

SILVERSTAR MINING CORP.
Form 10-Q
May 20, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2013

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

For the transition period from _____ to _____

SILVERSTAR MINING CORP.

(Name of small registrant as specified in its charter)

Nevada

5065

98-0425627

(State or other jurisdiction of

(Primary Standard Industrial

incorporation or organization)

Classification

IRS I.D.

Code Number)

2500 Plaza 5, 25th Floor,

07311

Harborside Financial Center,

Jersey City, NJ

(Address of principal executive offices) (Zip Code)

SEC File No. 333-140299

Issuer's telephone number: 201.633.4716

N/A

(Former name, former address and former three months, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 smaller 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 filer Smaller Reporting Company

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

As of May 15th, 2013 there were 194,429 shares issued and outstanding of the registrant's common stock.

TABLE OF CONTENTS

| | |
|---|----|
| <u>PART I — FINANCIAL INFORMATION</u> | 3 |
| Item 1. <u>Financial Statements</u> | 3 |
| Item 2. <u>Management’s Discussion and Analysis or Plan of Operation.</u> | 4 |
| Item 3. <u>Quantitative and Qualitative Disclosure about Market Risk.</u> | 7 |
| Item 4. <u>Controls and Procedures.</u> | 7 |
| <u>PART II — OTHER INFORMATION</u> | |
| Item 1. <u>Legal Proceedings.</u> | 9 |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds.</u> | 9 |
| Item 3. <u>Defaults Upon Senior Securities.</u> | 9 |
| Item 4. <u>Mine Safety Disclosures.</u> | 9 |
| Item 5. <u>Other Information.</u> | 10 |
| Item 6. <u>Exhibits.</u> | 10 |

PART I — FINANCIAL INFORMATION

ITEM 1 — FINANCIAL STATEMENTS

Silverstar Mining Corp.

(An Exploration Stage Company)

Consolidated Interim Financial Statements

(Expressed in U.S. Dollars)

(Unaudited)

31 March 2013

Silverstar Mining Corp.**(An Exploration Stage Company)**

Consolidated Balance Sheets

(Expressed in U.S. Dollars)

(Unaudited)

| | As at 31-Mar-13 \$ | As at 30-Sep-12 \$ |
|---|--------------------------|--------------------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents | 25,933 | 558 |
| Prepaid expense | 7,249 | 10,249 |
| Total Current Assets | 33,182 | 10,807 |
| Other | | |
| Furniture and equipment | 977,437 | - |
| Goodwill | 4,134,135 | - |
| Investment in Mineral Properties (Note 5) | 785,133 | 14,360 |
| Total Assets | 5,929,887 | 25,167 |
| Liabilities and Stockholder's Equity (Deficit) | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities (Note 6) | 61,333 | 19,788 |
| Due to related party (Note 9) | 129 | - |
| Convertible debentures (Note 7) | 20,871 | 20,124 |
| Demand Loans (Note 8) | 34,268 | 15,468 |
| Shareholder's demand loans (Note 8) | 136,542 | 131,366 |
| Shareholder advances | 19,155 | 31,155 |
| Share issuance liability | 4,786,462 | 4,500 |
| Total Current Liabilities | 5,058,760 | 222,401 |
| Stockholders' Equity (Deficit) | | |
| Capital stock (Note 11) | | |
| Authorized | | |
| 225,000,000 of common shares, par value \$0.001 | | |
| Issued and outstanding | | |
| 2013 – 193,929 common shares, par value \$0.001 (Note 11) | | |
| 2012 – 169,179 common shares, par value \$0.001 | | |
| | 194 | 169 |
| Additional paid-in capital | 1,536,030 | 1,462,180 |
| Warrant reserve | 935,315 | - |

| | | |
|---|------------------|---------------|
| Deficit, accumulated during the exploration stage | (1,856,239) | (1,659,583) |
| Total Stockholders' Equity (Deficit) | 615,300 | (197,234) |
| Non-controlling interest | 255,827 | - |
| Total Liabilities and Stockholders' Equity (Deficit) | 5,929,887 | 25,167 |

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

F-1

Silverstar Mining Corp.**(An Exploration Stage Company)**

Consolidated Statements of Operations

(Expressed in U.S. Dollars)

(Unaudited)

| | For the period from the date of inception on December 2003 to 31-Mar-13 \$ | For the three month period ended 31-Mar-13 \$ | For the three month period ended 31-Mar-12 \$ | For the six month period ended 31-Mar-13 \$ | For the six month period ended 31-Mar-12 \$ |
|---|---|--|--|--|--|
| Expenses | | | | | |
| Amortization | 78,917 | 78,917 | - | 78,917 | - |
| Bank charges | 5,183 | 255 | 3,214 | 393 | 6,672 |
| Consulting | 138,467 | - | - | - | - |
| Dues & subscriptions | 10 | - | - | 10 | - |
| Exploration and development (Note 5) | 13,029 | - | - | - | - |
| Filing fees | 28,956 | 4,742 | 137 | 5,141 | 511 |
| Investor relations | 84,992 | - | - | - | - |
| Legal and accounting (Note 9 and 10) | 311,909 | 18,304 | 11,300 | 44,667 | 26,362 |
| Licences and permits | 4,266 | 650 | 200 | 650 | 200 |
| Management fees (Notes 10, 11 and 13) | 130,000 | 4,500 | 4,500 | 9,000 | 9,000 |
| Rent (Notes 10, 11 and 13) | 51,007 | 1,750 | 2,215 | 3,997 | 3,814 |
| Transfer agent fees | 32,295 | - | 2,500 | 755 | 3,160 |
| Travel, entertainment and office | 68,270 | 785 | 474 | 7,297 | 1,667 |
| Write-down of mineral property acquisition costs (Note 5) | 811,696 | - | - | - | - |
| Write-down of website development costs (Note 4) | 6,600 | - | - | - | - |
| Net ordinary loss | 1,765,597 | 109,903 | 24,540 | 150,827 | 51,386 |
| Other Income/(Expense) | | | | | |
| Interest income | 362 | - | - | - | - |
| Cost of borrowing (Note 14) | (62,500) |) (625 |) - | (62,500 |) - |
| Exchange gain/(loss) | 165 | 218 | - | 218 | - |
| Interest expense (Note 7, 8 and 13) | (52,344 |) (3,661 |) - | (7,222 |) - |
| | (114,317 |) (4,068 |) - | (69,504 |) - |
| Non-controlling interest | (23,675 |) (23,675 |) - | (23,675 |) - |

| | | | | | |
|--|---------------------|------------------|------------------|-------------------|------------------|
| Net loss | (1,856,239) | (90,296) | (24,540) | (196,656) | (51,386) |
| Basic and diluted loss per common share | (0.47) | (0.15) | (1.09) | (0.46) | |
| Weighted average number of common shares used in per share calculations | 191,721 | 169,171 | 180,322 | 112,264 | |

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

F-2

Silverstar Mining Corp.**(An Exploration Stage Company)**

Consolidated Statements of Cash Flows

(Expressed in U.S. Dollars)

| | For the period from the date of inception on 5 December 2003 to 31-Mar-13 \$ | For the six month period ended 31-Mar-13 \$ | For the six month period ended 31-Mar-12 \$ |
|--|---|--|--|
| Cash flows from operating activities | | | |
| Net loss for the period | (1,879,914 |) (220,331 |) (51,386 |
| Adjustments to reconcile loss to net cash used by operating activities | | | |
| Accrued interest – convertible debentures (Note 7) | 20,871 | 747 | 753 |
| Accrued interest – shareholder demand loan (Note 8) | 24,857 | 5,175 | 5,204 |
| Accrued interest – demand loan (Note 8) | 1,768 | 1,300 | - |
| Amortization | 78,917 | 78,917 | - |
| Contributions to capital by related parties (Notes 10, 11 and 13) | 209,500 | 12,000 | 12,000 |
| 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 | (7,249 |) 3,000 | (537 |
| Increase (decrease) in accounts payable and accrued liabilities | 13,182 | (6,606 |) (10,032 |
| Increase in due to related parties and shares to be issued | 186,470 | 150,815 | 1,500 |
| | (533,302 |) 25,017 | (42,498 |
| Cash flows from investing activities | | | |
| Acquisition of Silverdale, net of cash received (Note 3) | (140,221 |) - | - |
| Acquisition of Arriba (Note 3) | (1,609 |) (1,609 |) - |
| Mineral property acquisition costs (Note 5) | (51,268 |) (15,533 |) (4,040 |
| Website development costs (Note 4) | (6,600 |) - | - |
| | (199,698 |) (17,142 |) (4,040 |
| Cash flows from financing activities | | | |
| Convertible debenture | 15,000 | - | - |
| Shareholder Demand Loan | 111,683 | - | - |
| Demand Loans | 32,500 | 17,500 | - |
| Share issue costs | (1,255 |) - | - |
| Common shares issued for cash (Note 11) | 601,005 | - | 50,320 |
| | 758,933 | 17,500 | 50,320 |
| Increase (decrease) in cash and cash equivalents | 25,933 | 25,375 | 3,782 |

| | | | |
|---|---------------|---------------|--------------|
| Cash and cash equivalents, beginning of period | - | 558 | 1,674 |
| Cash and cash equivalents, end of period | 25,933 | 25,933 | 5,456 |

Supplemental Disclosures with Respect to Cash Flows (Note 13)

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

F-3

Silverstar Mining Corp.**(An Exploration Stage Company)**

Consolidated Statements of Changes in Stockholders' Equity (Deficiency)

(Expressed in U.S. Dollars)

| | Number of shares issued | Share capital \$ | Share subscription received in advance / Additional paid-in capital \$ | Deficit, accumulated during the exploration stage \$ | Stockholder's equity \$ |
|---|----------------------------|------------------------|--|--|-------------------------------|
| Balance at 5 December 2003 (inception) | | | | | |
| Common shares issued for cash (\$333 per share) (Note 11) | 0.003 | - | 1 | - | 1 |
| Net loss for the period | - | - | - | (450) | (450) |
| Balance at 30 September 2004 | 0.003 | - | 1 | (450) | (449) |
| Net loss for the year | - | - | - | (300) | (300) |
| Balance at 30 September 2005 | 0.003 | - | 1 | (750) | (749) |
| Common shares issued for cash (\$0.001 per share) (Note 11) | 30,000 | 30 | 9,970 | - | 10,000 |
| Common shares redeemed – cash (\$333 per share) (Note 11) | (0.003) | - | (1) | - | (1) |
| Contributions to capital by related parties – expenses (Notes 10, 11 and 13) | - | - | 24,000 | - | 24,000 |
| Net loss for the year | - | - | - | (40,190) | (40,190) |
| Balance at 30 September 2006 | 30,000 | 30 | 33,970 | (40,940) | (6,940) |
| Contributions to capital by related parties – expenses | - | - | 24,000 | - | 24,000 |
| Common shares issued for cash (\$3.33 per share) (Note 11) | 25,500 | 26 | 84,974 | - | 85,000 |
| Net loss for the year | - | - | - | (64,567) | (64,567) |
| Balance at 30 September 2007 | 55,500 | 56 | 142,944 | (105,507) | 37,493 |
| Contributions to capital by related parties – expenses (Notes 10, 11 and 13) | - | - | 12,000 | - | 12,000 |
| 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) | 4,334 | 4 | 650,096 | - | 650,100 |

and 13)

| | | | | | |
|--|-----------|-------|--------------|---------------|------------|
| Common shares returned to treasury and cancelled (Notes 11 and 13) | (15,000) | (15) | 15 | - | - |
| Net loss for the year | - | - | - | (263,596) | (263,596) |
| Balance at 30 September 2008 | 44,834 | \$ 45 | \$ 1,225,976 | \$ (369,103) | \$ 856,918 |

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

F-4

Silverstar Mining Corp.**(An Exploration Stage Company)**

Consolidated Statements of Changes in Stockholders' Equity (Deficiency) contd.

(Expressed in U.S. Dollars)

| | Number of shares issued | Share capital \$ | Share subscription received in advance / Additional paid-in Capital \$ | Deficit, accumulated during the exploration stage \$ | Stockholder's equity \$ |
|---|----------------------------|------------------------|--|--|-------------------------------|
| Balance at 30 September 2008 | 44,834 | 45 | 1,225,976 | (369,103) | 856,918 |
| Contributions to capital by related parties – expenses (Notes 10, 11 and 13) | - | - | 65,500 | - | 65,500 |
| Share subscriptions received in advance | - | - | (422,176) | - | (422,176) |
| Common shares issued for cash (\$250 per share) (Note 11) | 950 | 1 | 237,499 | - | 237,500 |
| Common shares issued for cash (\$448 per share) (Note 11) | 487 | 1 | 218,175 | - | 218,176 |
| Common shares returned to treasury and cancelled (Notes 11 and 13) | (4,100) | (15) | 5 | - | - |
| Intrinsic value of beneficial conversion feature (Note 11) | - | - | 15,000 | - | 15,000 |
| Net loss for the year | - | - | - | (1,010,522) | (1,010,522) |
| Balance at 30 September 2009 | 42,171 | 42 | 1,339,979 | (1,379,625) | (39,604) |
| Contributions to capital by related parties – expenses (Notes 10 and 13) | - | - | 24,000 | - | 24,000 |
| Net loss for the year | - | - | - | (85,165) | (85,165) |
| Balance at 30 September 2010 | 42,171 | 42 | 1,363,979 | (1,464,790) | (100,769) |
| Reverse split 1,000:1 (Note 11) | - | - | - | - | - |
| Contributions to capital by related parties – expenses (Notes 10 and 13) | - | - | 24,000 | - | 24,000 |
| Net loss for the year | - | - | - | (72,935) | (72,935) |
| Balance at 30 September 2011 | 42,171 | 42 | 1,387,979 | (1,537,725) | (149,704) |
| Contributions to capital by related parties – expenses (Notes 10 and 13) | - | - | 24,000 | - | 24,000 |

Edgar Filing: SILVERSTAR MINING CORP. - Form 10-Q

| | | | | | |
|---|----------------|------------|------------------|---------------------|-------------------|
| Common shares issued for business acquisition (\$0.16 per share) (Notes 3, 11 and 13) | 2,000 | 1 | 319 | - | 320 |
| Common shares issued for cash (\$0.40 per share) (Note 11) | 125,000 | 125 | 49,875 | - | 50,000 |
| Common shares issued at par to balance stock split rounding | 8 | 1 | 7 | - | 8 |
| Net loss for the period | - | - | - | (121,858) | (121,858) |
| Balance at 30 September 2012 | 169,179 | 169 | 1,462,180 | (1,659,583) | (197,234) |

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

F-5

Silverstar Mining Corp.**(An Exploration Stage Company)**

Consolidated Statements of Changes in Stockholders' Equity (Deficiency) contd.

(Expressed in U.S. Dollars)

| | Number of shares issued | Share Capital \$ | Share subscription received in advance / Additional paid-in capital \$ | Deficit, accumulated during the exploration stage \$ | Stockholder's equity \$ |
|---|----------------------------|------------------------|--|--|-------------------------------|
| Balance at 30 September 2012 | 69,179 | 169 | 1,462,180 | (1,659,583) | (197,234) |
| Contributions to capital by related parties – expenses (Note 10) | - | - | 12,000 | - | 12,000 |
| Common shares issued to satisfy terms of note payable (Notes 8,10,11,14) | 24,750 | 25 | 61,850 | - | 61,875 |
| Warrant reserve (Note 3) | - | - | 935,315 | - | 935,315 |
| Net loss for the period | - | - | - | (196,656) | (196,656) |
| Balance at 31 March 2013 | 193,929 | 194 | 2,471,345 | (1,856,239) | 615,300 |

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

Silverstar Mining Corp.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

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.

On 13 April 2011 the Company incorporated a wholly owned subsidiary, Silverstar Mining (Canada) Inc., under the laws of the country of Canada. The subsidiary 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 country of Canada. The subsidiary’s main purpose is to hold title to mineral property rights situated in Canada as the laws of that country require that only local entities can hold title to mineral property rights situated within its borders.

On 15 February 2013, the Company closed a share exchange agreement entered into on December 27, 2012, and amended on 14 May 2013 (Note 15), with Arriba Resources Inc., (“Arriba”), a company incorporated under the federal laws of Canada, and its shareholders. Pursuant to the terms of the share exchange agreement, the Company has acquired all of the issued and outstanding shares of Arriba’s common stock. With the acquisition of Arriba the Company expanded its business of acquiring and exploring mineral properties.

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Silverdale Mining Corp. (“Silverdale”) from 24 July 2008, the date of acquisition, Silverstar Mining (Canada) Inc. from 13 April 2011, the date of incorporation, and Arriba Resources Inc. (“Arriba”) from 15 February 2013, the date of acquisition.

The Company is an exploration 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 exploration 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 March 2013 and for the six 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 for the six month period ended 31 March 2013 of \$196,656 (2012 loss - \$51,386), cumulative loss - \$1,856,239 (2012 cumulative loss - \$1,659,583) and has working capital deficit of \$5,025,578 at 31 March 2013 (30 September 2012 deficit - \$211,594).

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. 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.

Silverstar Mining Corp.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

At 31 March 2013, the Company had suffered losses from exploration 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. 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.

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 exploration 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.

Silverstar Mining Corp.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

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.

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.

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.

Silverstar Mining Corp.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

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 ASC-7409, "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 ASC-260, "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

ASC-220-10, “*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

ASC-280, “*Disclosures about Segments of an Enterprise and Related Information*”, 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. ASC-280 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.

Silverstar Mining Corp.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

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 ASC-8930, “*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.

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.

Silverstar Mining Corp.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

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.

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.

Silverstar Mining Corp.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

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 |

On 15 February 2013, the Company closed a share exchange agreement entered into on December 27, 2012, and amended on 14 May 2013 (Note 15), with Arriba Resources Inc., (“Arriba”), a company incorporated under the federal laws of Canada, and its shareholders. Pursuant to the terms of the share exchange agreement, the Company has acquired all of the issued and outstanding shares of Arriba’s common stock in exchange for the issuance of 2,139,926 shares of the Company’s common stock, valued at \$4,707,837 (calculated using the closing price of \$2.20 per share on the closing date), and 2,078,477 warrants to purchase common shares of the Company at an exercise price of \$1.75 and valid for 360 days, valued at \$935,315 (calculated using the Black-Scholes value of \$2.20 per share on the closing date less the exercise price of \$1.75 per warrant), to the shareholders of Arriba. With the acquisition of Arriba the Company expanded its business of acquiring and exploring mineral properties.

Silverstar Mining Corp.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

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 | 13,076 |
| Furniture and equipment | 1,056,354 |
| Mineral property interests | 755,240 |
| Less accounts payable | (36,151) |
| Less non-controlling interest | (279,502) |
| Total assets acquired | 1,509,017 |
| Goodwill | 4,134,135 |
| Purchase price | 5,643,152 |

As of 19 May 2013 the 2,139,926 shares associated with this transaction were not issued and a stock issuance liability was created for the value of the shares to be issued and is reflected in these financial statements.

4. Website Development Costs

| | | |
|------|-------------|----------------|
| | | Net Book Value |
| Cost | Accumulated | 31 March 2013 |
| | | September 2012 |
| | | amortization |

| | \$ | / Impairment | \$ | \$ |
|-------------------------------|-------|--------------|----|----|
| Website and development costs | 6,600 | (6,600) | - | - |
| | 6,600 | (6,600) | - | - |

The Company has not incurred any expenditures related to website development costs since the write-down of website development costs during the year ended 30 September 2009.

**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.

Silverstar Mining Corp.**(An Exploration Stage Company)**

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

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.

The Company has not incurred any expenditures related to the Rose Prospect Lode Mining Claim property since the write-down of mineral property acquisition costs during the year ended 30 September 2006.

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 | Shares | Exploration expenditures |
|--------------------------------|--------|-----------|--------|--------------------------|
| | | \$ | | \$ |
| 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 |

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.

During the year ended 30 September 2009, the Company recorded a write-down of mineral property acquisition costs of \$106,400 related to the Pinehurst Properties Mining Claims.

The Company has not incurred any expenditures related to the Pinehurst Properties Mining Claims since the write-down of mineral property acquisition costs during the year ended 30 September 2009.

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.

F-15

Silverstar Mining Corp.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

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.

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.

During the year ended 30 September 2009, the Company recorded a write-down of mineral property acquisition costs of \$532,100 related to the Silver Strand Properties mining operations.

The Company has not incurred any expenditures related to the Silver Strand Properties mining operations since the write-down of mineral property acquisition costs during the year ended 30 September 2009.

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.

The Company wrote-off its deferred mineral property costs of \$26,600 related to the Gold Canyon Gold Project during the year ended 30 September 2009.

The Company has not incurred any expenditures related to the Gold Canyon Gold Project since the write-off of deferred mineral property costs during the year ended 30 September 2009.

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.

On 7 February 2012 the Company paid Terracad Geoscience Services \$4,040 to re-stake the claims, which had expired, in the name of Silverstar Mining Corp.

On 12 June 2012 the Company paid Terracad Geoscience Services \$10,000 as a pre-payment against an estimated \$15,000 charge to prepare the National Instrument 43-101 compliant technical report for the Quesnel property, Central British Columbia, Canada. The work was completed and the Company received final invoicing for the work on 1 October 2012 in the amount of \$15,533 which was recorded as Investment in Mineral Property.

Silverstar Mining Corp.**(An Exploration Stage Company)**

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

6. Accounts Payable and Accrued Liabilities

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

7. Convertible Debentures

| | Balance at 31 March 2013 | Balance at 31 March 2012 |
|--|--------------------------------|--------------------------------------|
| | \$ | \$ |

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 six month period ended 31 March 2013, the Company accrued interest expense of \$747 (31 March 2012 – \$753). The balance as at 31 March 2013 consists of principal of \$15,000 (31 March 2012 – \$15,000) and accrued interest of \$5,871 (31 March 2012 – \$4,371), respectively.

| | |
|--------|--------|
| 20,871 | 19,371 |
|--------|--------|

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

Silverstar Mining Corp.**(An Exploration Stage Company)**

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

8. Demand Loans

| | Balance at 31 March 2013 \$ | Balance at 31 March 2012 \$ |
|---|--|--|
| 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. On 9 January 2013 the Company issued 24,750 common shares and will issue 250 common shares in the Company in satisfaction of the terms pursuant to this loan (Notes 10, 11 and 14). During the six month period ended 31 March 2013, the Company accrued interest expense of \$1,496 (31 March 2012 - \$1,504). The balance as at 31 March 2013 consists of principal of \$30,000 (31 March 2012 - \$30,000) and accrued interest of \$10,189 (31 March 2012 - \$7,189). | 40,189 | 37,189 |
| 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 six month period ended 31 March 2013, the Company accrued interest expense of \$125 (31 March 2012 - \$125). The balance as at 31 March 2013 consists of principal of \$2,500 (31 March 2012 - \$2,500) and accrued interest of \$720 (31 March 2012 - \$470). | 3,220 | 2,970 |
| 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 six month period ended 31 March 2013, the Company accrued interest expense of \$771 (31 March 2012 - \$776) (Note 11). The balance as at 31 March 2013 consists of principal of \$17,184 (31 March 2012 - \$17,184) and accrued interest of \$3,531 (31 March 2012 - \$1,984). | 20,715 | 19,168 |

Silverstar Mining Corp.**(An Exploration Stage Company)**

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

| | Balance at 31 March 2013 \$ | Balance at 31 March 2012 \$ |
|--|--|--|
| 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 six month period ended 31 March 2013, the Company accrued interest expense of \$718 (31 March 2012 – \$722) (Note 11). The balance as at 31 March 2013 consists of principal of \$16,000 (31 March 2012 – \$16,000) and accrued interest of \$3,140 (31 March 2012 – \$1,700). | 19,140 | 17,700 |
| 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 six month period ended 31 March 2013, the Company accrued interest expense of \$718 (31 March 2012 – \$722) (Note 11). The balance as at 31 March 2013 consists of principal of \$16,000 (31 March 2012 – \$16,000) and accrued interest of \$2,906 (31 December 2011 – \$1,446). | 18,906 | 17,446 |
| 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 six month period ended 31 March 2013, the Company accrued interest expense of \$629 (31 March 2012 – \$632) (Note 11). The balance as at 31 March 2013 consists of principal of \$14,000 (31 March 2012 – \$14,000) and accrued interest of \$2,100 (31 March 2012 – \$839). | 16,100 | 14,839 |

Silverstar Mining Corp.**(An Exploration Stage Company)**

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

| | Balance at 31 March 2013 \$ | Balance at 31 March 2012 \$ |
|---|--|--------------------------------------|
| 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 six month period ended 31 March 2013, the Company accrued interest expense of \$718 (31 March 2012 – \$722) (Note 11). The balance as at 31 March 2013 consists of principal of \$16,000 (31 March 2012 – \$16,000) and accrued interest of \$2,272 (31 March 2012 – \$832). | 18,272 | 16,832 |
| During the quarter ended 30 June 2012, the Company accepted a demand loan from a third part bearing interest at a rate of 10% 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 six month period ended 31 March 2013 the Company accepted an additional \$17,500 under the same terms and conditions. During the six month period ended 31 March 2013, the Company accrued interest expense of \$1,300 (31 March 2012 – \$Nil) (Note 11). The balance as at 31 March 2013 consists of principal of \$32,500 (31 March 2012 – \$Nil) and accrued interest of \$1,768 (31 March 2012 – \$Nil). | 34,268 | - |
| | 170,810 | 126,164 |

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 March 2013 the balance owing was \$2,500 plus accrued interest of \$720 (31 March 2012 - \$2,500 plus

accrued interest of \$470) and is accounted for as a Shareholder Demand Loan.

F-20

Silverstar Mining Corp.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

10. Related Party Transactions

During the year ended 30 September 2006, an officer and director of the Company made contributions to capital for management fees in the amount of \$18,000 and rent in the amount of \$6,000 (Notes 11 and 13).

During the year ended 30 September 2007, an officer and director of the Company made contributions to capital for management fees in the amount of \$18,000 and rent in the amount of \$6,000 (Notes 11 and 13).

On 1 April 2008, the Company 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 an 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 2008, 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 (Notes 11 and 13).

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

During the year ended 30 September 2012, an officer and director of the Company made contributions to capital for management fees in the amount of \$18,000 and rent in the amount of \$6,000 (Notes 11 and 13).

Silverstar Mining Corp.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

On 9 January 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, still outstanding as of 31 December 2012 in the amount of \$39,449 (Notes 8, 11 and 14). The Company is still obligated to issue an additional 250 common shares to satisfy the terms of the note (Note 14).

On 28 March 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 (Notes 10 and 11).

During the six month period ended 31 March 2013, an officer and director of the Company made contributions to capital for management fees in the amount of \$9,000 (31 March 2012 - \$9,000) and rent in the amount of \$3,000 (31 March 2012 - \$3,000) (Notes 11 and 13).

11. Capital Stock

Authorized capital stock consists of 225,000,000 post reverse split common shares with a par value of \$0.001 per common share. The total issued and outstanding capital stock is 194,429 common shares with a par value of \$0.001 per common share.

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 at that time from 18,500,000 to 55,500,000 and to increase the Company's authorized common shares at that time from 75,000,000 shares par value \$0.001 to 225,000,000 shares par value \$0.001. The consolidated financial statements were retroactively adjusted to reflect this stock split at that time.

On 7 September 2011 the Company announced effective 22 September 2011, the Company would 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 \$0.001. 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 15 February 2012 the Company approved an increase in authorized capital stock, with the consent of the majority of its shareholders, from 225,000 post reverse split common shares with a par value of \$0.001 to 225,000,000 post reverse split common shares with a par value of \$0.001.

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.

Silverstar Mining Corp.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

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, 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).

On 22 December 2011, the Company issued 2,000 common shares of the Company valued at \$320 as part of 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) (Note 5).

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.

On 9 January 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, still outstanding as of 31 December 2012 in the amount of \$39,449 (Note 8 and 14). The Company is still obligated to issue an additional 250 common shares to satisfy the terms of the note (Note 14).

On 28 March 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 (Notes 10 and 11).

Silverstar Mining Corp.**(An Exploration Stage Company)**

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

12. Income Taxes

The Company has losses carried forward for income tax purposes to 30 September 2012. There are no current or deferred tax expenses for the period ended 30 September 2012 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 provision for refundable federal income tax consists of the following:

| | For the six month period ended 31 March 2013 \$ | For the six month period ended 31 March 2012 \$ |
|---|---|---|
| Deferred tax asset attributable to: | | |
| Current operations | 66,863 | 17,471 |
| Contributions to capital by related parties | (4,080) | (4,080) |
| Less: Change in valuation allowance | (62,783) | (13,391) |
| Net refundable amount | - | - |

The composition of the Company's deferred tax assets as at 31 March 2013 and 30 September 2012 are as follows:

Edgar Filing: SILVERSTAR MINING CORP. - Form 10-Q

| | As at 31 March 2013 \$ | | As at 30 September 2012 \$ | |
|---|---------------------------------|---|-------------------------------------|---|
| Income tax operating loss carry-forward | 1,856,239 | | 1,659,583 | |
| Statutory federal income tax rate | 34 | % | 34 | % |
| Contributed rent and services | 0 | % | 0 | % |
| Effective income tax rate | 34 | % | 34 | % |
| Deferred tax assets | 631,121 | | 564,258 | |
| Less: Valuation allowance | (631,121) | | (564,258) | |
| Net deferred tax asset | - | | - | |

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

As at 31 March 2012, the Company has an unused net operating loss carry-forward balance of approximately \$1,856,000 that is available to offset future taxable income. This unused net operating loss carry-forward balance expires between 2024 and 2030.

Silverstar Mining Corp.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

13. Supplemental Disclosures with Respect to Cash Flows

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, 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).

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.

On 22 December 2011 the Company issues 2,000 shares in accordance with the terms of the ABH Claims Purchase and Sale Agreement (Note 5) with a value of \$320. The valuation was based on the closing price of the shares on 22 December 2011.

During the year ended 30 September 2011, the Company accrued interest of \$8,094 related to the convertible debentures (Note 7) and demand loans (Note 8).

During the year ended 30 September 2012, the Company accrued interest of \$12,380 related to the convertible debentures (Note 7) and demand loans (Note 8).

During the six month period ended 31 March 2013, the Company accrued interest of \$7,222 related to the convertible debentures (Note 7) and demand loans (Note 8).

F-25

Silverstar Mining Corp.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

(Expressed in U.S. Dollars)

31 March 2013

14. Commitments

On 14 November 2012, the Company received a Notice of Exercise for warrants to purchase 25,000 common shares of the Company valued at \$17,500, being the value of the warrants exercised by a shareholder of the Company. The \$17,500 in proceeds received was accounted for as Shares to be Issued.

On 9 January 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, still outstanding as of 31 December 2012 in the amount of \$39,449 (Notes 8, 10 and 11). The Company is still obligated to issue an additional 250 common shares to satisfy the terms of the note (Notes 8, 10 and 11).

On 28 March 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 (Notes 10 and 11). The shares were not issued as at 31 March 2013.

As of 19 May 2013 the 2,139,926 shares associated with the Arriba transaction (Note 3) were not issued and a stock issuance liability was created for the value of the shares to be issued and is reflected in these financial statements.

15. Subsequent Events

On 14 May 2013 the Company closed an amendment to the share exchange agreement with Arriba Resources Inc. (“Arriba”) that reduced the number of common shares of the Company to be issued in connection with the acquisition of all the common shares of Arriba from 4,179,852 common shares to 2,139,926 common shares (Note 3).

The Company determined that a correction was necessary to the financial statements as at 30 September 2012 due to advances made by a shareholder of the Company, to pay for expenses on behalf of the Company, that were not properly accounted for and which increased the net loss by \$31,155, in the expense category of Travel, Entertainment and Office, and increased the amount carried as Shareholder loans accordingly. During the three months ended 31 March 2013 \$12,000 was paid against the amount owed and the balance of \$19,155 is included in Shareholder loans.

F-26

Item 2. Management's Discussion and Analysis or Plan of Operation.

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes, and other financial information included in this Form 10-Q.

Our Management's Discussion and Analysis contains not only statements that are historical facts, but also statements that are forward-looking. Forward-looking statements are, by their very nature, uncertain and risky. These risks and uncertainties include international, national, and local general economic and market conditions; our ability to sustain, manage, or forecast growth; our ability to successfully make and integrate acquisitions; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; change in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; the risk of foreign currency exchange rate; and other risks that might be detailed from time to time in our filings with the Securities and Exchange Commission.

Although the forward-looking statements in this Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by them. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this report as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

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.

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.

We intend to undertake further geological studies of the mining claims and will engage an independent geologist to conduct further geological studies which will also include preliminary drilling on the Property. 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.

On 15 February 2013, the Company closed a share exchange agreement (the “Share Exchange Agreement”), entered into on December 27, 2012, and amended on 14 May 2013 (Note 15), with Arriba Resources Inc., (“Arriba”), a company incorporated under the federal laws of Canada, and its shareholders. Pursuant to the terms of the share exchange agreement, the Company has acquired all of the issued and outstanding shares of Arriba’s common stock in exchange for the issuance of 2,139,926 shares of the Company’s common stock, and 2,078,477 warrants to purchase common shares of the Company at an exercise price of \$1.75 and valid for 360 days from the closing, These securities were issued without a prospectus.

Arriba is engaged in the exploration and development of mineral properties. It currently holds 70% of a drilling company as well as 50% of the “La Palma” gold and silver property in Mexico and an option to acquire a further 30%.

Upon the acquisition of Arriba as our wholly owned subsidiary, we have changed our business focus to that of operating Arriba’s majority owned drilling company and completing an exploration program on the La Palma property.

We will file audited financial statements of Arriba within 75 days of the completion of the acquisition by including them in an amendment to this Current Report on Form 8-K.

The closing of the share exchange agreement also resulted in the creation of a new control shareholder in our company. Mexican Resources Ltd., now holds 675,714 shares of our common stock as well as warrants to acquire a further 1,319,852 shares of our common stock at \$1.75 per share until February 15, 2014. The shares and warrants, in the aggregate, result in Mexican Resources Ltd., holding a total of 45.2% of our issued and outstanding voting securities.

At 31 Marc 2013, 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. These factors raise substantial doubt about the ability of the Company to continue as a going concern. The consolidated interim financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Results of Operations

Revenue

Since our Inception, we have not generated any revenues.

Expenses for the three month periods ended March 31, 2013 and 2012:

Edgar Filing: SILVERSTAR MINING CORP. - Form 10-Q

For the three months ended March 31, 2013 expenses totaled \$113,971 and were mainly attributable to amortization totaling \$78,917, and legal and accounting fees totaling \$18,304, less minority interest totaling \$23,675, as compared to March 31, 2012 expenses totaled \$24,540 and were mainly attributable to legal and accounting fees totaling \$11,300.

Except as set forth above, we had no other significant line item expenses for the three months ended March 31, 2013 and March 31, 2012.

Our Net Loss for the three months ended March 31, 2013 was \$(90,296) as compared to \$(24,540) for March 31, 2012.

Our Net Loss per share for the three months ended March 31, 2013 was \$(0.47) as compared to \$(0.15) for March 31, 2012.

Expenses for the six month periods ended March 31, 2013 and 2012:

For the six months ended March 31, 2013 expenses totaled \$220,331 and were mainly attributable to amortization totaling \$78,917, legal and accounting fees totaling \$44,667, and cost of borrowing totaling \$62,500, less minority interest totaling \$23,675, as compared to March 31, 2012 expenses totaled \$51,386 and were mainly attributable to legal and accounting fees totaling \$26,362.

Except as set forth above, we had no other significant line item expenses for the six months ended March 31, 2013 and March 31, 2012.

Our Net Loss for the six months ended March 31, 2013 was \$(196,656) as compared to \$(51,386) for March 31, 2012.

Our Net Loss per share for the six months ended March 31, 2013 was \$(1.09) as compared to \$(0.46) for March 31, 2012.

Expenses from inception to March 31, 2013:

Total expenses since inception were \$1,765,597 which consists primarily of a write down of mineral property acquisition costs totaling \$811,696, legal and accounting fees totaling \$311,909, consulting services totaling \$138,467, management fees totaling \$130,000, investor relations totaling \$84,992, amortization totaling \$78,917, cost of borrowing totaling \$62,500, and interest totaling \$52,344. Our legal and accounting fees since Inception are mostly attributable to our ongoing reporting obligations with the Securities and Exchange Commission. We have also incurred legal expenses associated with the acquisition of the mining claims and our recent acquisition of Arriba.

Our Net Loss since Inception totaled \$(1,856,239).

Until such time as we can generate revenues from operations, we will continue to incur operating losses. Even if we do generate revenues, there can be no assurance that we will not continue to operate at a loss.

Liquidity and Working Capital

We have limited assets. At March 31, 2013 we had cash of \$25,933 as compared to \$558 at September 30, 2012. We also had \$7,249 in prepaid expenses as of March 31, 2013 compared to \$10,249 at September 30, 2012. At March 31, 2013 our investment in our mineral properties totaled \$785,133, furniture and equipment totaled \$977,437, and goodwill totaled \$4,134,135, as compared to \$14,360, \$Nil and \$Nil, respectively, at September 30, 2013. At March 31, 2013 we had total assets were \$5,929,887 as compared to \$25,167 at September 30, 2012.

Current liabilities at March 31, 2013 totaled \$5,058,760 consisting primarily of a shareholder demand note totaling \$136,542, share issuance liability of \$4,786,462 (mainly for shares to be issued as per the terms of the Arriba share exchange agreement), and accounts payable and accruals totaling \$61,333. Current liabilities at September 30, 2012 totaled \$222,401 consisting primarily of shareholder demand loans totaling \$131,366, shareholder advances totaling \$31,155, convertible debentures totaling \$20,124, and accounts payable totaling \$19,788.

Our working capital deficit at March 31, 2013 was \$5,025,578 as compared to \$211,594 at September 30, 2012.

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.

Going Concern

Due to the uncertainty of our ability to meet our current operating and capital expenses, in their report on the annual consolidated financial statements for the year ended September 30, 2012, our independent auditors included an explanatory paragraph regarding concerns about our ability to continue as a going concern.

We anticipate that additional funding will be required in the form of debt or equity capital financing from the sale of our common stock. At this time, we cannot provide investors with any assurance that we will be able to raise sufficient funding from the sale of our common stock or through debt to meet our obligations over the next twelve months. We do not have any arrangements in place for any future debt or equity financing.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

The Company's market risk profile has not changed significantly from its year ended September 30, 2012.

Foreign Currency Exchange Rate Risk

The Company holds cash balances in U.S. dollars. Our operations are located in Canada. As a result, currency exchange fluctuations may impact our operating costs. We do not manage our foreign currency exchange rate risk through the use of financial or derivative instruments, forward contracts or hedging activities.

In general, the strengthening of the U.S. dollar will positively impact our expenses transacted in Canadian dollars. Conversely, any weakening of the U.S. dollar will increase our expenses transacted in Canadian dollars. We do not believe that any weakening of the U.S. dollar as compared to the Canadian dollar will have an adverse material effect on our operations.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2012. Based upon such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2013, the Company's disclosure controls and procedures were not effective.

Management's Report on Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of March 31, 2013 based on the framework stated by the Committee of Sponsoring Organizations of the Treadway Commission. Furthermore, due to our financial situation, we will be implementing further internal controls as we become operative so as to fully comply with the standards set by the Committee of Sponsoring Organizations of the Treadway Commission.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles. Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on its evaluation as of March 31, 2013, our management concluded that our internal controls over financial reporting were not effective as of March 31, 2013. A material weakness is a deficiency, or a combination of control deficiencies, in internal 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.

The material weakness relates to the following:

1. Accounting and Finance Personnel Weaknesses – Our current accounting staff is relatively small and we do not have the required infrastructure of meeting the higher demands of being a U.S. public company. This material weakness also relates to a lack of personnel with expertise in preparing financial statements in accordance with U.S. GAAP, in addition to the small size of the staff.
2. Lack of Internal Audit Function – We lack sufficient resources to perform the internal audit function.

In order to mitigate these material weaknesses to the fullest extent possible, all work of the CFO is reviewed by the CEO. All unexpected results are investigated. At any time, if it appears that any control can be implemented to continue to mitigate such weaknesses, it will be immediately implemented. The Company continues to study the implementation of additional internal controls over accounting and financial reporting.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

No change in the Company's internal control over financial reporting occurred during the quarter ended March 31, 2013, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

None.

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

(a) Unregistered Sales of Equity Securities.

The Registrant did not sell any unregistered securities during the three months ended March 31, 2013.

(b) Use of Proceeds.

The Registrant did not sell any unregistered securities during the three months ended March 31, 2013.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

(a) Exhibits.

Exhibit No. Document Description

| | |
|--------|--|
| 31.1 | CERTIFICATION of CEO PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002. |
| 32.1 * | CERTIFICATION of CEO PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 |

This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 of the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Silverstar Mining Corp., a Nevada corporation

| Title | Name | Date | Signature |
|--|---------------|--------------|------------------------------|
| President, Chief Executive Officer, Director, Principal Executive Officer | Neil Kleinman | May 20, 2013 | <i>/s/ Neil Kleinman</i> |

| Title | Name | Date | Signature |
|--------------------------------------|-------------------|--------------|------------------------------|
| Chief Financial Officer and Director | Jared G. Robinson | May 20, 2013 | <i>/s/ Jared G. Robinson</i> |

In accordance with the Exchange Act, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| SIGNATURE | NAME | TITLE | DATE |
|--------------------------|---------------|---------------------------------------|-----------------|
| <i>/s/ Neil Kelinman</i> | Neil Kleinman | Principal Executive Officer, Director | May 20, 2013 |

| SIGNATURE | NAME | TITLE | DATE |
|---------------------------|-------------------|---------------------------------------|--------------|
| <i>/s/ Jared Robinson</i> | Jared G. Robinson | Principal Financial Officer, Director | May 20, 2013 |

