

SHOSHONE SILVER MINING CO INC
Form 10-Q
February 12, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED **DECEMBER 31, 2009**

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number **000-31184**

SHOSHONE SILVER MINING COMPANY

(Exact name of registrant as specified in its charter)

Idaho
(State or other jurisdiction of
incorporation or organization)

82-0304993
(I.R.S. Employer
Identification No.)

3714 W Industrial Loop., Coeur d Alene, ID 83815
(Address of principal executive offices) (Zip Code)

(208) 664-0620

(Registrant's telephone number, including area code)

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 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 ☐ Non-accelerated filer ☐ Smaller reporting company ☒
filer ☐

(Do not check if a smaller reporting

Edgar Filing: SHOSHONE SILVER MINING CO INC - Form 10-Q

company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

| Class | Outstanding as of February 8, 2010 |
|---|------------------------------------|
| <u>Common Stock (\$0.10 par value)</u> | <u>37,847,487</u> |

- 1 -

SHOSHONE SILVER MINING COMPANY

FORM 10-Q

For the Quarter Ended December 31, 2009

TABLE OF CONTENTS

PART I - Financial Information

Item 1 Consolidated Financial Statements (Unaudited)

Consolidated Balance Sheets

Consolidated Statements of Operations and Comprehensive Income (Loss)

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3 Quantitative and Qualitative Disclosures About Market Risk

Item 4 Controls and Procedures

PART II - Other Information

Item 1 Legal Proceedings

Item 1A Risk Factors

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

Item 3 Defaults Upon Senior Securities

Item 4 Submission of Matters to a Vote of Security Holders

Item 5 Other Information

Item 6 Exhibits

Signatures

PART I FINANCIAL INFORMATION

- 3 -

SHOSHONE SILVER MINING COMPANY
(an Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS

| | December 31, 2009 (unaudited) | September 30, 2009 |
|---|--|--------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 59,895 | \$ 23,566 |
| Note receivable (net of discount) - current portion | 451,379 | 426,765 |
| Deposits and prepaids | 20,261 | 4,375 |
| Supplies inventory | 2,084 | 2,195 |
| Total Current Assets | 533,619 | 456,901 |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Property, plant and equipment | 3,406,850 | 3,386,270 |
| Accumulated depreciation | (1,419,500) | (1,374,968) |
| Total Property Plant and Equipment | 1,987,350 | 2,011,302 |
| MINERAL AND MINING PROPERTIES | 2,196,369 | 2,196,369 |
| OTHER ASSETS | | |
| Notes receivable (net of discount) | 1,031,563 | 1,037,944 |
| Investments | 196,298 | 266,938 |
| Total Other Assets | 1,227,861 | 1,304,882 |
| TOTAL ASSETS | \$ 5,945,199 | \$ 5,969,454 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 115,094 | \$ 159,623 |
| Accrued expenses | 69,316 | 79,151 |
| Notes payable - current portion | 23,676 | 11,615 |
| Total Current Liabilities | 208,086 | 250,389 |
| Note payable - noncurrent portion | 2,639 | 4,268 |
| Total Liabilities | 210,725 | 254,657 |
| COMMITMENTS AND CONTINGENCIES | - | - |
| STOCKHOLDERS' EQUITY | | |
| Common stock, 200,000,000 shares authorized, \$0.10 par value; 37,487,487 and 34,302,487 shares issued and outstanding | 3,748,749 | 3,430,249 |
| Additional paid-in capital | 4,069,550 | 4,089,450 |
| Treasury stock | (206,253) | (252,653) |
| Accumulated earnings in exploration stage | (160,382) | 126,447 |
| Accumulated deficit prior to exploration stage | (1,667,482) | (1,667,482) |

Edgar Filing: SHOSHONE SILVER MINING CO INC - Form 10-Q

| | | |
|--------------------------------------|-----------|-----------|
| Accumulated other comprehensive loss | (49,708) | (11,214) |
| Total Stockholders' Equity | 5,734,474 | 5,714,797 |

| | | |
|---|---------------------|---------------------|
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 5,945,199 | \$ 5,969,454 |
|---|---------------------|---------------------|

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

SHOSHONE SILVER MINING COMPANY
(an Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(unaudited)

| | Three-Month Period Ended | | Period from January 1, 2000 (beginning of exploration stage) to December 31, 2009 |
|--|-----------------------------|-------------------------|---|
| | December 31, 2009 | December 31, 2008 | |
| REVENUES | \$ - | \$ - | \$ 141,589 |
| COST OF REVENUES | - | - | 228,828 |
| GROSS PROFIT | - | - | (87,239) |
| OPERATING EXPENSES | | | |
| General and administrative | 200,077 | 238,525 | 2,736,580 |
| Professional fees | 49,187 | 55,158 | 1,108,052 |
| Depreciation | 44,532 | 27,602 | 508,571 |
| Mining and exploration expenses | 2,438 | 158,064 | 1,833,467 |
| Net gain on sale of load claim | - | - | (193,907) |
| Total Operating Expenses | 296,234 | 479,349 | 5,992,763 |
| LOSS FROM OPERATIONS | (296,234) | (479,349) | (6,080,002) |
| OTHER INCOME (EXPENSES) | | | |
| Lease income | - | - | 444,044 |
| Net (loss) gain on sale of investments | (8,746) | 96 | 1,123,749 |
| Other-than-temporary impairment of investments | - | 35,004 | (101,479) |
| Dividend and interest income | 18,351 | - | 224,673 |
| Loss on abandonment of asset | - | - | (20,000) |
| Gain on sale of fixed asset | - | - | 12,200 |
| Unrealized holding loss on marketable securities | - | - | (380,827) |
| Gain on settlement of note receivable | - | - | 64,206 |
| Gain on sale of Mexican mining concession | - | - | 4,363,353 |
| Interest expense | (296) | (744) | (7,602) |
| Other income/(expense) | 96 | 6,581 | 197,303 |
| Total Other Income (Expenses) | 9,405 | 40,937 | 5,919,620 |
| INCOME (LOSS) BEFORE INCOME TAXES | (286,829) | (438,412) | (160,382) |
| INCOME TAXES | - | - | 124,826 |
| DEFERRED TAX GAIN | - | - | (124,826) |
| NET INCOME (LOSS) | (286,829) | (438,412) | (160,382) |

OTHER COMPREHENSIVE INCOME (LOSS)

| | | | |
|---|----------|-----------|----------|
| Unrealized holding gain (loss) on investments | (38,494) | (157,941) | (49,708) |
|---|----------|-----------|----------|

| | | | |
|---------------------------------|--------------|--------------|--------------|
| NET COMPREHENSIVE INCOME (LOSS) | \$ (325,323) | \$ (596,353) | \$ (210,090) |
|---------------------------------|--------------|--------------|--------------|

| | | | |
|---|-----------|-----------|--|
| NET INCOME (LOSS) PER COMMON SHARE, BASIC | \$ (0.01) | \$ (0.02) | |
|---|-----------|-----------|--|

| | | | |
|---|-----------|-----------|--|
| NET INCOME (LOSS) PER COMMON SHARE, DILUTED | \$ (0.01) | \$ (0.02) | |
|---|-----------|-----------|--|

| | | | |
|--|------------|------------|--|
| WEIGHTED AVERAGE NUMBER OF COMMON STOCK SHARES OUTSTANDING, BASIC | 36,006,058 | 22,063,179 | |
|--|------------|------------|--|

| | | | |
|--|------------|------------|--|
| WEIGHTED AVERAGE NUMBER OF COMMON STOCK SHARES OUTSTANDING, DILUTED | 36,006,058 | 22,063,179 | |
|--|------------|------------|--|

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

SHOSHONE SILVER MINING COMPANY
(an Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

| | Three-Month Period Ended | | Period from January 1, 2000 (beginning of exploration stage) to December 31, 2009 |
|--|-------------------------------------|----------------------------------|--|
| | December 31, 2009 | December 31, 2008 | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income (loss) | \$ (286,829) | \$ (438,412) | \$ (160,382) |
| Adjustments to reconcile net income (loss) to net cash used by operations: | | | |
| Depreciation and amortization expense | 50,340 | 27,602 | 514,379 |
| Adjustment to balance of note receivable | | (765) | (766) |
| Amortization of note receivable discount | (18,233) | (23,317) | (117,579) |
| Available-for-sale securities issued in exchange for services | - | - | 135,140 |
| Available-for-sale silver investment issued in exchange for services | - | - | 240 |
| Bad debt expense | - | - | 9,624 |
| Common stock issued for mining and exploration expenses | - | - | 285,500 |
| Common stock issued for services | 900 | - | 204,486 |
| Common stock issued in settlement of agreement with former CEO | - | - | 20,000 |
| Discount given on early payment on note receivable | - | - | 50,000 |
| Gain on sale of fixed asset | - | - | (12,200) |
| Gain on settlement of note receivable | - | - | (64,206) |
| Impairment of mining expenses | - | - | 413,000 |
| Loss on abandonment of investment | - | - | 20,000 |
| Net gain on sale of lode claim | - | - | (193,907) |
| Net gain on sale of Mexican mining concession | - | - | (4,363,353) |
| Net loss (gain) on sale of investments | 8,746 | (95) | (1,123,687) |
| Loss recognized on other-than-temporary impairment of investments | - | - | 101,479 |
| Treasury stock issued for services | 26,100 | - | 53,420 |
| Unrealized holding loss on marketable securities | - | - | 380,827 |
| Changes in assets and liabilities: | | | |
| Change in receivable from related party | - | (53,548) | (9,624) |
| Change in other current assets | - | - | (4,819) |
| Change in deposits and prepaids | (5,761) | (69) | 21,248 |
| Change in supplies inventory | 111 | 308 | 10,648 |
| Change in accrued interest receivable | - | (5,435) | (20,255) |
| Change in accrued liabilities | (9,835) | 244 | 65,332 |
| Change in accounts payable | (44,529) | (133,977) | (35,570) |
| Change in stock to issue | - | - | 230,680 |
| Net cash used in operating activities | (278,990) | (627,464) | (3,590,345) |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | | |
|---|----------|-----------|-------------|
| Purchases of investments | - | (52,769) | (4,059,939) |
| Proceeds from sale of investments | 23,400 | 300 | 4,606,300 |
| Purchase of mineral and mining properties | - | - | (76,472) |
| Proceeds from sale of lode claim | - | - | 13,907 |
| Proceeds from sale of Mexican mining concession | - | . | 2,497,990 |
| Purchase of fixed assets | (20,580) | (205,785) | (1,027,889) |
| Proceeds from sale of fixed assets | - | - | 12,200 |
| Net cash provided by (used in) investing activities | 2,820 | (258,254) | 1,966,097 |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | | |
|--|---------|----------|-----------|
| Net proceeds from sale of common stock | 318,000 | - | 1,560,570 |
| Common shares repurchased for treasury | - | (20,000) | (41,220) |
| Advances on notes receivable | - | - | (111,022) |
| Advances to related party | - | (15,000) | (395,000) |
| Issuance of note receivable from related party | - | - | (243,000) |
| Payments received on notes receivable from related party | - | - | 332,498 |
| Payments received on notes receivable | - | 2,807 | 582,846 |
| Payment of common stock subscriptions | - | - | 20,225 |
| Payment made on long-term note payable | (5,501) | (7,381) | (242,503) |
| Proceeds from short-term loans | - | - | 160,760 |
| Net cash (used in) provided by financing activities | 312,499 | (39,574) | 1,624,154 |

| | | | |
|---------------------------------|--------|-----------|------|
| Net increase (decrease) in cash | 36,329 | (925,292) | (94) |
|---------------------------------|--------|-----------|------|

| | | | |
|---------------------------|--------|-----------|--------|
| Cash, beginning of period | 23,566 | 1,570,066 | 59,989 |
|---------------------------|--------|-----------|--------|

| | | | |
|---------------------|-----------|------------|-----------|
| Cash, end of period | \$ 59,895 | \$ 644,774 | \$ 59,895 |
|---------------------|-----------|------------|-----------|

SUPPLEMENTAL CASH FLOW DISCLOSURES:

| | | | |
|-----------------------|--------|--------|----------|
| Interest expense paid | \$ 296 | \$ 640 | \$ 7,602 |
| Income taxes paid | \$ - | \$ - | \$ - |

NON-CASH INVESTING AND FINANCING ACTIVITIES:

| | | | |
|--|------|------|--------------|
| Accounts payable issued in exchange for partial payment on office building | \$ - | \$ - | \$ 50,000 |
| Common stock issued for accounts payable | \$ - | \$ - | \$ 227,500 |
| Common stock issued for finders' fee | \$ - | \$ - | \$ 1,000 |
| Common stock issued for mining and exploration expenses | \$ - | \$ - | \$ 222,500 |
| Common stock issued for purchase of equipment | \$ - | \$ - | \$ 95,340 |
| Common stock issued for purchase of mining properties | \$ - | \$ - | \$ 45,000 |
| Common Stock issued for services | \$ - | \$ - | \$ 88,333 |
| Deposit utilized to purchase fixed asset | \$ - | \$ - | \$ 5,000 |
| Equipment received in exchange for settlement of note receivable | \$ - | \$ - | \$ 4,139 |
| Marketable securities received in lieu of note receivable | \$ - | \$ - | \$ 104,273 |
| Mineral properties acquired in exchange for common stock and other consideration | \$ - | \$ - | \$ 1,677,126 |
| Office equipment acquired in exchange for common stock and other consideration | \$ - | \$ - | \$ 15,525 |

Edgar Filing: SHOSHONE SILVER MINING CO INC - Form 10-Q

| | | | | | | |
|--|----|--------|----|--------|----|-----------|
| Mining equipment acquired in exchange for common stock and other consideration | \$ | - | \$ | - | \$ | 260,000 |
| Mill building acquired in exchange for common stock and other consideration | \$ | - | \$ | - | \$ | 224,475 |
| Mineral property reacquired upon default | \$ | - | \$ | - | \$ | 131,553 |
| Note issued in exchanged for vehicle | \$ | - | \$ | - | \$ | 53,658 |
| Note payable issued in exchange for prepaid asset | \$ | 15,933 | \$ | 15,969 | \$ | 31,565 |
| Note payable issued in exchange for equipment | \$ | - | \$ | - | \$ | 7,000 |
| Note receivable (net of discount) in connection with sale of lode claim | \$ | - | \$ | - | \$ | 1,865,363 |
| Note receivable in connection with sale of lode claim | \$ | - | \$ | - | \$ | 120,000 |
| Stock received in exchange for lode claim | \$ | - | \$ | - | \$ | 60,000 |
| Treasury stock acquired through sale of investment | \$ | - | \$ | - | \$ | 296,296 |
| Treasury stock issued in exchange for fixed asset | \$ | - | \$ | 7,500 | \$ | 7,500 |

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

Shoshone Silver Mining Company (an Exploration Stage Company)
Condensed Notes to the Interim Financial Statements
December 31, 2009

NOTE 1: DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

Shoshone Silver Mining Company (an Exploration Stage Company) (the Company or Shoshone) was incorporated under the laws of the State of Idaho on August 4, 1969, under the name of Sunrise Mining Company and was engaged in the business of mining. On January 22, 1970, the Company's name was changed to Shoshone Silver Mining Company. During 2003, the Company s focus broadened to include resource management and sales of mineral and timber interests.

Beginning in fiscal 2000, the Company entered into an exploration stage. The Company has acquired several mining properties since entering the exploration stage.

The Company s year-end is September 30.

Basis of Presentation

The foregoing unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim consolidated financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, these financial statements do not include all of the disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2009, included in the Company s Annual Report on Form 10-K which was filed with the SEC on January 12, 2010.

In the opinion of management, the unaudited interim consolidated financial statements furnished herein include all adjustments (consisting of only normal recurring adjustments) necessary for a fair statement of the results for the interim periods presented. Operating results for the three-month period ended December 31, 2009, are not necessarily indicative of the results that may be expected for the year ending September 30, 2010.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Company s financial statements. The financial statements and notes rely on the integrity and objectivity of the Company s management. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Concentration of Credit Risk

The Company maintains its cash in several commercial accounts at major financial institutions and brokerage houses. The brokerage accounts contain cash and securities. Balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation (SIPC). The Company s cash balance did not exceed Federal Deposit Insurance Corporation (FDIC) or SIPC limits at either December 31, 2009 or September 30, 2009.

Fair Value Measurements

Effective January 1, 2008, the Company adopted the provisions of Topic 820 in the Accounting Standards Codification (ASC 820) (previously SFAS No. 157, *Fair Value Measurements*). ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. In this standard, the FASB clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, ASC 820 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy is as follows:

Level 1 inputs Unadjusted quoted process in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 inputs Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Investments in available-for-sale securities and investments in silver coins and bars and are reported at fair value utilizing Level 1 inputs. For these investments, the Company obtains fair value from active markets.

The Company's Note Receivable (net of discount) is reported at fair value utilizing Level 2 inputs. The discounting of this note receivable utilized interest rates. See Note 6.

The following table presents information about the Company's assets measured at fair value on a recurring basis as of December 31, 2009, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

| Description | Fair Value December 31, 2009 | Fair Value Measurements At December 31, 2009, Using | | |
|--|------------------------------------|---|--|--|
| | | Quoted Prices In Active Markets for Identical Assets (Level 1) | Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | | | | |
| Investments | \$ 196,298 | \$ 196,298 | \$ - | \$ - |
| Note Receivable (net of discount) | 1,482,942 | - | 1,482,942 | - |
| Total Assets Measured at Fair Value | \$ 1,679,240 | \$ 196,298 | \$ 1,482,942 | \$ - |

Going Concern

As shown in the accompanying financial statements, the Company has had limited revenues and incurred an accumulated deficit of \$1,827,864 from inception through December 31, 2009. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management intends to seek additional capital from new equity securities offerings that will provide funds needed to increase liquidity and fully implement its business plan. The financial statements do not include any adjustments relating to the recoverability and classification of recorded

assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

- 8 -

Historically, the Company has generally funded its operations with proceeds from the sale of available-for-sale investments, royalty and option agreement payments, and from the sale of the Company's common stock. Should the Company be unable to raise capital through any of these avenues, its business, financial position, results of operations and cash flow will likely be materially adversely impacted. As such, substantial doubt as to the Company's ability to continue as a going concern remains as of the date of these financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence. An estimated \$2,000,000 is believed necessary to continue operations and increase development through the next twelve months. Currently, the Company anticipates raising the majority of the \$2,000,000 through the issuance of common stock to private investors. The timing and amount of capital requirements will depend on a number of factors, including demand for products and services, capital expenditures and revenues generated.

Notes Receivable

The Company's policy for notes receivable is to continue accruing interest income until it becomes likely that the note is uncollectible. At that time, an allowance for bad debt would be established and interest would stop accruing.

Principles of Consolidation

The Company's consolidated financial statements include the accounts of the Company and its one wholly owned subsidiary, Lakeview Consolidated Silver Mines, Inc. The inter-company accounts and transactions are eliminated upon consolidation.

In 2004, the Company incorporated a wholly owned subsidiary in Mexico, Shoshone Mexico, S.A. de C.V, for the purposes of facilitating its Mexico property explorations and future operations. On August 11, 2008, the Company sold 100% of the common stock of its wholly owned subsidiary to Xtierra Resources, Ltd. See Note 6.

Reclassifications

Certain previously reported amounts have been reclassified to conform to the current presentation.

Recently Issued Accounting Standards

In January 2010, the FASB issued Accounting Standards Update No. 2010-01 which clarifies that the stock portion of a distribution to shareholders that allows 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 in earnings per share prospectively and is not a stock dividend for purposes of applying ASC Topics 505 and 260 (Equity and Earnings Per Share). The amendments in Update 2010-01 are effective for interim and annual period ending on or after December 15, 2009, and should be applied on a prospective basis. The Company adopted Update No. 2010-01 without a material effect on its results of operations and financial position.

In January 2010, the FASB issued Accounting Standards Update No. 2010-06 which provides amendments to ASC Topic 820 that will provide more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. The new disclosures and clarifications of existing disclosures are effective of interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those years. The Company does not expect that the adoption of Update No. 2010-06 will have a material effect on its results of operations and financial position.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of the Company's financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions, which could have a material effect on the reported amounts of Shoshone's financial position and results of operations.

NOTE 3: DEPOSITS AND PREPAID EXPENSES

In December 2008, the Company purchased for \$21,752 a one-year liability insurance policy covering its Lakeview mill (the Policy). The Policy was purchased with a cash payment of \$5,813 with the balance of \$15,939 settled with a promissory note. The Company recorded prepaid insurance of \$21,752 and a related entry to record a \$15,939 note payable. During the three-month period ended December 31, 2009, \$3,625 of this prepaid insurance was amortized into General & Administrative Expenses. The policy was fully amortized at November 30, 2009.

In December 2009, the Company purchased for \$21,694 a one-year liability insurance policy covering its Lakeview mill (the Policy). The Policy was purchased with a cash payment of \$5,761 with the balance of \$15,933 settled with a promissory note. The Company recorded prepaid insurance of \$21,694 and a related entry to record a \$15,933 note payable. During the three-month period ended December 31, 2009, \$1,807 of this prepaid insurance was amortized into General & Administrative Expenses. See Note 8.

NOTE 4: SUPPLIES INVENTORY

During 2004, the Company purchased 500 one troy ounce silver medallions with the Company's logo for \$5,303. This purchase was recorded as supplies inventory and the medallions are expected to be used substantially for marketing purposes. During the three-month period ended December 31, 2009, the Company sold six medallions and distributed four for marketing purposes. At December 31, 2009, the Company had 197 coins remaining in inventory with an historical cost basis of \$2,084.

NOTE 5: PROPERTY, PLANT & EQUIPMENT

Property and equipment are stated at cost. Depreciation begins on the date an asset is placed in service using the straight-line method over the asset's estimated useful life.

The useful lives of property, plant and equipment for purposes of computing depreciation are three to thirty-one and one-half years. The following is a summary of property, equipment, and accumulated depreciation at December 31, 2009 and September 30, 2009:

| | December 31, 2009 | September 30, 2009 |
|---|-------------------|--------------------|
| Equipment | \$ 1,353,877 | \$ 1,338,952 |
| Lakeview Mill (Including Refurbishment) | 1,588,243 | 1,588,243 |
| Office Building & Furniture | 162,000 | 162,000 |
| Rescue Mill Building | 224,475 | 224,475 |
| Staging Building & Land Improvements | 78,255 | 72,600 |
| | 3,406,850 | 3,386,270 |
| Less accumulated depreciation | (1,419,500) | (1,374,968) |
| Property, Plant & Equipment, net | \$ 1,987,350 | \$ 2,011,302 |

Depreciation expense was \$44,532 for the three-month period ended December 31, 2009 and \$27,602 for the comparable period last year.

- 10 -

Equipment with a combined cost of \$19,390 serves as collateral notes payable. See Note 8.

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.

NOTE 6: NOTES RECEIVABLE

Mexican Concessions

On August 11, 2008, the Company sold 100% of the common stock of its wholly owned subsidiary in Mexico, Shoshone Mexico, S.A. de C.V, to Xtierra Resources, Ltd (Xtierra). The Company's interest in the Bilbao concessions in Zacatecas, Mexico was included in this sale. In exchange for its interest in the Bilbao concessions the Company received net proceeds of \$2,497,990 and a non-interest bearing note receivable for \$2,500,000.

The note does not bear interest and stipulates that a payment of \$500,000 was due on August 11, 2009. The remaining balance of \$2,000,000 is to be paid in four consecutive equal annual installments to begin at the time of the commencement of construction of any mine developed on the Bilbao concessions but in any event will be due and payable no later than August 11, 2019. Since the note does not bear interest, the Company imputed interest at a rate of 5%. Accordingly the Company recorded a note discount of \$634,637. During the three-month period ended December 31, 2009, \$18,233 of interest income was realized through the amortization of this note discount.

The balance on this note receivable (net of discount) was \$1,482,942 at December 31, 2009.

NOTE 7: INVESTMENTS

The Company has invested in various privately and publicly held companies and silver coins and bars. At this time, the Company holds securities classified as available for sale. Amounts are reported at fair value as determined by quoted market prices, with unrealized gains and losses excluded from earnings and reported separately as a component of stockholders' equity. The cost of securities sold is based on the specific identification method.

Unrealized gains and losses are recorded on the statements of operations as other comprehensive income (loss) and on the balance sheet as other accumulated comprehensive income.

The following summarizes the investments at December 31, 2009:

| Investment | Quantity | Cost | Market Value |
|--|----------|-----------|--------------|
| <u>Available for Sale Securities:</u> | | | |
| Bayswater Uranium Corporation (a) | 20,000 | \$ 60,000 | \$ 18,000 |
| Chester Mining Company | 2,500 | 1,125 | 1,275 |
| Gold Crest Mines | 567,600 | 975 | 12,487 |
| Lucky Friday Extension | 5,000 | 350 | 300 |
| Merger Mines | 729,299 | 103,885 | 58,344 |
| Metropolitan Mines Limited | 6,000 | 360 | 360 |
| New Jersey Mining | 142,875 | 34,290 | 35,719 |
| Vindicator Mines | 88,000 | 17,600 | 23,760 |

| | | | |
|-----------------------------------|------------------|----------------|----------------|
| Subtotal | 1,561,274 | 218,585 | 150,245 |
| Silver Coins & Bars | 2,709 | 27,659 | 46,053 |
| Total at December 31, 2009 | 1,563,983 | 246,244 | 196,298 |

- 11 -

Note (a) Bayswater Uranium Corporation's (Bayswater) common stock underwent a reverse one-for-ten stock split on January 7, 2010.

The Company had an unrealized holding loss during the fiscal year ended September 30, 2009 \$(38,494). This is recorded on the statements of operations as other comprehensive income (loss) and included on the balance sheet in other accumulated comprehensive income.

The Company recognized \$8,684 of loss previously included in accumulated other comprehensive income on the sale of available-for-sale securities and silver coins and bars during the three-month period ended December 31, 2009.

At September 30, 2009, the Company owned 929,299 shares of Merger Mines common stock, or approximately 24% of its outstanding shares. During the three-month period ended December 31, 2009, the Company sold 200,000 shares of Merger Mines and thereby reduced its ownership interest in Merger Mines to approximately 18%. Accordingly, the Company has accounted for this investment as available-for-sale.

The following summarizes the securities available for sale at September 30, 2009:

| Investment | Quantity | Cost | Market Value |
|---------------------------------------|------------------|-------------------|-------------------|
| Available for Sale Securities: | | | |
| Bayswater Uranium Corporation | 200,000 | \$ 60,000 | \$ 22,000 |
| Chester Mining Company | 2,500 | 12,567 | 1,125 |
| Gold Crest Mines | 617,600 | 3,900 | 9,264 |
| Lucky Friday Extension | 5,000 | 1,100 | 250 |
| Merger Mines | 929,299 | 216,499 | 130,102 |
| Metropolitan Mines Limited | 6,000 | 2,008 | 360 |
| New Jersey Mining | 142,875 | 34,290 | 35,719 |
| Vindicator Mines | 88,000 | 17,600 | 16,720 |
| Subtotal | 1,991,274 | 347,964 | 215,540 |
| Silver Coins & Bars | 3,115 | 31,804 | 51,398 |
| Total at September 30, 2009 | 1,994,389 | \$ 379,768 | \$ 266,938 |

The Company had an unrealized holding loss during the fiscal year ended September 30, 2009 \$(93,696). This is recorded on the statements of operations as other comprehensive income (loss) and included on the balance sheet in other accumulated comprehensive income.

The Company recognized \$2,225 of net gain previously included in accumulated other comprehensive income on the sale of investments during the fiscal year ended September 30, 2009.

NOTE 8: NOTES PAYABLE

During the third quarter of 2007, the Company acquired equipment for \$55,000 by paying \$27,500 cash and signing a note for the remaining \$27,500. The note had a term of 24 months, bore interest at 8.50% annually and stipulated that payments of \$1,250 be made monthly. During the three-month period ended December 31, 2009, the Company made the final payment on this note.

In December 2007, the Company purchased equipment for \$15,377 in exchange for a note. The note has a term of 43 months, bears interest at 3.90% annually and stipulates that payments of \$384 be made monthly. The lender has the right to increase the interest rate to 19.8% in the event of a violation of the terms of the loan agreement. The outstanding balance on this note payable was \$7,055 at December 31, 2009. Of this amount \$4,416 is payable within twelve months. The purchased equipment which serves as collateral for this note payable had a carrying amount of \$10,863 at December 31, 2009.

In August 2009, the Company purchased equipment for \$9,000 by paying \$2,000 in cash and signing a note for the remaining \$7,000. The note has a term of fourteen months, bears interest at 4.00% annually and stipulates that payments of \$513 are to be made monthly. The outstanding balance on this note payable was \$5,033 at December 31, 2009, all of which is payable within twelve months. The purchased equipment which serves as collateral for this note payable had a carrying amount of \$8,527 at December 31, 2009.

In December 2009, the Company purchased for \$21,694 a one-year liability insurance policy covering its Lakeview mill (the Policy). The Policy was purchased with a cash payment of \$5,761 with the balance of \$15,933 settled with a promissory note. The Company recorded prepaid insurance of \$21,694 and a related entry to record a \$15,933 note payable. The note had a term of nine months, bears interest at 11.25% annually and stipulated that payments of \$1,855 be made monthly. The outstanding balance on this note payable was \$0 at September 30, 2009. The outstanding balance on this note payable was \$14,227 at December 31, 2009, all of which is payable within twelve months. See Note 3.

NOTE 11: COMMON STOCK

The Company is authorized to issue 200,000,000 shares of \$0.10 par value common stock. 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 three-month period ended December 31, 2009, the Company issued 5,000 shares of common in exchange for services valued at \$900.

During the three-month period ended December 31, 2009, the Company issued 3,180,000 shares of common stock to nine investors for a total of \$318,000 in cash. For every share purchased, each investor received one warrant to purchase one share of common stock. The warrants are exercisable at \$0.20 per share and expire on August 6, 2011.

NOTE 12: TREASURY STOCK

The Company held 818,986 and 963,986 shares of treasury stock at December 31, 2009 and September 30, 2009, respectively.

During the three-month period ended December 31, 2009, the Company issued 145,000 treasury shares in exchange for consulting services valued at \$26,100. The treasury shares had a cost of \$0.32 per share.

NOTE 13: STOCK OPTIONS AND WARRANTS

During fiscal 2007, the Company issued 725,000 warrants to purchase an equal number of the Company's common stock in connection with the issuance of 1,450,000 shares in private placements. The warrants were exercisable at \$0.50 per share and expired on December 31, 2009.

- 13 -

During the three-month period ended December 31, 2009, the Company issued 3,180,000 warrants to purchase an equal number of the Company's common stock in connection with the issuance of 3,180,000 shares in private placements. The warrants are exercisable at \$0.20 per share and expire on August 6, 2011.

NOTE 14: COMMITMENTS AND CONTINGENCIES

Environmental Issues

The Company is engaged in mineral mining and may become subject to certain liabilities as they relate to environmental cleanup of mining sites or other environmental restoration.

Although the minerals exploration and mining industries are inherently speculative and subject to complex environmental regulations, the Company is unaware, with the exception detailed below under the caption *Civil Action Filed*, of any pending litigation or of any specific past or prospective matters which could impair the value of its mining claims.

Civil Action Filed

On November 17, 2008, the United States Environmental Protection Agency (EPA) filed a civil action against the Company in the United States District Court for the District of Idaho. The civil action seeks recovery of funds paid by the EPA in response to alleged releases of hazardous substances at the Company's Idaho Lakeview mine and mill site in Bonner County, Idaho. The Company and the EPA have reached a tentative agreement whereby the Company would pay \$50,000 and agree not to conduct activities on the ground that would disturb the cleanup work in place at the properties subject to the civil action. Accordingly, the Company has recorded a \$50,000 liability related to this suit.

NOTE 15: SUBSEQUENT EVENT

Subsequent events have been evaluated through February 12, 2010, the date that the financial statements were available to be issued.

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

This report contains forward-looking statements

From time to time, Shoshone and its senior managers have made and will make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are contained in this report and may be contained in other documents that Shoshone files with the Securities and Exchange Commission. Such statements may also be made by Shoshone and its senior managers in oral or written presentations to analysts, investors, the media and others. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. Also, forward-looking statements can generally be identified by words such as may, could, should, would, believe, anticipate, estimate, seek, expect, intend, plan and similar expressions.

Forward-looking statements provide our expectations or predictions of future conditions, events or results. They are not guarantees of future performance. By their nature, forward-looking statements are subject to risks and uncertainties. As such, our actual future results, performance or achievements may differ materially from the results expressed in, or implied by, our forward-looking statements.

Our forward-looking statements speak only as of the date they are made. We do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made.

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Consolidated Financial Statements and Notes presented elsewhere in this report.

Plan of Operation

Effective September 30, 2008, we completed the refurbishment of the mill at our Lakeview property. The total capitalized cost of this refurbishment was \$499,681 which began depreciating on October 1, 2008. During the three-month period ended June 30, 2009, we temporarily ceased operations at our Lakeview property to comply with and update to current federal regulations. This cessation of operations included terminating the employment of three full-time employees. We currently employ two full-time persons at our Lakeview property whose primary goal is to oversee the property and equipment and to continue crushing stockpiled ore for processing.

On March 12, 2009, we acquired certain assets from Kimberly Gold Mines, Inc. (Kimberly) in a transaction where the Company issued 12,145,306 shares of common stock and other consideration in exchange for 100% of Kimberly's common stock. Included in this acquisition were 127 unpatented mining claims located primarily in Idaho and Washington as well as a mill in need of refurbishing and various pieces of equipment.

Our primary plan of operations includes raising sufficient capital to continue operations at our Lakeview property. Due to the high costs of operating during the winter, we will suspend operations at our Lakeview property until the Spring. At that time, we will continue to process previously stockpiled ore. Our long-term goal is to mine and mill both silver and gold.

Please refer to our discussion regarding our ability to continue as a going concern below for further details.

Going Concern

As shown in the accompanying financial statements, we have had limited revenues and incurred an accumulated deficit of \$1,827,864 from inception through December 31, 2009. These factors raise substantial doubt about our ability to continue as a going concern. We intend to seek additional capital from new equity securities offerings that will provide funds needed to increase liquidity and fully implement our business plan. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and

classification of liabilities that might be necessary in the event we cannot continue in existence.

- 15 -

Historically, we have generally funded our operations with proceeds from the sale of available-for-sale investments, royalty and option agreement payments, and from the sale of our common stock. Should we be unsuccessful in any of the initiatives or matters discussed above and unable to raise capital through future private placements, our business, and, as a result, our financial position, results of operations and cash flow will likely be materially adversely impacted. As such, substantial doubt as to our ability to continue as a going concern remains as of the date of these financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event we cannot continue in existence. An estimated \$2,000,000 is believed necessary to continue operations and increase development through the next twelve months. Currently, we anticipate raising the majority of the \$2,000,000 through the issuance of common stock to private investors. The timing and amount of capital requirements will depend on a number of factors, including demand for products and services.

Comparison of the Three-Month Periods Ended December 31, 2009 and 2008:

Results of Operations

The following tables set forth certain information regarding the components of our Consolidated Statements of Operations for the three-month period ended December 31, 2009, compared with the same period in the prior year. This table is provided to assist in assessing differences in our overall performance:

| | Three-Month Period Ended | | | |
|---------------------------------------|---------------------------------|--------------------------|------------------|-----------------|
| | Dec. 31, 2009 | Dec. 31, 2008 | \$ Change | % Change |
| Revenues | \$ - | \$ - | \$ - | 0.0% |
| Cost of Revenues | - | - | - | 0.0% |
| Gross Profit | - | - | - | 0.0% |
| General and administrative | 200,077 | 238,525 | (38,448) | -16.1% |
| Professional fees | 49,187 | 55,158 | (5,971) | -10.8% |
| Depreciation | 44,532 | 27,602 | 16,930 | 61.3% |
| Mining and exploration expenses | 2,438 | 158,064 | (155,626) | -98.5% |
| Total Operating Expenses | 296,234 | 479,349 | (183,115) | -38.2% |
| Loss from Operations | (296,234) | (479,349) | 183,115 | -38.2% |
| Other Income (Expense) | | | | |
| Net gain (loss) on sale of securities | (8,746) | 96 | (8,842) | -9210.4% |
| Dividend and interest income | 18,351 | 35,004 | (16,653) | -47.6% |
| Interest expense | (296) | (744) | 448 | -60.2% |
| Other income (expense) | 96 | 6,581 | (6,485) | -98.5% |
| Total Other Income (Expense) | 9,405 | 40,937 | (31,532) | -77.0% |
| Net (Loss) Income | \$ (286,829) | \$ (438,412) | \$ 151,583 | -34.6% |

Overview of Operating Results

The decrease in the net loss for the three-month period ended December 31, 2009 compared with the same period last year was primarily due to a significant decrease in exploration expenses between the periods. In the prior year's first quarter we incurred \$140,527 in drilling expenses on our Lakeview property. Also contributing to this improvement were decreased expenses associated with our suspension of operations at our Lakeview property.

Operating Expenses

The decrease in operating expenses between periods was primarily due to the decrease in exploration expenses and suspension of operations at our Lakeview property discussed above.

Other Income (Expenses)

The decrease in other income (expense) between the periods was primarily due to our having three additional interest bearing notes receivable in the prior year's three month period. Since the first quarter of 2009, these three notes have been settled in exchange for various assets. Also contributing to this decrease was a net loss on the sale of investments of \$8,745 realized during the three-month period ended December 31, 2009, compared with a net gain of \$96 realized in the same period last year. This decrease is primarily due to lower per share market values of the investments in the Company's portfolio.

Overview of Financial Position

At December 31, 2009, we had cash of \$59,895 and current liabilities of \$208,086. During the first quarter of fiscal 2010, we received proceeds of \$318,000 from the sale of 3,180,000 shares of the Company's \$0.10 par value common stock. These proceeds were used primarily to continue day-to-day business operations.

Property, Plant and Equipment

At December 31, 2009, property, plant and equipment before accumulated depreciation totaled \$3,406,850, an increase of \$20,580 from \$3,386,270 at September 30, 2009. The increase related entirely to land improvements and equipment purchases at its Rescue Gold Mine.

Investments

Our investment portfolio at December 31, 2009, was \$196,298, a decrease of \$70,640 from the September 30, 2009, balance of \$266,938. This decrease was primarily due to falling share prices of the investments in the Company's portfolio and, to a lesser extent, the sale of 250,000 shares of various company's common stock.

Stockholders' Equity

Our total stockholders' equity was \$5,734,474 at December 31, 2009, an increase of \$19,677 from \$5,714,797 at September 30, 2009. The increase in total stockholders' equity was primarily due to the issuance of 3,180,000 shares of common stock to nine investments in exchange for \$318,000. Partially offsetting this positive impact was a net loss of \$286,829 incurred during the three-month period ended December 31, 2009.

Liquidity and Capital Resources

Operating Activities

During the three-month period ended December 31, 2009, our operating activities used \$278,990 and used \$627,464 during the comparable period last year. This improvement was primarily the result of the realization of a net loss of \$286,829 during the recent three-month period compared to a net loss of \$438,412 realized last year.

Investing Activities

During the three-month period ended December 31, 2009, our investing activities provided \$2,820 and used \$258,254 during the same period last year. This was primarily the result of \$105,361 in proceeds from the sale of investments received during the nine-month period ended June 30, 2008 compared with \$1,488 during the nine-month period ended June 30, 2009.

Financing Activities

During the nine-month period ended December 31, 2009, our financing activities used \$55,225 and contributed \$405,145 during the same period last year. This was primarily due to net proceeds of \$285,985 received from the issuance of common stock during the nine-month period last year, compared with none during the current nine-month period.

Off-Balance Sheet Arrangements

The Company is not currently a party to any off-balance sheet arrangements as they are defined in the regulations promulgated by the Securities and Exchange Commission.

- 18 -

Item 3 Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4 Controls and Procedures

We previously reported under Item 9A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2009, (the Annual Report) a material weakness in our internal control over financial reporting and that our internal control over financial reporting was not effective as of September 30, 2009, due an insufficiency of accounting resources which led to the identification by the auditors of required material adjustments to the Company's financial statements. During the quarter ended December 31, 2009, we remedied deficiencies in our internal control over financial reporting by instituting additional review procedures over the financial reporting function.

Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this quarterly report on Form 10-Q, an evaluation was carried out by the Company's management, with the participation of the Principal Executive Officer and the Principal Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act) as of December 31, 2009. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures.

Based on that evaluation, the Company's management concluded, as of the end of the period covered by this report, that the Company's disclosure controls and procedures were effective in recording, processing, summarizing, and reporting information required to be disclosed within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Control Over Financial Reporting

As of the end of the period covered by this report, there have been no changes in internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended December 31, 2009, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1 - Legal Proceedings

We are, from time to time, involved in various legal proceedings incidental to the conduct of business. In the opinion of management, our gross liability, if any, and without any consideration given to the availability of insurance or other indemnification, under any pending litigation or administrative proceedings, including that discussed below, would not materially affect our consolidated financial position, results of operations or cash flows.

On November 17, 2008, the United States Environmental Protection Agency (EPA) filed a civil action against us in the United States District Court for the District of Idaho. The civil action seeks recovery of funds paid by the EPA in response to alleged releases of hazardous substances at our Idaho Lakeview mine and mill site in Bonner County, Idaho. We and the EPA have reached a tentative agreement whereby we would pay \$50,000 and agree not to conduct activities on the ground that would disturb the cleanup work in place at the properties subject to the civil action. Accordingly, we have recorded a \$50,000 liability related to this suit.

Item 1A Risk Factors

We are a smaller reporting company as defined by the Exchange Act and are not required to provide the information required under this item.

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

During the three-month period ended December 31, 2009, the Company sold 3,180,000 shares of common stock at a price per share of \$0.10 to nine accredited investors for gross proceeds of \$318,000. For every share purchased, each investor received one warrant to purchase one share of common stock. The warrants are exercisable at \$0.20 per share and expire on August 6, 2011. This sale was made under the exemption from registration provided by Regulation D, Rule 506.

Item 3 - Defaults Upon Senior Securities

None.

Item 4 - Submission of Matters to a Vote of Security Holders

None.

Item 5 - Other Information

None.

Item 6 - Exhibits

| (a) Exhibit No. | Description of Document |
|-----------------|---|
| <u>31.1</u> | <u>Certification of Principal Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| <u>31.2</u> | <u>Certification of Principal Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| <u>32.1</u> | <u>Certification of Principal Executive Officer as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |
| <u>32.2</u> | <u>Certification of Principal Financial Officer as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |

- 21 -

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SHOSHONE SILVER MINING COMPANY

(Registrant)

February 12, 2010
Date

By: /s/ Lex Smith
Lex Smith
President and Principal Executive Officer

February 12, 2010
Date

By: /s/ Melanie Farrand
Melanie Farrand
Treasurer
and Principal Financial Officer

- 22 -
