and closing costs, exceeds the fair value of the net identifiable assets acquired at the date of the acquisition.

On 24 July 2008, the Company acquired Silverdale. The aggregate consideration paid by the Company was \$791,860 of which \$141,760 was paid in cash, and the Company issued 4,334,000 common shares of the Company valued at \$650,100 to acquire 100% of the issued and outstanding common shares of Silverdale (Notes 3, 5 and 11). Silverdale was acquired pursuant to a Stock Exchange Agreement with Silverdale and the former shareholders of Silverdale dated 13 June 2008. The acquisition of Silverdale expanded the Company's business of acquiring and exploring mineral properties.

A valuation of certain assets was completed and the Company internally determined the fair value of other assets and liabilities. In determining the fair value of acquired assets, standard valuation techniques were used including the market and income approach.

The purchase price allocation has been determined as follows:

|                            | \$      |
|----------------------------|---------|
| Assets purchased:          |         |
| Cash and cash equivalents  | 1,539   |
| Mineral property interests | 790,321 |
| Total assets acquired      | 791,860 |
| Purchase price             | 791,860 |



## 4. Website Development Costs

|                                  | Cost  | Accumulated amortization<br>/ Impairment | Net Book Value   |                  |
|----------------------------------|-------|--|------------------|------------------|
|                                  |       |  | December<br>2011 | December<br>2010 |
|                                  | \$    | \$                                       | \$               | \$               |
| Website and<br>development costs | 6,600 | (6,600 )                                 | -                | -                |
|                                  | 6,600 | (6,600 )                                 | -                | -                |

During the quarter ended 31 December 2011, the Company incurred website development costs of \$Nil (2010 - \$Nil).

## 5. Mineral Property Costs

## Rose Prospect Lode Mining Claim

During the year ended 30 September 2006, the Company acquired an interest in a mineral claim located in Clark County, Nevada (the "Rose Prospect Lode Mining Claim") for \$6,375. In May 2006, the Company commissioned a geological evaluation report of the Rose Prospect Lode Mining Claim and in June 2006, the Company commissioned a Phase I work program as recommended by the evaluation report. During the Phase I work program, the Company staked a second claim adjacent to the west of the Rose Lode Claim to cover other indicated mineralized zones observed in that area (the "Rose Prospect II Lode Mining Claim"). The acquisition cost of \$6,375 was initially capitalized as a tangible asset.

Expenditures related to the Rose Prospect Lode Mining Claim property for the quarter ended 31 December 2011 were \$Nil (2010 - \$Nil).

During the year ended 30 September 2006, the Company recorded a write-down of mineral property acquisition costs of \$6,375 related to the Rose Prospect Lode Mining Claim.

## Pinehurst Properties

During the year ended 30 September 2007, the Company entered into a mineral property option agreement, through its wholly-owned subsidiary, to acquire an undivided 100% right, title and interest in eight unpatented mining claims described as the "Corby", "Cory FR", "Walker", "Linda", "Eddie", "Smokey", "Dorian" and "Valerine" claims (the "Pinehurst Properties") located near Pinehurst, Shoshone County, Idaho. The mineral property option agreement calls for cash payments of \$1,000,000 (\$50,000 paid), the issuance of 1,000 restricted common shares of the Company and the completion of exploration expenditures of \$1,000,000 on the claims detailed as follows:

|                                |        | Payments |        | Exploration        |
|--------------------------------|--------|----------|--------|--------------------|
|                                |        | \$       | Shares | expenditures<br>\$ |
| Upon execution of agreement    | (paid) | 50,000   | 100    | 100,000            |
| On or before 14 September 2009 |        | 100,000  | 150    | 200,000            |
| On or before 14 September 2010 |        | 350,000  | 250    | 300,000            |
| On or before 14 September 2011 |        | 500,000  | 500    | 400,000            |

|       |           |       |           |
|-------|-----------|-------|-----------|
| Total | 1,000,000 | 1,000 | 1,000,000 |
|-------|-----------|-------|-----------|

Expenditures related to the Pinehurst Properties for the 3 months ended 31 December 2011 consist of geology and engineering of \$Nil (2010 - \$Nil). During the 3 months ended 31 December 2011, the Company recorded a recovery of expenditures related to the Pinehurst Properties of \$Nil (2010 - \$Nil).

The Company is in default under the terms of the option agreement, and does not have any short term prospects for raising the funds needed to complete these projects and has written off its deferred mineral property costs related to the project.

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

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Silver Strand Properties

On 1 March 2008, the Company entered into a mineral property option agreement with New Jersey Mining Company ("NJMC") to purchase a 50% Joint Venture Interest in mining operations on certain mining properties collectively known as the Silver Strand Properties, located in Kootenai County, Idaho. The terms of the option agreement calls for the Company to make payments as follows:

- i. \$120,000 upon the signing of the agreement (paid);
- ii. \$150,000 on or before 30 April 2008 (paid); and
- iii. \$230,000 on or before 30 May 2008.

The terms of the option agreements call for the Company to contribute 50% of the reclamation bond held as a treasury bill, the receipt of which is due on or before 30 May 2008, for the benefit of the Joint Venture. NJMC will be the operator of the mine.

Expenditures related to the Silver Strand Properties for the 3 months ended 31 December 2011 consist of acquisition costs of \$Nil (2010 - \$Nil).

The Company is in default under the terms of the option agreement, and does not have any short term prospects for raising the funds needed to complete these projects and has written off its deferred mineral property costs related to the project.

Cobalt Canyon Gold Project

On 8 September 2008, the Company entered into a letter of intent with Gold Canyon Properties, LLP to examine and possibly acquire 100% of the Cobalt Canyon Gold Project located in Lincoln County, Nevada. The Cobalt Canyon properties are located in the Chief Mining District of southeastern Nevada. The project includes numerous small underground mines within the Chief District situated just north of Caliente, Nevada. The project includes 22 unpatented federal lode claims (approximately 363 acres) and an option to acquire 59 acres in three patented mining claims.

Expenditures related to the Cobalt Canyon Gold Project for the 3 months ended 31 December 2011 consist of acquisition costs of \$Nil (2010 - \$Nil).

The Company wrote off its deferred mineral property costs related to the Gold Canyon Gold Project.

AHB Claims

On 16 May 2011, the Company entered into an Agreement of Purchase and Sale with Jaime Mayo to acquire 100% of the AHB claims located in British Columbia, Canada. The AHB Claims consist of 3 claims (approximately 1,006 ha).

The Company paid \$10,000 cash as a deposit and issued 2,000 common shares upon closing (Note 11) and is subject to a 2% NSR (Net Smelter Royalty). The Company has an option to purchase 1% of the NSR for \$1 million and an additional 0.5% of the NSR \$500,000.

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are non-interest bearing, unsecured and have settlement dates within one year.

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

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## 7. Convertible Debentures

|  | Balance at<br>31<br>December<br>2011 | Balance at<br>31<br>December<br>2010 |
|--|--------------------------------------|--------------------------------------|
|  | \$                                   | \$                                   |

Three convertible debentures issued to three unrelated parties bearing interest at a rate of 10% per annum on any unpaid principle balances, unsecured, and having no fixed terms of repayment. The holders of the convertible debentures have the right to convert any portion of the unpaid principle and/or accrued interest into restricted common shares of the Company at any time within thirty-six months from the issue date on the basis of \$2.50 per common share for each dollar of principle and/or interest due and payable. The Company may repay principal amounts due at any time without premium or penalty. During the quarter ended 31 December 2011, the Company accrued interest expense of \$378 (31 December 2010 – \$378). The balance as at 31 December 2011 consists of principal of \$15,000 (31 December 2010 – \$15,000) and accrued interest of \$3,996 (31 December 2010 – \$2,496), respectively.

The Company recorded a \$15,000 interest expense in relation to amortization of debt discount (Note 13) in the year ended 30, September, 2009.

|  |        |        |
|--|--------|--------|
|  | 18,996 | 17,496 |
|--|--------|--------|

## 8. Demand Loan

|  | Balance at<br>31<br>December<br>2011 | Balance at<br>31<br>December<br>2010 |
|--|--------------------------------------|--------------------------------------|
|  | \$                                   | \$                                   |

A demand loan issued to a shareholder bearing interest at a rate of 10% per annum on any unpaid principle balances, unsecured, and having no fixed terms of repayment. The Company may repay principal amounts due at any time without premium or penalty. In addition, the Company will issue 250 common shares in the Company upon repayment of the loan (Note 14). During the quarter ended 31 December 2011, the Company accrued interest expense of \$756 (31 December 2010 - \$756). The balance as at 31 December 2011 consists of principal of \$30,000 (31 December 2010 - \$30,000) and accrued interest of \$6,441 (31 December 2010 - \$3,345).

|  |        |        |
|--|--------|--------|
|  | 36,441 | 33,345 |
|--|--------|--------|

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



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|   | Balance at<br>31<br>December<br>2011 | Balance at<br>31<br>December<br>2010 |
|---|--------------------------------------|--------------------------------------|
|   | \$                                   | \$                                   |
| A demand loan issued to a shareholder who is also the Company's sole officer and director bearing interest at a rate of 10% per annum on any unpaid principle balances, unsecured, and having no fixed terms of repayment. The Company may repay principal amounts due at any time without premium or penalty. During the quarter ended 31 December 2011, the Company accrued interest expense of \$63 (31 December 2010- \$63). The balance as at 31 December 2011 consists of principal of \$2,500 (31 December 2010- \$2,500) and accrued interest of \$408 (31 December 2010- \$158).                                     | 2,908                                | 2,658                                |
| During the year ended 30 September 2011, the Company accepted a demand loan from a shareholder bearing interest at a rate of 9% per annum on any unpaid principle balances. The demand loan is unsecured and has no fixed terms of repayment. The Company may repay principal amounts due at any time without premium or penalty. During the quarter ended 31 December 2011, the Company accrued interest expense of \$390 (31 December 2010 – \$52) (Note 11). The balance as at 31 December 2011 consists of principal of \$17,184 (31 December 2010 – \$17,184) and accrued interest of \$1,598 (31 December 2010 – \$52). | 18,782                               | 17,236                               |
| During the year ended 30 September 2011, the Company accepted a demand loan from a shareholder bearing interest at a rate of 9% per annum on any unpaid principle balances. The demand loan is unsecured and has no fixed terms of repayment. The Company may repay principal amounts due at any time without premium or penalty. During the quarter ended 31 December 2011, the Company accrued interest expense of \$363 (31 December 2010 – \$Nil) (Note 11). The balance as at 31 December 2011 consists of principal of \$16,000 (31 December 2010 – \$Nil) and accrued interest of \$1,341 (31 December 2010 – \$Nil).  | 17,341                               | -                                    |

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

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|  | Balance at<br>30<br>September<br>2011 | Balance at<br>30<br>September<br>2010 |
|--|---------------------------------------|---------------------------------------|
| During the year ended 30 September 2011, the Company accepted a demand loan from a shareholder bearing interest at a rate of 9% per annum on any unpaid principle balances. The demand loan is unsecured and has no fixed terms of repayment. The Company may repay principal amounts due at any time without premium or penalty. During the quarter ended 31 December 2011, the Company accrued interest expense of \$363 (31 December 2010 – \$Nil) (Note 11). The balance as at 31 December 2011 consists of principal of \$16,000 (31 December 2010 – \$Nil) and accrued interest of \$1,107 (31 December 2010 – \$Nil). | 17,107                                | -                                     |
| During the year ended 30 September 2011, the Company accepted a demand loan from a shareholder bearing interest at a rate of 9% per annum on any unpaid principle balances. The demand loan is unsecured and has no fixed terms of repayment. The Company may repay principal amounts due at any time without premium or penalty. During the quarter ended 31 December 2011, the Company accrued interest expense of \$318 (31 December 2010 – \$Nil) (Note 11). The balance as at 31 December 2011 consists of principal of \$14,000 (31 December 2010 – \$Nil) and accrued interest of \$525 (31 December 2010 – \$Nil).   | 14,525                                | -                                     |
| During the year ended 30 September 2011, the Company accepted a demand loan from a shareholder bearing interest at a rate of 9% per annum on any unpaid principle balances. The demand loan is unsecured and has no fixed terms of repayment. The Company may repay principal amounts due at any time without premium or penalty. During the quarter ended 31 December 2011, the Company accrued interest expense of \$363 (31 December 2010 – \$Nil) (Note 11). The balance as at 31 December 2011 consists of principal of \$16,000 (31 December 2010 – \$Nil) and accrued interest of \$473 (31 December 2010 – \$Nil).   | 16,473                                | -                                     |
|  | 123,577                               | 53,239                                |

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

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9. Due to Related Parties

Amounts due to related parties are due to individuals or companies controlled by individuals who are shareholders, directors and/or former directors of the Company.

A demand loan issued to the Company's former President (Note 8) bears interest at 10% p.a. and is payable on demand. At 31 December, 2011 the balance owing was \$2,908 (31 December 2010 - \$2,658); Note (8).

A trade payable due to a shareholder that provides contract services to the company was on 31 December 2011 \$4,000 (31 December 2010 - \$Nil) is non-interest bearing, unsecured and has no fixed terms of repayment.

10. Related Party Transactions

On 1 April 2008, the Company has agreed to pay an officer and director of the Company of \$6,500 per month for management and consulting services commencing 1 March 2008 expiring in 30 days upon cancellation notice by either party. The Company paid or accrued \$26,000 to the director for these services during the year ended 30 September 2009. This officer and director of the Company resigned during the year ended 30 September 2009.

On 1 April 2008, the Company has agreed to pay a officer of the Company of \$3,500 per month for management and consulting services commencing 1 March 2008 expiring in 30 days upon cancellation notice by either party. The Company paid or accrued \$17,500 to the officer for these services during the year ended 30 September 2009. This officer of the Company resigned during the year ended 30 September 2009.

During the year ended 30 September 2009, the Company paid or accrued \$9,000 to a company related to the Company by way of a director in common for investor relation services.

During the year ended 30 September 2009, the Company paid or accrued \$28,500 to a Company related to the Company by way of a shareholder in common for accounting services.

During the year ended 30 September 2009, the Company paid or accrued \$4,500 to a shareholder of the Company for management and consulting services.

During the year ended 30 September 2009, an officer and director of the Company made contributions to capital for management fees in the amount of \$22,000 and rent in the amount of \$4,500 (Notes 11 and 13).

During the year ended 30 September 2009, former officer of the Company forgave loans to the Company totaling \$39,000. This loan forgiveness has been recorded as contributions to capital (Notes 11 and 13).

During the year ended 30 September 2011, an officer and director of the Company made contributions to capital for management fees in the amount of \$18,000 (2010 - \$18,000) and rent in the amount of \$6,000 (2010 - \$6,000) (Notes 11 and 13).

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During the quarter ended 31 December 2011, an officer and director of the Company made contributions to capital for management fees in the amount of \$4,500 (31 December 2010 - \$4,500) and rent in the amount of \$1,500 (31 December 2010 - \$1,500) (Notes 11 and 13).

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

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11. Capital Stock

Authorized capital stock consists of 225,000 post reverse split common shares with a par value of \$1.00 per common share. The total issued and outstanding capital stock is 169,171 common shares with a par value of \$1.00 per common share.

On 7 September 2011 the Company announced effective 22 September 2011, the Company will complete a reverse split with a 1,000 to 1 ratio thereby reducing issued and outstanding capital stock from 42,168,837 common shares with a par value of \$0.001 to 42,171 common shares with a par value of \$1.00. Unless otherwise noted, all references herein to number of shares, price per share or weighted average number of shares outstanding have been adjusted to reflect this reverse stock split on a retroactive basis.

On 3 December 2003, a total of .003 common shares of the Company were issued for cash proceeds of \$1.

On 1 January 2006, a total of 30,000 common shares were issued to an officer and director of the Company for cash proceeds of \$10,000.

On 1 January 2006, a total of .003 common shares of the Company were redeemed for proceeds of \$1. These common shares were cancelled on the same date.

On 3 May 2007, the Company completed a public offering of securities pursuant to an exemption provided by Rule 504 of Regulation D, registered in the State of Nevada, and issued 25,500 common shares for total cash proceeds of \$85,000.

On 4 March 2008, the Company affected a three (3) for one (1) forward stock split of all outstanding common shares and a corresponding forward increase in the Company's authorized common stock. The effect of the forward split was to increase the number of the Company's common shares issued and outstanding from 18,500,000 to 55,500,000 and to increase the Company's authorized common shares from 75,000,000 shares par value \$0.001 to 225,000,000 shares par value \$0.001. The consolidated financial statements have been retroactively adjusted to reflect this stock split.

On 24 July 2008, the Company issued 4,334 common shares of the Company valued at \$650,100 to acquire 100% of the issued and outstanding common shares of Silverdale (Note 13).

On 24 July 2008, the Company issued 1,000 common shares related to a public offering of securities in error. A total of 500 of these common shares were returned to treasury and cancelled. A total of 500 of these common shares remain outstanding and the Company is in the process of obtaining these common shares for return to treasury and cancellation. The Company has placed a trading restriction on these common shares pending their receipts to treasury and cancellation and has excluded them from total number of common shares reported as issued and outstanding at 30 September 2009.

On 30 September 2008, a former director and officer of the Company returned to treasury 15,000 common shares of the Company for proceeds of \$Nil. These shares were cancelled during the year ended 30 September 2008 (Note 13).

On 10 October 2008, the Company completed a public offering of securities pursuant to an exemption provided by Rule 504 of Regulation D, registered in the State of Nevada, and issued 950 common shares for total cash proceeds of \$237,500. As noted above on 24 July 2008, the Company issued 1,000 common shares related to this public offering

of securities in error. A total of 500 of these common shares were returned to treasury and cancelled. A total of 500 of these common shares remain outstanding and the Company is in the process of obtaining these common shares for return to treasury and cancellation. The Company has placed a trading restriction on these common shares pending their receipts to treasury and cancellation and has excluded them from total number of common shares reported as issued and outstanding at 30 September 2009.

On 15 January 2009, the Company completed a public offering of securities pursuant to an exemption provided by Rule 504 of Regulation D, registered in the State of Nevada, and issued 487 common shares for total cash proceeds of \$218,176.

During the year ended 30 September 2009, former directors and officers of the Company returned to treasury 4,100 common shares of the Company for proceeds of \$Nil. These shares were cancelled during the year ended 30 September 2009 (Note 13).

During the year ended 30 September 2009, an officer and director of the Company made contributions to capital for management fees in the amount of \$22,000 (2008 - \$9,000, 2007 - \$18,000) and rent in the amount of \$4,500 (2008 - \$3,000, 2007 - \$6,000) (Notes 10 and 13).

During the year ended 30 September 2009, former officer of the Company forgave loans to the Company totaling \$39,000. This loan forgiveness has been recorded as contributions to capital (Notes 10 and 13).

During the year ended 30 September 2011, an officer and director of the Company made contributions to capital for management fees in the amount of \$18,000 (2010 - \$18,000, 2009 - \$22,000, 2008 - \$9,000, 2007 - \$18,000) and rent in the amount of \$6,000 (2010 - \$6,000, 2009 - \$4,500, 2008 - \$3,000, 2007 - \$6,000) (Notes 11 and 13).

During the quarter ended 31 December 2011, an officer and director of the Company made contributions to capital for management fees in the amount of \$4,500 (31 December 2010 - \$4,500) and rent in the amount of \$1,500 (31 December 2010 - \$1,500) (Notes 11 and 13).

On 22 December 2011 we issued 125,000 shares of our Common Stock and received \$50,000 in connection therewith. Also on December 22, 2011 we issued 2,000 shares of our Common Stock in connection with an Agreement of Purchase and Sale with Jaime Mayo to acquire 100% of the AHB claims located in British Columbia, Canada. The AHD claims consist of 3 claims (approximately 1,006 ha) (Note 5).

## 12. Income Taxes

The Company has losses carried forward for income tax purposes to 31 December 2011. There are no current or deferred tax expenses for the period ended 31 December 2011 due to the Company's loss position. The Company has fully reserved for any benefits of these losses. The deferred tax consequences of temporary differences in reporting items for financial statement and income tax purposes are recognized, as appropriate. Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the net operating loss carry-forward period. Management has considered these factors in reaching its conclusion as to the valuation allowance for financial reporting purposes.

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

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The provision for refundable federal income tax consists of the following:

|   | For the<br>three<br>month<br>period<br>ended 31<br>December<br>2011 | For the<br>three month<br>period<br>ended 31<br>December<br>2010 |
|---|---|--|
|   | \$  | \$   |
| Deferred tax asset attributable to:         |   |  |
| Current operations                          | 9,128   | 4,285  |
| Contributions to capital by related parties | (2,040 )  | (2,040 )   |
| Less: Change in valuation allowance         | (7,088 )  | (2,245 )   |
| Net refundable amount                       | -   | -  |

The composition of the Company's deferred tax assets as at 31 December 2011 and 30 September 2011 are as follows:

|  | As at 31<br>December 2011 | As at 30<br>September<br>2010<br>(Audited) |
|--|---------------------------|--|
|  | \$                        | \$   |
| Income tax operating loss carryforward | 1,562,071                 | 1,535,225                                  |
| Statutory federal income tax rate      | 34 %                      | 34 %                                       |
| Contributed rent and services          | 0 %                       | 0 %  |
| Effective income tax rate              | 0 %                       | 0 %  |
| Deferred tax assets                    | 201,033                   | 193,945                                    |
| Less: Valuation allowance              | (201,033 )                | (193,945 )                                 |
| Net deferred tax asset                 | -                         | -  |

The potential income tax benefit of these losses has been offset by a full valuation allowance.

As at 31 December 2011, the Company has an unused net operating loss carry-forward balance of approximately \$1,562,071 that is available to offset future taxable income. This unused net operating loss carry-forward balance expires between 2024 and 2030.

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

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Silverstar Mining Corp.  
(A Development Stage Company)  
Notes to Consolidated Financial Statements

## 13. Supplemental Disclosures with Respect to Cash Flows

|  | For the<br>period from<br>the date of<br>inception<br>on 5<br>December<br>2003 to 30<br>September<br>2011 | For the year<br>ended 30<br>September<br>2011 | For the<br>year<br>ended 30<br>September<br>2010 |
|--|---|---|--|
|  | \$  | \$  | \$   |
| Cash paid during the year for interest     | -   | -   | -  |
| Cash paid during the year for income taxes | -   | -   | -  |

On 24 July 2008, the Company issued 4,334 common shares of the Company valued at \$650,100 to acquire 100% of the issued and outstanding common shares of Silverdale (Note 10).

On 30 September 2008, a former director and officer of the Company returned to treasury 15,000 common shares of the Company for proceeds of \$Nil. These shares were cancelled during the year ended 30 September 2008 (Note 10).

On 30 September 2009, a former directors and officers of the Company returned to treasury 4,100 common shares of the Company for proceeds of \$Nil. These shares were cancelled during the year ended 30 September 2009 (Note 10).

During the year ended 30 September 2009, an officer and director of the Company made contributions to capital for management fees in the amount of \$22,000 (2008 - \$9,000, 2007 - \$18,000) and rent in the amount of \$4,500 (2008 - \$3,000, 2007 - \$6,000) (Notes 9 and 10).

During the year ended 30 September 2009, former officer of the Company forgave loans to the Company totaling \$39,000. This loan forgiveness has been recorded as contributions to capital (Notes 9 and 10).

During the year ended 30 September 2009, the Company accrued interest of \$616 related to the convertible debentures and \$15,000 related to authorization of debt discount (Note 7).

During the year ended 30 September 2010, the Company accrued interest of \$4,186 related to the convertible debentures (Note 7) and demand loans and \$7,500 related to the issuance of 250 post reverse share issuance liability (Note 8).

During the year ended 30 September 2011, the Company accrued interest of \$8,093 related to the convertible debentures (Note 7) and demand loans (Note 8).

During the year ended 30 September 2011, an officer and director of the Company made contributions to capital for management fees in the amount of \$18,000 (2010 - \$18,000, 2009 - \$22,000, 2008 - \$9,000, 2007 - \$18,000) and rent

in the amount of \$6,000 (2010 - \$6,000, 2009 - \$4,500, 2008 - \$3,000, 2007 - \$6,000) (Note 11).

On 22 December 2011 the Company completed a public offering of securities pursuant to an exemption provided by Rule 504 of Regulation D, registered in the State of Nevada, and issued 125,000 common shares for total cash proceeds of \$50,000.

#### 14. Commitment

The Company is committed to issue 250 common shares of the Company upon repayment of the shareholder's demand loan in the amount of \$36,441 as of 31 December 2012 (Note 8).

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

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

### Forward-Looking Statements

This quarterly report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our unaudited consolidated financial statements are stated in United States Dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles. The following discussion should be read in conjunction with our consolidated financial statements and the related notes that appear elsewhere in this quarterly report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward looking statements.

In this quarterly report all references to "common shares" refer to the common shares in our capital stock.

As used in this quarterly report and unless otherwise indicated, the terms "we", "us", "our", "Company", and "Silverstar" mean Silverstar Mining Corp., a Nevada corporation.

### Overview

On May 16, 2011 our recently formed, wholly owned subsidiary, Silverstar Mining Canada, Inc., ("SMCI") acquired three mining claims encompassing approximately 1,006 hectares in British Columbia, Canada. In consideration for the transfer of the mining claims, we paid the transferor \$10,000 and we are required to issue the transferor two million shares of our common stock.

The mineral claims are located in the Caribou Mining District in east-central British Columbia, Canada.

[Missing Graphic Reference]

[Missing Graphic Reference]

### PROPERTY LOCATION AND ACCESS

There is a growing infrastructure in the region as more of its resources are being exploited by various sized peers and competitors in the area.

The SMCI mineral tenures are located within 65 km northeast of Quesnel, British Columbia, in an area that in part has been logged and re-planted. Access is by forestry road to the vicinity of the Willow River: the tenures lie both east and west of that river. The bridge across Willow River is located approximately 1250 metres upstream from the south boundary and a logging branch road follows the east side of Willow River. The total area is 1006 hectares.



We have not conducted any feasibility studies on the mining claims. However, contiguous and other properties in the immediate vicinity indicate deposits of gold, silver and copper.

In order to determine the commercial viability of the mining claims and commence operations, a team of professionals is to be assembled to obtain further detail of potential yield. Independent consultants estimate that a work program should be done on its major fault structure and could be implemented for up to \$150,000. Initial work would be studying historical information on the area, the trend line and sampling. The sampling analysis will direct management on subsequent investment of resources. The sampling program can be achieved with a projected investment of \$25,000 up to \$75,000 depending on the success of early stage sampling and the amount of samples ultimately taken and evaluated. A drilling program is estimated to cost roughly \$500,000.

#### Employees

Neil Kleinman serves as our sole officer, director and employee. We presently conduct our business through agreements with consultants and arms-length third parties.

Results of Operations for the Three Months ended December 31, 2011 and 2010 and from Inception (December 5, 2003)

Since our Inception we have not generated any revenues.

For the three months ended December 31, 2011 we incurred \$26,846 in expenses consisting primarily of legal and accounting fees totaling \$15,062. Except for rent totaling \$4,500 and bank charges totaling \$3,458 we incurred no other significant expenses. Total expenses for the three months ended December 31, 2010 totaled \$12,604 consisting primarily of \$4,300 in legal and accounting fees, \$4,500 in rent and \$1,399 in bank charges.

We have incurred \$1,564,571 in expenses since Inception. We wrote down our prior property acquisitions which totaled \$811,696. Other significant expenses included \$238,339 in legal and accounting fees, \$138,467 in consulting fees, \$107,500 in rental expenses, and \$84,992 for investor relations.

Our Net Loss for the three months ended December 31, 2011 and 2010 totaled \$(26,846) and \$(12,604). Net loss since Inception totaled \$(1,564,571).

Our Net loss for the three and nine months ended June 30, 2011 totaled \$(17,437) and \$(38,834) as compared to \$(19,629) and \$(58,903) in 2010. Our Net Loss since Inception totaled \$(1,503,624).

#### Liquidity and Working Capital

We have limited assets. We had \$28,356 in cash at December 31, 2011 as compared to \$1,674 at September 30, 2011. The significant increase in our cash holdings is attributable to the sale of our common stock. Our investment in our mineral properties totaled \$10,320. Total assets were \$38,893.

Current liabilities at December 31, 2011 totaled \$159,123 consisting primarily of a shareholder demand note totaling \$123,577, a convertible debenture totaling \$18,996 a liability of \$7,500 attributable to share issuance and accounts payable totaling \$5,050. Current liabilities totaled \$159,123. We had a working capital deficit of \$130,550.

At September 30, 2011 we had \$1,674 in cash and mineral properties valued at \$10,000. Total assets were \$11,674. Total assets were \$11,674.

Current liabilities at September 30, 2011 totaled \$161,378 consisting primarily of a shareholder demand note totaling \$120,960, a convertible debenture in the amount of \$18,618 and accounts payable totaling \$11,800. Current liabilities totaled \$161,378. We had a working capital deficit of \$149,704.

Unless we secure additional debt or equity financing, of which there can be no assurance, we will not be able to continue operations and you may lose your entire investment. We currently do not have any arrangements in place for any future debt or equity financing.

#### Off-Balance Sheet Arrangements

We are not currently a party to, or otherwise involved with, any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

#### Item 3. Quantitative and Qualitative Disclosure About Market Risk

Not applicable.

#### Item 4. Controls and Procedures

##### (a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) and determined that our disclosure controls and procedures were not effective as of the end of the period covered by this Quarterly Report on Form 10-Q. The evaluation considered the procedures designed to ensure that the information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

Our internal control over financial reporting is not effective due to the following:

Neil Kleinman serves as our sole officer and director. As such there is no segregation of functions, duties and responsibilities with respect to our cash and control over the disbursements related thereto.

We do not believe that this weakness has had any impact on our financial reporting and the control environment. Our management does not have any current plans to remediate the weakness as we believe in order to remediate the weakness we will need to raise capital hire additional accounting personal. We believe the cost to hire additional accounting personal will be approximately \$30,000 per year.

Accordingly, management believes, based on its knowledge, that (1) 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 not misleading with respect to the period covered by this report, and (2) the financial statements, and other financial information included in this report, fairly present in all material respects our financial condition, results of operations and cash flows for the years and periods then ended

##### (b) Changes in Internal Control over Financial Reporting

During the period covered by this Quarterly Report on Form 10-Q, there was no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(d) and 13d-15(d) under the Exchange Act) that has

materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

(c) Inherent Limitations of Disclosure Controls and Internal Controls over Financial Reporting

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Projections of any evaluation or effectiveness to future periods are subject to risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

We know of no material, active or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the period ended September 30, 2011.

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

On December 22, 2011 we issued 125,000 shares of our common stock. The common stock was exempt from registration pursuant to Section 4(2) of the Securities Act.

At all times relevant:

- the sale was made to a sophisticated or accredited investor;
- we gave the purchaser the opportunity to ask questions and receive answers concerning the terms and conditions of the offering and to obtain any additional information which we possessed or could acquire without unreasonable effort or expense that is necessary to verify the accuracy of information furnished;
- at a reasonable time prior to the sale of securities, we advised the purchaser of the limitations on resale of the securities; and
- neither we nor any person acting on our behalf sold the securities by any form of general solicitation or general advertising;

Item 3. Defaults Upon Senior Securities

None.

Item 4. [Removed and Reserved]

Item 5. Other Information

None.

Item 6. Exhibits

| Exhibit Number | Description                          |
|----------------|--------------------------------------|
| (3)            | Articles of Incorporation and Bylaws |

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- 3.1 Articles of Incorporation (incorporated by reference from our Registration Statement on Form SB-2 filed on January 30, 2007).
- 3.2 By-laws (incorporated by reference from our Registration Statement on Form SB-2 filed on January 30, 2007).
- 3.3 Articles of Merger filed with the Secretary of State of Nevada on February 20, 2008 and which is effective March 4, 2008 (incorporated by reference from our Current Report on Form 8-K filed on March 5, 2008).
- 3.4 Certificate of Change filed with the Secretary of State of Nevada on February 20, 2008 and which is effective March 4, 2008 (incorporated by reference from our Current Report on Form 8-K filed on March 5, 2008).
- (10) Material Contracts
- 10.1 Purchase Agreement Rose Prospect Lode Claim (incorporated by reference from our Registration Statement on Form SB-2 filed on January 30, 2007).
- 10.2 Share Exchange Agreement dated June 13, 2008, among our company, Silverdale Mining Corp. and the selling the shareholders of Silverdale Mining Corp. as set out in the share exchange agreement (incorporated by reference from our Current Report on Form 8-K filed on June 16, 2008).
- 10.3 Mineral Property Option Agreement dated September 14, 2007 between Silverdale Mining Corp. and Chuck Stein (incorporated by reference from our Current Report on Form 8-K filed on July 28, 2008).
- 10.4 Joint Venture Agreement dated March 31, 2008 between our company and New Jersey Mining Company (incorporated by reference from our Current Report on Form 8-K filed on July 28, 2008).
- 10.5 Consulting Agreement dated April 1, 2008 between our company and Mr. James MacKenzie (incorporated by reference from our Quarterly Report on Form 10-QSB filed on August 14, 2008).
- 10.6 Share Cancellation/Return to Treasury Agreement with Donald James MacKenzie (incorporated by reference from our Current Report on Form 8-K filed on October 17, 2008).
- 10.7 Share Cancellation/Return to Treasury Agreement with Greg Cowan (incorporated by reference from our Current Report on Form 8-K filed on October 17, 2008).
- 10.8 Agreement of Purchase and Sale (incorporated by reference from our Current
- (14) Report on Form 8-k filed on May 25, 2011)  
Code of Ethics
- 14.1 Code of Ethics and Business Conduct (incorporated by reference from our Annual Report on Form 10-KSB filed on December 29, 2008).
  
- (21) Subsidiaries of the Registrant
- 21.1 Silverdale Mining Corp.  
Silverstar Mining Canada, Inc.,
  
- (31) Section 302 Certifications
- 31.1\* Section 302 Certification of Principal Executive Officer.
- (32) Section 906 Certification
- 32.1\* Section 906 Certification of Principal Executive Officer.

\*filed herewith



SIGNATURES

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

Dated: February 13, 2012

SILVERSTAR MINING CORP.

(Registrant)

/s/ Neil Kleinman

Neil Kleinman

President, Chief Executive Officer and  
Director

(Principal Executive Officer, Principal  
Financial Officer and Principal  
Accounting Officer)