

Creative Waste Solutions, Inc.
Form 10-Q
February 21, 2017

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, 2016**

or

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

For the transition period from _____ to _____

Commission File Number **333-140299**

**CREATIVE WASTE
SOLUTIONS, INC.**

(Exact name of registrant as
specified in its charter)

Nevada

98-0425627

Edgar Filing: Creative Waste Solutions, Inc. - Form 10-Q

(State or other jurisdiction of incorporation
or organization)

(IRS Employer Identification No.)

1440 NW 1st Court, Boca Raton, Florida
(Address of principal executive offices)

33432
(Zip Code)

(561) 757-3585

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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. x Yes " No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). " Yes " No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small 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	"	Smaller reporting company	x
(Do not check if a smaller reporting company)			

Indicate by check mark whether the Company is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes " No x

As of February 17, 2017 there were 5,769,722 shares of Common Stock of the issuer outstanding.

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

<u>Item 1.</u>	<u>Financial Statements</u>	5
<u>Item 2.</u>	<u>Management’s Discussion and Analysis or Plan of Operation.</u>	18
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosure about Market Risk.</u>	23
<u>Item 4.</u>	<u>Controls and Procedures.</u>	23

PART II — OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings.</u>	24
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	24
<u>Item 3.</u>	<u>Defaults Upon Senior Securities.</u>	24
<u>Item 4.</u>	<u>Mine Safety Disclosures.</u>	24
<u>Item 5.</u>	<u>Other Information.</u>	24
<u>Item 6.</u>	<u>Exhibits.</u>	25
<u>Signatures</u>		26

FORWARD LOOKING STATEMENTS

Statements made in this Form 10-Q that are not historical or current facts are forward-looking statements. These statements often can be identified by the use of terms such as “may,” “will,” “expect,” “believe,” “anticipate,” “estimate,” “approximate” or “continue,” or the negative thereof. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management’s best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected. Among the factors that could cause actual results to differ materially from the forward-looking statements are the following: the Company’s ability to obtain necessary capital, the Company’s ability to meet anticipated development timelines, the Company’s ability to protect its proprietary technology and knowhow; the Company’s ability to identify and develop a network of physicians, the Company’s ability to establish a global market, clinical trial results, the Company’s ability to successfully consummate future acquisitions and such other risk factors identified from time to time in the Company’s reports filed with the Securities and Exchange Commission, including those filed with this Form 10-Q quarterly report. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

Table of Contents

CREATIVE WASTE SOLUTIONS, INC. & SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2016 AND 2015

Contents

	Page
Financial Statements:	
<u>Consolidated Balance Sheets as of December 31, 2016 and 2015</u>	5
<u>Consolidated Statements of Operations for the three months ended December 31, 2016 and 2015</u>	6
<u>Consolidated Statements of Cash Flows for the three months ended December 31, 2016 and 2015</u>	7
<u>Notes to Consolidated Financial Statements</u>	8

PART I — FINANCIAL INFORMATION**ITEM 1 — FINANCIAL STATEMENTS****CREATIVE WASTE SOLUTIONS, INC. & SUBSIDIARIES**

(FORMERLY SILVERSTAR RESOURCES, INC.)

**CONSOLIDATED BALANCE SHEETS
UNAUDITED**

	December 31, 2016	September 30, 2016
ASSETS		
Current assets -		
Cash	\$ 5,094	\$ 5,124
Accounts receivable, net	17,634	30,891
Total current assets	22,728	36,015
Deposit	7,000	7,000
Equipment, net	84,000	88,500
Intangible assets, net	413,542	460,417
Goodwill	149,500	149,500
Total assets	\$ 676,770	\$ 741,432

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities -		
Accounts payable and accrued expenses	\$ 192,039	\$ 163,645
Convertible debentures and notes payable, related parties	241,896	241,896
Note payable	488,489	488,489
Advances-related parties	76,546	76,546
Derivative liability	1,635,353	1,507,277
Total current liabilities	2,634,323	2,477,853
Total liabilities	2,634,323	2,477,853
Stockholders' deficit:		
Preferred Stock; \$.001 value 5,000,000 shares authorized, none issued and outstanding	-	-
Common Stock; \$.001 par value, 225,000,000 authorized 5,759,722 and 5,759,722 shares issued and outstanding	5,760	5,760

Edgar Filing: Creative Waste Solutions, Inc. - Form 10-Q

Additional-paid in capital	2,838,526	2,838,526
Accumulated deficit	(4,801,839)	(4,580,707)
Total stockholders' deficit	(1,957,553)	(1,736,421)
Total liabilities and stockholders' deficit	\$ 676,770	\$ 741,432

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

Table of Contents**CREATIVE WASTE SOLUTIONS, INC. & SUBSIDIARIES****(FORMERLY SILVERSTAR RESOURCES, INC.)****CONSOLIDATED STATEMENTS OF OPERATIONS****UNAUDITED**

	Three Months Ended December 31,	
	2016	2015
Sales	\$ 229,539	\$ -
Cost of goods sold	208,182	-
Gross profit	21,357	-
Operating expenses:		
General and administrative	98,543	-
Loss from operations	(77,186)	-
Other income (expenses):		
Loss on derivative liability	(128,076)	(114,930)
Interest expense	(15,870)	(6,965)
Total other income (expenses)	(143,946)	(121,895)
Net income (loss) from continuing operations	(221,132)	(121,895)
Net loss from discontinued operations	-	(10,670)
Net income (loss)	\$ (221,132)	\$ (132,565)
Basic earnings (loss) per common share		
Continuing operations	\$ (0.04)	\$ (0.04)
Discontinued operations	-	(0.00)
	\$ (0.04)	\$ (0.04)
Diluted loss per common share		
Continuing operations	\$ (0.04)	\$ (0.04)
Discontinued operations	-	(0.00)
	\$ (0.04)	\$ (0.04)
Basic weighted average shares outstanding	5,759,722	3,436,840
Diluted weighted average shares outstanding	5,759,722	3,436,840

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

Table of Contents

CREATIVE WASTE SOLUTIONS, INC. & SUBSIDIARIES

(FORMERLY SILVERSTAR RESOURCES, INC.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

UNAUDITED

	Three Months Ended	
	December 31,	
	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss from continuing operations	\$ (221,132)	\$ (121,895)
Net loss from discontinued operations	-	(10,670)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss in fair value of derivative liability	128,076	114,930
Depreciation and amortization	51,375	-
Changes in operating assets and liabilities		
Accounts receivable	13,257	-
Accounts payable and accrued expense	28,394	6,965
NET CASH USED IN OPERATING ACTIVITIES	(30)	(10,670)
CASH FLOW FROM INVESTING ACTIVITIES		
NET CASH USED IN INVESTING ACTIVITIES	-	-
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from note payable	-	17,500
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	17,500
Net (decrease) increase in cash	(30)	6,830
Cash, beginning of period	5,124	209
Cash, end of period	\$ 5,094	\$ 7,039
SUPPLEMENTAL CASH FLOWS INFORMATION		
Interest paid	\$ 250	\$ -
Income taxes paid	\$ -	\$ -

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

Table of Contents

CREATIVE WASTE SOLUTIONS, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Creative Waste Solutions, Inc. (formally Silverstar Resources, Inc.) (the "Company") was incorporated under the laws of the State of Nevada on December 5, 2003. On June 23, 2016, the Company's Board of Directors approved of a change of name from Silverstar Resources, Inc. to Creative Waste Solutions Inc. The Company operates in the waste management industry.

On March 10, 2015, the Company formed 1030029 Ltd, an Alberta numbered company as a wholly owned subsidiary to meet the requirements of holding working interest of Alberta producing oil and gas properties.

On April 7, 2016, the Company entered into a membership purchase agreement with Creative Waste Solutions, LLC, a Florida limited liability corporation ("Creative") whereby the Company purchased 100% of the membership interest for \$25,000 (see Note 12).

On May 22, 2016, the Company entered into a stock purchase agreement with Florida based, Integrated Waste Transportation Services, Inc. ("Integrated"). Pursuant to the agreement, the Company acquired 100% of the outstanding equity of Integrated in exchange for \$300,000 and 50,000 Shares of common stock of the Company (see Note 12).

On August 26, 2016, the Company purchased certain assets of Easy Disposal, Inc. ("Easy"), for an aggregate amount of \$396,500 which includes 50,000 shares of common stock of the Company, valued at \$2.19 per share and the remainder in cash (see Note 12).

On December 20, 2016 the Company entered into a Letter of Intent to acquire certain assets of Thoroughbred Waste Services LLC (see Note 17).

On December 27, 2016, the Company entered into a letter of intent to acquire certain assets of Creative Land Management (see Note 17).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

Presentation

The accompanying unaudited interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (SEC), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company's September 30, 2016 Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year ended September 30, 2016 as reported on Form 10-K, have been omitted.

Table of Contents

Principles of Consolidation

The consolidated financial statements of the Company include the Company and its wholly-owned subsidiaries, 1030029 Ltd., Creative and Integrated. The operations of Creative and Integrated have only been consolidated since their respective dates of acquisition of April 7, 2016 and May 22, 2016. All material intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

The Company grants credit to customers under credit terms that it believes are customary in the industry and does not require collateral to support customer receivables. The Company evaluates its provision for an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. At December 31, 2016 and September 30, 2016, the Company's allowance for doubtful accounts was \$0.

Revenue Recognition

The Company recognizes revenue from waste removal services it provides to its customers. The Company's revenue recognition policies comply with FASB ASC Topic 605. Revenue is recognized at the time the waste removal services is completed, when a formal arrangement exists, the price is fixed or determinable, the service is completed, no other significant obligations of the Company exist and collectability is reasonably assured.

Equipment

Equipment are carried at the cost of acquisition and depreciated over the estimated useful lives of the assets. Costs associated with repair and maintenance is expensed as incurred. Costs associated with improvements which extend the life, increase the capacity or improve the efficiency of our property and equipment are capitalized and depreciated over the remaining life of the related asset. Gains and losses on dispositions of equipment are reflected in operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Stock-Based Compensation

The Company records stock-based compensation in accordance with FASB ASC Topic 718, “*Compensation – Stock Compensation*.” FASB ASC Topic 718 requires companies to measure compensation cost for stock-based employee compensation at fair value at the grant date and recognize the expense over the employee’s requisite service period. The Company recognizes in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees and non-employees. There were no options outstanding during the periods presented.

Related Parties

The Company follows ASC 850, *Related Party Disclosures*, for the identification of related parties and disclosure of related party transactions.

Long-lived Assets

The Company assesses long-lived assets, including intangible assets, for impairment in accordance with the provisions of FASB ASC 360 Property, *Plant and Equipment*. A long-lived asset (or group of assets) shall be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The carrying amount of a long lived asset is not recoverable if it exceeds the sum of the undiscounted net cash flows expected to result from the use and eventual disposition of the asset. The amount of impairment loss, if any, is measured as the difference between the net book value of the asset and its estimated fair value. For purposes of these tests, long-lived assets must be grouped with other assets and liabilities for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The Company follows ASC Topic 350 in accounting for intangible assets, which requires impairment losses to be recorded when indicators of impairment are present and the undiscounted cash flows estimated to be generated by the assets are less than the assets' carrying amounts. During the quarters ended December 31, 2016 and 2015, the Company did not sustain any impairment loss.

Goodwill

Goodwill represents the excess of purchase price over the underlying net assets of businesses acquired. Under accounting requirements, goodwill is not amortized but is subject to annual impairment tests. The Company recorded goodwill of \$149,500 related to its August 2016 acquisition of Easy. As of December 31, 2016 and September 30, 2016, the Company performed the required impairment review and concluded that the goodwill was not impaired.

Basic and Diluted Earnings Per Share

Earnings per share is calculated in accordance with ASC Topic 260, *Earnings Per Share*. Basic earnings per share ("EPS") is based on the weighted average number of common shares outstanding. Diluted EPS is based on the assumption that all dilutive convertible instruments were converted. The Company had outstanding convertible notes during the three months ended December 31, 2016 and 2015, however, the Company had operating losses during those period and, accordingly, the potential convertible shares were not considered in the EPS calculation due to their anti-dilutive effect.

Income Taxes

Income taxes are provided in accordance with ASC Topic 740 *Accounting for Income Taxes*. A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and net operating loss carry forwards. Deferred tax expense (benefit) results from the net change during the year of deferred tax assets and

liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of all of the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Under ASC 740, a tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The adoption had no effect on the Company’s consolidated financial statements.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the previously reported net loss or stockholders’ deficit.

Recently Issued Accounting Pronouncements

No new accounting pronouncements were issued during the three months ended December 31, 2016 that would have a material effect on the Company’s consolidated financial statements.

Table of Contents**NOTE 3 - GOING CONCERN**

As shown in the accompanying financial statements, the Company has an accumulated deficit of \$4,801,839 as of December 31, 2016 and incurred a loss from operations of \$77,186 for the three months then ended. Unless the Company is able to attain profitability and increases in stockholders' equity, these conditions raise substantial doubt as to the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The Company continues to review its expense structure in an attempt to reduce operating costs. The Company's expenses are planned to decrease, which would result in an improvement to its results of operations.

NOTE 4 - EQUIPMENT

Equipment at December 31, 2016 consisted of the following:

Equipment	\$ 90,000
	90,000
Less accumulated depreciation	(6,000)
Equipment, net	\$ 84,000

Depreciation expense for the three months ended December 31, 2016 and 2015 was \$4,500 and \$0, respectively.

NOTE 5 - INTANGIBLE ASSETS

Intangible assets at December 31, 2016 consisted of the following:

Customer lists	\$ 375,000
Licenses	150,000
	525,000
Less accumulated amortization	(111,458)
Intangible assets, net	\$ 413,542

The customer lists are being amortized over 24 months and the licenses are not being amortized.

Amortization expense for the three months ended December 31, 2016 and 2015 was \$46,875 and \$0, respectively.

Table of Contents

Future amortization of intangible assets is as follows:

Years ending September 30,	
2017	\$ 140,625
2018	122,917
	\$ 263,542

NOTE 6 - ASSET HELD FOR SALE

On April 14, 2015, the Company acquired the working interest of two producing oil and gas properties in Alberta Canada for US \$80,000. The Company has determined that the asset does not fit the future plans of the Company. Under the guidelines of ASC 360 *Newly Acquired Asset Classified as Held for Sale*, the Company is actively seeking to dispose of the asset through a sale. During the year ended September 30, 2015, the Company determined that this asset had become impaired and took a charge to earnings of \$80,000 (see Note 15).

NOTE 7 - CONVERTIBLE DEBENTURES - RELATED PARTY

On January 15, 2015, the Company amended the convertible debenture with the principal of \$75,754 of a related party so that the debenture became anti-dilutive with a conversion price set at \$0.35 regardless of any forward or reverse splits in the Company's common stock.

On February 23, 2015, a shareholder holding a debenture with a principal balance of \$75,754 and other advances to the Company of \$149,142 of which \$24,328 was borrowed during September 30, 2015 and \$124,814 was the outstanding balance at September 30, 2014 made demand for payment of the total amounts owed including interest. The Company was not able to pay the outstanding balances. The Company and shareholder came to an agreement that the shareholder could convert his \$75,754 convertible note payable and interest at \$0.15 and the advances of \$149,142 plus further advances up to \$150,000 at a 15% discount to the closing price as of date of the agreement or \$0.15 per share. The shareholder agreed to advance an additional \$50,000 to the Company to acquire assets for the Company. The \$50,000 is not convertible and is accounted for as advances due to related party see Note 10.

The change in terms of the \$75,754 convertible note created derivative liability and required the Company to record fair value at the inception of the derivative and for each subsequent reporting period. The fair value of the embedded derivatives at December 31, 2016 was determined using the Black Scholes based on the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 97%, (3) weighted average risk-free interest rate of 0.26%, (4) expected life of 0.56 years, and (5) estimated fair value of the Company's common stock is \$2.19. The fair value

calculated as of December 31, 2016 was \$1,635,353. During the three months ended December 31, 2016 and 2015 the increase in fair value of \$128,076 and \$114,930, respectively, resulted in a loss reflected in the statement of operations.

The addition of a conversion feature for the advances of \$149,142 created a beneficial conversion feature as of September 30, 2015 of \$149,142. Due to the advances having no terms and being due on demand, this amount was expensed as interest expense for the year ended September 30, 2015.

As of December 31, 2016 and 2015, the amount due under the convertible debentures to related party was \$224,896 and \$224,896 respectively.

Table of Contents

NOTE 8 - NOTES PAYABLE

On June 2, 2014, the Company issued a long term note payable for \$81,989 to an entity for advances on work completed on the Company's Ahbau Lake mining property in British Columbia, Canada. The note is unsecured, and bears interest at 10% per year and matures in one year at which time all principal and interest is due and payable. As of December 31, 2016 and 2015 the outstanding balance of was \$81,989 and \$81,989, respectively.

On April 2, 2015, the Company issued a \$60,000 one year note bearing interest of 9% as part of the acquisition of the working interest in the Alberta oil and gas property. As of December 31, 2016 and 2015 the outstanding balance of was \$60,000 and \$60,000, respectively.

On December 29, 2015, the Company issued a \$17,500 note payable bearing interest of 6% to an unrelated party. The proceeds of the note were used for working capital.

On April 4, 2016, the Company issued a \$29,000 note payable bearing interest of 10% to an unrelated party. The proceeds of the note were used for working capital.

On August 16, 2016, the Company issued a \$17,000, 10% annual interest, demand note payable to a related party.

On August 26, 2016, the Company issued two notes payable to unrelated parties for \$300,000 that bear interest at 10%. The proceeds of the note were used to purchase Easy.

NOTE 9 - ADVANCES - RELATED PARTIES

The Company received advances from two related parties totaling \$76,546 as of December 31, 2016 and September 30, 2016, respectively. The advances are unsecured, do not have a term and carry no interest rate.

NOTE 10 - DERIVATIVE INSTRUMENTS

During the year ended September 30, 2016, the Company changed the conversion features on a convertible instrument that require liability classification under ASC 815. These instruments are measured at fair value at the end of each reporting period. (See Note 7).

As defined in FASB ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilized the market data of similar entities in its industry or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Company classifies fair value balances based on the observability of those inputs. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

Table of Contents

The three levels of the fair value hierarchy are as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities

The following table sets forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value as of December 31, 2016 and 2015:

Recurring Fair Value Measures	Level 1	Level 2	Level 3	Total
Derivative liabilities at December 31, 2016	\$ -	\$ -	\$ 1,635,353	\$ 1,635,353
Derivative liabilities at December 31, 2015	\$ -	\$ -	\$ 4,267,094	\$ 4,267,094

The below table represents the change in the fair value of the derivative liabilities during the three months ended December 31, 2016 and 2015:

Fair value of derivatives, September 30, 2015	\$ 4,152,164
Change in fair value of derivative liability - loss	114,930
Fair value of derivatives, December 31, 2015	4,267,094
Fair value of derivatives, September 30, 2016	1,507,277
Change in fair value of derivative liability - loss	128,076
Fair value of derivatives, December 31, 2016	\$ 1,635,353

Table of Contents

NOTE 11 - EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is calculated using the weighted average number of shares of common stock outstanding during the applicable period. Basic weighted average common shares outstanding is computed using the weighted average shares outstanding during the period. Diluted earnings (loss) per share is computed using the weighted average number of common shares outstanding and if dilutive, potential common shares outstanding during the period. Potential common shares consist of the additional common shares issuable upon the conversion of convertible debentures. The effect on the number of common shares outstanding assuming conversion of the convertible debentures as of December 31, 2016 would result in an increase of approximately 1,795,920 shares. The Company incurred an operating loss of 77,186 and -0- for the three months ended December 31, 2016 and 2015, respectively, accordingly, the convertible shares were not used to calculate EPS due to their anti-dilutive effect.

NOTE 12 - ACQUISITIONS

On April 7, 2016, the Company entered into a membership purchase agreement with Creative whereby the Company purchased 100% of the membership interest for \$25,000.

On May 22, 2016, the "Company entered into a stock purchase agreement with Integrated. Pursuant to the agreement, the Company acquired 100% of the outstanding equity of Integrated in exchange for \$300,000 and 50,000 shares of common stock of the Company. The common stock was valued at \$1.00 per shares which was the closing price of the Company's common stock on May 22, 2016.

On August 26, 2016, the Company purchased certain assets of Easy for an aggregate amount of \$396,500 which includes 50,000 shares of common stock of the Company and \$287,000 in cash. The common stock was valued at \$2.19 per shares, which was the closing price of the Company's common stock on August 26, 2016.

The Company purchased Creative, Integrated and Easy to integrate itself in the waste management business in southeastern region of the United States.

The transactions are accounted for as business combinations in accordance with ASC 805. A summary of the purchase price allocations at fair value is below.

Edgar Filing: Creative Waste Solutions, Inc. - Form 10-Q

	Creative		Integrated		Easy	
Furniture and equipment	\$	-	\$	-	\$	90,000
Deposit		-		-		7,000
Customer list		25,000		350,000		-
License		-		-		150,000
Goodwill		-		-		149,500
Purchase price	\$	25,000	\$	350,000	\$	396,500

The customer lists are being amortized over 24 months and licenses are not being amortized.

The unaudited pro forma information showing the operating results as if all the acquisitions took place on October 1, 2014 is not currently available.

Table of Contents**NOTE 13 - EQUITY**

During the three months ended December 31, 2016 and 2015, the Company did not issue any shares of common stock.

NOTE 14 - INCOME TAXES

The Company has losses carried forward for income tax purposes through December 31, 2016. There are no current or deferred tax expenses for the three months ended December 31, 2016 and 2015 due to the Company's loss position. The Company has fully reserved for any benefits of these losses utilizing a statutory federal income tax rate of 34%. The deferred tax consequences of temporary differences in reporting items for financial statement and income tax purposes are recognized, as appropriate. Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the net operating loss carry-forward period. Management has considered these factors in reaching its conclusion as to the valuation allowance for financial reporting purposes.

The deferred income tax asset for the three months ended December 31, 2016 consists of the following:

	2016	2015
Deferred income tax asset attributed to:		
Current operations	\$ 31,639	\$ 5,996
Less: Change in valuation allowance	(31,639)	(5,996)
Net refundable amount	\$ -	\$ -

The composition of the Company's deferred tax assets as at December 31, 2016 and September 30, 2016 are as follows:

	Dec. 31, 2016	Sept. 30, 2016
Income tax operating loss carryforward	\$ 2,642,675	\$ 2,596,494
Statutory federal income tax rate	34%	34%
Effective income rate	0%	0%

Edgar Filing: Creative Waste Solutions, Inc. - Form 10-Q

Deferred tax assets:

Net operating loss carryforward	\$	898,510	\$	882,808
Amortization of intangible assets		34,685		18,747
Total deferred tax assets		933,195		901,555
Less: valuation allowance		(933,195)		(901,555)
Net deferred tax asset		-		-

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

Table of Contents

As of December 31, 2016, the Company has an unused net operating loss carry-forward balance of approximately \$2,640,000 that is available to offset future taxable income. This unused net operating loss carry-forward balance expires between 2025 and 2036.

The issuance of 2,532,054 shares of common stock during the year ended September 30, 2014 affected a change in control of the Company. Due to the change in control, the tax loss carryforward may only be used on a formula basis under IRS section 382 which will affect the benefit the Company can gain from the tax loss.

NOTE 15 - DISCONTINUED OPERATIONS

Prior to the business acquisitions referred to in Note 12, the Company operated in the oil and gas industry. The Company discontinued operating in the oil and gas industry and operates in the waste management industry. Accordingly, the financial statements for the three months ended December 31, 2015 reflect as loss from discontinued operations the losses incurred from the oil and gas operations. The Company wrote-off an asset consisting of two oil and gas properties located in Alberta Canada in the September 30, 2015 fiscal year as disclosed in Note 6. The Company is actively seeking to dispose of the asset through a sale and will account for the disposition of this property as a discontinued operation.

NOTE 16 -COMMITMENTSAND CONTINGENCIES

Lease

The Company leases operations facility located in Hollywood, FL under a long-term operating lease expiring in January 2018, with the option to renew for an additional five years. For the twelve months ended January 31, 2017 the base monthly rent was \$4,650 plus sales tax. For the twelve months ended January 31, 2018 the base monthly rent is \$4,850 plus sales tax. The lease was acquired with the acquisition of Easy. Rent expense was \$14,787 and \$0 for the three months ended December 31, 2016 and 2015, respectively.

As of December 31, 2016, future minimum annual payments, including sales tax, under operating lease agreements for fiscal years ending September 30 are as follows:

2017	\$ 46,057
------	-----------

2018	20,564
	\$ 66,621

NOTE 17 - LETTERS OF INTENT

On December 20th, 2016 and December 27th 2016, the Company entered into letters of intent to acquire certain assets of Thoroughbred Waste Services, LLC and Creative Land Management LLC, for the purchase price of \$1.2 million and \$2.5 million, respectively to be paid in a combination of stock and cash. These non-binding purchases will be dependent on processes of due diligence.

NOTE 18 - SUBSEQUENT EVENTS

In accordance with SFAS 165 (ASC 855-10) management has performed an evaluation of subsequent events through the date that the financial statements were issued and has determined that there are no material subsequent events to disclose in these financial statements.

Table of Contents

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

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes, and other financial information included in this Form 10-Q.

Our Management's Discussion and Analysis contains not only statements that are historical facts, but also statements that are forward-looking. Forward-looking statements are, by their very nature, uncertain and risky. These risks and uncertainties include international, national, and local general economic and market conditions; our ability to sustain, manage, or forecast growth; our ability to successfully make and integrate acquisitions; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; change in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; the risk of foreign currency exchange rate; and other risks that might be detailed from time to time in our filings with the Securities and Exchange Commission.

Although the forward-looking statements in this Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by them. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this report as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

Overview

The address of our principal executive office is located at 1440 NW 1st Court, Boca Raton, FL 33432. Our telephone number is (561) 757-3585. Our company was incorporated in the State of Nevada on December 5, 2003 under the name Computer Maid, Inc. Our company was inactive until February 2006, when we changed our name to Rose Explorations Inc. and became engaged in the exploration of mining properties.

On March 4, 2008, our company completed a merger with our wholly-owned subsidiary, SilverStar Resources, Inc., which was incorporated solely to effect the name change of our company to SilverStar Resources, Inc.

On March 4, 2008, we affected a 3 for 1 forward stock split of our authorized, issued and outstanding common stock. As a result, our authorized capital increased from 75,000,000 shares of common stock with a par value of \$0.001 to 225,000,000 shares of common stock with a par value of \$0.001.

On April 13, 2011, we incorporated a wholly owned subsidiary, Silverstar Mining (Canada) Inc., under the federal laws of Canada. The subsidiary's main purpose is to hold title to mineral property rights situated in Canada as the laws of that country require that only local entities can hold title to mineral property rights situated within its borders.

Effective September 26, 2011, we affected a reverse split our common stock on a 1,000 for 1 basis. As a result of the foregoing, we reduced the number of authorized shares of our common stock from 225,000,000 to 225,000.

On February 29, 2012, we filed a Certificate of Amendment to our company's Articles of Incorporation with the Nevada Secretary of State increasing the number of authorized shares from 225,000 to 225,000,000 shares of common stock \$0.001 par value.

On July 22, 2013 we entered into settlement agreements with four debt holders of our company pursuant to which we restructured outstanding demand loans payable in the aggregate amount of \$175,028 (inclusive of accrued interest) as convertible debentures.

Table of Contents

On February 15, 2013, we closed a Share Exchange Agreement pursuant to which we intended to acquire a wholly owned subsidiary, Arriba Resources Inc. However, effective November 13, 2013 our Board of Directors approved the cancellation and reversal of the Share Exchange Agreement due to a failure of consideration on the part of the seller. As a result of the cancellation and reversal of the Share Exchange Agreement, 2,139,926 shares of our common stock and warrants to acquire 2,078,477 shares of our common stock which were previously authorized (but not issued from treasury) have been cancelled with immediate effect. Consequently, the change of control announced in our current report on Form 8-K filed on May 21, 2013 has been reversed.

As a result of the cancellation and reversal of the Share Exchange Agreement with Arriba, the consolidated financial statements of our Company for the quarterly periods ended March 31, 2013 (filed with the SEC on August 14, 2013) and June 30, 2013 (filed with the SEC on May 20, 2013) may no longer be relied upon owing to their inclusion of the financial information of Arriba. We informed our independent accountants of the cancellation and reversal of the Share Exchange Agreement and intend to file amendments to our Quarterly Reports on Form 10-Q for the periods ended March 31 and June 30, 2013 to reflect our financial condition without consolidation of the financial information of Arriba. The financial statements contained in this current report accurately reflect the deconsolidation of the financial information of Arriba.

On January 23, 2015 the board of directors with the consent of a majority of its shareholders approved amended articles of incorporation to include a change of name to Silverstar Resources, Inc. and a reverse split of its common stock resulting in shareholders receiving one share for every five shares (5 to 1) they hold as of record of that date. In addition, the amendment set the authorized shares of common stock at 220,000,000 and preferred stock at 5,000,000 shares both at a par value of \$0.001.

On March 10, 2015 the Company formed 1030029 Ltd, an Alberta numbered company as a wholly owned subsidiary to meet the requirements of holding working interest of Alberta producing oil and gas properties

On June 23, 2016, the Company's Board of Directors approved of a change of name from Silverstar Resources, Inc. to Creative Waste Solutions Inc.

Results of Operations

The following summary of our results of operations should be read in conjunction with our condensed consolidated financial statements for the three months ended December 31, 2016, which are included herein.

Sales

Sales for the three months December 31, 2016 were \$229,539 as compared to \$0 for the same period. in 2015. The increase in sales is due to the acquisitions of Creative and Integrated and assets of Easy Disposal.

Cost of Goods Sold

Cost of goods sold for the three months ended December 31, 2016 were \$208,182 as compared to \$0 for the same periods in 2015. The increase in cost of goods sold is due to the increase in sales.

Operating Expenses

Operating expenses for the three months ended December 31, 2016 were \$98,543, as compared to \$10,670 in operating expenses for the three months ended December 31, 2015. This represents an increase of \$87,873 for three months ended December 31, 2015. The increase for the three months is a result of the additional operating costs associated with the acquisitions of Creative, Integrated and Easy, that occurred during the fourth quarter of 2016. The increase for the six months was primarily a result of an overall increase in our business operations and corresponding increases in filing fees, insurance, legal and accounting, and office expense.

Table of Contents

Net Income (Loss)

Our net (loss) for the three months ended December 31, 2016 was \$(221,132) compared to a net loss of \$(132,565) for the three months ended December 31, 2015. The increase in the 2016 net loss compared to 2015 is primarily due to the increase in operating activities pertaining to the acquisitions made during the quarter ended September 30, 2016 and interest expense resulting from additional debt used to finance the acquisitions.

Liquidity and Capital Resources

At December 31, 2016 we had cash of \$5,094 as compared to \$5,124 in cash at September 30, 2016. Our accounts receivable at December 31, 2016 were \$17,634 compared to \$30,891 at September 30, 2016. Our accounts payable and accrued expenses at December 31, 2016 were \$192,039 and \$163,645 as of September 30, 2016. On December 31, 2016 we had convertible debentures of \$241,896 outstanding, due to related parties as compared to \$241,896 for period ended September 30, 2016. We had \$76,546 in advances to related parties at December 31, 2016 as compared to \$ 76,546 for the period ended September 30, 2016. Our Derivative liability were \$1,635,353 for the period ended December 31, 2016 and \$1,507,277 for the period ended September 30, 2016. Our total liabilities were \$2,634,323 on December 31, 2016 as compared to \$2,477,853 on September 30, 2016. We have a working capital deficit of \$4,779,111 as of December 31, 2016 as compared to our working capital deficit of 4,544,692 as of September 30, 2016.

Our auditors have issued a going concern opinion on our financial statements for the year ended September 30, 2016. Unless we secure equity or debt financing, of which there can be no assurance, or identify an acquisition candidate, we will not be able to continue any operations.

Working Capital

Our total current assets as of December 31, 2016 was cash of \$22,728 as compared to total current assets of \$36,015 as of September 30, 2016. The decrease in current assets was due to less accounts receivable due to seasonality.

Our total current liabilities as of December 31, 2016 were \$2,634,323 as compared to total current liabilities of \$2,477,853 as of September 30, 2016. The increase in current liabilities was primarily attributed to a decrease in our derivative liability and an increase in accounts payable and accrued interests.

Cash Flows

Operating Activities

Cash used in operating activities was \$(30) for the three months ended December 31, 2016 compared to \$(10,670) for the three months ended December 31, 2016. The decrease in cash used in operating activities was primarily due to the write down of assets from discontinued operations.

Table of Contents

Investing Activities

Cash used in investing activities was \$0 for the three months ended December 31, 2016 compared to \$0 for the three months ended December 31, 2015.

Financing Activities

Cash provided by financing activities for the three months ended December 31, 2016 was \$0 compared to \$17,500 for the three months ended December 31, 2015. The decrease was due to no outside financing in that period.

Income & Operation Taxes

We are subject to income taxes in the U.S.

We paid no income taxes in USA for the three months ended December 31, 2016 and 2015 due to the net operation loss in the USA.

Cash Requirements

We will require additional funds to fund our budgeted expenses over the next 12 months. These funds may be raised through equity financing, debt financing, or other sources, which may result in further dilution in the equity ownership of our shares. There is still no assurance that we will be able to maintain operations at a level sufficient for investors to obtain returns on their investments in our common stock. Further, we may continue to be unprofitable. We need to raise additional funds in the immediate future in order to proceed with our budgeted expenses.

Specifically, we estimate our operating expenses and working capital requirements for the next 12 months to be as follows:

Professional and Legal Expense of \$25,000

Auditing, Accounting and general administrative of \$125,000

Working Capital requirements of \$25,000

We intend to meet our cash requirements for the next 12 months through a combination of debt financing and equity financing by way of private placements. We currently do not have any arrangements in place to complete any private placement financings and there is no assurance that we will be successful in completing any such financings on terms that will be acceptable to us.

Table of Contents

Going Concern

The financial statements accompanying this report have been prepared on a going concern basis, which implies that our company will continue to realize its assets and discharge its liabilities and commitments in the normal course of business. Our company has not generated revenues since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The continuation of our company as a going concern is dependent upon the continued financial support from our shareholders, the ability of our company to obtain necessary equity financing to achieve our operating objectives, and the attainment of profitable operations. As at December 31, 2016, our company has accumulated losses of \$4,801,839. We do not have sufficient working capital to enable us to carry out our stated plan of operation for the next twelve months.

Due to the uncertainty of our ability to meet our current operating expenses and the capital expenses noted above in their report on the financial statements for the year ended September 30, 2015, De Leon & Company, P.A., our independent auditors included an explanatory paragraph regarding concerns about our ability to continue as a going concern. Our financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

The continuation of our business is dependent upon us raising additional financial support. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

Future Financings

We will require additional financing of \$250,000, excluding funds for acquisitions, in order to enable us to proceed with our plan of operations, including approximately \$200,000 over the next 12 months to pay for our ongoing expenses. These expenses include legal, accounting and audit fees as well as general and administrative expenses. These cash requirements are in excess of our current cash and working capital resources. Accordingly, we will require additional financing in order to continue operations and to repay our liabilities. There is no assurance that any party will advance additional funds to us in order to enable us to sustain our plan of operations or to repay our liabilities.

We anticipate continuing to rely on equity sales of our common stock in order to continue to fund our business operations. Issuances of additional shares will result in dilution to our existing stockholders. There is no assurance that we will achieve any additional sales of our equity securities or arrange for debt or other financing to fund our planned business activities.

We presently do not have any arrangements for additional financing for the expansion of our exploration operations, and no potential lines of credit or sources of financing are currently available for the purpose of proceeding with our plan of operations.

If we are unable to raise the funds that we require to execute our plan of operation, we intend to scale back our operations commensurately with the funds available to us.

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

This report includes the certifications of our Chief Executive Officer and Chief Financial Officer required by Rule 13a-14 under the Securities Exchange Act of 1934 (the "Exchange Act"). See Exhibits 31.1 and 31.2. This Item 4 includes information concerning the controls and control evaluations referred to in those certifications.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) 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 SEC rules and forms and that such information is accumulated and communicated to management, including the Principal Executive Officer and the Principal Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this report, our management, under the supervision and with participation of our Principal Executive Officer and Principal Financial Officer (the "Certifying Officers") conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2016. Based on that evaluation, our management concluded that there is a material weakness in our disclosure controls and procedures over financial reporting. The material weakness results from a lack of written procedures which effectively documents the proper procedures and descriptions of the duties of all persons involved in the disclosure controls of the Company. The Company hopes to implement plans to document the procedures and internal controls of the Company. A material weakness is a deficiency, or a combination of control deficiencies, in disclosure control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. This does not include an evaluation by the Company's registered public accounting firm regarding the Company's internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our most recent quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our management believes that the Unaudited Financial Statements included herein present, in all material respects, the Company's financial condition, results of operations and cash flows for the periods presented.

Table of Contents

PART II - OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS.

None

ITEM 1A: RISK FACTORS.

There have been no material changes to our risk factors as previously disclosed in our most recent 10-K filing for the year ending September 30, 2015.

ITEM 2: SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES.

None

ITEM 4: MINE SAFETY INFORMATION.

Not Applicable

ITEM 5: OTHER INFORMATION.

None

24

Table of Contents

ITEM 6: EXHIBITS

The following exhibits are included as part of this report:

<u>31.1</u>	<u>Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</u>
<u>32.1</u>	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*</u>
101	XBRL Interactive Data Files

* Filed herewith.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CREATIVE WASTE SOLUTIONS, INC.

Date: February 21, 2017

By: */s/ Jared Robinson*

Jared Robinson

Chairman, Chief Executive Officer and Director

(Principal Executive Officer)