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
	$	$
Assets		
Current		
Cash and cash equivalents	1,907	1,013
Liabilities		
Current		
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
Stockholders' deficiency		
Capital stock (Note 11)		
Authorized		
225,000,000 of common shares, par value $0.001		
Issued and outstanding		
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" Director
Neil Kleinman

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

1

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
	$	$	$	$
Expenses				
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	-
Net loss for the period	(1,464,790)	(85,165)	(1,010,522)	(263,596)
Basic and diluted loss per common share		(0.002)	(0.023)	(0.005)
Weighted average number of common shares used in per share calculations		42,168,837	43,683,175	56,307,430

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

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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	-	-
Share subscriptions received in advance (Note 11)	-	-	(422,176)	422,176
Share issue costs	(1,255)	-	-	(1,255)
Common shares issued for cash (Note 11)	550,677	-	455,676	-
Common shares redeemed (Note 11)	(1)	-	-	-

	596,921	32,500	48,500	420,921
Increase (decrease) in cash and cash equivalents	1,907	894	(88,806)	47,649
Cash and cash equivalents, beginning of period	-	1,013	89,819	42,170
Cash and cash equivalents, end of period	1,907	1,907	1,013	89,819

Supplemental Disclosures with Respect to Cash Flows (Note 13)

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

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

	Number of shares issued	Capital stock	Shares to be issued / Additional paid-in capital	Deficit, accumulated during the development stage	Stockholder's equity (deficiency)
		$	$	$	$
Balance at 5 December 2003 (inception)	-	-	-	-	-
Common shares issued for cash ($0.33 per share) (Note 11)	3	-	1	-	1
Net loss for the period	-	-	-	(450)	(450)
Balance at 30 September 2004	3	-	1	(450)	(449)
Net loss for the year	-	-	-	(300)	(300)
Balance at 30 September 2005	3	-	1	(750)	(749)
Common shares issued for cash ($0.0003 per share) (Note 11)	30,000,000	30,000	(20,000)	-	10,000
Common shares redeemed – cash ($0.33 per share) (Note 11)	(3)	-	(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	30,000,000	30,000	4,000	(40,940)	(6,940)
Contributions to capital by related parties – expenses	-	-	24,000	-	24,000
Common shares issued for cash ($0.003 per share) (Note 11)	25,500,000	25,500	59,500	-	85,000
Net loss for the year	-	-	-	(64,567)	(64,567)
Balance at 30 September 2007	55,500,000	55,500	87,500	(105,507)	37,493
Contributions to capital by related parties – expenses	-	-	12,000	-	12,000

(Notes 10, 11 and 13)					
Share subscriptions received in advance	-	-	422,176	-	422,176
Share issue costs	-	-	(1,255)	-	(1,255)
Common shares issued for business acquisition ($0.45 per share) (Notes 3, 11 and 13)	4,334,000	4,334	645,766	-	650,100
Common shares returned to treasury and cancelled (Notes 11 and 13)	(15,000,000)	(15,000)	15,000	-	-
Net loss for the year	-	-	-	(263,596)	(263,596)
Balance at 30 September 2008	44,834,000	44,834	1,181,187	(369,103)	856,918

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

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

	Number of shares issued	Capital stock	Shares to be issued / Additional paid-in capital	Deficit, accumulated during the development stage	Stockholders' deficiency
		$	$	$	$
Balance at 30 September 2008	44,834,000	44,834	1,181,187	(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 ($0.25 per share) (Note 11)	950,000	950	236,550	-	237,500
Common shares issued for cash ($0.45 per share) (Note 11)	484,837	485	217,691	-	218,176
Common shares returned to treasury and cancelled (Notes 11 and 13)	(4,100,000)	(4,100)	4,100	-	-
Intrinsic value of beneficial conversion feature (Notes 7 and 13)	-	-	15,000	-	15,000
Net loss for the year	-	-	-	(1,010,522)	(1,010,522)
Balance at 30 September 2009	42,168,837	42,169	1,297,852	(1,379,625)	(39,604)
Contributions to capital by related parties – expenses (Notes 10, 11 and 13)	-	-	24,000	-	24,000
Shares to be issued (Note 11)	-	-	7,500	-	7,500
Net loss for the year	-	-	-	(85,165)	(85,165)
Balance at 30 September 2010	42,168,837	42,169	1,329,352	(1,464,790)	(93,269)

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

Silverstar Mining Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
(Expressed in U.S. Dollars)
30 September 2010

1. Nature, Basis of Presentation and Continuance of Operations

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

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

The Company is a development stage enterprise, as defined in Accounting Standards Codification (the "Codification" or "ASC") 915-10, "Development Stage Entities". The Company is devoting all of its present efforts in securing and establishing a new business, and its planned principle operations have not commenced, and, accordingly, no revenue has been derived during the organization period.

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

These consolidated financial statements as at 30 September 2010 and for the year then ended have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company has a loss of $85,165 for the year ended 30 September 2010 (2009 - $1,010,522, 2008 - $263,596) and has working capital deficit of $93,269 at 30 September 2010 (2009 - $39,604).

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 favourable terms and/or pursue other remedial measures. These consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

At 30 September 2010, 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 financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Silverstar Mining Corp.
(A Development Stage Company)
Notes to Consolidated Financial Statements
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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 is primarily engaged in the acquisition, exploration and development of mineral properties.

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

Mineral property exploration costs are expensed as incurred.

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

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

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

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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, convertible debentures, demand loans and due to related parties approximates their fair value because of the short maturity of these instruments. The Company's operations are in Canada 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.

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.

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Income taxes

Deferred income taxes are reported for timing differences between items of income or expense reported in the financial statements and those reported for income tax purposes in accordance with ASC 740, “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 financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax losses 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 income (loss) per share

The Company computes net income (loss) per share in accordance with ASC 260, “Earnings per Share”. ASC 260 requires presentation of both basic and diluted earnings per share (“EPS”) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential 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 excluded all dilutive potential shares if their effect is anti-dilutive.

Comprehensive loss

ASC 220, “Comprehensive Income”, establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at 30 September 2010, 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, “Segment Reporting” establishes guidance 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 Codification and does not believe it is applicable at this time.

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Start-up expenses

The Company has adopted ASC 720-15, “Start-Up Costs”, 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 September 2010.

Foreign currency translation

The Company’s functional and reporting currency is U.S. dollars. The consolidated financial statements of the Company are translated to U.S. dollars in accordance with ASC 830, “Foreign Currency Matters”. 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 U.S. 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 policies

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, “Noncontrolling Interests in Consolidated Financial Statements”. Subtopic 810-10 establishes the accounting and reporting guidance for noncontrolling 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.

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

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

In April 2008, the FASB issued new guidance for determining the useful life of an intangible assets, 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.

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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 with 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 ASU No. 2010-11 is not expected to have a material impact on the Company’s consolidated financial statements.

In February 2010, the FASB issued ASU No. 2010-09, “Amendments to Certain Recognition and Disclosure Requirements”, which eliminates the requirement for Securities and Exchange Commission (“SEC”) filers to disclose the date through which an entity has evaluated subsequent events. ASU No. 2010-09 is effective for its fiscal quarter beginning after 15 December 2010. The adoption of ASU No. 2010-09 is not expected to have a material impact on the Company’s consolidated financial statements

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

3. Acquisition

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

On 24 July 2008, the Company acquired Silverdale. The aggregate consideration paid by the Company was $791,860 of which $141,760 was paid in cash, and the Company issued 4,334,000 common shares of the Company valued at $650,100 to acquire 100% of the issued and outstanding common shares of Silverdale (Notes 11 and 13). 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 expands 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.

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The purchase price allocation has been determined as follows:

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

4. Website Development Costs

	Cost	Accumulated amortization / Impairment	Net Book Value 30 September 2010	30 September 2009
	$	$	$	$
Website and development costs	6,600	(6,600)	-	-
	6,600	(6,600)	-	-

During the year ended 30 September 2010, the Company incurred website development costs of $Nil (2009 - $Nil, 2008 - $6,600).

During the year ended 30 September 2010, the Company recorded a provision for write down of website development costs of $Nil (2009 - $6,600, 2008 - $Nil).

5. Mineral Property Costs

Rose Prospect Lode Mining Claim

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

Expenditures related to the Rose Prospect Lode Mining Claim property for the year ended 30 September 2010 consists of an accrual recovery of expenditures of $Nil (2009 - $600, 2008 - $445).

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.

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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 ' 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 1,000,000 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	100,000	100,000
On or before 14 September 2009		100,000	150,000	200,000
On or before 14 September 2010		350,000	250,000	300,000
On or before 14 September 2011		500,000	500,000	400,000
Total		1,000,000	1,000,000	1,000,000

Expenditures related to the Pinehurst Properties for the year ended 30 September 2010 consist of geology and engineering of $Nil (2009 - $Nil, 2008 - $6,800). During the year ended 30 September 2010, the Company recorded a recovery of expenditures related to the Pinehurst Properties of $Nil (2009 - $3,400, 2008 - $Nil).

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

Silver Strand Properties

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

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

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

Expenditures related to the Silver Strand Properties for the year ended 30 September 2010 consist of acquisition costs of $Nil (2009 - $Nil, 2008 - $270,000).

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.

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Cobalt Canyon Gold Project

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

Expenditures related to the Cobalt Canyon Gold Project for the year ended 30 September 2010 consist of acquisition costs of $Nil (2009 - $2,458, 2008 - $15,000).

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

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 30 September 2010 $	Balance at 30 September 2009 $
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 $0.0025 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 year ended 30 September 2010, the Company accrued interest expense of $1,502 (2009 – $15,616, of which $15,000 is related to amortization of debt discount, 2008 - $Nil) (Note 13). The balance as at 30 September 2010 consists of principal and accrued interest of $15,000 (2009 – $15,000) and $2,118 (2009 – $616), respectively.	17,118	15,616

8. Demand Loans

	Balance at 30 September 2010 $	Balance at 30 September 2009 $
During the year ended 30 September 2010, the Company accepted a demand loan from an unrelated party 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. In addition, the Company will issue 250,000 common shares in the Company upon repayment of the loan (Notes 11 and 14). During the year ended 30 September 2010, the Company accrued interest expense of $10,089 (2009 – $Nil, 2008 - $Nil), of which $7,500 is related to the value of 250,000 common shares to be issued (Note 13). The balance as at 30 September 2010 consists of principal of $30,000 (2009 – $Nil) and accrued interest of $2,589 (2009 – $Nil).	32,589	-
During the year ended 30 September 2010, the Company accepted a demand loan in the amount of $2,500 from a shareholder, director and officer of the Company bearing interest at a rate of 10% per annum on any unpaid principal balance. 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 year ended 30 September 2010, the Company accrued interest expense of $95 (2009 – $Nil, 2008 - $Nil) (Note 13). The balance as at 30 September 2010 consists of principal of $2,500 (2009 – $Nil) and accrued interest of $95 (2009 – $Nil) (Note 10).	2,595	-
	35,184	-

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.

Amounts due to related parties include an amount payable to a company controlled by a shareholder of the Company for accounting services in the amount of $22,500 (2009 - $8,500). The balance is non-interest bearing, unsecured and has no fixed terms of repayment.

10. Related Party Transactions

During the year ended 30 September 2010, the Company paid or accrued $Nil (2009 - $26,000, 2008 - $45,500) to a former director and officer of the Company for management services.

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During the year ended 30 September 2010, the Company paid or accrued $Nil (2009 - $17,500, 2008 - $24,500) to a former officer of the Company for management and consulting services.

During the year ended 30 September 2010, the Company paid or accrued $Nil (2009 - $9,000, 2008 - $15,000) to a former related company by way of a former director in common for investor relation services.

During the year ended 30 September 2010, the Company paid or accrued $26,000 (2009 - $28,500, 2008 - $22,841) to a related company by way of a shareholder in common for accounting services.

During the year ended 30 September 2010, the Company paid or accrued $Nil (2009 - $4,500, 2008 - $5,967) to a shareholder of the Company for management and consulting services.

During the year ended 30 September 2010, the Company accepted a demand loan in the amount of $2,500 from a shareholder, director and officer of the Company bearing interest at a rate of 10% per annum on any unpaid principal balance. During the year ended 30 September 2010, the Company accrued interest expense of $95 (2009 - $Nil) (Note 8).

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 (2009 - $22,000, 2008 - $9,000) and rent in the amount of $6,000 (2009 - $4,500, 2008 - $3,000) (Notes 11 and 13).

During the year ended 30 September 2010, a former officer of the Company made contributions to capital by forgiving a loan in the amount of $Nil (2009 - $39,000, 2008 - $Nil) (Notes 11 and 13).

11. Capital Stock

Authorized capital stock consists of 225,000,000 common shares with a par value of $0.001 per common share. The total issued and outstanding capital stock is 42,168,837 common shares with a par value of $0.001 per common share.

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

On 1 January 2006, a total of 30,000,000 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 3 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 25,500,000 common shares for total cash proceeds of $85,000.

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

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On 24 July 2008, 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 and 13).

On 30 September 2008, a former director and officer of the Company returned to treasury 15,000,000 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 950,000 common shares for total cash proceeds of $237,500. On 24 July 2008, the Company issued 1,000,000 common shares related to this public offering of securities in error. A total of 500,000 of these common shares were returned to treasury and cancelled. A total of 500,000 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 2010.

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 484,837 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 4,100,000 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 2010, an officer and director of the Company made contributions to capital for management fees in the amount of $18,000 (2009 - $22,000, 2008 - $9,000) and rent in the amount of $6,000 (2009 - $4,500, 2008 - $3,000) (Notes 10 and 13).

During the year ended 30 September 2010, a former officer of the Company made contributions to capital by forgiving a loan in the amount of $Nil (2009 - $39,000, 2008 - $Nil) (Notes 10 and 13).

Shares to be issued

During the year ended 30 September 2010, the Company accepted a demand loan from an unrelated party, in which the Company will issue 250,000 common shares in the Company upon repayment of the loan. The Company accrued interest expense of $7,500 related to the value of 250,000 common shares to be issued (Notes 8, 13 and 14).

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12. Income Taxes

The Company has losses carried forward for income tax purposes to 30 September 2010. There are no current or deferred tax expenses for the year ended 30 September 2010 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 carryforward 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 year ended 30 September 2010	For the year ended 30 September 2009	For the year ended 30 September 2008
	$	$	$
Deferred tax asset attributable to:			
Current operations	28,956	343,577	89,623
Contributions to capital by related parties	(8,160)	(22,270)	(4,080)
Write-down of mineral property acquisition costs	-	(268,709)	-
Less: Change in valuation allowance	(20,796)	(52,598)	(85,543)
Net refundable amount	-	-	-

The composition of the Company's deferred tax assets as at 30 September 2010 and 2009 are as follows:

	As at 30 September 2010	As at 30 September 2009
	$	$
Net income tax operating loss carryforward	1,464,790	1,379,625
Statutory federal income tax rate	34%	34%
Other reconciling items, net	-21.81%	-22.57%
Effective income tax rate	0%	0%
Deferred tax assets	178,489	157,693
Less: Valuation allowance	(178,489)	(157,693)

Net deferred tax asset	-	-

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

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As at 30 September 2010, the Company has an unused net operating loss carry-forward balance of approximately $524,969 that is available to offset future taxable income. This unused net operating loss carry-forward balance expires between 2024 and 2030.

13. Supplemental Disclosures with Respect to Cash Flows

	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 paid during the year for interest	-	-	-	-
Cash paid during the year for income taxes	-	-	-	-

On 24 July 2008, 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 (Note 11).

During the year ended 30 September 2008, a former director and officer of the Company returned to treasury 15,000,000 common shares of the Company for proceeds of $Nil. These shares were cancelled during the year ended 30 September 2008 (Note 11).

During the year ended 30 September 2009, a former directors and officers of the Company returned to treasury 4,100,000 common shares of the Company for proceeds of $Nil. These shares were cancelled during the year ended 30 September 2009 (Note 11).

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 (2009 - $22,000, 2008 - $9,000) and rent in the amount of $6,000 (2009 - $4,500, 2008 - $3,000) (Notes 10 and 11).

During the year ended 30 September 2010, the Company accrued interest of $1,502 (2009 - $15,616, of which $15,000 is related to amortization of debt discount, 2008 - $Nil) related to the convertible debentures (Note 7).

During the year ended 30 September 2010, the Company accrued interest of $10,184 (2009 - $Nil, 2008 - $Nil) related to the demand loans, of which $7,500 is related to the 250,000 common shares to be issued (Notes 8, 11 and 14).

During the year ended 30 September 2010, a former officer of the Company made contributions to capital by forgiving a loan in the amount of $Nil (2009 - $39,000, 2008 - $Nil) (Notes 10 and 11).

14. Commitment

As at 30 September 2010, the Company is committed to issue 250,000 common shares of the Company upon repayment of a demand loan (Notes 8, 11 and 13).

15. Subsequent Event

There are no subsequent events for the period from the year ended 30 September 2010 to the date the consolidated financial statements are available to be issued on 7 January 2011.