

Kabe Exploration Inc.  
Form 10-Q  
November 22, 2010

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

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended September 30, 2010**

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

**For the transition period from                      to**

**Commission file number 333-141690**

**KABE EXPLORATION INC.**

(Name registrant as specified in its charter)

**NEVADA**  
(State or other jurisdiction of incorporation or organization)

**39-2052145**  
(I.R.S. Employer Identification No.)

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**5050 Avenida Encinas, Suite 360, Carlsbad, CA**  
(Address of principal executive offices)

**92008**  
(Zip Code)

Registrant's telephone number, including area code: **(760) 931-1048**

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

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐  
(do not check if smaller reporting company)

Smaller reporting company ☒

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

Number of shares of the registrant's common stock outstanding as of November 19, 2010: 38,647,250 shares of Common Stock

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**PART I****Item 1. Financial Statements.****KABE EXPLORATION, INC.**

(A Development Stage Company)

## Balance Sheet

as at

|  | September 30<br>2010<br>(Unaudited) | December 31,<br>2009 |
|--|-------------------------------------|----------------------|
| <b>ASSETS</b>  |                                     |                      |
| Current Assets   |                                     |                      |
| Cash   | \$                                  | \$ 28                |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>   |                                     |                      |
| Current Liabilities  |                                     |                      |
| Bank Overdraft   | 18                                  |                      |
| Accounts Payable   | \$ 16,509                           | \$ 16,509            |
| Chapman Industries Loan  | 6,576                               | 6,066                |
| Loan Payable - EPS   | 12,103                              | 8,487                |
| Total Liabilities  | 35,206                              | 31,062               |
| Stockholders' Equity (Deficit)   |                                     |                      |
| Common Stock, \$0.001 par value; authorized 75,000,000 shares; issued and outstanding: |                                     |                      |
| 38,647,250 as at September 30, 2010  |                                     |                      |
| 38,647,250 as at December 31, 2009   | 38,647                              | 38,647               |
| Additional Paid-In Capital   | 202,578                             | 202,578              |
| Deficit accumulated during the development stage                                       | (276,431)                           | (272,259)            |
| Total Shareholders' Equity   | (35,206)                            | (31,034)             |
| Total Liabilities and Shareholders' Equity   | \$                                  | \$ 28                |

The accompanying notes are an integral part of these financial statements

KABE EXPLORATION, INC.

(A Development Stage Company)

Statement of Operations

(Unaudited)

|   | For the Three Months Ended<br>September 30, |            | For the Nine Months Ended<br>September 30, |             | For the Period<br>of Inception<br>from Jan. 1, 2006<br>through Sep. 30,<br>2010 |
|---|---|------------|--|-------------|---|
|   | 2010  | 2009       | 2010                                       | 2009        |   |
| Revenue   | \$  | \$         | \$   | \$          | \$  |
| Cost of Sales   |   |            |  |             |   |
| Operating Income  |   |            |  |             |   |
| General and Administrative Expenses:                      |   |            |  |             |   |
| Mineral Lease Fees  |   |            |  |             | 6,713   |
| Professional Fees   | 906   | 2,150      | 4,046                                      | 4,450       | 182,469   |
| Consultant Fees   | 0   |            |  | 45,000      | 50,000  |
| Other Administrative Expenses                             | 42  | 378        | 126  | 1,125       | 32,258  |
| Loss on abandonment of Mineral<br>Leases                  |   |            |  |             | 5,000   |
| Total General and Administrative<br>Expenses              | 948   | 2,528      | 4,172                                      | 50,575      | 276,440   |
| Other Income  |   |            |  |             |   |
| Interest Income   |   |            |  |             | 22  |
| Interest Expense  |   |            |  |             | (13)  |
|   |   |            |  |             | 9   |
| Net Income (Loss)   | \$ (948)                                    | \$ (2,528) | \$ (4,172)                                 | \$ (50,575) | \$ (276,431)  |
| Income/Loss Per Common Share:                             |   |            |  |             |   |
| Basic and Diluted   | (0.00)                                      | (0.00)     | (0.00)                                     | (0.00)      |   |
| Weighted Average Shares<br>Outstanding Basic and Diluted: | 38,647,250                                  | 37,325,000 | 38,647,250                                 | 37,155,220  |   |

The accompanying notes are an integral part of these financial statements

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KABE EXPLORATION, INC.

(A Development Stage Company)

Statement of Shareholders' Equity

For the period from inception, January 1, 2006, to September 30, 2010

(Unaudited)

|  | Number of<br>Shares | Common Stock<br>Amount | Additional<br>Paid-In<br>Capital | Deficit<br>Accumulated<br>during the<br>Development<br>Stage | Total<br>Shareholders<br>Equity<br>(Deficit) |
|--|---------------------|------------------------|----------------------------------|--|--|
| Inception, January 1, 2006   |                     | \$                     | \$                               | \$   | \$   |
| Common stock issued for cash, Jan. 16, 2006                        | 1,500,000           | 1,500                  | 13500                            |  | 15,000                                       |
| Common stock issued for cash, Aug. 23, 2006                        | 250,000             | 250                    | 2250                             |  | 2,500  |
| Common stock issued for cash, Sep. 21, 2006                        | 575,000             | 575                    | 10925                            |  | 11,500                                       |
| Common stock issued for cash, Oct. 31, 2006                        | 800,000             | 800                    | 15200                            |  | 16,000                                       |
| Common stock issued for cash, Nov. 30, 2006                        | 262,500             | 263                    | 4987                             |  | 5,250  |
| Net loss for the year ended December 31, 2006                      |                     |                        |                                  | (226)  | (226)  |
| Balances, December 31, 2006  | 3,387,500           | \$ 3,388               | \$ 46,862                        | \$ (226)   | \$ 50,024                                    |
| Net loss for the year ended December 31, 2007                      |                     |                        |                                  | (37,753)   | (37,753)                                     |
| Balances, December 31, 2007  | 3,387,500           | \$ 3,388               | \$ 46,862                        | \$ (37,979)  | \$ 12,271                                    |
| Common stock issued for cash, Apr. 15, 2008 at \$0.04 per share    | 300,000             | 300                    | 11,700                           |  | 12,000                                       |
| Net loss for the year ended Dec. 31, 2008                          |                     |                        |                                  | (50,938)   | (50,938)                                     |
| Balances, December 31, 2008  | 3,687,500           | \$ 3,688               | \$ 58,562                        | \$ (88,917)  | \$ (26,667)                                  |
| Balances restated for 10-for-1 forward stock split, April 13, 2009 | 36,875,000          | \$ 36,875              | \$ 25,375                        | \$ (88,917)  | \$ (26,667)                                  |
| Additional Paid-in Capital January 2009                            |                     |                        | 1,750                            |  | 1,750  |
| Common stock issued for services Apr. 13, 2009, @ \$0.10 per share | 450,000             | 450                    | 44,550                           |  | 45,000                                       |
| Common stock issued for services Apr. 13, 2009, @ \$0.10 per share | 256,000             | 256                    | 25,344                           |  | 25,600                                       |
| Common stock issued for services Apr. 13, 2009, @ \$0.10 per share | 50,000              | 50                     | 4,950                            |  | 5,000  |
| Common stock issued for services Apr. 13, 2009, @ \$0.10 per share | 1,016,250           | 1,016                  | 100,609                          |  | 101,625                                      |
| Net loss for the year ended Dec. 31, 2009                          |                     |                        |                                  | \$ (183,342)   | \$ (183,342)                                 |
| Balances, December 31, 2009  | 38,647,250          | \$ 38,647              | \$ 202,578                       | \$ (272,259)   | \$ (31,034)                                  |
| Net loss for the 9 mo. ended Sep. 30, 2010                         |                     |                        |                                  | (4,172)  | (4,172)                                      |
| Balances, September 30, 2010                                       | 38,647,250          | \$ 38,647              | \$ 202,578                       | \$ (276,431)   | \$ (35,206)                                  |

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The accompanying notes are an integral part of these financial statements

KABE EXPLORATION, INC.

(A Development Stage Company)

Statement of Cash Flows

(Unaudited)

|   | For The Nine Months Ended<br>September 30, |             | For the Period<br>of Inception<br>from Jan. 1, 2006<br>through Sep. 30,<br>2010 |
|---|--|-------------|---|
|   | 2010                                       | 2009        |   |
| Cash flows from operating activities:                                       |  |             |   |
| Net loss  | \$ (4,172)                                 | \$ (50,575) | \$ (276,431)  |
| Adjustments to reconcile net loss to net cash used by operating activities: |  |             |   |
| Stock issued for services   |  | 45,000      | 177,225   |
| Change in operating assets and liabilities:                                 |  |             |   |
| Accounts Payable  |  |             | 16,509  |
| Net cash (used by) operating activities                                     | (4,172)                                    | (5,575)     | (82,697)  |
| Cash flows from investing activities:                                       |  |             |   |
| Abandonment of mining leases  |  |             |   |
| Net cash (used by) investing activities                                     |  |             |   |
| Cash flows from financing activities:                                       |  |             |   |
| Common stock issued for cash  |  |             | 62,250  |
| Proceeds (repayment) of loans   | 4,126                                      | 3,850       | 18,679  |
| Contribution of capital   |  | 1,750       | 1,750   |
| Bank Overdraft  | 18   |             | 18  |
| Net cash (used) provided by financing activities                            | 4,144                                      | 5,600       | 82,697  |
| Net increase (decrease) in cash   | (28)                                       | 25          |   |
| Cash, beginning of the period   | 28   |             |   |
| Cash, end of the period   | \$   | \$ 25       | \$  |
| Supplemental cash flow disclosure:  |  |             |   |
| Interest paid   | \$   | \$          |   |
| Taxes paid  | \$   | \$          |   |

The accompanying notes are an integral part of these financial statements



**Kabe Exploration, Inc.**

**(A Development Stage Company)**

**Notes to Financial Statements**

**September 30, 2010**

**(Unaudited)**

**1. Basis of Presentation and Nature of Operations**

The interim financial statements as of and for the nine months ended September 30, 2010 reflect all adjustments which, in the opinion of management, are necessary to fairly state the Company's financial position and the results of its operations for the periods presented.

These interim financial statements should be read in conjunction with the Company's financial statements and notes thereto included in the Company's December 31, 2009 report. The Company assumes that the users of the interim financial information herein have read, or have access to, the audited financial statements for the preceding period, and that the adequacy of additional disclosure needed for a fair presentation may be determined in that context. The results of operations for the nine month period ended September 30, 2010 are not necessarily indicative of results for the entire year ending December 31, 2010.

**2. Organization, Nature of Business**

Kabe Exploration, Inc. (the "Company") was incorporated under the laws of the State of Nevada December 16, 2005. The company was originally formed for mineral exploration in the United States. The Company abandoned its Mineral Leases in 2008.

Current Business of the Company

On May 5, 2010, the Company entered into a share exchange agreement with the shareholders of Centium Holdings, Inc., a Delaware public company, whereby the Company was to exchange ten Million (10,000,000) newly issued Company shares for all of the outstanding shares of Centium Holdings, Inc., 1,000 shares, dependent upon certain investments by Centium into the Company.

**3. Summary of Significant Accounting Policies**

Basis of Presentation

The financial statements of the Company have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles in the United States. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of

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financial statements for a period necessarily involves the use of estimates which have been made using careful judgment.

### 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 certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates. Significant estimates made by management are, among others, realizability of long-lived assets, deferred taxes and stock option valuation.

The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting.

### Cash and equivalents

Cash and equivalents include investments with initial maturities of three months or less.

### Fair Value of Financial Instruments

The Financial Accounting Standards Board issued ASC (Accounting Standards Codification) 820-10 (SFAS No. 157), Fair Value Measurements and Disclosures for financial assets and liabilities. FASB ASC 820-10 provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. FASB ASC 820-10 defines fair value as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available. The carrying amounts of the Company's financial liabilities as at September 30, 2010 were measured against the three levels of inputs required by the standard to measure fair value:

|                         |    |        |                                   |
|-------------------------|----|--------|-----------------------------------|
| Chapman Industries Loan | \$ | 6,576  | Level 2 based on promissory notes |
| Loan Payable - EPS      | \$ | 12,103 | Level 2 based on promissory notes |

### Income Taxes

The Company utilizes FASB ASC 740, Income Taxes, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the tax basis of assets and liabilities and their financial reporting amounts based on

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enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The Company generated a deferred tax credit through net operating loss carryforward. However, a valuation allowance of 100% has been established, as the realization of the deferred tax credits is not reasonably certain, based on going concern considerations outlined in the following.

Going Concern

The Company's financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and to allow it to continue as a going concern. The Company incurred a net loss of \$4,172 in the nine months ended September 30, 2010 and has a cumulative net loss of \$276,431 since inception. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease development of operations.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish its plans to exploit or lease mining claims, or engage a working interest partner, in order to eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classifications or liabilities or other adjustments that might be necessary should the Company be unable to continue as a going concern.

Development-Stage Company

The Company is considered a development-stage company, with limited operating revenues during the periods presented, as defined by Financial Accounting Standards Board FASB Accounting Standards Codification ASC 915. ASC 915 requires companies to report their operations, shareholders deficit and cash flows since inception through the date that revenues are generated from management's intended operations, among other things. Management has defined inception as January 1, 2006. Since inception, the Company has incurred an operating loss of \$276,431. The Company's working capital has been generated through the sales of common stock. Management has provided financial data since January 1, 2006, Inception in the financial statements, as a means to provide readers of the Company's financial information to make informed investment decisions.

Basic and Diluted Net Loss Per Share

Net loss per share is calculated in accordance with FASB ASC 260, Earnings Per Share for the period presented. Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby we used to purchase common stock at the average market price during the period.

The Company has no potentially dilutive securities outstanding as of September 30, 2010, 2010.

The following is a reconciliation of the numerator and denominator of the basic and diluted earnings per share computations for the nine months ended September 30, 2010 and 2009:

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2010

2009

Numerator:

Basic and diluted net loss per share:

|          |    |         |    |          |
|----------|----|---------|----|----------|
| Net Loss | \$ | (4,172) | \$ | (50,575) |
|----------|----|---------|----|----------|

Denominator

|   |  |            |  |            |
|---|--|------------|--|------------|
| Basic and diluted weighted average number of shares outstanding |  | 38,647,250 |  | 37,155,220 |
|---|--|------------|--|------------|

|   |    |        |    |        |
|---|----|--------|----|--------|
| <u>Basic and Diluted Net Loss Per Share</u> | \$ | (0.00) | \$ | (0.00) |
|---|----|--------|----|--------|

Recent Accounting Pronouncements

In June, 2009, the FASB issued their final SFAS, No. 168, FASB Accounting Standards Codification (ASC) and the Hierarchy of Generally Accepted Accounting Principles. This was reflected in the codification as FASB ASC 105, Generally Accepted Accounting Principles. ASC is the single source of authoritative US generally accepted accounting principles recognized by the FASB to be applied to nongovernmental entities. It is effective for financial statements issued for interim and annual periods ending after September 15, 2009. It will not have an impact on the Company's financial position, results of operations or cash flows.

In May, 2009, the FASB issued ASC 855, (formerly SFAS 165) Subsequent Events, which established general standards of accounting and disclosure for events that occur after the balance sheet date, but before financial statements are issued or available to be issued. In accordance with ASC 855, the Company has evaluated subsequent events through the date the financial statements were filed.

**4. Capital Structure**

As of September 30, 2010 the Company has authorized 75,000,000 of \$ 0.001 par common stock, of which 38,647,250 shares were issued and outstanding.

**5. Contingencies, Litigation**

There were no loss contingencies or legal proceedings against the Company with respect to matters arising in the ordinary course of business. Neither the Company nor any of its officers or directors is involved in any other litigation either as plaintiffs or defendants, and have no knowledge of any threatened or pending litigation against them or any of the officers or directors.

**6. Subsequent Events**

Events subsequent to September 30, 2010 have been evaluated through November 19, 2010, the date these statements were available to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. On October 29, 2010, the Company, Centium Holdings, Inc. and the shareholders of Centium entered into an Agreement of Termination and Release with respect to the Share Exchange Agreement dated as of May 5, 2010.

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

*Except as otherwise required by the context, all references in this prospectus to "we", "us", "our", or "Company" refer to the operations of Kabe Exploration Inc., a Nevada corporation.*

**Forward-Looking Statements and Associated Risks**

*The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. Some of the statements contained in this annual report of the Company discuss future expectations, contain projections of our operations or financial condition or state other forward-looking information. Some statements contained in this annual report on Form 10-Q that are not historical facts (including without limitation statements to the effect that we "believe," "expect," "anticipate," "plan," "intend," "foresee," or other similar expressions) and are forward-looking statements. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those anticipated by us. All comments concerning our expectations for future revenue and operating results are based on our forecasts of our plan of operation and do not include the potential impact of any future acquisitions or operations. These forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in the forward-looking statements.*

**Overview**

We are a "shell company" defined in Rule 405 under the Securities Act of 1933 and Rule 12b-2 under the Securities Exchange Act of 1934, since we have only conducted nominal operations and have only nominal assets.

During 2007, we were an exploration stage company engaged in the acquisition and exploration of mineral properties. We entered into a lease agreement with George J. Eliopulos effective March 31, 2006, granting us the exclusive right to explore, develop, and mine the property for gold, silver, copper and other valuable minerals. The property consisted of one unpatented mining claim located in section 12, Township 16 North, Range 20 East, Mt. Diablo Baseline & Meridian, Storey County, Nevada, USA, owned by Mr. Eliopulos.

On December 18, 2007, Erik Ulsteen entered into an agreement with Antony Claydon, our former President and a director and Rory Moss, a director, to purchase 1,500,000 and 250,000 shares of common stock, respectively, for an aggregate purchase price of \$50,000. The transaction closed on February 14, 2008 at which time, Mr. Claydon resigned as President, Chief Financial Officer and Secretary and Mr. Ulsteen was appointed President, Chief Financial Officer, Secretary and director. On January 28, 2008, we terminated our lease agreement with Mr. Eliopulos.



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On May 5, 2010, we entered into a Share Exchange Agreement with Centium Holdings Inc. and its stockholders whereby Centium's stockholders will exchange all of their shares of common stock of Centium for 10,000,000 newly issued shares of our common stock. In addition, our principal stockholder, Erik Ulsteen has agreed to deposit 10,000,000 shares of our common stock owned by him (the Escrow Shares) into escrow upon closing of the exchange. At any time within 120 days after closing of the exchange, the Escrow Shares will be released to Centium upon a cash investment of a minimum of \$500,000 invested in Kabe or Kabe enters into executed contracts aggregating a minimum of \$500,000 in cash flow to Kabe. The closing of the transactions are subject to customary closing conditions including due diligence. Centium Holdings is a provider of consulting services, environmental engineering, clean development mechanism and project management services worldwide. On October 29, 2010, we entered into an Agreement of Termination and Release with Centium and the shareholders of Centium with respect to the Share Exchange Agreement dated as of May 5, 2010.

The following factors raise substantial doubt regarding the ability of our business to continue as a going concern: (i) the losses we have incurred since our inception; (ii) our failure to generate revenues since our inception; and (iii) our dependence on the sale of our equity securities and on the receipt of capital from outside sources to continue our operations. Our auditors have issued a going concern opinion regarding our business. The financial statements do not include any adjustments that might result from the uncertainty about our ability to continue in business. As such we may have to cease operations and you could lose your investment.

### **Plan of Operation**

We have redirected our focus towards identifying and pursuing options regarding the development of a new business plan and direction. We are exploring various business opportunities that have the potential to generate positive revenue, profits and cash flow in order to financially accommodate the costs of being a publicly held company.

### **Results of Operations**

*Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009*

#### **Revenues**

We have generated no operating revenues from operations from our inception.

#### **Costs and Expenses**

From our inception through September 30, 2010, we have incurred cumulative losses of \$276,431. Professional fees decreased to \$906 for the three months ended September 30, 2010 from \$2,150 for the three months ended September 30, 2009. Other Administrative expenses



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decreased to \$42 for the three months ended September 30, 2010 from \$378 for the three months ended September 30, 2009.

### *Nine Months Ended September 30, 2010 Compared to Nine Months Ended September 30, 2009*

#### **Revenues**

We have generated no operating revenues from operations from our inception.

#### **Costs and Expenses**

Professional fees decreased to \$4,046 for the nine months ended September 30, 2010 from \$4,450 for the nine months ended September 30, 2009 primarily as a result of cutbacks in our business in order to conserve cash. Consulting fees decreased to \$0 for the nine months ended September 30, 2010 from \$45,000 for the nine months ended September 30, 2009.

#### **Liquidity and Capital Resources**

As of September 30, 2010, we had a working capital deficit of \$35,206 as compared to a working capital deficit of \$31,034 as of December 31, 2009. Our cash position was \$0 as of September 30, 2010 compared to \$28 as of December 31, 2009. We have financed our company principally through the private placement of our common stock. As of September 30, 2010, we have no long term debt.

#### **Summary of Significant Accounting Policies**

##### Basis of Presentation

Our financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles in the United States. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment.

##### Use of Estimates

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The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates. Significant estimates made by management are, among others, realizability of long-lived assets, deferred taxes and stock option valuation.

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The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting.

### Income Taxes

We utilize SFAS No. 109, Accounting for Income Taxes, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the tax basis of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. We generated a deferred tax credit through net operating loss carryforward. However, a valuation allowance of 100% has been established, as the realization of the deferred tax credits is not reasonably certain, based on going concern considerations outlined as follows.

### Going Concern

Our financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. We have not yet established an ongoing source of revenues sufficient to cover our operating costs and to allow us to continue as a going concern. Our ability to continue as a going concern is dependent on us obtaining adequate capital to fund operating losses until we become profitable. If we are unable to obtain adequate capital, we could be forced to cease operations.

Our ability to continue as a going concern is dependent upon our ability to successfully accomplish our plan to develop a new business plan, or merger candidate in order to eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classifications or liabilities or other adjustments that might be necessary should we be unable to continue as a going concern.

### Development-Stage Company

We are considered a development-stage company, with limited operating revenues during the periods presented, as defined by Statement of Financial Accounting Standards (SFAS) No. 7. SFAS No. 7 requires companies to report their operations, shareholders deficit and cash flows since inception through the date that revenues are generated from management's intended operations, among other things. Management has defined inception as January 1, 2006. Since inception until September 30, 2010, we have incurred an operating loss of \$276,431. Our working capital has been generated through sales of common stock. Management has provided financial data since January 1, 2006, Inception in the financial statements, as a means to provide readers of our financial information to make informed investment decisions.

Basic and Diluted Net Loss Per Share

Net loss per share is calculated in accordance with FASB ASC 260, Earnings Per Share for the period presented. Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby we used to purchase common stock at the average market price during the period.

We had no potentially dilutive securities outstanding as of September 30, 2010.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our stockholders.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

N/A

**Item 4(T) Controls and Procedures.**

*Evaluation of Disclosure Controls and Procedures.* Under the supervision and with the participation of our management, including our President, Chief Financial Officer and Secretary, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this report. Based upon that evaluation, our President, Chief Financial Officer and Secretary concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective such that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

*Changes in Internal Control Over Financial Reporting.* During the most recent quarter ended September 30, 2010, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



**PART II**

**Item 1. Legal Proceedings.**

We are not a party to any pending legal proceeding, nor is our property the subject of a pending legal proceeding, that is not in the ordinary course of business or otherwise material to the financial condition of our business.

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

N/A

**Item 3. Defaults Upon Senior Securities.**

N/A

**Item 4. Reserved.**

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

| <b>Exhibit No.</b> | <b>Title of Document</b>  |
|--------------------|---|
| 31.1               | Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934  |
| 32.1               | 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 |





**SIGNATURES**

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

**KABE EXPLORATION, INC.**

By: /s/ Erik Ulsteen  
Erik Ulsteen  
President, Chief Financial Officer,  
Secretary

Date: November 22, 2010