

SILVERSTAR MINING CORP.
Form 10-Q
August 18, 2014

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 June 30, 2014

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.)

1489 West Warm Springs Road, Ste. 110,
Henderson, Nevada 89014
(Address of principal executive offices) (Zip Code)

(775) 473-9400
(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 NO

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 (§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 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	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

(Do not check if a smaller reporting company)

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

As of August 18, 2014, there were 15,929,200 shares of Common Stock of the issuer outstanding.

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FORWARD LOOKING STATEMENTS

Statements made in this Form 10-Q that are not historical or current facts are forward-looking statements. These statements often can be identified by the use of terms such as “may,” “will,” “expect,” “believe,” “anticipate,” “estimate,” “approximate” or “continue,” or the negative thereof. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management’s best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected. Among the factors that could cause actual results to differ materially from the forward-looking statements are the following: the Company’s ability to obtain necessary capital, the Company’s ability to meet anticipated development timelines, the Company’s ability to protect its proprietary technology and knowhow; the Company’s ability to identify and develop a network of physicians, the Company’s ability to establish a global market, clinical trial results, the Company’s ability to successfully consummate future acquisitions and such other risk factors identified from time to time in the Company’s reports filed with the Securities and Exchange Commission, including those filed with this Form 10-Q quarterly report. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

ITEM 1. FINANCIAL STATEMENTS

SILVERSTAR MINING, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2014	September 30, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 70	\$ 5,869
Prepaid expense	--	249
Total current assets	70	6,118
Investment in mineral property	29,893	29,893
Total Assets	\$ 29,963	\$ 36,011
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 103,110	\$ 42,866
Convertible debentures	104,666	201,807
Advances – related parties	5,696	6,655
Advances	117,123	--
Share issuance liability	--	88,125
Note payable	81,989	--
Total current liabilities	412,584	339,453
Total liabilities	412,584	339,453
Stockholders' Equity (Deficit):		
Common stock; \$0.001 par value, 225,000,000 shares authorized, 12,959,200 and 299,429 shares issued and outstanding, respectively	12,959	299
Additional paid-in capital	1,784,791	1,615,425
Accumulated deficit	(2,180,371)	(1,919,166)
Total stockholders' deficit	(382,621)	(303,422)
Total Liabilities and Stockholders' (Deficit)	\$ 29,963	\$ 36,011

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

SILVERSTAR MINING, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
Operating Expenses:				
Legal & accounting	\$2,565	\$40,782	\$67,597	\$85,449
General and administrative	13,366	36,922	93,896	64,165
Amortization	--	116,704	--	195,621
Mine expense	81,989	--	81,989	--
Loss from operations	(97,920)	(194,408)	(243,482)	(345,235)
Other Income (Expenses):				
Gain on debt forgiveness	8,867	--	8,867	--
Interest expense	(4,997)	(3,772)	(17,590)	(73,494)
Exchange gain	--	615	--	833
Loss on prepaid expense	(9,000)	--	(9,000)	--
Total other income (expenses)	(5,130)	(3,157)	(17,723)	(72,661)
Less non-controlling interest	--	35,011	--	58,686
Net loss	\$(103,050)	\$(162,553)	\$(261,205)	\$(359,209)
Net (loss) per common share attributable to common stockholders (basic and diluted)	\$(0.01)	\$(0.84)	\$(0.03)	\$(1.94)
Weighted average common shares outstanding (basic and diluted):	12,959,200	193,929	8,971,488	184,863

The accompanying notes are an integral part of the unaudited financial statements.

SILVERSTAR MINING, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$(261,205)	\$(417,896)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Write-off of mining costs	81,989	--
Amortization expense	--	195,621
Contribution to capital by related parties	--	18,000
Changes in operating assets and liabilities:		
Accounts payable and accrued expense	42,961	26,119
Accrued interest	16,428	10,994
Prepaid	249	3,000
Shares to be issued	(88,125)	166,890
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(207,703)	2,728
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of mineral properties	--	(17,644)
NET CASH USED IN INVESTING ACTIVITIES	--	(17,644)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from conversion of warrants to stock	87,501	--
Payment on credit card	(1,760)	--
Proceeds from advances- related parity	5,696	--
Proceeds from advances	110,468	17,500
NET CASH PROVIDED BY FINANCING ACTIVITIES	201,905	17,500
Net increase (decrease) in cash	(5,798)	2,584
Cash, beginning of period	5,868	558
Cash, end of period	\$70	\$3,142
SUPPLEMENTAL CASH FLOWS NFORMATION		
Interest paid	\$--	\$--
Income taxes paid	\$--	\$--
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued for debt	\$94,525	\$--
Note payable issued for mining costs	81,989	--

The accompanying notes are an integral part of the unaudited financial statements.

SILVERSTAR MINING, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Silverstar Mining Corp. (the “Company”) was incorporated under the laws of the State of Nevada on December 5, 2003. On March 4, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (SEC), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company’s September 30, 2013 Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year end September 30, as reported on Form 10-K, have been omitted.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements of the Company include the Company and its wholly-owned and majority-owned subsidiaries. All material intercompany balances and transactions have been eliminated.

The Company consolidates foreign subsidiary accounts by using the average of the exchange rate on the first day of the period being reported and the exchange rate on the last day of the same period for the translation of the income statement and the exchange rate on the closing date of the period for the translation of currency for the balance sheet.

Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid instruments purchased with a maturity of three months or less and money market accounts to be cash equivalents.

Net loss per share of common stock

Basic net loss per common share is computed by dividing net loss available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period.

Recently Issued Accounting Pronouncements

On June 10, 2014 the FASB issued ASU 2014-10, Development Stage Entities, (Topic 915), which eliminates the concept of a development stage entity (DSE) in its entirety from current accounting guidance. The removal of the DSE reporting requirements are effective for public entities for annual reporting periods beginning after December 15, 2014, and interim periods therein. Early adoption of the new standard is permitted and it was adopted by the Company in the quarter ended June 30, 2014.

The Company does not expect the adoption of any other recently issued accounting pronouncements to have a significant impact on its financial position, results of operations or cash flows.

NOTE 3 – GOING CONCERN

As shown in the accompanying financial statements, Silverstar Mining has an accumulated deficit of \$2,180,371 as of June 30, 2014 and incurred a net loss of \$261,205 for the nine months period ended June 30, 2014. Unless the Company is able to attain profitability and increases in stockholders' equity continue, these conditions raise substantial doubt as to Silverstar Mining's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might be necessary if Silverstar Mining is unable to continue as a going concern.

Silverstar Mining continues to review its expense structure in an attempt to reduce operating costs. The Company's expenses are planned to decrease, which would result in an improvement to its results of operations.

NOTE 4 – CONVERTIBLE DEBENTURES

On July 22, 2013 the Company entered into settlement agreements with all Demand Loan note holders converting the Demand Loans to Convertible Debentures with rights to convert any portion of the unpaid principle and/or accrued interest into restricted common shares of the Company at any time within forty-eight months from the settlement date. The Company may repay principal amounts due at any time without premium or penalty.

On December 23, 2013 the Company converted \$34,523 of convertible debt and interest into 12,416,670 shares of common stock.

On March 19, 2014 the Company converted \$60,002 of convertible debt and interest into 171,434 shares of common stock.

As of June 30, 2014 the amount of convertible debt outstanding was \$104,666 plus accrued interest of \$18,359 for a total of \$123,025.

NOTE 5 – RELATED PARTIES

On January 9, 2013 the Company issued 24,750 common shares to a note holder that was entitled to this amount of shares based on the terms pursuant to a note payable of \$30,000. The Company was obligated to issue an additional 250 common shares to satisfy the terms of the note.

On March 28, 2013 warrants to purchase 80,000 common shares were exercised by related parties yielding proceeds of \$49,000 in cash received and a subscriptions receivable of \$7,000.

During the nine month period ended June 30, 2013, an officer and director of the Company made contributions to capital for management fees in the amount of \$9,000 and rent in the amount of \$3,000 for a total of \$12,000. Subsequent to the advances the Officer and director was reimbursed \$11,500 from advances from a non-related party and was assigned the balance due on the Credit card line balance of \$3,352.

The advances do not have any repayment terms and are not interest bearing. As of June 30, 2014 the total advance due the officer was \$5,696.

NOTE 6 – EQUITY

On January 9, 2013 the Company issued 24,750 common shares to a note holder that was entitled to this amount of shares based on the terms pursuant to a note payable of \$30,000. The Company was obligated to issue an additional 250 common shares to satisfy the terms of the note.

On March 28, 2013 warrants to purchase 80,000 common shares were exercised by related parties yielding proceeds of \$49,000 in cash received and a subscriptions receivable of \$7,000.

On December 23, 2013 the Company issued 12,416,670 shares of common stock with a value of \$34,523 for debt.

On March 19, 2014 the Company issued 171,434 shares of common stock with a value of \$60,002 for debt.

On March 26, 2014 the Company issued \$71,667 shares of common stock with a value of \$87,501 which was offset against the liability “shares to be issued “of \$88,125. The difference of \$624 was offset against interest expense.

NOTE 7 – NOTES PAYABLE

On June 2, 2014 the Company issued a long term note payable for \$81,989 to an entity for advances on work completed on the Company’s Ahbau Lake mining property in British Columbia, Canada. The note bears interest at 10% per year and matures in one year at which time all principal and interest is due and payable. As of June 30, 2014 the outstanding balance of principal \$81,989 plus accrued interest of \$684 totaled \$82,673.

ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

For the three and nine month period ended June 30, 2014 and 2013 the Company did not have any revenue.

General and administrative expense was \$13,366 for the three months and \$93,896 for the nine months ended June 30, 2014 compared to \$36,922 for the three months and \$64,165 for the nine months ended June 30, 2013. The decrease in general and administrative expense for three months ended June 30, 2014 versus the same period in 2013 is primarily attributable to lower consulting and travel expenses in the 2013 period. The increase in general and administrative expense for the nine months ended June 30, 2014 versus the same period in 2013 is primarily attributable to higher consulting and travel expenses in the 2014 period. Legal and accounting for the same periods were \$2,565 for the three months and \$67,597 for the nine months ended June 30, 2014 compared to \$40,782 and \$85,449 for the same periods in 2013. The decrease in legal and accounting expenses in the 2014 periods versus the 2013 periods is primarily attributable to a decrease in legal expenses. Amortization expense was zero for the three and nine months ended June 30, 2014 compared to \$116,704 and \$195,621 for the three and nine months ended June 30, 2013. The decrease in amortization expense in the 2014 periods as compared to the 2013 periods is attributable to mining properties that were fully amortized in the 2013 periods. Mine expense in the three and nine months ended June 30, 2014 totaled \$81,989 versus zero in the same 2013 periods. The increase is attributable to mining costs incurred in the three months ended June 30, 2014 that were fully expensed.

The operating loss for the three and nine month period ended June 30, 2014 totaled \$97,920 and \$243,482, respectively, compared to \$194,408 and \$345,235, respectively, in the same periods in 2013. The larger loss in 2013 is attributable to the detail of the changes in expenses explained in the preceding paragraph.

Other expenses, net, for the three and nine month period ended June 30, 2014 were \$5,130 and \$17,723, respectively, compared to other expenses of \$3,157 and \$72,661 for the same periods in 2013. Interest expense of \$73,494 during the nine month period ended June 30, 2013 versus \$17,590 during the same period in 2014 was the primary factor in higher other expenses in 2013 over 2014.

Net loss of \$103,050 and \$261,205 was recorded for the three and nine month period ending June 30, 2014 compared to net loss of \$162,553 and \$359,209 for the same periods in 2013. The larger 2013 net loss amount for both the three and nine month periods as compared to the 2014 periods is attributable to the details of the operating and other expenses explained above.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2014, Silverstar Mining had current assets of \$70 and current liabilities of \$412,584 resulting in negative working capital of \$412,514. Stockholders' deficit as of June 30, 2014 was \$382,621.

Net cash used in operations for the nine months ending June 30, 2014 was \$207,703 compared to net cash provided by operations of \$2,728 for the same period in 2013. The negative change of \$210,431 was primarily attributable to a non-cash amortization expense of \$195,621 in 2013 that was not present in 2014 and an increase of \$166,890 in 2013 in shares issued liability whereas in 2014 the account balance was a negative \$88,125.

Net cash used in investing activities was zero for the nine months ended June 30, 2014 compared to \$17,644 in the same period in 2013. The increase was attributable to acquisition of mineral properties in 2013 that was not present in 2014.

Net cash provided by financing activities during the nine months ended June 30, 2014 was \$201,905 compared to net cash provided of \$17,500 in 2013, a positive change of \$184,405. The change was primarily due to advances of \$110,468 and the conversion of warrants of \$87,501 in 2014 compared to advances of \$17,500 in 2013.

Our existing capital may not be sufficient to meet Silverstar Mining's cash needs, including the costs of compliance with the continuing reporting requirements of the Securities Exchange Act of 1934, as amended. This condition raises substantial doubt as to Silverstar Mining's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if Silverstar Mining is unable to continue as a going concern.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

ITEM 3. Quantitative and Qualitative Disclosure About Market Risk

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

This report includes the certifications of our Chief Executive Officer and Chief Financial Officer required by Rule 13a-14 under the Securities Exchange Act of 1934 (the "Exchange Act"). See Exhibits 31.1 and 31.2. This Item 4 includes information concerning the controls and control evaluations referred to in those certifications.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Principal Executive Officer and the Principal Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this report, our management, under the supervision and with participation of our Principal Executive Officer and Principal Financial Officer (the "Certifying Officers") conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of July 31, 2013. Based on that evaluation, our management concluded that there is a material weakness in our disclosure controls and procedures over financial reporting. The material weakness results from a lack of written procedures which effectively documents the proper procedures and descriptions of the duties of all persons involved in the disclosure controls of the Company. The Company hopes to implement plans to document the procedures and internal controls of the Company. A material weakness is a deficiency, or a combination of control deficiencies, in disclosure control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. This does not include an evaluation by the Company's registered public accounting firm regarding the Company's internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our most recent quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our management believes that the Unaudited Financial Statements included herein present, in all material respects, the Company's financial condition, results of operations and cash flows for the periods presented.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 1A. RISK FACTORS

There have been no material changes to Silverstar Mining's risk factors as previously disclosed in our most recent 10-K filing for the year ending September 30, 2013.

ITEM 2. SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY INFORMATION

Not Applicable

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS

The following exhibits are included as part of this report:

- 31.1 Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 31.2 Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
- 32.2 Certification of Chief Financial Officer 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.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SILVERSTAR MINING CORP.

Dated: August 18, 2014

By: /s/ Jared Robinson
Jared Robinson
Chairman, Chief Executive Officer and
Director
(Principal Executive Officer)

Dated: August 18, 2014

By: /s/ Lowell Holden
Lowell Holden
Chief Financial Officer and Director
(Principal Financial Officer and Principal
Accounting Officer)