Sustut Exploration Inc
Form 10-Q
April 07, 2008

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

FORM 10-Q

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

For the quarterly period ended March 31, 2008

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

For the transition period from ______to______.

Sustut Exploration, Inc.
(Exact name of registrant as specified in Charter

Delaware	333-143215	
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(IRS Employee Identification No.)

1420 5th Avenue #220
Seattle, Washington 98101
(Address of Principal Executive Offices)

(206) 274-5321
(Issuer Telephone number)

(Former Name or Former Address if Changed Since Last Report)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2)has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer o Accelerated Filer o Non-Accelerated Filer o 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 x No o

State the number of shares outstanding of each of the issuer's classes of common equity, as of April 7, 2008:
16,059,000 shares of common stock.

SUSTUT EXPLORATION, INC.

FORM 10-Q

March 31, 2008

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Item 1. Financial Information

SUSTUT EXPLORATION, INC.
(an exploration stage company)

FINANCIAL STATEMENTS

AS OF MARCH 31, 2008

SUSTUT EXPLORATION, INC.
(an exploration stage company)

SUSTUT EXPLORATION, INC.
(an exploration stage company)
BALANCE SHEET
As of March 31, 2008

ASSETS

CURRENT ASSETS	3/31/2008	3/31/2007
Cash	$ 9,404	$ 22,570
Total Current Assets	9,404	22,570
TOTAL ASSETS	$ 9,404	$ 22,570
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accrued Expenses	$ 5,250	$ 3,000
Payable agreement for claim rights	20,000	0
Total Current Liabilities	25,250	3,000
LONG-TERM LIABILITIES		
Payable agreement for claim rights	-	20,000
TOTAL LIABILITIES	25,250	23,000
STOCKHOLDERS' EQUITY		
Common Stock, $.001 par value		
Authorized: 200,000,000		
Issued: 16,059,000 and 16,000,000, respectively	16,059	16,000
Additional paid in capital	71,641	54,000
Accumulated deficit during development stage	(103,546)	(87,607)
Total Stockholders' Equity	(15,846)	(17,607)
TOTAL LIABILITIES AND EQUITY	$ 9,404	$ 4,893

The accompanying notes are an integral part of these financial statements

SUSTUT EXPLORATION, INC.
(an exploration stage company)
STATEMENT OF OPERATIONS
For the three months ended March 31, 2008 and 2007, and
From inception (April 11, 2006) through March 31, 2008

	03/31/08	03/31/07	FROM INCEPTION
REVENUE	$ -	$ -	$ -
COST OF SERVICES	-	-	-
GROSS PROFIT OR (LOSS)	-	-	-
GENERAL AND ADMINISTRATIVE EXPENSES	753	535	28,546
GENERAL EXPLORATION	-	-	75,000
OPERATING INCOME	(753)	(535)	(103,546)
ACCUMULATED DEFICIT, BEGINNING	(102,793)	(87,607)	-
ACCUMULATED DEFICIT, ENDING	$ (103,546)	$ (88,142)	$ (103,546)
Earnings (loss) per share, basic	$ (0.00)	$ (0.00)	
Weighted average number of common shares	16,059,000	16,025,133	

The accompanying notes are an integral part of these financial statements

SUSTUT EXPLORATION, INC.
(an exploration stage company)
STATEMENT OF STOCKHOLDERS' EQUITY
As of March 31, 2008

	COMMON STOCK	PAR VALUE	ADDITIONAL PAID IN CAPITAL	ACCUM. DEFICIT	TOTAL EQUITY
Common stock issued for compensation April 11, 2006 at $0.001 per share	10,000,000	$ 10,000	$ -	$ -	$ 10,000
Common stock issued for cash April 16, 2006 at $0.01 per share on private placement	6,000,000	6,000	54,000	-	60,000
Net income (loss)				(87,607)	(87,607)
Balance, December 31, 2006	16,000,000	$ 16,000	$ 54,000	$ (87,607)	$ (17,607)
Common stock issued for cash February 21, 2007 at $0.30 per share on private placement	59,000	59	17,641		17,700
Cancellation of common stock issued for cash March 21, 2007 at $.30 per share	(1,000)	(1)	(299)		(300)
Common Stock issued for cash July 4, 2007 at $0.30 per share on private placement	1,000	1	299		300
Net income (loss)				(15,186)	(15,186)
Balance, December 31, 2007	16,059,000	$ 16,059	$ 71,641	$ (102,793)	$ (15,093)
Net income (loss)				(753)	(753)
Balance, March 31, 2008	16,059,000	$ 16,059	$ 71,641	$ (103,546)	$ (15,846)

The accompanying notes are an integral part of these financial statements

SUSTUT EXPLORATION, INC.
(an exploration stage company)
STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2008 and 2007, and
From inception (April 11, 2006) through March 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	03/31/08	03/31/07	FROM INCEPTION
Net income (loss)	$ (753)	$ (535)	$ (103,546)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Stock issued in the form of compensation	-	-	10,000
Increase (Decrease) in Accrued Expenses	-	500	5,250
ncrease (Decrease) in claims payable	-	-	20,000
Total adjustments to net income	-	500	35,250
Net cash provided by (used in) operating activities	(753)	(35)	(68,296)
CASH FLOWS FROM INVESTING ACTIVITIES			
None	-	-	-
Net cash flows provided by (used in) investing activities	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from stock issuance	-	17,400	77,700
Net cash provided by (used in) financing activities	-	17,400	77,700
CASH RECONCILIATION			
Net increase (decrease) in cash	(753)	17,365	9,404
Cash - beginning balance	10,157	4,893	-
CASH BALANCE END OF PERIOD	$ 9,404	$ 22,258	$ 9,404

The accompanying notes are an integral part of these financial statements

SUSTUT EXPLORATION, INC.
(an exploration stage company)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - OPERATIONS AND BASIS OF PRESENTATION

Sustut Exploration, Inc. (the Company), an exploration stage company, was incorporated on April 11, 2006 in the State of Delaware. The Company is an exploration stage mineral company. On May 5, 2006 the Company became actively engaged in acquiring mineral properties and raising capital. The Company did not have any significant exploration operations or activities from inception; accordingly, the Company is deemed to be in the development stage.

The Company's fiscal year end is December 31.

On May 5, 2006, the Company acquired one mineral claim located near Smithers, British Columbia, Canada. The property consists of one mineral claim and is contiguous hard rock mineral.

The Company's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of the mineral properties and other assets and the satisfaction of liabilities in the normal course of business. The Company has incurred losses from inception to March 31, 2008. The Company has not realized economic production from its mineral properties as of March 31, 2008. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management continues to actively seek additional sources of capital to fund current and future operations. There is no assurance that the Company will be successful in continuing to raise additional capital, establishing probable or proven reserves, or determining if the mineral properties can be mined economically. These financial statements do not include any adjustments that might result from the outcome of these uncertainties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue and Cost Recognition

The Company uses the accrual basis of accounting for financial statement reporting. Revenues and expenses are recognized in accordance with Generally Accepted Accounting Principles for the industry. Certain period expenses are recorded when obligations are incurred.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the report amount of assets and liabilities, and disclosure of contingent liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those results.

Accounts Receivable, deposits, Accounts Payable and accrued Expenses

Accounts receivable have historically been immaterial and therefore no allowance for doubtful accounts has been established. Normal operating refundable Company deposits are listed as Other Assets. Accounts payable and accrued expenses consist of trade payables created from the normal course of business.

SUSTUT EXPLORATION, INC.
(an exploration stage company)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

Non-mining Property and Equipment

Property and equipment purchased by the Company are recorded at cost. Depreciation is computed by the straight-line method based upon the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred as are any items purchased which are below the Company’s capitalization threshold of $1,000.

For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from accounts, and any related gain or loss is reflected in income for the period.

Income Taxes

The Company accounts for income taxes using the liability method which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company’s management determines if a valuation allowance is necessary to reduce any tax benefits when the available benefits are more likely than not to expire before they can be used.

Stock Based Compensation

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123(R), "Accounting for Stock-Based Compensation," (SFAS 123(R)). SFAS 123(R) requires that companies recognize compensation expense for grants of stock, stock options, and other equity instruments based on fair value. The Company has adopted SFAS 123(R) in accounting for stock-based compensation.

Cash and Cash Equivalents, and Credit Risk

For purposes of reporting cash flows, the Company considers all cash accounts with maturities of 90 days or less and which are not subject to withdrawel restrictions or penalties, as cash and cash equivalents in the accompanying balance sheet.

The portion of deposits in a financial institution that insures its deposits with the FDIC up to $100,000 per depositor in excess of such insured amounts are not subject to insurance and represent a credit risk to the Company.

Foreign Currency Translation and Transactions

The Company’s functional currency is the US dollar. No material translations or transactions have occurred. Upon the occurrence of such material transactions or the need for translation adjustments, the Company will adopt Financial Accounting Standard No. 52 and other methods in conformity with Generally Accepted Accounting Principles.

Earnings Per Share

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 128 (SFAS 128), "Earnings Per Share". SFAS 128 replaces the presentation of primary earnings per share with a presentation of basic earnings per share based upon the weighted average number of common shares for the period.

SUSTUT EXPLORATION, INC.
(an exploration stage company)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 3 - AFFILIATES AND RELATED PARTIES

Significant relationships with (1) companies affiliated through common ownership and/or management, and (2) other related parties are as follows:

The Company has ownership of the Don 1-2 claims which were placed in trust with the Company's President.

The Company has stock-based compensation with directors of the Company as disclosed in Footnote No. 7.

NOTE 4 - MINERAL PROPERTIES

The Company's net investment in mineral properties include one claim as described in footnote number 1 have all costs related to the claim have be expended in accordance with Generally Accepted Accounting Principles for the industry. Currently the Company does not have proven reserves by a geological study and will begin to capitalize amortizable property once reserves have been proven.

NOTE 5 - INCOME TAXES

The income tax payable that was accrued from inception through March 31, 2008 was offset by the Company's net operating loss carry-forward therefore the provisions for income tax in the income statement is $0. For the three months ended March 31, 2008, the Company had an operating loss of $753, which is a loss that can be carried forward to offset future income for a period of 20 years. The Company has net operating loss carry-forwards that were derived solely from operating losses. These amounts can be carried forward to be used to offset future income for tax purposes for a period of 20 years for each year's loss. The accounting for these losses derives a deferred tax asset for the period from inception to March 31, 2008 of 20,709.

No provision was made for federal income tax since the Company has significant net operating losses. From inception through March 31, 2008, the Company incurred net operating losses for tax purposes of approximately $103,546. The net operating loss carry forwards may be used to reduce taxable income through the years 2026 to 2028. The availability of the Company's net operating loss carry-forwards are subject to limitation if there is a 50% or more positive change in the ownership of the Company's stock. The provision for income taxes consists of the federal and state minimum tax imposed on corporations.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of March 31, 2008 are as follows:

Deferred tax assets:	
Federal net operating loss	$ 15,532
State net operating loss	5,177
Total deferred tax assets	20,709

Less valuation allowance	(20,709)
	$ --

SUSTUT EXPLORATION, INC.
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NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

The Company has provided a 100% valuation allowance on the deferred tax assets at March 31, 2008 to reduce such asset to zero, since there is no assurance that the Company will generate future taxable income to utilize such asset. Management will review this valuation allowance requirement periodically and make adjustments as warranted.

The reconciliation of the effective income tax rate to the federal statutory rate for the periods ended December 31, 2007 and December 31, 2006 is as follows:

	2007	2006
Federal income tax rate	(15.0%)	(15.0 %)
State tax, net of federal benefit	(5.0%)	(5.0 %)
Increase in valuation allowance	20.0 %	20.0 %
Effective income tax rate	0.0 %	0.0 %

NOTE 6 – CLAIM AGREEMENT

On May 5, 2006, the Company entered into an agreement with Richard Simpson of Vancouver, BC to acquire one rock mineral claim covering 445.70 hectares. The agreement called for a 100% interest in the claims subject to a 2.5% Net Smelter Royalty (NSR) for a total of $25,000. 1.5% of the NSR can be acquired for $1.0 million within 12 months from commencement of commercial production. Advance royalties of $20,000 shall be paid annually commencing January 17, 2010. The purchase of the claim required payment of $55,000 on May 15, 2006 and a further $20,000 on or before May 15, 2008

NOTE 7 - SHAREHOLDERS' EQUITY

Common Stock

The Company has authorized two hundred million (200,000,000) shares of common stock with a par value of $.001.

Upon incorporation the Company issued 10,000,000 common shares to directors of the Company as compensation in the amount of $10,000, or $0.001 per share.

During April 2006 the Company undertook a Section 4(2) registration under the Securities Act of 1933 to raise $60,000 in the issuance of 6,000,000 shares of common stock for the purpose of acquisition and exploration of mining properties. The Company's management considers this offering to be exempt under the Securities Act of 1933.

During February 2007, the Company undertook a Section 4(2) registration under the Securities Act of 1933 to raise $17,700 in the issuance of 59,000 shares of common stock at $.30 per share. The Company's management considers this offering to be exempt under the Securities Act of 1933.

During March 2007, the Company cancelled the issuance of 1,000 shares of common stock at $.30 per share.

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SUSTUT EXPLORATION, INC.
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NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

During July 2007, the Company reissued 1,000 shares of common stock at $0.30 per share that were cancelled during March 2007.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Company's claim will revert back to the seller within no less than a 10 day period if the Company fails to make the advance royalty payments per the sales contract commencing 5 years from the date of the agreement.

Management is not aware of any contingent matters that could have a material adverse effect on the Company's financial condition, results of operations, or liquidity.

NOTE 9 - LITIGATION, CLAIMS AND ASSESSMENTS

From time to time in the normal course of business the Company will be involved in litigation. The Company's management has determined any asserted or unasserted claims to be immaterial to the financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Plan of Operation

Our plan of operations over the next twelve months is to raise additional capital to complete the planned exploration program. The following is an exploration budget that is outlined in the summary geology report that was prepared for the company by George Nicholson, P.Geo.

Item Description	Cost Estimate
Helicopter support (6 hrs x $1,000/hr)	$ 6,000
Labor (2 tech. x 7 days @ $350/day)	$ 4,900
Sample Analyses (100 soil + 50 rock @ $30/sample)	$ 4,500
Room and board	$ 2,000
Mob./Demob. + truck + fuel	$ 3,000
Report and drafting	$ 5,000
10% contingency	$ 2,500
Total	$ 27,900
	ROUNDED = $30,000

At present, we do not have sufficient cash on hand to complete the filing of this prospectus and meeting our exploration, general and administration expenses and we must raise more capital by May 15, 2008 to carry out further exploration programs to maintain our interest in the WILLOW claim. If we are unable to raise sufficient capital to meet our obligations we could lose our interest in the properties or a portion thereof.

We plan to raise a minimum of $30,000 to continue minimum exploration of our properties during the next 12 months through a private placement of debt, convertible securities, or common equity. If we are successful in raising the necessary capital, we may have to significantly dilute the current shareholders. We plan to initially offer the debt or equity to our current shareholders and management. If we are not successful in raising the required capital, we will offer our debt or equity to new investors. At present, we have no specific plans regarding a debt or equity offering, but intend to actively commence raising the required capital during the spring of 2008. As an alternative to raising capital through the selling of debt or equity, we will attempt to negotiate a joint venture with an industry partner. If the company is required to enter into a joint venture, we could end up with a minority interest in our properties. We have not contacted another party in the industry regarding a joint venture. There is no assurance we will raise the necessary capital, therefore there is a significant risk that the company may have to abandon or reduce the size of our property.

We are still pursuing this plan but to date we have not been able to raise additional funds through either debt or equity offerings. Without this additional cash we have been unable to pursue our plan of operations and commence generating revenue. We believe that we may not be able to raise the necessary funds to continue to pursue our business operations. As a result of the foregoing, we have recently begun to explore our options regarding the development of a new business plan and direction. We are currently engaged in discussions with a company regarding the possibility of a reverse triangular merger (the “Merger”) involving our company. At this stage, no definitive terms have been agreed to, and neither party is currently bound to proceed with the Merger.

Recent Accounting Pronouncements

In March 2008, the FASB issued SFAS No. 157, “Fair Value Measurements”. The objective of SFAS 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115”. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 apply only to entities that elect the fair value option. However, the amendment to SFAS No. 115 “Accounting for Certain Investments in Debt and Equity Securities” applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provision of SFAS No. 157, “Fair Value Measurements”. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

Critical Accounting Policies

Our financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States (“GAAP”). GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenues and expense amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

Our significant accounting policies are summarized in Note 1 of our financial statements. While all these significant accounting policies impact our financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates. Our management believes that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause effect on our consolidated results of operations, financial position or liquidity for the periods presented in this report.

Off Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Quantitative and Qualitative Disclosures About Market Risk

The Company is subject to certain market risks, including changes in interest rates and currency exchange rates. The Company does not undertake any specific actions to limit those exposures.

Foreign Currency Exchange Rate Risk

The Company procures products from domestic sources with operations located overseas. As such, its financial results could be indirectly affected by the weakening of the dollar. If that were to occur, and if it were material enough in movement, the financial results of the Company could be affected, but not immediately because the Company has entered into contracts with these vendors which establish product pricing levels for up to one year. Management believes these contracts provide a sufficient amount of time to mitigate the risk of changes in exchange rates.

Item 3. Controls and Procedures

Within the 90 days prior to the date of this report, the Company's management, including the Chief Executive Officer and the Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rules 13a-14(c) and 15d-14(c). Based upon the evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective, in all material respects, to ensure that the information required to be disclosed in the Company's periodic SEC filings is recorded, processed, summarized and reported as and when required.

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date the Chief Executive Officer and the Chief Financial Officer carried out this evaluation.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Currently we are not aware of any litigation pending or threatened by or against the Company.

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

None.

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 and Reports of Form 8-K.

(a) Exhibits

31.1 Certifications pursuant to Section 302 of Sarbanes Oxley Act of 2002

32.1 Certifications pursuant to Section 906 of Sarbanes Oxley Act of 2002

(b) Reports of Form 8-K

None.

SIGNATURES

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

	SUSTUT EXPLORATION, INC.	
Date: April 7, 2008	By:	/s/ Terry Hughes Terry Hughes President, Chief Executive Officer and Chief Financial Officer