

SILVERSTAR MINING CORP.

Form 10-K

January 13, 2011

Silverstar Mining Corp.

(A Development Stage Company)

Consolidated Financial Statements

(Expressed in U.S. Dollars)

30 September 2010

James Stafford

James Stafford, Inc.  
Chartered Accountants  
Suite 350 – 1111 Melville Street  
Vancouver, British Columbia  
Canada V6E 3V6  
Telephone +1 604 669 0711  
Facsimile +1 604 669 0754

James Stafford, Inc.  
Chartered Accountants  
Suite 350 – 1111 Melville  
Street  
Vancouver, British  
Columbia  
Canada V6E 3V6  
Telephone +1 604 669 0711  
Facsimile +1 604 669 0754

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of  
Silverstar Mining Corp.  
(A Development Stage Company)

We have audited the consolidated balance sheets of Silverstar Mining Corp. (A Development Stage Company) (the “Company”) as at 30 September 2010 and 2009 and the related consolidated statements of operations, cash flows and changes in stockholders’ deficiency for each of the years in the three-year period ended 30 September 2010. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 30 September 2010 and 2009 and the results of its operations, cash flows and changes in stockholders' deficiency for each of the years in the three-year period ended 30 September 2010 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, conditions exist which raise substantial doubt about the Company's ability to continue as a going concern unless it is able to generate sufficient cash flows to meet its obligations and sustain its operations. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ James Stafford  
Vancouver, Canada Chartered Accountants

24 December 2010, except for Note 15, as to which the date is 7 January 2011

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

	As at 30 September 2010	As at 30 September 2009
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	1,907	1,013
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	20,374	16,501
Convertible debentures (Note 7)	17,118	15,616
Demand loans (Notes 8 and 10)	35,184	-
Due to related parties (Note 9)	22,500	8,500
	95,176	40,617
<b>Stockholders' deficiency</b>		
<b>Capital stock (Note 11)</b>		
<b>Authorized</b>		
225,000,000 of common shares, par value \$0.001		
<b>Issued and outstanding</b>		
2010 – 42,168,837 common shares, par value \$0.001		
2009 – 42,168,837 common shares, par value \$0.001	42,169	42,169
Additional paid-in capital	1,321,852	1,297,852
Shares to be issued	7,500	-
Deficit, accumulated during the development stage	(1,464,790)	(1,379,625)
	(93,269)	(39,604)
	1,907	1,013

Nature, Basis of Presentation and Continuance of Operations (Note 1), Commitment (Note 14) and Subsequent Event (Note 15)

On behalf of the Board:

“Neil Kleinman”  
 Neil Kleinman

Director

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



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

	For the period from the date of inception on 5 December 2003 to 30 September 2010 (Unaudited)	For the year ended 30 September 2010	For the year ended 30 September 2009	For the year ended 30 September 2008
	\$	\$	\$	\$
<b>Expenses</b>				
Bank charges and interest (Notes 7 and 8)	30,812	13,134	16,455	843
Consulting (Note 10)	138,467	-	52,000	78,967
Exploration and development (recovery) (Note 5)	13,028	-	(342)	7,245
Filing fees	17,200	1,988	9,222	4,456
Investor relations (Note 10)	84,992	-	25,600	59,392
Legal and accounting (Note 10)	194,595	40,090	58,533	64,407
Licences and permits	3,415	-	-	2,316
Management fees (Notes 10, 11 and 13)	85,000	18,000	22,000	9,000
Rent (Notes 10, 11 and 13)	32,700	6,000	7,700	7,000
Transfer agent fees	20,254	3,432	5,233	9,060
Travel, entertainment and office	26,049	2,539	2,200	20,910
Foreign exchange gain	(18)	(18)	-	-
Write-down of mineral property acquisition costs (Note 5)	811,696	-	805,321	-
Write-down of website development costs (Note 4)	6,600	-	6,600	-
<b>Net loss for the period</b>	<b>(1,464,790)</b>	<b>(85,165)</b>	<b>(1,010,522)</b>	<b>(263,596)</b>
<b>Basic and diluted loss per common share</b>		<b>(0.002)</b>	<b>(0.023)</b>	<b>(0.005)</b>
<b>Weighted average number of common shares used in per share calculations</b>		<b>42,168,837</b>	<b>43,683,175</b>	<b>56,307,430</b>

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

Silverstar Mining Corp.  
(A Development 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 30 September 2010 (Unaudited)	For the year ended 30 September 2010	For the year ended 30 September 2009	For the year ended 30 September 2008
	\$	\$	\$	\$
Cash flows used in operating activities				
Net loss for the period	(1,464,790)	(85,165)	(1,010,522)	(263,596)
Adjustments to reconcile loss to net cash used by operating activities				
Accrued interest – convertible debentures (Note 7)	17,118	1,502	15,616	-
Accrued interest – demand loan (Notes 8 and 14)	10,184	10,184	-	-
Contributions to capital by related parties (Notes 10, 11 and 13)	149,500	24,000	65,500	12,000
Write-down of mineral property acquisition costs (Note 5)	811,696	-	805,321	-
Write-down of website development costs (Note 4)	6,600	-	6,600	-
Changes in operating assets and liabilities				
(Increase) decrease in prepaid expenses	-	-	800	(800)
Increase (decrease) in accounts payable and accrued liabilities	20,374	3,873	(1,621)	13,445
Increase (decrease) in due to related parties	22,500	14,000	(19,000)	27,500
	(426,818)	(31,606)	(137,306)	(211,451)
Cash flows used in investing activities				
Acquisition of Silverdale, net of cash received (Note 3)	(140,221)	-	-	(140,221)
Mineral property acquisition costs (Note 5)	(21,375)	-	-	(15,000)
Website development costs (Note 4)	(6,600)	-	-	(6,600)
	(168,196)	-	-	(161,821)
Cash flows from financing activities				
Convertible debenture (Note 7)	15,000	-	15,000	-
Demand loan (Note 8)	32,500	32,500	-	-