

SILVER HORN MINING LTD.  
Form 10-Q  
November 15, 2012

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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 AND EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2012

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-25097

## Silver Horn Mining Ltd.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation of organization)

65-0783722  
(I.R.S. Employer  
Identification No.)

3346 W. Guadalupe Rd., Apache Junction, Arizona 85120  
(Address of principal executive offices) (Zip Code)

(480) 288-6530  
(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. 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

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

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer (Do not check if smaller reporting company)	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

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

Applicable only to issuers involved in bankruptcy proceedings during the preceding five years:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of November 14, 2012, there were 253,033,555 shares of common stock, par value \$0.0001, issued and outstanding.

SILVER HORN MINING LTD. AND SUBSIDIARIES  
(AN EXPLORATION STAGE COMPANY)  
FORM 10-Q  
September 30, 2012

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OTHER PERTINENT INFORMATION

Unless specifically set forth to the contrary, "Silver Horn," "Eclips," "we," "us," "our" and similar terms refer to Silver Horn Mining Ltd., a Delaware corporation, and subsidiaries.

SILVER HORN MINING LTD. AND SUBSIDIARIES  
 (AN EXPLORATION STAGE COMPANY)  
 CONSOLIDATED BALANCE SHEETS

	September 30, 2012 (Unaudited)	December 31, 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$63	\$15,047
Prepaid expenses	15,500	39,945
Debt issuance cost - current portion	—	517
<b>Total Assets</b>	<b>\$15,563</b>	<b>\$55,509</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$1,121,185	\$430,408
Convertible debentures and notes payable, net of debt discount	174,264	145,959
Derivative liabilities	156,474	—
Liabilities of discontinued operations	112,397	112,397
<b>Total Liabilities</b>	<b>1,564,320</b>	<b>688,764</b>
<b>STOCKHOLDERS' DEFICIT</b>		
Preferred stock, \$0.0001 par value; 10,000,000 authorized		
Series A, 3,000,000 issued and outstanding	300	300
Series B, none issued and outstanding	—	—
Series C, none issued and outstanding	—	—
Common stock; \$0.0001 par value; 750,000,000 shares authorized; 253,033,555 and 225,833,555 shares issued and outstanding as of September 30, 2012 and December 31, 2011, respectively	25,303	22,583
Additional paid-in capital	47,809,748	44,125,952
Accumulated deficit	(41,947,270 )	(41,947,270 )
Accumulated deficit since inception of exploration stage (April 25, 2011)	(7,436,838 )	(2,834,820 )
<b>Total Stockholders' Deficit</b>	<b>(1,548,757 )</b>	<b>(633,255 )</b>
<b>Total Liabilities and Stockholders' Deficit</b>	<b>\$15,563</b>	<b>\$55,509</b>

See accompanying notes to unaudited consolidated financial statements.

SILVER HORN MINING LTD. AND SUBSIDIARIES  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30, 2012 (Unaudited)		Nine Months Ended September 30, 2012 (Unaudited)		Period from Inception of Exploration stage (April 25, 2011) through September 30, 2012 (Unaudited)
Net revenues	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Operating expenses:</b>					
Payroll expense and stock based compensation	86,937	206,676	3,801,111	321,709	4,311,481
Exploration cost	43,165	63,292	83,701	124,912	240,064
Impairment of mineral rights	—	—	—	500,000	500,000
Professional and consulting	91,169	131,155	200,480	395,249	508,729
General and administrative expenses	91,223	142,897	308,194	212,319	625,768
Total operating expenses	312,494	544,020	4,393,486	1,554,189	6,186,042
Loss from operations	(312,494 )	(544,020 )	(4,393,486 )	(1,554,189 )	(6,186,042 )
<b>Other income (expense)</b>					
Gain from settlement of debt	—	—	—	28,244	—
Interest income (expense), net	(37,926 )	(69,315 )	(89,558 )	(526,494 )	(450,882 )
Derivative liability expense	—	—	(174,129 )	—	(174,129 )
Change in fair value of derivative liabilities	10,420	4,413,763	55,155	(8,648,418 )	(625,785 )
Total other income (expense)	(27,506 )	4,344,448	(208,532 )	(9,146,668 )	(1,250,796 )
Net income (loss)	(340,000 )	3,800,428	(4,602,018 )	\$ (10,700,857 )	\$ (7,436,838 )
<b>NET INCOME (LOSS) PER COMMON SHARE:</b>					

Basic and Diluted	\$ —	\$ 0.02	(0.02 )	\$ (0.05 )	\$ (0.03 )
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WEIGHTED  
AVERAGE COMMON  
SHARES

OUTSTANDING -

Basic and Diluted	253,033,555	211,833,555	248,008,007	197,348,065	230,390,426
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See accompanying notes to unaudited consolidated financial statements.

SILVER HORN MINING LTD. AND SUBSIDIARIES  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended September 30, 2012		2011	Period from Inception of Exploration stage (April 25, 2011) through September 30, 2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from operating activities:				
Net loss	\$(4,602,018 )	\$(10,700,857 )	\$(7,436,838 )	
Adjustments to reconcile net loss to net cash used in operating activities:				
Amortization of prepaid expenses	—	118,978	95,034	
Amortization of debt issuance costs	517	4,689	5,206	
Amortization of debt discount	83,305	499,304	418,118	
Impairment of mineral rights	—	500,000	500,000	
Derivative liability expense	174,129	—	174,129	
Change in fair value of derivative liabilities	(55,155 )	8,648,418	625,785	
Stock based consulting	—	—	130,000	
Stock based compensation expense	41,516	207,584	373,648	
Common stock issued for services	3,500,000	—	3,500,000	
Gain from settlement of debt	—	(28,244 )	—	
(Increase) Decrease in:				
Prepaid expense	24,445	(87,505 )	3,641	
Increase (Decrease) in:				
Accounts payable and accrued expenses	690,777	279,872	877,509	
Liabilities of discontinued operations	—	(15,000 )	—	
Net cash used in operating activities	(142,484 )	(572,761 )	(733,768 )	
Cash flows from financing activities:				
Proceeds from issuance of common stock	—	550,000	550,000	
Proceeds from exercise of stock warrants	—	125,000	—	
Net proceeds from debentures	127,500	—	127,500	
Net cash provided by financing activities	127,500	675,000	677,500	
Net increase (decrease) in cash	(14,984 )	102,239	(56,268 )	
Cash, beginning of period	15,047	94,053	56,331	

Cash, end of period	\$63	\$196,292	\$63
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**SUPPLEMENTAL DISCLOSURE OF CASH  
FLOW INFORMATION:**

**Cash paid during the period for:**

Interest	\$—	\$—	\$—
Income Taxes	\$—	\$—	\$—

**Supplemental disclosure of non-cash investing and  
financing activities:**

Issuance of common stock in connection with acquisition of business	\$—	\$—	\$—
Contributed capital in connection with an extinguishment of a convertible debenture	\$—	\$95,000	\$31,666
Issuance of common stock for convertible debentures	\$55,000	\$375,000	\$505,000
Issuance of common stock for accrued director's fees	\$—	\$10,000	\$—
Reclassification of derivative liability to equity	\$—	\$8,433,555	\$9,662,196
Issuance of common stock in connection with the transfer and conveyance of certain silver mining claim	\$—	\$—	\$500,000
issuance of convertible promissory notes	\$105,882	\$—	\$105,882

See accompanying notes to unaudited consolidated financial statements.



SILVER HORN MINING LTD. AND SUBSIDIARIES

(AN EXPLORATION STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2012

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of Business

The Company was incorporated under the name “Swifty Carwash & Quick-Lube, Inc.” in the state of Florida on September 25, 1997. On October 22, 1999, the Company changed its name from “Swifty Carwash & Quick-Lube, Inc.” to “SwiftyNet.com, Inc.” On January 29, 2001, the Company changed its name from “SwiftyNet.com, Inc.” to “Yseek, Inc.” On June 10, 2003, the Company had changed its name from “Yseek, Inc.” to “Advanced 3-D Ultrasound Services, Inc.”

The Company merged with a private Florida corporation known as World Energy Solutions, Inc. effective August 17, 2005. Advanced 3D Ultrasound Services, Inc. (“A3D”) remained as the surviving entity as the legal acquirer, and the Company was the accounting acquirer. On November 7, 2005, the Company had changed its name to World Energy Solutions, Inc. (“WESI”). On November 7, 2005, WESI merged with Professional Technical Systems, Inc. (“PTS”). WESI remained as the surviving entity as the legal acquirer, while PTS was the accounting acquirer. On February 26, 2009, the Company had changed its name to EClips Energy Technologies, Inc. On April 25, 2011, the Company changed its name to “Silver Horn Mining Ltd.” from “EClips Media Technologies, Inc.”.

On March 16, 2010, the Company had filed a definitive information statement on Schedule 14C (the “Definitive Schedule 14C”) with the Securities and Exchange Commission (the “SEC”) notifying its stockholders that on March 2, 2010, a majority of the voting capital stock of the Company took action in lieu of a special meeting of stockholders authorizing the Company to enter into an Agreement and Plan of Merger (the “Merger Agreement”) with its then newly-formed wholly-owned subsidiary, EClips Media Technologies, Inc., a Delaware corporation (“EClips Media”) for the purpose of changing the state of incorporation of the Company to Delaware from Florida. Pursuant to the Merger Agreement, the Company had merged with and into EClips Media with EClips Media continuing as the surviving corporation on April 21, 2010. On the effective date of the Merger, (i) each issued and outstanding share of common stock of the Company was converted into two (2) shares of EClips Media common stock, (ii) each issued and outstanding share of Series D preferred stock of the Company was converted into two (2) shares of EClips Media Series A preferred stock and (iii) the outstanding shares of EClips Media Common Stock held by the Company were retired and cancelled and resuming the status of authorized and unissued EClips Media common stock. The outstanding 6% convertible debentures of the Company were assumed by EClips Media and converted into outstanding 6% convertible debentures of EClips Media. All options and rights to acquire the Company’s common stock, and all outstanding warrants or rights outstanding to purchase the Company’s common stock, were automatically converted into equivalent options, warrants and rights to purchase two (2) times the number of shares of EClips Media common stock at fifty (50%) percent of the exercise, conversion or strike price of such converted options, warrants and rights. All shares and per share values are retroactively stated at the effective date of merger.

On June 21, 2010, the Company, through its former wholly-owned subsidiary SD Acquisition Corp., a New York corporation (“SD”), acquired (the “Acquisition”) all of the business and assets and assumed certain liabilities of Brand Interaction Group, LLC, a New Jersey limited liability company (“BIG”) which is described below. In September 2010, the Company decided to discontinue the operations of SD because of the disappointing performance and negative results of its most recent fantasy league event in August 2010. In December 2010, the Company entered into a spin off agreement (the “Spinoff”) with BIG and Mr. Eric Simon, the Company’s former CEO, pursuant to which the Company returned the Superdraft business to Mr. Simon by exchanging 100% of the issued and outstanding capital stock of SD which owned and operated the Superdraft business, for the cancellation of 30,000,000 shares of the Company owned

by Mr. Simon and BIG, the cancellation of the Asset Purchase Agreement and Employment Agreement entered into between the Company, Mr. Simon and BIG in June 2010.

Effective April 25, 2011, the Company changed its name to “Silver Horn Mining Ltd.” from “EClips Media Technologies, Inc.”. The name change was effected pursuant to Section 253 of the Delaware General Corporation Law by merging a newly-formed, wholly-owned subsidiary of the Company with and into the Company, with the Company as the surviving corporation in the merger. Following the subsidiary merger, the Company intends to focus its efforts on mining and resources, principally silver exploration and production. As a result of the Company’s focus on mineral exploration, the Company is considered an exploration stage company.

#### Exploration Stage Company

The Company has been in the exploration stage since April 25, 2011 and has not yet realized any revenues from its planned operations. The Company intends to focus on acquiring and exploring natural resource properties. Accordingly, the Company is an exploration stage company as defined in ASC 915 “Development Stage Entities”.

SILVER HORN MINING LTD. AND SUBSIDIARIES  
(AN EXPLORATION STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2012

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

Discontinued Operations

The Company's former operations were developing and manufacturing products and services, which reduce fuel costs, save power & energy and protect the environment. The products and services were made available for sale into markets in the public and private sectors. In December 2009, the Company discontinued these operations and disposed of certain of its subsidiaries, and prior periods have been restated in the Company's consolidated financial statements and related footnotes to conform to this presentation. Additionally, in September 2010, the Company decided to discontinue the operations of SD Acquisition Corp. because of the disappointing performance and negative results of its fantasy league event in August 2010.

The remaining liabilities of discontinued operations are presented in the balance sheet under the caption "Liabilities of discontinued operation" and relates to the discontinued operations of developing and manufacturing of energy saving and fuel efficient products and services. The carrying amounts of the major classes of these liabilities as of September 30, 2012 and December 31, 2011 are summarized as follows:

	September 30, 2012	December 31, 2011
Assets of discontinued operations	\$ —	\$ —
Liabilities		
Accounts payables and accrued expenses	\$ (112,397 )	\$ (112,397 )
Liabilities of discontinued operations	\$ 112,397	\$ 112,397

Basis of presentation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The consolidated financial statements of the Company include the Company and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. These financial statements should be read in conjunction with the audited consolidated financial statements and related footnotes as of and for the year ended December 31, 2011, included in the Company's Form 10-K at December 31, 2011.

In the opinion of management, all adjustments (consisting of normal recurring items) necessary to present fairly the Company's financial position as of September 30, 2012, and the results of operations and cash flows for the nine months ending September 30, 2012 have been included. The results of operations for the nine months ending September 30, 2012 are not necessarily indicative of the results to be expected for the full year.

Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of financial condition, and revenues and expenses for the years then ended. Actual results may differ significantly from those estimates. Significant

estimates made by management include, but are not limited to, the assumptions used to calculate stock-based compensation, derivative liabilities, debt discount and common stock issued for services.

#### Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. The Company places its cash with a high credit quality financial institution. The Company's account at this institution is insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. In addition to the basic insurance deposit coverage, the FDIC is providing temporary unlimited coverage for non-interest bearing transaction accounts through December 31, 2012. At September 30, 2012, the Company has not reached bank balances exceeding the FDIC insurance limit on interest bearing accounts. To reduce its risk associated with the failure of such financial institution, the Company evaluates at least annually the rating of the financial institution in which it holds deposits.

SILVER HORN MINING LTD. AND SUBSIDIARIES  
(AN EXPLORATION STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2012

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

Fair value of financial instruments

The Company adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, “Fair Value Measurements and Disclosures”, for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing US GAAP that require the use of fair value measurements which establishes a framework for measuring fair value and expands disclosure about such fair value measurements.

ASC 820 defines fair value as 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. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

- Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity’s own assumptions.

The following table presents a reconciliation of the derivative liability measured at fair value on a recurring basis using significant unobservable input (Level 3) from January 1, 2012 to September 30, 2012:

	Conversion feature derivative liability	Warrant liability
Balance at January 1, 2012	\$ —	\$ —
Recognition of derivative liability	103,313	108,316
Extinguishment of derivative liability upon conversion of debt to equity	—	—
Change in fair value included in earnings	(27,979)	(27,176)
Balance at September 30, 2012	\$ 75,334	\$ 81,140

Total derivative liabilities at September 30, 2012 and December 31, 2011 amounted to \$156,474 and \$0, respectively.

The carrying amounts reported in the balance sheet for cash, prepaid expenses, accounts payable, and accrued expenses approximate their estimated fair market value based on the short-term maturity of this instrument. The carrying amount of convertible notes and debentures at September 30, 2012, approximate their respective fair value based on the Company’s incremental borrowing rate. The Company did not identify any other assets or liabilities that are required to be presented on the consolidated balance sheets at fair value in accordance with the accounting guidance.

In addition, FASB ASC 825-10-25 “Fair Value Option” was effective for January 1, 2008. ASC 825-10-25 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many

financial instruments and certain other items at fair value.

#### Prepaid Expenses

Prepaid expenses of \$15,500 and \$39,945 at September 30, 2012 and December 31, 2011, respectively, include prepayments of insurance, public relation services and other administrative expenses which are being amortized over the terms of the agreements.

#### Impairment of Long-Lived Assets

Long-Lived Assets of the Company are reviewed for impairment whenever events or circumstances indicate that the carrying amount of assets may not be recoverable, pursuant to guidance established in ASC 360-10-35-15, "Impairment or Disposal of Long-Lived Assets". The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value. During the nine months ended September 30, 2012 and 2011, the Company does not have long-lived assets and therefore did not consider it necessary to record any impairment charges.

SILVER HORN MINING LTD. AND SUBSIDIARIES  
(AN EXPLORATION STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2012

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

Mineral Property Acquisition and Exploration Costs

Costs of lease, exploration, carrying and retaining unproven mineral lease properties are expensed as incurred. The Company has chosen to expense all mineral exploration costs as incurred given that it is still in the exploration stage. Once the Company has identified proven and probable reserves in its investigation of its properties and upon development of a plan for operating a mine, it would enter the development stage and capitalize future costs until production is established. When a property reaches the production stage, the related capitalized costs will be amortized, using the units-of-production method over the estimated life of the probable-proven reserves. When the Company has capitalized mineral properties, these properties will be periodically assessed for impairment of value and any diminution in value. To date, the Company has not established the commercial feasibility of any exploration prospects; therefore, all costs are being expensed. During the nine months ended September 30, 2012, the Company incurred exploration cost of \$83,701. As of September 30, 2012, the Company has yet to establish proven or probable reserves on any of its mineral properties.

Stock Based Compensation

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment Topic of ASC 718 which requires recognition in the consolidated financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

Pursuant to ASC Topic 505-50, for share-based payments to consultants and other third-parties, compensation expense is determined at the “measurement date.” The expense is recognized over the vesting period of the award. Until the measurement date is reached, the total amount of compensation expense remains uncertain. The Company initially records compensation expense based on the fair value of the award at the reporting date.

Related Parties

Parties are considered to be related to the Company if the parties that, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all related party transactions. All transactions shall be recorded at fair value of the goods or services exchanged.

Net Loss per Common Share

Net loss per common share is calculated in accordance with ASC Topic 260: Earnings Per Share (“ASC 260”). Basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. The computation of diluted net earnings per share does not include dilutive common stock equivalents in the weighted average shares outstanding as they would be anti-dilutive. At September 30, 2012, the Company has 36,750,000 outstanding warrants and 6,867,640 shares equivalent issuable pursuant to embedded conversion features. At September 30, 2011, the Company has 36,000,000 outstanding warrants, 30,000,000 outstanding options and 19,200,000 shares equivalent issuable pursuant to embedded conversion features.

#### Recent Accounting Pronouncements

Accounting standards that have been issued or proposed by the Financial Accounting Standards Board that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.



SILVER HORN MINING LTD. AND SUBSIDIARIES

(AN EXPLORATION STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2012

NOTE 2 – GOING CONCERN CONSIDERATIONS

The accompanying unaudited consolidated financial statements are prepared assuming the Company will continue as a going concern. At September 30, 2012, the Company had an accumulated deficit of approximately \$49.4 million, and a working capital deficiency of \$1.5 million. For the nine months ended September 30, 2012, the Company incurred net losses of approximately \$4.6 million and had negative cash flows from operations in the amount of \$142,000. The ability of the Company to continue as a going concern is dependent upon obtaining additional capital and financing. Management intends to attempt to raise additional funds by way of a public or private offering. While the Company believes in the viability of its strategy to raise additional funds, there can be no assurances to that effect.

NOTE 3 – MINERAL CLAIMS

As of the date of these consolidated financial statements, the Company has not established any proven or probable reserves on its mineral properties and incurred only acquisition and exploration costs.

THE 76 PROPERTY

The 76 Property is located in Yavapai County, Arizona, 50 miles northwest of Phoenix, Arizona. The property consists of 36 federal unpatented lode mining claims on Bureau of Land Management (“BLM”) land totaling 720 acres that the Company acquired pursuant to a quitclaim deed that was purchased from Can-Am Gold Corp. for \$10.00 on April 26, 2011 (see Note 7). To maintain the mining claims in good standing, the Company must make annual maintenance fee payments to the BLM, in lieu of annual assessment work. These claim fees are \$140 per claim per year, plus an annual fee of \$10 per claim per year to Yavapai County. The Company is currently planning an exploration program consisting of sampling, mapping and assaying to determine potential targets for drilling and further development. The 76 Property does not currently have any reserves. All activities undertaken and currently proposed at the 76 Property are exploratory in nature.

THE COD PROPERTY

The COD Property is located in Mohave County, Arizona, 7 miles southwest of Chloride, Arizona. The property consists of 14 federal unpatented lode mining claims on BLM land totaling 280 acres. The Company filed the claims with the BLM on July 1, 2011. To maintain the mining claims in good standing, the Company must make annual maintenance fee payments to the BLM, in lieu of annual assessment work. These claim fees are \$140 per claim per year, plus an annual fee of \$10 per claim per year to Mohave County. The Company is currently planning an exploration program consisting of sampling, mapping and assaying to determine potential targets for drilling and further development. The COD Property does not currently have any reserves. All activities undertaken and currently proposed at the COD Property are exploratory in nature. On September 18, 2011, the Company received a notice from a third party claiming that, of the Company’s 14 mining claims on the COD Property in Mohave County, Arizona, 9 are situated overlapping this third party’s 7 claims that allegedly predate the Company’s claims, and requesting that the Company cease and desist from sampling or removing any ores from these properties. The Company believes that the third party’s demands are without merit. On October 3, 2011 the Company requested that the third party disclaim any interest in its alleged claims by executing and delivering to the Company a quitclaim deed with respect to the third party’s 7 claims. If the third party fails to execute and deliver the quitclaim deed by October 25, 2011, the Company may pursue any and all available legal actions and remedies. On October 25, 2011, the third party failed to execute

and deliver the quitclaim deed and the Company may pursue any and all legal actions and remedies regarding this matter.

#### NOTE 4 – CONVERTIBLE DEBENTURES AND NOTES PAYABLE

##### Convertible Debentures

On December 17, 2009, to obtain funding for working capital, the Company had entered into securities purchase agreement with an accredited investor pursuant to which the Company agreed to issue its 6% senior convertible debentures for an aggregate purchase price of \$75,000. The debenture bears interest at 6% per annum and matures twenty-four months from the date of issuance. The debenture will be convertible at the option of the holder at any time into shares of common stock, at an initial conversion price equal to the lesser of (i) \$0.05 per share or (ii) until the eighteen (18) month anniversary of the debenture, the lowest price paid per share or the lowest conversion price per share in a subsequent sale of the Company's equity and/or convertible debt securities paid by investors after the date of the debenture. On February 4, 2010, the Company had amended the terms of this agreement (see note below).

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NOTE 4 – CONVERTIBLE DEBENTURES AND NOTES PAYABLE (continued)

On February 4, 2010 the Company had entered into securities purchase agreement with an accredited investor pursuant to which the Company agreed to issue \$200,000 of its 6% convertible debentures for an aggregate purchase price of \$200,000. The debenture bears interest at 6% per annum and matures twenty-four months from the date of issuance. The debenture is convertible at the option of the holder at any time into shares of common stock, at an initial conversion price equal to the lesser of (i) \$0.05 per share or (ii) until the eighteen (18) month anniversary of the debenture, the lowest price paid per share or the lowest conversion price per share in a subsequent sale of the Company's equity and/or convertible debt securities paid by investors after the date of the debenture. In connection with the agreement, the investor received a warrant to purchase 4,000,000 shares of the Company's common stock. The warrant is exercisable for a period of five years from the date of issuance at an initial exercise price of \$0.05, subject to adjustment in certain circumstances. The Investor may exercise the warrant on a cashless basis if the fair market value (as defined in the warrant) of one share of common stock is greater than the Initial Exercise Price. In accordance with ASC 470-20-25, the convertible debentures were considered to have an embedded beneficial conversion feature because the effective conversion price was less than the fair value of the Company's common stock.

These convertible debentures were fully convertible at the issuance date thus the value of the beneficial conversion and the warrants were treated as a discount on the 6% senior convertible debentures and were valued at \$200,000 to be amortized over the debenture term. The fair value of this warrant was estimated on the date of grant using the Black-Scholes option-pricing model using the following weighted-average assumptions: expected dividend yield of 0%; expected volatility of 219%; risk-free interest rate of 2.29% and an expected holding period of five years. The Company paid a legal fee of \$12,500 in connection with this debenture.

Accordingly, the Company recorded debt issuance cost of \$12,500 which will be amortized over the term of the debenture. For the nine months ended September 30, 2012 and 2011, amortization of debt issuance cost amounted to \$517 and \$4,689, respectively, and is included in interest expense. As a result of the Merger with EClips Media on March 16, 2010, the new conversion price of this debenture is equivalent to \$0.025 and the warrants increased to 8,000,000 shares of the Company's common stock.

On February 4, 2010, the Company had amended the 6% senior convertible debentures agreement dated December 17, 2009 with a principal amount of \$75,000. Pursuant to the terms of the original agreement, the investor was granted the right to receive the benefit of any more favorable terms or provisions provided to subsequent investors for a period of 18 months following the closing of the transaction. As a result of the issuance of the \$200,000 note payable above, the investor was issued a debenture in the aggregate principal amount of \$75,000 and received a warrant to purchase 1,500,000 shares of the Company's common stock on the same terms and conditions as previously described. The original debenture was cancelled. These warrants were treated as an additional discount on the 6% senior convertible debentures amounting to \$7,610 to be amortized over the debenture term. The fair value of this warrant was estimated on the date of grant using the Black-Scholes option-pricing model using the following weighted-average assumptions: expected dividend yield of 0%; expected volatility of 219%; risk-free interest rate of 2.29% and an expected holding period of five years. As a result of the Merger with EClips Media on March 16, 2010, the new conversion price of this debenture was equivalent to \$0.025 and the warrants increased to 3,000,000 shares of the Company's common stock.

During 2010, in a private equity transaction, a shareholder of the Company transferred 3,000,000 shares of the Company's common stock he owned to the holder of this senior convertible debentures amounting to \$75,000. As a

result of this private equity transaction and pursuant to a release notice agreement, the Company was released from this senior convertible debenture. During fiscal 2010, the Company cancelled such debenture and recognized capital contribution of \$75,000 to additional paid in capital.

Between March 2010 and June 2010, the Company had entered into securities purchase agreements with accredited investors pursuant to which the Company agreed to issue an aggregate of \$750,000 of its 6% senior convertible debentures with the same terms and conditions of the debentures issued on February 4, 2010. In connection with the Agreement, the Investors received warrants to purchase 30,000,000 shares of the Company's common stock. The warrants are exercisable for a period of five years from the date of issuance at an initial exercise price of \$0.025, subject to adjustment in certain circumstances. In accordance with ASC 470-20-25, the convertible debentures were considered to have an embedded beneficial conversion feature because the effective conversion price was less than the fair value of the Company's common stock. These convertible debentures were fully convertible at the issuance date thus the value of the beneficial conversion and the warrants were treated as a discount on the 6% senior convertible debentures and were valued at \$750,000 to be amortized over the debenture term. The fair value of this warrant was estimated on the date of grant using the Black-Scholes option-pricing model using the following weighted-average assumptions: expected dividend yield of 0%; expected volatility of 211%; risk-free interest rate of 2.43% and an expected holding period of five years.

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NOTE 4 – CONVERTIBLE DEBENTURES AND NOTES PAYABLE (continued)

In January 2011, two note holders (the “Assignors”) of the Company’s 6% convertible debentures entered into an Assignment agreement with an unrelated party (the “Assignee”) whereby the Assignors assigned a total principal amount of \$250,000 of the convertible debentures (the “Assigned Debenture”) and 5,000,000 warrants (the “Assigned Warrants”) (the Assigned Debenture and the Assigned Warrants collectively, the “Assigned Securities”). The Assignee purchased the Assigned Securities for \$300,000. Contemporaneously with the closing of this agreement, the Assignee converted the Assigned Debenture into shares of the Company’s common stock and exercised the Assigned Warrants for total net proceeds of \$125,000 to the Company. The Company issued 10,000,000 shares in connection with the conversion of the Assigned Debenture and 5,000,000 shares in connection with the exercise of the Assigned Warrants. The fair value of such shares issued amounted to \$0.025 per share.

In April 2011, a note holder (the “Assignor”) of the Company’s 6% convertible debentures entered into an Assignment agreement with two unrelated parties (the “Assignees”) whereby the Assignor assigned a total principal amount of \$125,000 of the convertible debentures (the “Assigned Debenture”). The Assignees purchased the Assigned Debenture for \$125,000. Contemporaneously with the closing of this agreement, the Assignees converted the Assigned Debenture into shares of the Company’s common stock. The Company issued 5,000,000 shares in connection with the conversion of the Assigned Debenture. The fair value of such shares issued amounted to \$0.025 per share.

Between January 2011 and June 2011, BIG has paid approximately \$95,000 in connection with the spinoff agreement entered into during fiscal 2010 and such amount reduced the principal balance of the outstanding convertible debentures held by the Company’s debenture holders and recognized capital contribution of \$95,000 to additional paid in capital.

In December 2011, the note holders of the Company’s 6% convertible debentures converted a total principal amount of \$325,000 of the convertible debentures into common stock. The Company issued 13,000,000 shares in connection with the conversion of these convertible debentures. The fair value of such shares issued amounted to \$0.025 per share.

On February 7, 2012, the note holders of the Company’s 6% convertible debentures converted a total principal amount of \$55,000 of the convertible debentures into common stock. The Company issued 2,200,000 shares in connection with the conversion of these convertible debentures. The conversion price of such shares issued amounted to \$0.025 per share.

On May 9, 2012, the Company entered into securities purchase agreement with an accredited investor pursuant to which the Company agreed to issue \$37,500 of its 6% convertible debentures for an aggregate purchase price of \$37,500. The debenture bears interest at 6% per annum and matures twenty-four months from the date of issuance. The debenture is convertible at the option of the holder at any time into shares of common stock, at an initial conversion price equal to the lesser of (i) \$0.05 per share or (ii) until the eighteen (18) month anniversary of the debenture, the lowest price paid per share or the lowest conversion price per share in a subsequent sale of the Company’s equity and/or convertible debt securities paid by investors after the date of the debenture. In connection with the agreement, the investor received a warrant to purchase 750,000 shares of the Company’s common stock. The warrant is exercisable for a period of five years from the date of issuance at an initial exercise price of \$0.05, subject to adjustment in certain circumstances. The investor may exercise the warrant on a cashless basis if the fair market

value (as defined in the warrant) of one share of common stock is greater than the initial exercise price.

In accordance with ASC 470-20-25, the convertible debentures were considered to have an embedded beneficial conversion feature because the effective conversion price was less than the fair value of the Company's common stock. In accordance with ASC 470-20-25, the convertible debentures were considered to have an embedded beneficial conversion feature because the effective conversion price was less than the fair value of the Company's common stock. These convertible debentures were fully convertible at the issuance date thus the value of the beneficial conversion and the warrants were treated as a discount on the 6% convertible debentures and were valued at \$37,500 to be amortized over the debenture term. The fair value of this warrant was estimated on the date of grant using the Black-Scholes option-pricing model using the following weighted-average assumptions: expected dividend yield of 0%; expected volatility of 241%; risk-free interest rate of 0.77% and an expected holding period of five years.

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NOTE 4 – CONVERTIBLE DEBENTURES AND NOTES PAYABLE (continued)

In accordance with ASC Topic 815 “Derivatives and Hedging”, the convertible debentures above included a down-round provision under which the conversion price could be affected by future equity offerings. Instruments with down-round protection are not considered indexed to a company’s own stock under ASC Topic 815, because neither the occurrence of a sale of common stock by the company at market nor the issuance of another equity-linked instrument with a lower strike price is an input to the fair value of a fixed-for-fixed option on equity shares. During fiscal year 2011, the down-round provisions for convertible debentures and warrants that were issued during fiscal 2010 were terminated after 18 months from such issuance pursuant to the Debenture agreement and thus no longer considered derivatives. However, the down-round provisions for convertible debentures and warrants that were issued in May 2012 are considered derivative as of September 30, 2012 (see Note 8).

Convertible Notes Payable

On February 29, 2012, the Company entered into note purchase agreements with certain investors whereby it sold an aggregate of \$105,882 of convertible promissory notes at an aggregate purchase price of \$90,000. These investors include Daniel Bleak and several of the Company’s existing shareholders. Unless earlier converted or immediately due and payable upon an event of default, the notes shall mature on February 28, 2013. The Company acknowledges and agrees that this note was issued at an original issue discount. No regularly scheduled interest payments shall be paid on this note. Except as otherwise set forth in this note, the Company may not prepay any portion of the principal amount of this note without the prior written consent of the note holders.

The face value of each note may be converted at the holder’s option, in whole or in part, at any time at least three months following the date of issuance into shares of the Company’s common stock at a conversion price of \$0.05 per share, shall be subject to adjustment in the case of stock splits, reclassifications, reorganizations, and mergers or consolidations upon issuances at less than the conversion price. Further, at any time prior to the maturity date or conversion as set forth in the prior sentence, the face value of each Note shall be exchanged into the applicable dollar amount of equity securities issued by the Company in a subsequent financing of at least \$1,000,000 at a conversion price of \$0.05 per share of the Company’s common stock. Until such time that the notes are no longer outstanding, without the consent of the holders, the Company is prohibited from incurring certain debt, selling any accounts receivable or declaring any dividend. The Company concluded that since these notes do not include a down-round provision under which the conversion price could be affected by future equity offerings, this note was not considered a derivative.

The Company recorded a debt discount of \$15,882 which represents the difference between the principal amount of \$105,882 over the proceeds received or \$90,000. Additionally, in accordance with ASC 470-20-25, the notes were considered to have an embedded beneficial conversion feature because the effective conversion price was less than the fair value of the Company’s common stock. These notes were fully convertible at the issuance date thus the value of the beneficial conversion were treated as a discount and were valued at \$90,000. The total debt discount of \$105,882 shall be amortized over the term of the notes.

At September 30, 2012 and December 31, 2011, convertible debentures and notes payable consisted of the following:

	September 30, 2012	December 31, 2011
Convertible debentures and notes payable	\$243,382	\$155,000
Less: debt discount	(69,118 )	(9,041 )
Convertible debentures and notes payable– net	\$174,264	\$145,959

Total amortization of debt discounts for the convertible debentures amounted to \$83,305 and \$499,304 for the nine months ended September 30, 2012 and 2011, respectively, and is included in interest expense. Accrued interest as of September 30, 2012 and December 31, 2011 amounted to \$77,041 and \$71,305 respectively, and is included in accounts payable and accrued expenses as reflected in the accompanying consolidated balance sheets.



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NOTE 5 - STOCKHOLDERS' DEFICIT

Capital Structure

On March 16, 2010, the Company had filed the Definitive Schedule 14C with the SEC notifying its stockholders that on March 2, 2010, a majority of the voting capital stock of the Company took action in lieu of a special meeting of stockholders authorizing the Company to enter into the Merger Agreement with its then newly-formed wholly-owned subsidiary, EClips Media Technologies, Inc., a Delaware corporation for the purpose of changing the state of incorporation of the Company to Delaware from Florida. Pursuant to the Merger Agreement, the Company had merged with and into EClips Media with EClips Media continuing as the surviving corporation on April 12, 2010.

On the effective date of the Merger, (i) each issued and outstanding share of Common Stock of the Company had been converted into two (2) shares of EClips Media Common Stock, (ii) each issued and outstanding share of Series D Preferred Stock of the Company had been converted into two (2) shares of EClips Media Series A Preferred Stock and (iii) the outstanding share of EClips Media Common Stock held by the Company shall be retired and canceled and shall resume the status of authorized and unissued EClips Media Common Stock. All shares and per share values were retroactively stated at the effective date of merger. Except as otherwise noted, amounts set forth as of September 30, 2012 reflects the effect of the merger.

The authorized capital of the Company consists of 750,000,000 shares of common stock, par value \$0.0001 per share and 10,000,000 shares of preferred stock, par value \$0.0001 per share of which 3,000,000 shares have been designated as series A Preferred Stock.

Each share of Series A Preferred Stock is convertible into one share each of the Company's common stock, subject to equitable adjustments after such events as stock dividends, stock splits or fundamental corporate transactions. The holders of the Company's Series A Preferred Stock are entitled to 250 votes for each share of Series A Preferred Stock owned at the record date for the determination of shareholders entitled to vote, or, if no record date is established, at the date such vote is taken or any written consent of shareholders is solicited. In the event of a liquidation, dissolution or winding up of our business, the holder of the Series A Preferred Stock would have preferential payment and distribution rights over any other class or series of capital stock that provide for Series A Preferred Stock's preferential payment and over the Company's common stock. The Series A Preferred stock does not include any mandatory redeemable provisions.

Common Stock

On February 7, 2012, the note holders of the Company's 6% convertible debentures converted a total principal amount of \$55,000 of the convertible debentures into common stock. The Company issued 2,200,000 shares in connection with the conversion of these convertible debentures. The conversion price of such shares issued amounted to \$0.025 per share.

On February 21, 2012, the Company entered into a stock option cancellation agreement (the "Cancellation Agreement") with Daniel Bleak, pursuant to which the stock option (the "Option") to purchase 30,000,000 shares of common stock granted on May 2, 2011 to Mr. Bleak in connection with his appointment as the Chairman and Chief Executive Officer of the Company was cancelled. As of the date of the Cancellation Agreement, the entire Option remained

unexercised.

On February 21, 2012 the Company granted Mr. Bleak 25,000,000 restricted shares of common stock as compensation for his continued services. The Company valued these common shares at the fair market value on the date of grant at \$0.14 per share or \$3,500,000.

#### Stock Options

On May 2, 2011, the Board of Directors appointed Daniel Bleak as Chairman and Chief Executive Officer. On May 2, 2011 the Company issued to Daniel Bleak a five year option to purchase 30 million shares of Common Stock. The option may be exercised for cash or shares of Common Stock at an exercise price of \$0.05 per share as defined in the option agreement. The options vest and become exercisable in equal installments of the first three anniversaries of the effective date, provided Mr. Bleak continues to serve the Company as a director on such dates. The option was issued in connection with the appointment of Mr. Bleak as the Chairman and Chief Executive of the Company and the transfer and conveyance of certain silver mining claims owned by Can-Am Gold Corp. whereby its President and sole director is Mr. Bleak. The 30 million options were valued on the grant date at \$0.05 per option or a total of \$1,494,596 using a Black-Scholes option pricing model with the following assumptions: stock price of \$0.05 per share (based on the recent selling price of the Company's common stock), volatility of 259%, expected term of 5 years, and a risk free interest rate of 1.96%.

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## NOTE 5 - STOCKHOLDERS' DEFICIT (continued)

On February 21, 2012, the Company entered into a stock option cancellation agreement (the "Cancellation Agreement") with Daniel Bleak, pursuant to which the stock option to purchase 30 million shares of common stock granted on May 2, 2011 to Mr. Bleak in connection with his appointment as the Chairman and Chief Executive Officer of the Company was cancelled.

For the nine months ended September 30, 2012 and 2011, the Company recorded stock-based compensation expense of \$41,516 and \$207,584.

A summary of the status of the Company's outstanding stock options and changes during the period then ended is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Balance at January 1, 2012	30,000,000	\$0.05	4.58
Granted	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Cancelled	(30,000,000 )	0.05	4.41
Balance outstanding at September 30, 2012	—	\$—	—
Options exercisable at September 30, 2012	—	\$—	
Options expected to vest	—		
Weighted average fair value of options granted during the nine months ended September 30, 2012		\$—	

## Stock Warrants

A summary of the status of the Company's outstanding stock warrants and changes during the period then ended is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2011	36,000,000	\$0.025
Granted	750,000	0.05
Exercised	—	—
Balance at September 30, 2012	36,750,000	\$0.026
Warrants exercisable at September 30, 2012	36,750,000	\$0.026
		\$—

Weighted average fair value of warrants granted during the nine months ended September 30, 2012

The following table summarizes the Company's stock warrants outstanding at September 30, 2012:

Warrants Outstanding			Warrants Exercisable		
Range of Exercise Price	Number Outstanding at September 30, 2012	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at September 30, 2012	Weighted Average Exercise Price
\$0.025	36,000,000	2.31 Years	\$ 0.025	36,000,000	\$ 0.025
0.05	750,000	4.61 Years	0.05	750,000	0.05
\$0.026	36,750,000	2.36 Years	\$ 0.026	36,750,000	\$ 0.026

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NOTE 6 – COMMITMENTS AND CONTINGENCIES

Services and Employee Leasing Agreement

On June 1, 2011, the Company entered into a Services and Employee Leasing Agreement (the “Agreement”) with MJI Resource Management Corp. (“MJI”) pursuant to which the Company agreed to pay MJI \$15,000 a month and MJI agreed to make available to the Company six of its employees, including Mr. Bleak, for the purpose of performing management, operations, legal, accounting and resource location services. On August 1, 2011, the Company amended this Agreement whereby the Company agreed to pay MJI \$25,000 per month. On October 1, 2011, the Company entered into a third amendment of Agreement. Such amendment specifies the services and associated expenses in consideration for \$25,000 a month as defined in the amended Agreement. Associated expenses include general administrative costs, rent, utilities and office supplies. The term of this Agreement shall commence for a period of 5 years. This Agreement may be terminated at any time by either party by giving a written notice to the other party and shall terminate 180 days following the delivery of such notice. Mr. Eckersley, one of the Company’s directors, was the former President of MJI.

Litigation

On January 20, 2012, a default judgment was entered against the Company in the Circuit Court of the Sixth Judicial Circuit in and for Pinellas County, Florida, for the amount of \$47,362 stemming from a complaint filed against us on November 7, 2011 by Brimmer, Burke & Keelan, LLP., for non -payment of accounting services provided to the Company’s predecessor World Energy Solutions, Inc. in 2008. Such amount is included in accounts payable and accrued expenses as reflected in the accompanying consolidated balance sheet.

On March 16, 2012, the Company filed a complaint in the Mohave County Superior Court against John C. Cost and his affiliated entity, Applied Resource Science, to quiet title to the AMY unpatented mining claims at the Company’s COD property. The Company had staked the AMY claims in June 2011 after conducting due diligence to verify that there were no existing mining claims at the COD property. In September 2011, the Company received a letter from Mr. Cost claiming that the Company had overstaked Mr. Cost’s claims. The Company researched Mr. Cost’s claims, and did not find any evidence that he had located the mining claims. The Company believes that Mr. Cost filed location notices with the Bureau of Land Management and back-dated them so as to appear to supersede the Company’s AMY claims.

NOTE 7 – RELATED PARTY TRANSACTIONS

On April 26, 2011, the Company purchased a quitclaim deed for the 76 Property from Can-Am Gold Corp. that conveyed to it all of Can-Am Gold Corp.’s rights, title and interest in 36 unpatented lode mining claims located in Yavapai County, Arizona. The Company paid ten dollars (\$10.00) as consideration for the quitclaim deed. Mr. Bleak, the Company’s current Chief Executive Officer, Chairman and Chief Financial Officer, is the president and sole director of Can-Am Gold Corp.

On June 1, 2011, the Company entered into a one year Services and Employee Leasing Agreement with MJI pursuant to which the Company agreed to pay MJI \$15,000 a month, as adjusted for additional services or upon the termination of the Agreement, and MJI agreed to make available to the Company six of its employees, including Mr. Bleak, for

the purpose of performing management, operations, legal, accounting, and resource location services. The Company also pays the six employees an aggregate of \$11,000 a month. This Agreement may be terminated at any time by either party. On August 1, 2011, the Company amended this Agreement whereby the Company agreed to pay MJI \$25,000 per month, as adjusted for additional services or upon the termination of the Agreement. On October 1, 2011, the Company entered into a third amendment of Agreement. Such amendment specifies the services and associated expenses in consideration for \$25,000 per month (as adjusted for additional services or upon termination of the Agreement) and extends the term of the Agreement to five years. Mr. Eckersley, one of the Company's directors, was the former President of MJI. The Company's operations manager is the current President of MJI. As of September 30, 2012, accounts payable due to MJI amounted to approximately \$649,000. Such amount owed to MJI is in connection with unpaid management fees, accrued salaries for services rendered by MJI's employees and reimbursable expenses paid by MJI for working capital purposes.

On February 29, 2012, the Company entered into note purchase agreements with certain investors whereby it sold an aggregate of \$105,882 of convertible promissory notes at an aggregate purchase price of \$90,000. These investors include Daniel Bleak and several of the Company's existing shareholders (see Note 4).

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NOTE 8 – DERIVATIVE LIABILITIES

In June 2008, a FASB approved guidance related to the determination of whether a freestanding equity-linked instrument should be classified as equity or debt under the provisions of FASB ASC Topic No. 815-40, Derivatives and Hedging – Contracts in an Entity’s Own Stock. The adoption of this requirement will affect accounting for convertible instruments and warrants with provisions that protect holders from declines in the stock price (“down-round” provisions). Warrants with such provisions will no longer be recorded in equity and would have to be reclassified to a liability. The Issue is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Earlier application by an entity that has previously adopted an alternative accounting policy is not permitted.

Instruments with down-round protection are not considered indexed to a company’s own stock under ASC Topic 815, because neither the occurrence of a sale of common stock by the company at market nor the issuance of another equity-linked instrument with a lower strike price is an input to the fair value of a fixed-for-fixed option on equity shares.

ASC Topic 815 guidance is to be applied to outstanding instruments as of the beginning of the fiscal year in which the Issue is applied. The cumulative effect of the change in accounting principle shall be recognized as an adjustment to the opening balance of retained earnings (or other appropriate components of equity) for that fiscal year, presented separately. If an instrument is classified as debt, it is valued at fair value, and this value is re-measured on an ongoing basis, with changes recorded on the statement of operations in each reporting period. The Company did not have outstanding instruments with down-round provisions as of the beginning of fiscal 2009 thus no adjustment will be made to the opening balance of retained earnings.

In connection with the issuance of the 6% convertible debenture in May 2012, the Company has determined that the terms of the convertible debenture include a down-round provision under which the conversion price could be affected by future equity offerings undertaken by the Company until the 18 month anniversary of such convertible debenture (see Note 4). Accordingly, the convertible instrument is accounted for as a liability at the date of issuance and adjusted to fair value through earnings at each reporting date. The Company has recognized a derivative liability of \$156,474 and \$0 at September 30, 2012 and December 31, 2011, respectively. The gain (loss) resulting from the decrease (increase) in fair value of this convertible instrument was \$55,155 and \$(8,648,418) for the nine months ended September 30, 2012 and 2011, respectively. Derivative liability expense was \$174,129 for the nine months ended September 30, 2012.

The Company used the following assumptions for determining the fair value of the convertible instruments granted under the Black-Scholes option pricing model during:

The Nine Months  
 Ended  
 September 30, 2012

Expected volatility	236% - 241%
Expected term	2 Years
Risk-free interest rate	0.17% - 0.77%

Expected dividend yield

0%

NOTE 9 - SUBSEQUENT EVENTS

In November 2012, the Company authorized 4,000,000 shares of Series D Preferred Stock. Each share of Series D Preferred Stock may be converted at any time at the holder's election into 5 shares of the Company's common stock; provided, however, that a holder of the Series D Preferred Shares shall not be entitled to convert shares of Series D Preferred Stock if upon such conversion the number of shares of common stock to be received, together with the number of shares of common stock beneficially owned by the holder and its affiliates on the conversion date, would result in beneficial ownership by the holder and its affiliates of more than 9.99% of the outstanding shares of common stock of the Company on such conversion date.

In November 2012, the Company issued an aggregate of 1,000,000 shares of Series D Preferred Stock to investors for an aggregate purchase price of \$50,000.



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

### Cautionary Notice Regarding Forward Looking Statements

This Report on Form 10-Q and other written and oral statements made from time to time by us may contain so-called "forward-looking statements," all of which are subject to risks and uncertainties. Forward-looking statements can be identified by the use of words such as "expects," "plans," "will," "forecasts," "projects," "intends," "estimates," and other words having similar meaning. One can identify them by the fact that they do not relate strictly to historical or current facts. These statements are likely to address our growth strategy, financial results and product and development programs. One must carefully consider any such statement and should understand that many factors could cause actual results to differ from our forward looking statements. These factors may include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward looking statement can be guaranteed and actual future results may vary materially.

Information regarding market and industry statistics contained in this Report is included based on information available to us that we believe is accurate. It is generally based on industry and other publications that are not produced for purposes of securities offerings or economic analysis. We have not reviewed or included data from all sources, and cannot assure investors of the accuracy or completeness of the data included in this Report. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We do not assume any obligation to update any forward-looking statement. As a result, investors should not place undue reliance on these forward-looking statements.

### Overview

We were incorporated under the name "Swiftly Carwash & Quick-Lube, Inc." in the state of Florida on September 25, 1997. On October 22, 1999, we changed our name from "Swiftly Carwash & Quick-Lube, Inc." to "SwiftlyNet.com, Inc." On January 29, 2001, we changed our name from "SwiftlyNet.com, Inc." to "Yseek, Inc." On June 10, 2003, we changed our name from "Yseek, Inc." to "Advanced 3-D Ultrasound Services, Inc." We merged with World Energy Solutions, Inc., a private Florida corporation, on August 17, 2005. Advanced 3D Ultrasound Services, Inc. remained as the surviving entity and legal acquirer, and World Energy Solutions, Inc. was the accounting acquirer. On November 7, 2005, we changed our name to "World Energy Solutions, Inc." and merged with Professional Technical Systems, Inc. We remained as the surviving entity and legal acquirer, while Professional Technical Systems, Inc. was the accounting acquirer. On February 26, 2009, we changed our name to "EClips Energy Technologies, Inc." For the purpose of changing our state of incorporation to Delaware, we had merged with and into our then newly-formed wholly-owned subsidiary, EClips Media Technologies, Inc. on April 21, 2010, with EClips Media Technologies, Inc. continuing as the surviving corporation. Effective April 25, 2011, we changed our name to "Silver Horn Mining Ltd." from "EClips Media Technologies, Inc." pursuant to Section 253 of the Delaware General Corporation Law by merging a newly-formed, wholly-owned subsidiary of ours with and into the Company, with the Company as the surviving corporation in the merger.

Upon the appointment of Daniel Bleak as our Chief Executive Officer and Chairman on May 2, 2011, we focused our business efforts on the acquisition and exploration of properties that may contain mineral resources, principally silver. Our target properties are those that have been the subject of historical exploration or previous production. We have filed federal unpatented lode mining claims in Arizona for the purpose of exploration and potential development of silver on a total of approximately 1,000 acres. We plan to review opportunities to acquire additional mineral properties with current or historic silver mineralization with meaningful exploration potential. As a result of our focus on mineral exploration, we are considered an exploration stage company.

Our properties do not have any reserves. We plan to conduct exploration programs on these properties with the objective of ascertaining whether any of our properties contain concentrations of silver that are prospective for mining.

#### Recent Events

Effective April 25, 2011, we changed our name to “Silver Horn Mining Ltd.” from “EClips Media Technologies, Inc.” Effective April 27, 2011, our common stock began trading under a new symbol, “SILV”, on the OTC Bulletin Board. Until such date, our common stock traded under the symbol “EEMT”. On May 2, 2011, our Board of Directors appointed Daniel Bleak, Can-Am Gold Corp.’s President and sole director, as Chairman and Chief Executive Officer. Upon the effectiveness of Mr. Bleak’s appointment, we commenced focusing our business efforts on mining and resources, principally silver exploration and production.

For the nine months ended September 30, 2012, we had a net loss of approximately \$4.6 million, and net cash used in operations of \$142,000. At September 30, 2012, we had a working capital deficiency of approximately \$1.5 million. Additionally, at September 30, 2012, we had an accumulated deficit of approximately \$49 million and stockholder's deficit of \$1.5 million. These matters and our expected needs for capital investments required to support operational growth raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments to reflect the possible effects on recoverability and classification of assets or the amounts and classification of liabilities that may result from our inability to continue as a going concern.

#### Critical Accounting Policies and Estimates

Our financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by management's applications of accounting policies. Critical accounting policies for our company include accounting for derivative liabilities and stock based compensation.

#### Stock Based Compensation

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment Topic of ASC 718 which requires recognition in the consolidated condensed financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

Pursuant to ASC Topic 505-50, for share-based payments to consultants and other third-parties, compensation expense is determined at the "measurement date." The expense is recognized over the vesting period of the award. Until the measurement date is reached, the total amount of compensation expense remains uncertain. The Company initially records compensation expense based on the fair value of the award at the reporting date.

#### Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of financial condition, and revenues and expenses for the years then ended. Actual results may differ significantly from those estimates. Significant estimates made by management include, but are not limited to, the assumptions used to calculate stock-based compensation, derivative liabilities, debt discount and common stock issued for services.

#### Exploration Stage Company

The Company has been in the exploration stage since April 25, 2011 and has not yet realized any revenues from its planned operations. The Company intends to focus on acquiring and exploring natural resource properties. Accordingly, the Company is an exploration stage company as defined in ASC 915 "Development Stage Entities".

#### Mineral Property Acquisition and Exploration Costs

Costs of lease, exploration, carrying and retaining unproven mineral lease properties are expensed as incurred. The Company has chosen to expense all mineral exploration costs as incurred given that it is still in the exploration stage. Once the Company has identified proven and probable reserves in its investigation of its properties and upon

development of a plan for operating a mine, it would enter the development stage and capitalize future costs until production is established. When a property reaches the production stage, the related capitalized costs will be amortized, using the units-of-production method over the estimated life of the probable-proven reserves. When the Company has capitalized mineral properties, these properties will be periodically assessed for impairment of value and any diminution in value. To date, the Company has not established the commercial feasibility of any exploration prospects; therefore, all costs are being expensed.

## Results of Operations

Three and nine months ended September 30, 2012 compared to three and nine months ended September 30, 2011

**Net Revenues.** We have not generated revenues during the three and nine months ended September 30, 2012 and 2011.

**Operating Expenses.** Total operating expenses for the nine months ended September 30, 2012 were \$4,393,486, an increase of \$2,839,297, or approximately 183%, from total operating expenses for the nine months ended September 30, 2011 of \$1,554,189. Total operating expenses for the three months ended September 30, 2012 were \$312,494, a decrease of \$231,526, or approximately 43%, from total operating expenses for the three months ended September 30, 2011 of \$544,020. This increase (decrease) is primarily attributable to:

Payroll and stock based compensation expenses were \$3,801,111 and \$321,709 for the nine months ended September 30, 2012 and 2011, respectively, an increase of \$3,479,402 or 1,082%. Payroll and stock based compensation expenses were \$86,937 and \$206,676 for the three months ended September 30, 2012 and 2011, respectively, a decrease of \$119,739 or 58%. The increase during the nine months ended September 30, 2012 was primarily attributable to the 25 million shares of our common stock issued to Mr. Bleak as compensation for his continued services valued at \$3,500,000. The decrease during the three months ended September 30, 2012 was primarily attributable to the recognition of stock based compensation in connection with vested options granted to Mr. Bleak in May 2011. Such options were cancelled in February 2012.

Exploration costs were \$83,701 and \$124,912 for the nine months ended September 30, 2012 and 2011, respectively, a decrease of \$41,211. Exploration costs were \$43,165 and \$63,292 for the three months ended September 30, 2012 and 2011, respectively, a decrease of \$20,127. Exploration cost includes costs of lease, exploration, carrying and retaining unproven mineral lease properties. The Company has chosen to expense all mineral acquisition and exploration costs as incurred given that it is still in the exploration stage. The decrease is primarily attributable to the decrease in geologist, consulting and research exploration expenses as a result of limited working capital.

Impairment of mineral rights was \$0 and \$500,000 for the nine months ended September 30, 2012 and 2011, respectively, a decrease of \$500,000. We did not have a comparable expense during the nine months ended September 30, 2012.

Professional and consulting expenses were \$200,480 and \$395,249 for the nine months ended September 30, 2012 and 2011, respectively, a decrease of \$194,769 or 49%. Professional and consulting expenses were \$91,169 and \$131,155 for the three months ended September 30, 2012 and 2011, respectively, a decrease of \$39,986 or 30%. Professional expenses were incurred for our audits and public filing requirements. The decrease was primarily attributable to the decrease in legal fees for the three and nine months period ended September 30, 2012.

General and administrative expenses, which consist of office expenses, insurance, rent and general operating expenses totaled \$308,194 for the nine months ended September 30, 2012, as compared to \$212,319 for the nine months ended September 30, 2011, an increase of \$95,875 or 45%. General and administrative expenses totaled \$91,223 for the three months ended September 30, 2012, as compared to \$142,897 for the three months ended September 30, 2011, a decrease of \$51,674 or 36%. The overall increase in general and administrative expenses during the nine months ended September 30, 2012 is primarily attributable to management fees which were incurred pursuant to the Services and Employee Leasing Agreement with MJI Resource Management Corp. during the nine months ended September 30, 2012. The overall decrease during the three months ended September 30, 2012 is primarily attributable to a decrease in business travel related expenses. We expect general and administrative expenses to increase for the remainder of our current fiscal year due to such Services and Employee Leasing Agreement.

Total Other Expense. Our total other expenses during the three and nine months ended September 30, 2012 primarily included expenses associated with interest expense.

#### Change in Fair Value of Derivative Liabilities and Derivative Liabilities Expense

We recorded derivative liability in connection with the issuance of convertible debentures and warrants. Change in fair value of derivative liabilities expense consisted of income or expense associated with the change in the fair value of derivative liabilities as a result of the application of ASC 815-40 to our financial statements. The Company recognized a derivative liability expense of \$174,129 during the nine months ended September 30, 2012 upon issuance of the convertible debentures and warrants. The variation in fair value of the derivative liabilities between measurement dates amounted to an increase (decrease) of \$(55,155) and \$8,648,418 during the nine months ended September 30, 2012 and 2011, respectively. The variation in fair value of the derivative liabilities between measurement dates amounted to an increase (decrease) of \$(10,420) and \$(4,413,763) during the three months ended September 30, 2012 and 2011, respectively. The increase/decrease in fair value of the derivative liabilities had been recognized as other expense/income. The Company recorded derivative liabilities as a result of the issuance of the convertible debenture in May 2012 and will continue to recognize derivative liabilities until 18 months after such issuance pursuant to the terms of the convertible debentures.

### Interest Expense, Net

Interest expense consists primarily of interest recognized in connection with the amortization of debt discount, amortization of debt issuance cost and interest on our convertible debentures. The decrease in interest expense when compared to the same period in 2011 is primarily attributable to the decrease in amortization of the debt discount by approximately \$ 15,000 and \$415,000 during the three and nine months ended September 30, 2012 associated with the 6% convertible debenture.

### Loss from Operations

We recorded loss from operations of \$4,393,486 for the nine months ended September 30, 2012 as compared to \$1,554,189 for the nine months ended September 30, 2011. We recorded loss from operations of \$312,494 for the three months ended September 30, 2012 as compared to \$544,020 for the three months ended September 30, 2011.

### Net Income (Loss)

We recorded net income (loss) of \$(4,602,018) for the nine months ended September 30, 2012 as compared to \$(10,700,857) for the nine months ended September 30, 2011. As a result of the factors described above, our income (loss) from continuing operations per share (basic and diluted) for the nine months ended September 30, 2012 and 2011 were \$(0.02) and \$(0.05) per share, respectively. We recorded net income (loss) of \$(340,000) for the three months ended September 30, 2012 as compared to \$3,800,428 for the three months ended September 30, 2011. As a result of the factors described above, our income (loss) from continuing operations per share (basic and diluted) for the three months ended September 30, 2012 and 2011 were \$(0.00) and \$0.02 per share, respectively.

### Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. At September 30, 2012, we had a cash balance of \$63. Our working capital deficit is \$1,548,757 at September 30, 2012. We reported a net loss of \$4,602,018 during the nine months ended September 30, 2012. We do not anticipate we will be profitable in the rest of fiscal 2012.

We reported a net decrease in cash for the nine months ended September 30, 2012 of \$14,984. At September 30, 2012 we owed \$243,382 (before debt discount) under various convertible debentures and notes payable. During the nine months ended September 30, 2012, we have raised net proceeds of \$127,500 from the issuance of convertible debenture and notes payable. We do not presently have any external sources of working capital.

We do not have revenues to fund our operating expenses. We presently do not have any available credit, bank financing or other external sources of liquidity. We will need to obtain additional capital in order to expand operations and become profitable. In order to obtain capital, we may need to sell additional shares of our common stock or borrow funds from private lenders. There can be no assurance that we will be successful in obtaining additional funding. Additional capital is being sought, but we cannot guarantee that we will be able to obtain such investments. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. However, the trading price of our common stock could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses or experience unexpected cash requirements that would force us to seek alternative financing. Furthermore, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. If additional financing is not available or is not available on acceptable terms, we will have to curtail our operations and possibly cease operations.





## Operating Activities

Net cash flows used in operating activities for the nine months ended September 30, 2012 amounted to \$142,484 and were primarily attributable to our net losses of \$4,602,018, offset by amortization of debt discount and debt issuance costs of \$83,822, stock based compensation of \$3,541,516, derivative liability expense of \$174,129, total changes in assets and liabilities of \$715,222 offset by change in fair value of derivative liabilities of \$55,155. These changes in assets and liabilities are primarily attributable to a decrease in prepaid expenses of \$24,445, and increase in accounts payable and accrued expenses of \$690,777.

Net cash flows used in operating activities for the nine months ended September 30, 2011 amounted to \$572,761 and were primarily attributable to our net losses of \$10,700,857, offset by amortization of debt discount and debt issuance costs of \$503,993, change in fair value of derivative liabilities of \$8,648,418, amortization of prepaid expenses of \$118,978, stock based compensation of \$207,584, impairment of mineral rights of \$500,000, total changes in assets and liabilities of \$177,367 and add back gain from settlement of debt of \$28,244.

## Financing Activities

Net cash flows provided by financing activities were \$127,500 for the nine months ended September 30, 2012. We received net proceeds from issuance of notes payable of \$127,500. Net cash flows provided by financing activities were \$675,000 for the nine months ended September 30, 2011. We received net proceeds from exercise of stock warrants of \$125,000 and sale of our stocks of \$550,000.

## Debenture Financing and Notes Payable

Between December 2009 and June 2010 we entered into various securities purchase agreements with accredited investors pursuant to which we agreed to issue an aggregate of \$1,025,000 of our 6% convertible debentures for an aggregate purchase price of \$1,025,000. The debentures had an interest rate of 6% per annum and matured two years from the dates of issuance. The debentures were convertible at the option of the holder at any time into shares of common stock, at a conversion price equal to the lesser of (i) \$0.025 per share or (ii) until the 18 month anniversary of the debenture, the lowest price paid per share or the lowest conversion price per share in a subsequent sale of our equity and/or convertible debt securities paid by investors after the date of the debenture. In connection with the agreements, the investors received an aggregate of 41,000,000 warrants to purchase shares of our common stock. The warrants are exercisable for a period of five years from the dates of issuance at an exercise price of \$0.025, subject to adjustment in certain circumstances. Warrant holders may exercise the warrant on a cashless basis if the fair market value (as defined in the warrant) of one share of common stock is greater than the initial exercise price.

On February 29, 2012, we entered into note purchase agreements with certain investors whereby we sold an aggregate of \$105,882 of convertible promissory notes at an aggregate purchase price of \$90,000. These investors include Daniel Bleak and several of the Company's existing shareholders. Unless earlier converted or immediately due and payable upon an event of default, the notes shall mature on February 28, 2013. We acknowledge and agree that this note was issued at an original issue discount. No regularly scheduled interest payments shall be paid on this note. Except as otherwise set forth in this note, we may not prepay any portion of the principal amount of this note without the prior written consent of the note holders. The face value of each note may be converted at the holder's option, in whole or in part, at any time at least three months following the date of issuance into shares of the Company's common stock at a conversion price of \$0.05 per share and shall be subject to adjustment in the case of stock splits, reclassifications, reorganizations, and mergers or consolidations upon issuances at less than the conversion price. Further, at any time prior to the maturity date or conversion as set forth in the prior sentence, the face value of each note shall be exchanged into the applicable dollar amount of equity securities issued by the Company in a subsequent financing of at least \$1,000,000 at a conversion price of \$0.05 per share of the Company's common stock. Until such

time that the notes are no longer outstanding, without the consent of the holders, the Company is prohibited from incurring certain debt, selling any accounts receivable or declaring any dividend.

On May 9, 2012 we entered into securities purchase agreement with an accredited investor pursuant to which we agreed to issue \$37,500 of our 6% convertible debentures for an aggregate purchase price of \$37,500. The debenture bears interest at 6% per annum and matures twenty-four months from the date of issuance. The debenture is convertible at the option of the holder at any time into shares of common stock, at an initial conversion price equal to the lesser of (i) \$0.05 per share or (ii) until the eighteen (18) month anniversary of the debenture, the lowest price paid per share or the lowest conversion price per share in a subsequent sale of the Company's equity and/or convertible debt securities paid by investors after the date of the debenture. In connection with the Agreement, the investor received a warrant to purchase 750,000 shares of the Company's common stock. The warrant is exercisable for a period of five years from the date of issuance at an initial exercise price of \$0.05, subject to adjustment in certain circumstances. The investor may exercise the warrant on a cashless basis if the fair market value (as defined in the warrant) of one share of common stock is greater than the initial exercise price.

At September 30, 2012, we owed \$100,000 under these convertible debentures and \$143,382 under these notes for a total debt of \$243,382.

### Contractual Obligations

We have certain fixed contractual obligations and commitments that include future estimated payments. Changes in our business needs, cancellation provisions, changing interest rates, and other factors may result in actual payments differing from the estimates. We cannot provide certainty regarding the timing and amounts of payments. We have presented below a summary of the most significant assumptions used in our determination of amounts presented in the tables, in order to assist in the review of this information within the context of our consolidated financial position, results of operations, and cash flows.

The following tables summarize our contractual obligations as of September 30, 2012.

#### Payments Due by Period

	Total	Less than 1 year	1-3 Years	4-5 Years	5 Years +
Contractual Obligations:					
Convertible debenture – and notes payable	\$ 243,382	\$ 243,382	\$ —	\$ —	\$ —
Total Contractual Obligations:	\$ 243,382	\$ 243,382	\$ —	\$ —	\$ —

#### Off-balance Sheet Arrangements

We have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as stockholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity.

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

Not required for smaller reporting companies.

#### Item 4. Controls and Procedures.

##### Disclosure Controls and Procedures.

We maintain “disclosure controls and procedures,” as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its

judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

With respect to the quarterly period ending September 30, 2012, under the supervision and with the participation of our management, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures. Based upon this evaluation, our management has concluded that our disclosure controls and procedures were not effective as of September 30, 2012 due to our limited internal resources and lack of ability to have multiple levels of transaction review. However, to the extent possible, we will implement procedures to assure that the initiation of transactions, the custody of assets and the recording of transactions will be performed by separate individuals. We believe that the foregoing steps will remediate the significant deficiency identified above, and we will continue to monitor the effectiveness of these steps and make any changes that our management deems appropriate.

Management is in the process of determining how best to change our current system and implement a more effective system to insure that information required to be disclosed in this quarterly report on Form 10-Q has been recorded, processed, summarized and reported accurately. Our management acknowledges the existence of this problem, and intends to develop procedures to address them to the extent possible given limitations in financial and manpower resources. While management is working on a plan, no assurance can be made at this point that the implementation of such controls and procedures will be completed in a timely manner or that they will be adequate once implemented.

#### Changes in Internal Controls.

There have been no changes in our internal control over financial reporting during the three months ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

On January 20, 2012, a default judgment was entered against us in the Circuit Court of the Sixth Judicial Circuit in and for Pinellas County, Florida, for the amount of \$47,362.29 stemming from a complaint filed against us on November 7, 2011 by Brimmer, Burke & Keelan, L.L.P., alleging non-payment for accounting services provided to our predecessor World Energy Solutions, Inc. in 2008. Such amount is included in accounts payable and accrued expenses as reflected in the accompanying consolidated balance sheet.

On March 16, 2012, the Company filed a complaint in the Mohave County Superior Court against John C. Cost and his affiliated entity, Applied Resource Science, to quiet title to the AMY unpatented mining claims at the Company's COD property. The Company had staked the AMY claims in June 2011 after conducting due diligence to verify that there were no existing mining claims at the COD property. In September 2011, the Company received a letter from Mr. Cost claiming that the Company had overstaked Mr. Cost's claims. The Company researched Mr. Cost's claims, and did not find any evidence that he had located the mining claims. The Company believes that Mr. Cost filed location notices with the Bureau of Land Management and back-dated them so as to appear to supersede the Company's AMY claims.

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

None.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

The Company does not have active mining operations at this time.

### Item 5. Other Information.

None.

### Item 6. Exhibits.

- 31.1 Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002\*
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002\*

- 101.ins XBRL Instance Document\*\*
- 101.sch XBRL Taxonomy Schema Document\*\*
- 101.cal XBRL Taxonomy Calculation Document\*\*
- 101.def XBRL Taxonomy Linkbase Document\*\*
- 101.lab XBRL Taxonomy Label Linkbase Document\*\*
- 101.pre XBRL Taxonomy Presentation Linkbase Document\*\*

\* Filed herein

\*\* In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Amendment to our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012 shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SILVER HORN MINING LTD.

Date: November 15, 2012

By:

/s/ Daniel Bleak

Daniel Bleak

Chief Executive Officer and Chief Financial  
Officer

(Principal Executive Officer, Principal  
Financial and Accounting Officer)