

SILVER SCOTT MINES, INC.
(An Exploration Stage Company)
BALANCE SHEETS

	September 30 2011 unaudited	December 31 2010 unaudited
ASSETS		
CURRENT ASSETS		
Cash	\$ 284,902	\$ 252,631
Prepaid expense	74,992	20,000
Vat Receivable	2,921	1,418
TOTAL CURRENT ASSETS	362,815	274,049
Property and equipment, net of depreciation	425,127	498,071
MINING PROPERTIES	4,395,729	3,032,255
TOTAL ASSETS	\$ 5,183,671	\$ 3,804,375
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 63,877	\$ 36,724
Accrued expense	6,000	-
Note payable	55,453	43,451
Working interest liability	200,000	200,000
TOTAL CURRENT LIABILITIES	325,330	280,175
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.001 par value, 10,000 shares authorized; no shares issued and outstanding	-	-
Common stock, \$0.001 par value, 300,000,000 shares authorized; 38,474,050 and 24,990,050, issued and outstanding, respectively	38,474	24,990
Additional paid-in capital	8,061,001	4,638,485
Subscription receivable	(443,000)	
Other comprehensive income		-
Accumulated deficit, prior to exploration stage	(822,426)	(822,426)
Accumulated deficit, during exploration stage	(1,975,708)	(316,849)
TOTAL STOCKHOLDERS' EQUITY	4,858,341	3,524,200
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	5,183,671	3,804,375
	-	-

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

SILVER SCOTT MINES, INC.
(An Exploration Stage Company)
STATEMENTS OF OPERATIONS

	Three Months Ended September 30 2011 unaudited	Three Months Ended September 30 2010 unaudited	Nine Months Ended September 30 2011 unaudited	Nine Months Ended September 30 2010 unaudited	Period from June 23, 2010 (Inception of Exploration Stage) to September 30, 2011
REVENUES	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
EXPENSES					
Consulting expense	289,910	-	800,095	29,110	986,643
Travel	38,319	2,718	106,566	2,718	113,902
Exploration expense	88,988	-	186,567	-	727,812
General and administrative	235,097	149	316,353	12,364	360,072
Legal and professional	39,904	-	127,495	2,000	176,912
Depreciation	29,155	-	87,689	-	87,689
Total Expenses	<u>721,373</u>	<u>2,867</u>	<u>1,624,765</u>	<u>46,192</u>	<u>2,453,030</u>
LOSS FROM OPERATIONS	<u>(721,373)</u>	<u>(2,867)</u>	<u>(1,624,765)</u>	<u>(46,192)</u>	<u>(2,453,030)</u>
OTHER INCOME (EXPENSE)					
Interest income	3	-	48	-	153
Interest expense	-	-	(6)	-	39
Exchange gain (loss)	(36,165)	-	(36,219)	-	(81,219)
Other Income	<u>(272)</u>	<u>-</u>	<u>2,083</u>	<u>-</u>	<u>2,083</u>
Total Other Income (Expense)	<u>(36,434)</u>	<u>-</u>	<u>(34,094)</u>	<u>-</u>	<u>(78,944)</u>
LOSS BEFORE INCOME TAXES	<u>(757,807)</u>	<u>(2,867)</u>	<u>(1,658,859)</u>	<u>(46,192)</u>	<u>(2,531,974)</u>
INCOME TAXES	_____	_____	_____	_____	_____
NET LOSS	<u>(757,807)</u>	<u>(2,867)</u>	<u>(1,658,859)</u>	<u>(46,192)</u>	<u>(2,531,974)</u>
BASIC AND DILUTED NET LOSS PER SHARE	<u>(0.02)</u>	<u>(0.00)</u>	<u>(0.05)</u>	<u>(0.01)</u>	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>35,684,717</u>	<u>8,090,050</u>	<u>33,794,939</u>	<u>6,959,106</u>	

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SILVER SCOTT MINES, INC.
(An Exploration Stage Company)
STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Subscription Receivable	Accumulated Deficit Prior to Exploration Stage	Accumulated Deficit during Exploration Stage	Totals
	Shares	Amount					
Balance, December 31, 2008	6,030,550	6,030	813,020	-	(819,024)	-	26
Net loss for year ending December 31, 2009	-	-	-	-	(246)	-	(246)
Balance, December 31, 2009	6,030,550	6,030	813,020	-	(819,270)	-	(220)
Common stock issued for services	4,500	5	220				225
Common stock issued for financing expense	500,000	500	101,500				102,000
Common stock issued for cash	4,055,000	4,055	338,145				342,200
Common stock issued for note payable	2,000,000	2,000	298,000				300,000
Common stock issued for acquisition of subsidiary	12,400,000	12,400	3,087,600				3,100,000
Net loss for year ending December 31, 2010	-	-	-	-	(3,156)	(316,849)	(320,005)
Balance, December 31, 2010 (unaudited)	<u>24,990,050</u>	<u>\$ 24,990</u>	<u>\$ 4,638,485</u>	<u>\$ -</u>	<u>\$ (822,426)</u>	<u>\$ (316,849)</u>	<u>\$ 3,524,200</u>
Common stock issued for services	1,800,000	1,800	438,201				440,001
Common stock and warrants issued for cash	7,474,000	7,474	1,936,025	(443,000)			1,500,499
Common stock issued for acquisition of subsidiary	4,210,000	4,210	1,048,290				1,052,500
Net loss for period ending September 30, 2011	-	-	-			(1,658,859)	(1,658,859)
Balance, June 30, 2011 (unaudited)	<u>38,474,050</u>	<u>\$ 38,474</u>	<u>\$ 8,061,001</u>	<u>\$ (443,000)</u>	<u>\$ (822,426)</u>	<u>\$ (1,975,708)</u>	<u>\$ 4,858,341</u>

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

SILVER SCOTT MINES, INC
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STATEMENT OF CASH FLOWS

	Period Ended September 30 2011 unaudited	Period Ended September 30 2010 unaudited	Period from June 23, 2010 (Inception of Exploration Stage) to September 30, 2011 unaudited
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (1,658,859)	\$ (46,192)	\$ (1,975,708)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation	87,689	-	115,439
Stock for financing expense	-	-	102,000
Stock issued for services	252,500	1,125	252,500
Changes in assets and liabilities:			
Decrease (increase) in prepaid expense	(54,992)	-	(24,408)
Decrease (increase) in non trade receivables	(1,503)	-	(1,565)
Increase (decrease) in accounts payable	27,153	2,867	63,657
Increase (decrease) in accrued expense	6,000	-	6,000
Increase (decrease) in related party payable	-	-	4,130
Net cash used by operating activities	<u>(1,342,012)</u>	<u>(42,200)</u>	<u>(1,457,955)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash from acquisition of HMD	-	-	9,614
Increase in note receivable	-	-	(130,000)
Purchase of equipment	(14,503)	-	(14,503)
Purchase of mining interests	(310,224)	-	(660,533)
Net cash provided by investing activities	<u>(324,727)</u>	<u>-</u>	<u>(795,422)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	10,545	-	510,545
Common stock issued for cash less financing fees	1,688,000	42,200	1,987,100
Exchange gain	465	-	465
Net cash provided by financing activities	<u>1,699,010</u>	<u>42,200</u>	<u>2,498,110</u>
NET INCREASE IN CASH	32,271	-	244,733
CASH, BEGINNING OF PERIOD	<u>252,631</u>	<u>-</u>	<u>40,169</u>
CASH, END OF PERIOD	<u><u>\$ 284,902</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 284,902</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Income taxes paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
NON-CASH FINANCING AND INVESTING ACTIVITIES:			
Common stock issued for acquisition of HMD Holdings LLC	\$ -	\$ -	\$ 3,100,000
Common stock issued for acquisition of Hibernia Ventures VI	\$ 1,052,500	\$ -	\$ 1,052,500
Common stock issued for notes payable	\$ -	\$ -	\$ 300,000
Note payable converted to working interest	\$ -	\$ -	\$ 200,000

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

SILVER SCOTT MINES, INC
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
September 30, 2011

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

Silver Scott Mines, Inc. (“the Company”) was incorporated in May 1966 under the laws of the State of Idaho. On December 22, 2004 the Company merged with its wholly-owned subsidiary, Silver Scott Mines, Inc., a Nevada corporation, for the sole purpose of effecting a change in domicile from the State of Idaho to the State of Nevada. Silver Scott Mines, Inc. (Nevada) was the continuing and surviving corporation, each outstanding share of Silver Scott Mines, Inc. (Idaho) was converted into one outstanding share of Silver Scott Mines, Inc. (Nevada). The current exploration stage began on June 23, 2010.

The Company, along with its wholly owned subsidiary, Minera Mystery S.A. de C.V. (constituted on September 10, 2007 as a Mexican company) (“Minera Mystery”), are primarily engaged in the acquisition, exploration and development of mineral properties. HMD Holdings LLC (“HMD Holdings”), a Nevada limited liability company and former wholly owned subsidiary of the Company and Hibernia Ventures VI, Inc., (“Hibernia Ventures”) an Idaho Corporation and former wholly owned subsidiary of the Company, were merged into the Company on September 23, 2011, and Minera Mystery thereby became a wholly owned subsidiary of the Company. To date, the Company has not earned significant revenues and is considered to be an exploration stage company whose activities have been limited to property acquisition. The Company’s year-end is December 31.

The accompanying unaudited condensed consolidated financial statements (the “Interim Consolidated Financial Statements”) have been prepared in accordance with United States generally accepted accounting principles for interim financial information. Accordingly, the Interim Consolidated Financial Statements do not include all of the information and footnotes required by generally accepted accounting principles in the United States for complete financial statements. These Interim Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements for the period ended December 31, 2010 as they provide an update of previously reported information.

In the opinion of management, the unaudited interim financial statements included herein reflect all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company’s consolidated financial position as of September 30, 2011 and the results of operations and cash flows for the periods ended September 30, 2011 and 2010. The interim results of operations are not necessarily indicative of the results that may be expected for the full fiscal year.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Silver Scott Mines, Inc. is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Consolidation

The interim consolidated financial statements comprise the financial statements of Silver Scott Mines, Inc. and its subsidiary, Minera Mystery and its former subsidiaries HMD Holdings and Hibernia Ventures. All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make complex and subjective estimates and assumptions that affect the reported amounts in the Company's financial statements and notes thereto. On a regular basis, management evaluates these estimates and assumptions. Actual results may differ materially from these estimates.

Examples of significant estimates and assumptions made by management involve investments, and stock compensation awards, realizability of deferred tax assets, and the impairment of long lived assets.

The Company believes the estimates used are reasonable and appropriate based on current facts and circumstances. It is possible, however, that other parties applying reasonable judgment to the same facts and circumstances could develop different estimates. Additionally, changes in actual experience or changes in other qualitative factors could cause our estimates to fluctuate.

Earnings per Ordinary Share

Basic net income/loss per share was computed by dividing the net income (loss) for the reporting period by the weighted average number of shares outstanding during the reporting period. The weighted average number of shares was calculated by taking the number of shares outstanding and weighting them by the amount of time they were outstanding.

Warrants, totaling 4,037,000 and 0 shares were outstanding at September 30, 2011 and 2010, respectively, but were excluded from the calculation of diluted earnings per share as their effect would have been antidilutive.

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Cash and Cash Equivalents

For the purposes of the statements of cash flows and balance sheets, the Company considers any highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which ranges from three to fifteen years. Maintenance and repairs are charged to operations as incurred. Significant improvements are capitalized and depreciated over the useful life of the assets. Gains or losses on disposition or retirement of property and equipment are recognized in operating expenses.

Mineral Exploration and Development Costs

All exploration expenditures are expensed as incurred. Significant property acquisition payments for active exploration properties are capitalized. If no minable ore body is discovered, previously capitalized costs are expensed in the period the property is abandoned. Expenditures to develop new mines, to define further mineralization in existing ore bodies, and to expand the capacity of operating mines, are capitalized and amortized on a unit of production basis over proven and probable reserves.

Should a property be abandoned, its capitalized costs are charged to operations. The Company charges to operations the allocable portion of capitalized costs attributable to properties sold. Capitalized costs are allocated to properties sold based on the proportion of claims sold to the claims remaining within the project area.

Mineral Properties and Interests

Costs of acquiring mineral properties are capitalized by project area upon purchase of the associated claims (see Note 8). Costs to acquire mineral interests are capitalized when paid. Costs to maintain the mineral rights and leases are expensed as incurred. When a property reaches the production stage, the related capitalized costs will be amortized, using the units of production method on the basis of periodic estimates of ore reserves.

Mineral properties are periodically assessed for impairment of value and any diminution in value. As of September 30, 2011 and 2010, there was no impairment of mineral properties.

Translation of Foreign Currency

The consolidated financial statements are presented in United States dollars, which is the parent company's and its subsidiary's functional currency and the Company's presentation currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of

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exchange in effect at the reporting date. All differences are taken to the consolidated statements of comprehensive income (loss). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction.

Fair Value Measurements

The Company discloses the following information for each class of assets and liabilities that are measured at fair value:

- a. the fair value measurement;
- b. the level within the fair value hierarchy in which the fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3);
- c. for fair value measurements using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following:
 - 1) total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings, and a description of where those gains or losses included in earnings are reported in the statement of operations;
 - 2) the amount of these gains or losses attributable to the change in unrealized gains or losses relating to those assets or liabilities still held at the reporting period date and a description of where those unrealized gains or losses are reported;
 - 3) purchases, sales, issuances, and settlements (net); and
 - 4) transfers into and/or out of Level 3.
- d. The amount of the total gains or losses for the period in (c)(1) included in earnings that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date and a description of where those unrealized gains or losses are reported in the statement of operations; and
- e. In annual periods only, the valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques, if any, during the period.

Income Taxes

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Accordingly, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted rules in effect for the year in which differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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A valuation allowance is established to reduce the deferred tax assets when the Company determines it is more likely than not that the related tax benefits will not be realized. The Company periodically reviews the valuation of deferred tax assets in light of expected future operating results.

Stock Based Compensation

The Company periodically issues common shares or options to purchase shares of the Company's common shares to its officers, directors or other parties. These issuances are valued at market, in the case of common shares issues, or at fair value in the case of options. The Company will use a Black Scholes valuation model for determining fair value of options, and compensation expense is recognized ratably over the vesting periods on a straight line basis. Compensation expense for grants that vest upon issue are recognized in the period of the grant.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Major additions and improvements are capitalized. Minor replacements, maintenance and repairs that do not increase the useful lives of the assets are expensed as incurred. Depreciation of property and equipment is calculated using the straight-line method over the expected useful lives of the assets of 5 to 7 years. Depreciation expense for the nine months ended September 30, 2011 and 2010 was \$58,534 and \$0, respectively.

Following is a summary of property, equipment and accumulated depreciation:

	September 30, 2011	September 30, 2010
Equipment	720,472	-
Vehicles	14,400	-
Less Accumulated Depreciation	(309,745)	-
Property and Equipment - Net	\$ 425,127	\$ -

The Company evaluates the recoverability of property and equipment when events and circumstances indicate that such assets might be impaired. The Company determines impairment by comparing the undiscounted future cash flows estimated to be generated by these assets to their respective carrying amounts. Maintenance and repairs are expensed as incurred. Replacements and betterments are capitalized. The cost and related reserves of assets sold or retired are removed from the accounts, and any resulting gain or loss is reflected in results of operations.

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NOTE 4 – COMMON STOCK

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock with a par value of \$0.001. To date, the Company did not issue any shares of preferred stock.

Common Stock

The Company is authorized to issue 300,000,000 shares of common stock with a par value of \$0.001. All shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

During the year ended December 31, 2009, the Company did not issue any shares of its common stock.

During the year ended December 31, 2010, the Company issued the following shares of common stock:

- 4,055,000 shares of its common stock for cash valued at \$342,200;
 - 2,000,000 shares of its common stock for a note payable valued at \$300,000 (see Note 5);
 - 500,000 shares of its common stock for financing expense for notes payable valued at \$102,000 (see Note 5);
 - 4,500 shares of its common stock for services valued at \$225; and
- 12,400,000 shares of its common stock for the acquisition of HMD Holdings and its wholly owned subsidiary, Minera Mystery, valued at \$3,100,000.

During the period ended September 30, 2011, the Company issued the following shares of common stock:

- 1,050,000 shares of its common stock for services valued at \$252,501;
- 4,210,000 shares of its common stock for the acquisition of its wholly owned subsidiary, Hibernia Ventures, valued at \$1,052,500.

In February 2011, the Company initiated a non-public offering of up 10,000,000 units at \$0.25 per unit for a total of \$2,500,000. On September 15, 2011, the non-public offering

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was increased to 16,000,000 units. Each unit is comprised of one share of common stock and one-half warrant, to purchase another share of common stock at \$0.30 per share. 7,474,000 have been issued pursuant to the offering for cash of \$1,688,000 and subscriptions receivable of \$443,000.

NOTE 5 - STOCK PLAN

The Company's board of directors approved the adoption of the "2010 Stock Option/Stock Issuance Plan" (the "Plan") on December 31, 2010, pursuant to which the Company may grant incentive and non-qualified stock options or shares of common stock to employees and consultants, including directors and officers, from time to time. The Plan authorizes the issuance of 5,000,000 shares of the Company's common stock for grants of shares or the exercise of stock options granted under the Plan. The Plan may also be terminated in the event of certain corporate transactions such as a merger or consolidation or the sale, transfer or other disposition of all or substantially all of the Company's assets.

The exercise price of each option is established by the plan administrator. Additionally, the plan administrator will fix the terms of each option, but no option will be granted for a term in excess of ten years. Stock issued under the Plan may be granted for cash or other consideration determined by the plan administrator. Options and stock granted under the Plan may vest immediately or upon terms established by the plan administrator.

During the period ended September 30, 2011, the Company issued 1,800,000 shares of common stock for services under the Plan. The shares were valued at \$440,001.

NOTE 6 – RELATED PARTY

On October 5, 2010, the Company received a bridge loan from Tintic Standard Gold Mines, Inc. ("Tintic") in the amount of \$300,000; the loan was subject to \$37,500 of interest and 300,000 shares of common stock which were recorded as financing fees. The loan principal was converted into 2,000,000 shares of common stock at \$.15 per share and the interest paid in cash on November 23, 2010.

On October 15, 2010, the Company received a bridge loan from Tintic Standard Gold Mines, Inc. ("Tintic") in the amount of \$200,000; the loan was subject to \$25,000 of interest and 200,000 shares of common stock which was recorded as financing fees. This loan was converted into a \$200,000 working interest in the first project the Company elects to put into production and the interest was paid in cash on November 23, 2010.

These loans are considered related party transactions as the two companies have directors in common.

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At September 30, 2011, the Company owes its President, Mel Herdrick, \$55,453 for amounts advanced by him to Minera Mystery.

NOTE 7 – INCOME TAXES

At September 30, 2011, the Company had net deferred tax assets calculated at an expected rate of 34% of approximately \$951,366 principally arising from net operating loss carryforwards for income tax purposes. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the net deferred tax asset, a valuation allowance equal to the net deferred tax asset has been established at September 30, 2011. The significant components of the deferred tax asset are as follows:

	September 30, 2011	December 31, 2010
Net operating loss carryforward	\$ 2,798,134	\$ 1,139,276
Deferred tax asset	951,366	387,354
Deferred tax asset valuation allowance	(951,366)	(387,354)
	\$ -	\$ -

At September 30, 2011, the Company has net operating loss carryforward of approximately \$2,798,134, which expires in the year 2030. The above estimates are based upon management’s decisions concerning certain elections which could change the relationship between net income and taxable income. Management decisions are made annually and could significantly vary from the estimates.

NOTE 8 – MINERAL PROPERTIES AND INTERESTS

Quitovac Mine Project

On November 22, 2010, the Company purchased from Golden Predator 14 contiguous mineral concessions comprising approximately 2,625 hectares (6560 acres) located in the NW Sonora state of NW Mexico approximately 45 km south of the international border with SW Arizona. Per the agreement there is a 10% NSR corresponding to the first 100,000 ounces of gold production or gold-equivalent production, after 100,000 ounces are produced the NSR drops to 6%. The following payments are required until production begins, once production begins the NSR becomes effective and the following payments cease:

- \$350,000 Upon signing
- \$ 50,000 October 1, 2011 and 2012 (2011 payment made on September 28, 2011)

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- \$ 75,000 October 1, 2013 thru 2016
- \$ 250,000 October 1, 2017

If this project becomes subject to a bankable feasibility study, the Company will be required to issue 500,000 shares of its common stock to Golden Predator.

Venturina Mine Project

With the acquisition of HMD Holdings on November 15, 2010, (see Note 7) the Company gained the lease rights to the Venturina Mine Project consisting of two mining concessions comprising approximately 128 hectares (316 acres) located in Chihuahua near the Sonora border and 10 km south of the Hermosillo to Chihuahua federal highway. Per the agreement the lease is subject to a 7.5% NSR and the following payments:

- \$60,000 Upon signing, paid on October 22, 2010 (prior to the Company's acquisition of HMD)
- \$50,000 Six months after signing; paid on May 10, 2011
- \$60,000 When drilling commences
- \$60,000 When production commences

Carmen Mine Project

Minera Mystery, the Company's Mexican subsidiary, in 2006 acquired the 143 hectares (357 acres) Virgin de Carmen concession with a \$55,000 related party loan that is due and remaining to be paid to complete the 100% purchase of mineral rights to the concession. The location of the Carmen project is 30 km southeast of Moctezuma, in northeastern Sonora and about 200 km south of Douglas, Arizona. The mineralized zone consists of gold and silver deposited near a 20 meter thick nearly horizontal structural contact in dacitic volcanics that has been drill tested with six older percussion holes from 1997, and Minera Mystery's 2010 program of 33 air-track drill holes. Mining equipment that is owned by the Company is held in Mexico in order to advance mining of mineralization with normal economic grades beginning with test heap leach production. No resource has been calculated for this enterprise and there is an average of drill intercepts that are in the order of 0.7 grams gold with 75 grams silver over 5 to 20 meter intervals. The Carmen concession of 1476 hectares (3690 acres) was also staked in 2006 followed by another mineral concession in 2010, Carmen 3 having 130 hectares (325 acres) all concessions total approximately 1750 hectares (4375 acres) for the project.

NOTE 9 – ACQUISITIONS DURING THE PERIOD

On January 25, 2011, the Company acquired 100% of the voting equity instruments of HMD Holdings whose principal activity is the exploration and development of mineral properties. HMD Holdings was merged into the Company on September 23, 2011. The principal reason for this acquisition was to secure control of mineral properties.

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Details of the fair value of identifiable assets and liabilities acquired and purchase consideration is as follows:

	Book Value	Fair Value
Property, plant and equipment	\$ -	\$ -
Mining claims	4,210	4,210
Payable	<u>(750)</u>	<u>(750)</u>
Total net assets	<u>3,460</u>	<u>3,460</u>
Fair value of consideration paid		
Common stock	<u>1,052,500</u>	<u>1,052,500</u>
Increase in mining concession	<u>1,049,040</u>	<u>\$ 1,049,040</u>

NOTE 10– SUBSEQUENT EVENTS

The Company finalized an agreement to a six year extendable surface land agreement for exploration within the 1,500 hectare mineral concessions and mining or high impact disturbance on 20 hectares. The agreement was the completion of proposed mining with the Divisaderos Ejido (communally held land in the municipality of Divisaderos, Sonora, Mexico). The ejido vote was unanimous in favor of the proposal. This completed agreement allows the company to move forward with a planned production scale bulk tonnage leach test.

The Mine Permit was filed in the last quarter of 2011 requesting approval for active mining in the Carmen gold-silver project. A production scale test heap leach of 50,000 to 80,000 tonnes has been planned. The necessary documents consisting of the mine plans and the environmental study and status have been submitted to the Federal agency, SEMARNAT (Secretaría de Medio Ambiente y Recursos Naturales) for review and approval. The normal length of this review is about 2 months.