SHOSHONE SILVER MINING CO INC
Form 10-Q
May 16, 2011

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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2011

[ ] 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	**82-0304993**
(State or other jurisdiction of incorporation or organization)	(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 [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]

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 May 13, 2011
Common Stock ($0.10 par value)	43,431,037

SHOSHONE SILVER MINING COMPANY

FORM 10-Q
For the Quarter Ended March 31, 2011

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PART I FINANCIAL INFORMATION

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

	March 31, 2011 (unaudited)	September 30, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 11,995	$ 55,853
Deposits and prepaids	-	3,616
Supplies inventory	1,840	1,957
Total Current Assets	13,835	61,426
PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	3,280,510	3,459,443
Accumulated depreciation	(1,627,050)	(1,553,772)
Total Property Plant and Equipment	1,653,460	1,905,671
MINERAL AND MINING PROPERTIES	2,381,369	2,196,369
OTHER ASSETS		
Notes receivable (net of discount)	1,576,233	1,537,944
Investments	148,354	132,430
Total Other Assets	1,724,587	1,670,374
TOTAL ASSETS	$ 5,773,251	$ 5,833,840
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 230,182	$ 242,915
Accrued expenses	72	13,022
Notes payable - current portion	1,522	4,279
Total Current Liabilities	231,776	260,216
Total Liabilities	231,776	260,216
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Common stock, 200,000,000 shares authorized, $0.10 par value;		
43,431,037 and 42,659,037 shares issued and outstanding	4,343,104	4,265,904
Additional paid-in capital	4,176,444	4,148,550
Treasury stock	(201,853)	(206,253)
Accumulated earnings in exploration stage	(1,097,157)	(916,042)
Accumulated deficit prior to exploration stage	(1,667,482)	(1,667,482)

Accumulated other comprehensive loss		(11,581)		(51,053)
Total Stockholders' Equity		5,541,475		5,573,624
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	5,773,251	$	5,833,840

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

	Three-Month Period Ended March 31, 2011	Three-Month Period Ended March 31, 2010	Six-Month Period Ended March 31, 2011	Six-Month Period Ended March 31, 2010	Period from January 1, 2000 (beginning of exploration stage) to March 31, 2011
REVENUES	$ 19,000	$ -	$ 19,000	$ -	$ 180,700
COST OF REVENUES	-	-	-	-	228,828
GROSS PROFIT	19,000	-	19,000	-	(48,128)
OPERATING EXPENSES					
General and administrative	24,356	10,967	125,666	107,466	1,336,784
Professional fees	32,214	34,484	51,891	86,442	1,234,201
Depreciation	45,594	44,326	91,189	88,858	734,032
Mining and exploration expenses	26,385	77,596	92,775	180,841	4,328,507
Net gain on sale of load claim	-	-	-	-	(368,907)
Total Operating Expenses	128,549	167,373	361,521	463,607	7,264,617
LOSS FROM OPERATIONS	(109,549)	(167,373)	(342,521)	(463,607)	(7,312,745)
OTHER INCOME (EXPENSES)					
Bad debt recovery	-	-	-	-	47,008
Cancellation of debt income	-	-	-	-	69,418
Dividend and interest income	19,152	18,291	38,354	36,642	318,143
Gain on sale of fixed assets	13,751	-	13,751	-	30,951
Gain on sale of Mexican mining concession	-	-	-	-	4,363,353
Gain on settlement of note receivable	-	-	-	-	64,206
Interest expense	(25)	(676)	(62)	(972)	(11,610)
Lease Income	-	-	-	-	444,044
Loss on abandonment of asset	-	-	-	-	(20,000)

Net gain on settlement of lease dispute	-	-	85,000	-	85,000
Net (loss) gain on sale of investments	12,206	8,156	24,363	(589)	1,157,832
Other income/(expense)	-	46	-	142	197,349
Other-than-temporary impairment of investments	-	-	-	-	(149,279)
Unrealized holding loss on marketable securities	-	-	-	-	(380,827)
Total Other Income (Expenses)	45,084	25,817	161,406	35,223	6,215,588
INCOME (LOSS) BEFORE INCOME TAXES	(64,465)	(141,556)	(181,115)	(428,384)	(1,097,157)
INCOME TAXES	-	-	-	-	124,826
DEFERRED TAX GAIN	-	-	-	-	(124,826)
NET INCOME (LOSS)	(64,465)	(141,556)	(181,115)	(428,384)	(1,097,157)
OTHER COMPREHENSIVE INCOME (LOSS)					
Unrealized holding gain (loss) on investments	(26,963)	(20,034)	39,472	(58,528)	(11,581)
NET COMPREHENSIVE INCOME (LOSS)	$ (91,428)	$ (161,590)	$ (141,643)	$ (486,912)	$ (1,108,738)
NET INCOME (LOSS) PER COMMON SHARE, BASIC	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)	
NET INCOME (LOSS) PER COMMON SHARE, DILUTED	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)	
WEIGHTED AVERAGE NUMBER OF COMMON STOCK SHARES OUTSTANDING, BASIC	43,316,970	37,746,363	43,052,440	36,869,973	
WEIGHTED AVERAGE NUMBER OF COMMON STOCK SHARES OUTSTANDING, DILUTED	43,316,970	37,746,363	43,052,440	36,869,973	

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

	Six-Month Period Ended March 31, 2011	Six-Month Period Ended March 31, 2010	Period from January 1, 2000 (beginning of exploration stage) to March 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ (181,115)	$ (428,384)	$ (1,097,157)
Adjustments to reconcile net income (loss) to net cash used by operations:			
Adjustment to balance of note receivable	-	-	(766)
Amortization of note receivable discount	(38,289)	(36,466)	(210,870)
Available-for-sale securities issued in exchange for services	-	-	135,140
Available-for-sale silver investment issued in exchange for services	-	-	3,560
Bad debt expense	-	-	9,624
Cancellation of debt income	-	-	(69,418)
Common stock issued for mining and exploration expenses	13,600	-	308,100
Common stock issued for services	54,200	900	458,686
Common stock issued in settlement of agreement with former CEO	-	-	20,000
Depreciation and amortization expense	94,805	100,686	760,101
Discount given on early payment on note receivable	-	-	50,000
Gain on sale of fixed assets	(13,751)	-	(30,951)
Gain on settlement of note receivable	-	-	(64,206)
Impairment of mining expenses	-	-	413,000
Loss on abandonment of investment	-	-	20,000
Loss recognized on other-than-termporary impairment of investments	-	-	149,279
Net (gain) loss on sale of investments	(24,363)	589	(1,157,832)
Net gain on sale of lode claim	-	-	(368,907)
Net gain on sale of Mexican mining concession	-	-	(4,363,353)
Treasury stock issued for services	-	26,100	53,420
Unrealized holding loss on marketable securities	-	-	380,827
Changes in assets and liabilities:			
Change in accounts payable	(12,733)	(41,185)	148,936
Change in accrued interest receivable	-	-	(20,255)
Change in accrued liabilities	(12,950)	(27,692)	(3,912)
Change in deposits and prepaids	-	(5,983)	21,248
Change in other current assets	-	10,000	(14,443)
Change in stock to issue	-	-	230,680
Change in supplies inventory	117	111	10,892

Net cash used in operating activities	(120,479)	(401,324)	(4,228,577)
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances on notes receivable	-	-	(111,022)
Advances to related party	-	-	(395,000)
Issuance of note receviable from related party	-	-	(243,000)
Payments received on notes receivable	-	-	582,846
Payments received on notes receivable from related party	-	-	332,498
Proceeds from sale of fixed assets	800	-	18,000
Proceeds from sale of investments	47,912	44,585	4,675,397
Proceeds from sale of lode claim	-	-	188,907
Proceeds from sale of Mexican mining concession	-	-	2,497,990
Proceeds from short-term loans	-	-	160,760
Purchase of fixed assets	(1,027)	(26,580)	(1,081,509)
Purchase of mineral and mining properties	-	-	(76,472)
Purchases of investments	-	-	(4,059,939)
Net cash provided by investing activities	47,685	18,005	2,489,456
CASH FLOWS FROM FINANCING ACTIVITIES			
Common shares repurchased for treasury	-	-	(41,220)
Net proceeds from sale of common stock	26,000	385,000	1,973,725
Payment made on long-term note payable	(2,757)	(13,294)	(267,296)
Payment of common stock subscriptions	-	-	20,225
Proceeds from sale of treasury stock	5,693	-	5,693
Net cash (used in) provided by financing activities	28,936	371,706	1,691,127
Net increase (decrease) in cash	(43,858)	(11,613)	(47,994)
Cash, beginning of period	55,853	23,566	59,989
Cash, end of period	$ 11,995	$ 11,953	$ 11,995
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Interest expense paid	$ 62	$ 972	$ 10,066
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 purchase of equipment and mining properties	$ 10,000	$ -	$ 154,340
Common stock issued for services, accounts payable, finder's fee and mining & exploration expenses	$ -	$ -	$ 539,333
Deposit utilized to purchase fixed asset	$ -	$ -	$ 5,000
Equipment received in exchange for settlement of note recievable	$ -	$ -	$ 4,139
Marketable securities received in lieu of note receivable	$ -	$ -	$ 104,273
Mill building acquired in exchange for common stock and other consideration	$ -	$ -	$ 224,475
	$ 175,000	$ -	$ 1,852,126

Mineral properties acquired in exchange for common stock, office building and other consideration						
Mineral property reacquired upon default	$	-	$	-	$	131,553
Mining equipment acquired in exchange for common stock and other consideration	$	-	$	-	$	260,000
Note issued in exchanged for vehicle, equipment and prepaid asset	$	-	$	15,933	$	1,865,363
Note receivable (net of discount) in connection with sale of Mexcian Mining Concession	$	-	$	-	$	120,000
Note receivable in connection with sale of lode claim	$	-	$	-	$	108,156
Office equipment acquired in exchange for common stock and other consideration	$	-	$	-	$	15,525
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

Shoshone Silver Mining Company (an Exploration Stage Company)
Condensed Notes to the Interim Financial Statements
March 31, 2011

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, 2010, included in the Company s Annual Report on Form 10-K which was filed with the SEC on December 27, 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 and six-month periods ended March 31, 2011, are not necessarily indicative of the results that may be expected for the year ending September 30, 2011.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Company s management, which is responsible for their integrity and objectivity. 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.

Fair Value Measurements

Topic 820 in the Accounting Standards Codification (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 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 4.

The following table presents information about the Company s assets measured at fair value on a recurring basis as of March 31, 2011, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

		Fair Value Measurements At March 31, 2011, Using		
Description	Fair Value March 31, 2011	Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	$ 148,354	$ 148,354	$ -	$ -
Note Receivable (net of discount)	1,576,233	-	1,576,233	-
Total Assets Measured at Fair Value	**$ 1,724,587**	**$ 148,354**	**$ 1,576,233**	**$ -**

Going Concern

As shown in the accompanying financial statements, the Company has limited cash and limited revenues and incurred an accumulated deficit of $2,764,639 from inception through March 31, 2011. 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.

Historically, the Company has generally funded its operations with proceeds from the sale of marketable securities, 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.

Reclassifications

Certain previously reported amounts have been reclassified to conform to the current presentation. In particular, expenses totaling approximately $90,000 that were previously classified as general and administrative expenses on the Consolidated Statement of Operations for the second quarter of fiscal 2010 have been reclassified as mining and exploration expenses and professional fees. This reclassification was done to align the Company s external reporting with its internal reporting.

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: 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 March 31, 2011 and September 30, 2010:

	March 31, 2011	September 30, 2010
Administrative:		
Building	$ -	$ 167,129
Equipment	651,326	652,156
Furniture	-	12,000
	651,326	831,285
Lakeview:		
Building	56,255	56,255
Equipment	393,687	393,687
Furniture	1,539,282	1,539,282
	1,989,224	1,989,224
Warren:		
Building	379,960	378,934
Equipment	260,000	260,000
	639,960	638,934
Total	3,280,510	3,459,443
Less: Accumulated Depreciation	(1,627,050)	(1,553,772)
Property, Plant & Equipment, net	$ 1,653,460	$ 1,905,671

Depreciation expense was $45,594 for the three-month period ended March 31, 201 and $44,326 for the comparable period last year.

Depreciation expense was $91,189 for the six-month period ended March 31, 2011 and $88,858 for the comparable period last year.

Equipment with a net book value of $8,117 serves as collateral for notes payable. See Note 6.

During the second quarter of fiscal 2011, the Company exchanged its 50% unencumbered interest in a commercial building in Coeur d Alene, Idaho for certain patented lode mining claims located in the Silver Valley, Idaho. This non-monetary exchange was valued at $175,000. See Note 10.

During the second quarter of fiscal 2011, the Company sold for $800 a vehicle with a net book value of $524 for a gain of $276.

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 4: 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 a discounted payment of $450,000 was made in July 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 and six-month periods ended March 31, 2011, $19,145 and $39,289, respectively, of interest income was realized through the amortization of this note discount.

The balance on this note receivable (net of discount) was $1,576,233 at March 31, 2011.

NOTE 5: 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 March 31, 2011:

Investment	Quantity	Cost	Market Value
Available for Sale Securities:			
Bayswater Uranium Corporation	20,000	$ 12,200	$ 9,400
Gold Crest Mines	550,100	713	5,501
Lucky Friday Extension	5,000	250	750
Merger Mines	729,299	103,885	87,516
New Jersey Mining	102,875	24,690	31,891
Vindicator Mines	88,000	17,600	10,560
Subtotal	**1,495,274**	**159,338**	**145,618**
Silver Coins & Bars	**72**	**735**	**2,736**
Total at March 31, 2011	**1,495,346**	**$ 160,073**	**$ 148,354**

The Company had an unrealized holding loss during the three-month period ended March 31, 2011 of $26,963 compared with a loss of $20,034 in the same period last year.

The Company had an unrealized holding gain during the six-month period ended March 31, 2011 of $39,472 compared with a loss of $58,528 in the same period last year.

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

During the three-month period ended March 31, 2011, the Company recognized $12,206 of net gain on the sale of available-for-sale securities and silver coins and bars previously included in accumulated other comprehensive income as compared with a net gain of $8,156 during the same period last year.

During the six-month period ended March 31, 2011, the Company recognized $24,363 of net gain on the sale of available-for-sale securities and silver coins and bars previously included in accumulated other comprehensive income as compared with a net loss of $589 during the same period last year.

The following summarizes the investments at September 30, 2010**:**

Investment	Quantity	Cost	Market Value
Available for Sale Securities:			
Bayswater Uranium Corporation	20,000	$ 12,200	$ 12,200
Chester Mining Company	2,500	1,125	1,850
Gold Crest Mines	567,600	975	9,649
Lucky Friday Extension	5,000	250	250
Merger Mines	729,299	103,885	36,465
Metropolitan Mines Limited	6,000	360	720
New Jersey Mining	142,875	34,290	32,861
Vindicator Mines	88,000	17,600	10,560
Subtotal	**1,561,274**	**170,685**	**104,555**
Silver Coins & Bars	**1,267**	**12,936**	**27,875**
Total at September 30, 2010	**1,562,541**	**$ 183,621**	**$ 132,430**

The Company had an unrealized holding loss during the fiscal year ended September 30, 2010 of $87,640. 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 $1,036 of net gain previously included in accumulated other comprehensive income on the sale of investments during the fiscal year ended September 30, 2010.

NOTE 6: NOTES PAYABLE

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 $1,522 at March 31, 2011 all of which is payable within twelve months. The purchased equipment which serves as collateral for this note payable had a carrying amount of $8,117 at March

31, 2011.

NOTE 7: 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 fiscal 2011 first quarter, the Company issued 90,000 shares of common in exchange for services valued at $18,000.

During the fiscal 2011 first quarter, the Company issued 176,000 to five of its directors in exchange for services valued at $35,200.

During the fiscal 2011 first quarter, the Company issued 250,000 shares of common stock to two investors for a total of $25,000 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 March 20, 2012.

During the fiscal 2011 second quarter, the Company issued a total of 146,000 shares of common stock to various vendors in exchange for exploration expenses valued at $14,600.

During the fiscal 2011 second quarter, the Company issued 100,000 in exchange for mineral properties valued at $10,000.

During the fiscal 2011 second quarter, the Company issued 10,000 shares of common stock to one investor for $1,000 in cash. For every share purchased, the investor received one warrant to purchase one share of common stock. The warrants are exercisable at $0.20 per share and expire on March 20, 2012.

NOTE 8: TREASURY STOCK

The Company held 778,986 and 818,986 shares of treasury stock at March 31, 2011 and September 30, 2010, respectively.

During the three-month period ended December 31 , 2010, the Company sold 40,000 treasury shares for cash of $5,694. The treasury shares had a cost of $0.11 per share.

NOTE 9: NET GAIN ON SETTLEMENT OF LEASE DISPUTE

During the first quarter of fiscal 2011, the Company was awarded a total of $100,000 as settlement of a claim the Company had filed in the Chapter 11 bankruptcy proceeds of an unrelated company. The claim asserted that the Company, as lessor, was owed compensation for the failure of the lessee to maintain proper title to the Bullion Claims with the Bureau of Land Management. During the first quarter of fiscal 2011, the Company assigned the rights to this settlement to an investment firm for net proceeds of $85,000. The net proceeds of $85,000 are presented on the Company s Consolidated Statements of Operations and Comprehensive Income (Loss) under the caption Net gain on settlement of lease dispute .

NOTE 10: NON-MONETARY EXCHANGE

During the second quarter of fiscal 2011, the Company exchanged its 50% unencumbered interest in a commercial building in Coeur d Alene, Idaho for certain patented lode mining claims located in the Silver Valley, Idaho. This non-monetary exchange was valued at $175,000 and the Company recorded a gain of $13,476 related to this exchange. See Note 3.

NOTE 11: 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 of any pending litigation or of any specific past or prospective matters which could impair the value of its mining claims.

NOTE 12: SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date that the consolidated financial statements were available to be issued and management has determined that there have not been any events that have occurred that would require adjustments to the unaudited financial statements.

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

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

Lakeview Property

During 2010, we entered into an agreement to sell silver concentrate produced at our Lakeview property to a smelter for refining. During the prior fiscal year, our test runs generated revenues of $20,111 from the sale of concentrate to the smelter and generated $19,000 during the fiscal 2011 second quarter. Our long-term goal is to mine and mill silver at our Lakeview property.

Rescue Mine Property

Our first priority has been the upgrading and renovating the mill at the Rescue Mine Property. Once this work is completed, test runs on stockpiled ore will be conducted.

Mine development will require some ground support, general clean up, the installation of a refuge station and the addition of air and water lines. A new decline portal has been planned to access the Rescue vein 1,000 feet east of the mill. Road work, site preparation and collaring off for the new decline portal will be accomplished next summer. This new decline portal will provide access to un-mined portions of the Rescue vein and, when completed, will serve as the secondary escape-way from the mine as well as the exhaust ventilation. At this time, we are setting up to complete a five-hole drilling program to establish a more detailed plan of operation.

Electrical work, which included installation of electrical panels, lights and power outlets, was completed in the large staging building, which was erected next to the Rescue Mill portal last summer to service operations in the Rescue Mine. The new building is fully MSHA compliant. Additionally, a diesel generator was installed to provide power to the Rescue Mine as part of our ongoing preparations to bring the Rescue Mine and mill back into full operation.

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

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Going Concern

As shown in the accompanying financial statements, we have had limited revenues and incurred an accumulated deficit of $2,764,639 from inception through March 31, 2011. 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.

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- and Six-Month Periods Ended March 31, 2011 and 2010:

Results of Operations

The following table set forth certain information regarding the components of our Consolidated Statements of Operations for the three- and six-month periods ended March 31, 2011, compared with the same periods in the prior year. These tables are provided to assist in assessing differences in our overall performance:

	Three-Month Period Ended March 31, 2011	March 31, 2010	$ Change	% Change
Revenues	$ 19,000	$ -	$ 19,000	100.00%
Cost of Revenues	-	-	-	100.00%
Gross Profit	19,000	-	19,000	100.00%
General and administrative	24,356	10,967	13,389	122.08%
Professional fees	32,214	34,484	(2,270)	-6.58%
Depreciation	45,594	44,326	1,268	2.86%
Mining and exploration expenses	26,385	77,596	(51,211)	-66.00%
Total Operating Expenses	128,549	167,373	(38,824)	-23.20%
Loss from Operations	(109,549)	(167,373)	57,824	-34.55%
Other Income (Expense)				
Dividend and interest income	19,152	18,291	861	4.71%
Gain on sale of fixed assets	13,751	-	13,751	100.00%
Interest expense	(25)	(676)	651	-96.30%
Net gain (loss) on sale of securities	12,206	8,156	4,050	49.66%
Other income (expense)	-	46	(46)	-100.00%

Total Other Income (Expense)		45,084		25,817		19,267	74.63%
Net (Loss) Income	$	(64,465)	$	(141,556)	$	77,091	-54.46%

	Six-Month Period Ended March 31, 2011	March 31, 2010	$ Change	% Change
Revenues	$ 19,000	$ -	$ 19,000	100.00%
Cost of Revenues	-	-	-	100.00%
Gross Profit	19,000	-	19,000	100.00%
General and administrative	125,666	107,466	18,200	16.94%
Professional fees	51,891	86,442	(34,551)	-39.97%
Depreciation	91,189	88,858	2,331	2.62%
Mining and exploration expenses	92,775	180,841	(88,066)	-48.70%
Total Operating Expenses	361,521	463,607	(102,086)	-22.02%
Loss from Operations	(342,521)	(463,607)	121,086	-26.12%
Other Income (Expense)				
Dividend and interest income	38,354	36,642	1,712	4.67%
Gain on sale of fixed assets	13,751	-	13,751	100.00%
Interest expense	(62)	(972)	910	-93.62%
Net gain on settlement of lease dispute	85,000	-	85,000	100.00%
Net gain (loss) on sale of securities	24,363	(589)	24,952	-4236.33%
Other income (expense)	-	142	(142)	-100.00%
Total Other Income (Expense)	161,406	35,223	126,183	358.24%
Net (Loss) Income	$ (181,115)	$ (428,384)	$ 247,269	-57.72%

Overview of Operating Results

The decrease in net loss during the three- and six-month periods ended March 31, 2011 were primarily attributable to decreases in professional fees and exploration expenses as we continued to align our expenditures with our capital resources. Also contributing to the improvement during the three- and six-month periods ended March 31, 2011 was a net gain of $13,751 on the sale of fixed assets.

The results of the six-month period ended March 31, 2011 were also positively impacted by the receipt of $85,000 from the settlement of a lease dispute.

Operating Expenses

The decrease in our operating expenses primarily reflects our continuing efforts to control costs and improve efficiencies. For example, we had five employees by the end of the first quarter of fiscal 2011 compared with eight at the end of the same quarter last year. We had no employees on payroll during the second quarter of 2011 compared with five during the six-month period last year.

Other Income (Expenses)

The increase in other income (expense) during the three-month period ended March 31, 2011 was primarily due to the net gain on the sale of fixed assets of $13,751. During the second quarter of fiscal 2011, we exchanged our 50% unencumbered interest in a commercial building in Coeur d Alene, Idaho for certain patented lode mining claims located in the Silver Valley, Idaho. This non-monetary exchange was valued at $175,000.

The increase in other income (expense) during the six-month period ended March 31, 2011, was primarily related to our receipt of $85,000 in connection with the settlement of a lease. During the first quarter of fiscal 2011, we were awarded a total of $100,000 as settlement of a claim we had filed in the Chapter 11 bankruptcy proceeds of an unrelated company. The claim asserted that we, as lessor, were owed compensation for the failure of the lessee to maintain proper title to the Bullion Claims with the Bureau of Land Management. During the first quarter of fiscal 2011, we assigned the rights to this settlement to an investment firm for net proceeds of $85,000.

Also contributing to this increase during the six-month period ended March 31, 2011 was a net gain realized on the sale of investments of $24,363. In the same period last year, we realized a net loss of $589 on the sale of investments.

Overview of Financial Position

At March 31, 2011, we had cash of $11,995 and total liabilities of $231,776. During the first six months of fiscal 2011, we raised $26,000 in net proceeds from the issuance of 260,000 shares of our common stock. Also, we received $85,000 in lease income as a settlement from a mining company that had filed for relief under Chapter 11 of the United States Bankruptcy Code. These proceeds were used primarily to continue limited activities at our Lakeview property, to continue refining our milling process at that same location and to continue refurbishing our newly acquired mill building at our Rescue mine.

Property, Plant and Equipment

At March 31, 2011, property, plant and equipment before accumulated depreciation totaled $3,280,510, a decrease of $178,933, from $3,459,443 at September 30, 2010. This decrease was primarily related to the exchange of our 50% unencumbered interest in a commercial building in Coeur d Alene, Idaho for certain patented lode mining claims. This non-monetary exchange was valued at $175,000.

See Note 3. Property, Plant and Equipment to our consolidated financial statements for further details.

Notes Receivable

On March 31, 2011, we had notes receivable, net of discount, of $1,576,233 compared with $1,537,944 at September 30, 2010. The increase related entirely to the amortization of the discount into interest income.

See Note 4. Notes Receivable to our consolidated financial statements for further details.

Investments

Our investment portfolio at March 31, 2011, was $148,354, an increase of $15,924 from the September 30, 2010, balance of $132,430. This increase was primarily due to rising share prices of the investments in our portfolio partially offset by the sale of 66,000 shares of common stock and 1,195 ounces of silver during the first six months of fiscal 2011.

See Note 5: Investments to our consolidated financial statements for further details.

Stockholders Equity

Our total stockholders equity was $5,541,475 at March 31, 2011, a decrease of $32,149 from $5,573,624 at September 30, 2010. The decrease in total stockholders equity was primarily due to a net loss from operations of $181,115 realized during the first six months of fiscal 2011. This was partially offset by an unrealized holding gain of $39,472 on our investments and, to a lesser extent, the issuance of 260,000 common shares for $26,000 in cash.

See Note 5: Investments to our consolidated financial statements for further details.

Liquidity and Capital Resources

Operating Activities

During six-month period ended March 31, 2011, our operating activities used $120,479 and used $401,324 during the same period last year. This improvement was primarily the result of the realization of a net loss of $181,115 during the current six-month period compared with a net loss of $428,384 last year.

Investing Activities

During six-month period ended March 31, 2011, our investing activities provided $47,685 and provided $18,005 during the same period last year. This increase was primarily to our spending only $1,027 on fixed assets during the current six-month period compared with $26,580 last year.

Financing Activities

During six-month period ended March 31, 2011, our financing activities provided $28,936 and provided $371,706 during the same period last year. This decrease was primarily net proceeds from the sale of stock of $26,000 received during the current six-month period compared with $385,000 last year.

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.

Item 3 Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4 Controls and Procedures

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 March 31, 2011. 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 March 31, 2011, 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.

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 March 31, 2011, the Company sold 10,000 shares of common stock at a price per share of $0.10 to one accredited investor for gross proceeds of $1,000. For every share purchased, the investor received one warrant to purchase one share of common stock. The warrants are exercisable at $0.20 per share expire on March 20, 2012. 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**
31.1	Certification of Principal Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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)
May 16, 2011 Date	By: /s/ Lex Smith Lex Smith President and Principal Executive Officer
May 16, 2011 Date	By: /s/ Melanie Farrand Melanie Farrand Treasurer and Principal Financial Officer