

SILVER HORN MINING LTD.
Form 10-Q
May 20, 2013

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 March 31, 2013

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

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

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

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

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 May 20, 2013, 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
 March 31, 2013

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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.

PART 1: FINANCIAL INFORMATION

Item 1. Financial Statements.

SILVER HORN MINING LTD. AND SUBSIDIARIES
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2013 AND DECEMBER 31, 2012

	2013 Unaudited	2012 Audited
ASSETS		
CURRENT ASSETS:		
Cash	\$20	\$20
Prepaid expenses	2,000	7,500
Total Assets	\$2,020	\$7,520
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$513,566	\$492,766
Accounts payable - related party	994,974	849,170
Convertible debentures and notes payable, net of debt discounts	237,132	210,110
Derivative liabilities	35,742	50,888
Liabilities for discontinued operations	112,397	112,397
Total Liabilities	1,893,811	1,715,331
STOCKHOLDERS' DEFICIT:		
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	-	-
Series D, 1,000,000 issued and outstanding	100	100
Common stock; \$0.0001 par value; 750,000,000 shares authorized; 253,033,555 shares issued and outstanding	25,303	25,303
Additional paid-in capital	47,859,648	47,859,648
Accumulated deficit	(41,947,270)	(41,947,270)
Accumulated deficit since inception of exploration stage (April 25, 2011)	(7,829,872)	(7,645,892)
Total Stockholders' Deficit	(1,891,791)	(1,707,811)
Total Liabilities and Stockholders' Deficit	\$2,020	\$7,520

See accompanying notes to condensed consolidated financial statements.

SILVER HORN MINING LTD. AND SUBSIDIARIES
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012, AND FOR THE PERIOD
FROM INCEPTION OF EXPLORATION STAGE (APRIL 25, 2011) TO MARCH 31, 2013
(Unaudited)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	Period from Inception of Exploration stage (April 25, 2011) through March 31, 2013
Net revenues	\$-	\$-	\$-
Operating expenses:			
Payroll expense and stock based compensation	70,804	3,627,912	4,456,222
Management fees - related party	75,000	75,000	375,000
Exploration cost	5,000	10,949	277,195
Impairment of mineral rights	-	-	500,000
Professional and consulting	11,599	70,987	600,618
General and administrative expenses	7,618	24,381	423,743
Total operating expenses	170,021	3,809,229	6,632,778
Loss from operations	(170,021)	(3,809,229)	(6,632,778)
Other income (expense)			
Interest expense, net	(29,106)	(20,221)	(517,913)
Derivative liability expense	-	-	(174,128)
Change in fair value of derivative liabilities	15,147	-	(505,053)
Total other expense, net	(13,959)	(20,221)	(1,197,094)
Loss before provision for income taxes	(183,980)	(3,829,450)	(7,829,872)
Provision for income taxes	-	-	-
Net loss	\$(183,980)	\$(3,829,450)	\$(7,829,872)
NET LOSS PER COMMON SHARE:			
Basic and Diluted	(0.001)	\$(0.02)	
WEIGHTED AVERAGE COMMON SHARES			

OUTSTANDING - Basic and Diluted	253,033,555	181,649,788
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See accompanying notes to condensed consolidated financial statements.

SILVER HORN MINING LTD. AND SUBSIDIARIES
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012, AND FOR THE PERIOD
FROM INCEPTION OF EXPLORATION STAGE (APRIL 25, 2011) TO MARCH 31, 2013
(Unaudited)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	Period from Inception of Exploration stage (April 25, 2011) through March 31, 2013
Cash flows from operating activities:			
Net loss	\$(183,980)	\$(3,829,450)	\$(7,829,872)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of prepaid expenses	-	-	95,034
Amortization of debt issuance costs	-	517	5,206
Amortization of debt discount	27,019	17,865	480,983
Impairment of mineral rights	-	-	500,000
Derivative liability expense	-	-	174,128
Change in fair value of derivative liabilities	(15,146)	-	505,054
Stock based consulting	-	-	130,000
Stock based compensation expense	-	41,516	373,648
Common stock issued for services	-	3,500,000	3,500,000
Decrease in:			
Prepaid expense	5,500	18,598	9,141
Increase in:			
Accounts payable and accrued expenses	166,607	156,576	1,272,867
Net cash used in operating activities	-	(94,378)	(783,811)
Cash flows from financing activities:			
Proceeds from issuance of preferred stock	-	-	50,000
Proceeds from issuance of common stock	-	-	550,000
Net proceeds from debentures	-	90,000	127,500
Net cash provided by financing activities	-	90,000	727,500
Net decrease in cash	-	(4,378)	(56,311)

Cash, beginning of period	20	15,047	56,331
Cash, end of period	\$20	\$10,669	\$20

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for:

Interest	\$-	\$-	\$-
Income Taxes	\$-	\$-	\$-

Supplemental disclosure of non-cash investing and financing activities:

Contributed capital in connection with an extinguishment of a convertible debenture	\$-	\$47,500	\$31,666
Issuance of common stock for convertible debentures	\$-	\$250,000	\$505,000
Issuance of common stock for accrued director's fees	\$-	\$10,000	\$-
Reclassification of derivative liability to equity	\$-	\$3,195,270	\$9,662,196
Issuance of common stock in connection with the transfer and conveyance of certain silver mining claim	\$-	\$-	\$500,000

See accompanying notes to condensed consolidated financial statements.

SILVER HORN MINING LTD. AND SUBSIDIARIES
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013 (UNAUDITED)

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 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. remained as the surviving entity as the legal acquirer, and the Company was the accounting acquirer. On November 7, 2005, the Company changed its name to World Energy Solutions, Inc. (“WESI”). On November 7, 2005, WESI merged with Professional Technical Systems, Inc. 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 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.

SILVER HORN MINING LTD. AND SUBSIDIARIES
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013 (UNAUDITED)

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

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.

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 for discontinued operations are presented in the consolidated balance sheets under the caption “Liabilities for 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 March 31, 2013 and December 31, 2012 are summarized as follows:

	March 31, 2013	December 31, 2012
Assets of discontinued operations	\$-	\$ -
Liabilities		
Accounts payables and accrued expenses	\$(112,397)	\$ (112,397)
Liabilities of discontinued operations	\$112,397	\$ 112,397

SILVER HORN MINING LTD. AND SUBSIDIARIES
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013 (UNAUDITED)

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

Basis of Presentation and Principles of Consolidation

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.

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".

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.

Unaudited Interim Financial Statements

The interim financial statements of the Company as of March 31, 2013, and for the periods then ended, and cumulative from inception, are unaudited. However, in the opinion of management, the interim financial statements include all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the Company's financial position as of March 31, 2013, and the results of its operations and its cash flows for the period ended March 31, 2013, and cumulative from inception. These results are not necessarily indicative of the results expected for the calendar year ending December 31, 2013. The accompanying financial statements and notes thereto do not reflect all disclosures required under accounting principles generally accepted in the United States. Refer to the Company's audited financial statements as of December 31, 2012, filed with the SEC, for additional information, including significant accounting policies.

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 March 31, 2013. At March 31, 2013, 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013 (UNAUDITED)

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 2) from January 1, 2013 to March 31, 2013:

	Conversion feature derivative liability	Warrant liability	Total
Balance at January 1, 2013	\$ 14,996	\$ 35,892	\$50,888
Change in fair value included in earnings	(8,447)	(6,700)	(15,147)
Balance at March 31, 2013	\$ 6,549	\$ 29,193	\$35,742

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 the instruments. The carrying amount of convertible notes and debentures at March 31, 2013, approximate their respective fair values 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.

SILVER HORN MINING LTD. AND SUBSIDIARIES
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013 (UNAUDITED)

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 period ended March 31, 2013, the Company incurred exploration cost of \$5,000. As of March 31, 2013, the Company has yet to establish proven or probable reserves on any of its mineral properties.

Income Taxes

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized.

The Company accounts for income taxes under the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740, “Accounting for Income Taxes. It prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. As a result, the Company has applied a more-likely-than-not recognition threshold for all tax uncertainties. The guidance only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the various taxing authorities.

The Company classifies penalties and interest related to unrecognized tax benefits as income tax expense in the Statements of Operations.

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.

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 for all periods presented does not include dilutive common stock equivalents in the weighted average shares outstanding as they were anti-dilutive. At March 31, 2013, the Company has outstanding warrants to purchase 36,750,000 shares and 6,867,640 shares underlying convertible debt.

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013 (UNAUDITED)

NOTE 2 - GOING CONCERN CONSIDERATIONS

The accompanying consolidated financial statements are prepared assuming the Company will continue as a going concern. At March 31, 2013, the Company had an accumulated deficit of approximately \$49.8 million, and a working capital deficiency of \$1.9 million. For the three months ended March 31, 2013, the Company incurred a net loss of \$183,980 and had cash flows from operations in the amount of \$0. 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 Pheonix, 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 has initiated legal action regarding the COD claims. The Company filed a complaint on March 16, 2012 against John C. Cost for quiet title and recovery of real property regarding the disputed mining claims. As of March 31, 2013 the case is in discovery, and trial is set for August 20, 2013.

SILVER HORN MINING LTD. AND SUBSIDIARIES
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013 (UNAUDITED)

NOTE 4 – CONVERTIBLE DEBENTURES AND NOTES PAYABLE

Convertible Debentures

On December 17, 2009, to obtain funding for working capital, the Company entered into a 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 amended the terms of the securities purchase agreement and agreed to issue an additional \$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 amounts allocated to the beneficial conversion feature and the warrants were treated as discounts on the 6% senior convertible debentures and were valued at \$200,000 to be amortized over the debenture term. The fair value of the 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 costs of \$12,500 which were amortized over the term of the debenture. For the years ended March 31, 2013 and 2011, amortization of debt issuance costs amounted to \$517 and \$6,252, respectively, and is included in interest expense. As a result of the Merger with EClips Media and further stock split 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.

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NOTE 4 – CONVERTIBLE DEBENTURES AND NOTES PAYABLE (continued)

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 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 a 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 amounts allocated to the beneficial conversion feature and the warrants were treated as a discount on the 6% senior convertible debentures of \$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.

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 warrants to purchase 5,000,000 shares of common stock (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.

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SILVER HORN MINING LTD. AND SUBSIDIARIES
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NOTE 4 – CONVERTIBLE DEBENTURES AND NOTES PAYABLE (continued)

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.

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.

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.

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 derivatives as of March 31, 2013 (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. The notes matured 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. The note is past due and due on demand.

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, the embedded conversion feature 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 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.

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NOTE 4 – CONVERTIBLE DEBENTURES AND NOTES PAYABLE (continued)

At March 31, 2013 and December 31, 2012, convertible debentures and notes payable consisted of the following:

	March 31, 2013	December 31, 2012
Convertible debentures and notes payable	\$243,382	\$ 243,382
Less: debt discount	(6,250)	(33,272)
Convertible debentures and notes payable– net	\$237,132	\$ 210,110

Total amortization of debt discounts for the convertible debentures amounted to \$27,022 and \$17,856 for the three months ended March 31, 2013 and 2012, respectively, and is included in interest expense. Accrued interest as of March 31, 2013 and December 31, 2012 amounted to \$81,200 and \$79,120 respectively, and is included in accounts payable and accrued expenses as reflected in the accompanying consolidated balance sheets.

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NOTE 5 – COMMON STOCK WARRANTS

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 January 1, 2013	36,750,000	\$0.026
Granted	—	—
Exercised	—	—
Balance at March 31, 2013	36,750,000	\$0.026
Warrants exercisable at March 31, 2013	36,750,000	\$0.026

The following table summarizes the Company's stock warrants outstanding at March 31, 2013:

Range of Exercise Price	Warrants Outstanding			Warrants Exercisable	
	Number Outstanding at March 31, 2013	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at March 31, 2013	Weighted Average Exercise Price
\$ 0.025	36,000,000	1.81 Years	\$ 0.025	36,000,000	\$ 0.025
0.05	750,000	4.11 Years	0.05	750,000	0.05
\$ 0.026	36,750,000	1.95 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, and Mr. Bleak serves as the sole CC Officer and Chairman of the Board for MJI. The company incurred \$75,000 of management fees pursuant to this agreement during the three months ended March 31, 2013.

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 sheets.

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.

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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 March 31, 2013, accounts payable due to MJI amounted to approximately \$994,974. 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. The company incurred \$75,000 of management fees pursuant to this agreement during the three months ended March 31, 2013.

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 affected accounting for convertible instruments and warrants with provisions that protect holders from declines in the stock price (“down-round” provisions). Warrants with such provisions are no longer recorded in equity and are reclassified as a liability.

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.

In connection with the issuance of its 6% convertible debentures and related warrants, the Company has determined that the terms of the convertible debentures and warrants include down-round provisions under which the conversion and exercise 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 embedded conversion options and warrants are accounted for as liabilities at the date of issuance and adjusted to fair value through earnings at each reporting date. During the year ended December 31, 2011, the down-round provisions related to convertible debentures issued in 2009 and 2010 expired. As a result, the embedded conversion options and warrants were no longer relevant to be provided as liabilities and 6,148,651 was reclassified to equity. The Company has recognized derivative liabilities of \$35,742 and \$50,888 at March 31, 2013 and December 31, 2012 respectively. The gain (loss) resulting from the decrease (increase) in fair value of this convertible instrument was \$15,147 and \$0 for the three months ended March 31, 2013 and 2012, respectively.

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

	December 31, 2012	March 31, 2013
Expected volatility	89% - 217%	67% - 222%
Expected term	1.5 - 4.36 Years	1.25 - 4.11 Years
Risk-free interest rate	0.15% - 0.72%	0.15% - 0.82%
Expected dividend yield	0%	0%

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NOTE 9 – SUBSEQUENT EVENTS

None.

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

Cautionary Notice Regarding Forward Looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including those relating to our liquidity, our belief that we will not have sufficient cash and borrowing capacity to meet our working capital needs for the next 12 months without further financing, our expectations regarding acquisitions and new lines of business, gross profit, gross margins and capital expenditures. Additionally, words such as “expects,” “anticipates,” “intends,” “believes,” “will” and similar words are used to identify forward-looking statements.

Some or all of the results anticipated by these forward-looking statements may not occur. Important factors, uncertainties and risks that may cause actual results to differ materially from these forward-looking statements include, but are not limited to, the Risk Factors which appear in our filings and reports made with the Securities and Exchange Commission, our lack of working capital, the value of our securities, the impact of competition, the continuation or worsening of current economic conditions, technology and technological changes, a potential decrease in consumer spending and the condition of the domestic and global credit and capital markets. Additionally, these forward-looking statements are presented as of the date this Form 10-K is filed with the Securities and Exchange Commission. We do not intend to update any of these forward-looking statements.

Overview

We were incorporated under the name “Swifty Carwash & Quick-Lube, Inc.” in the state of Florida on September 25, 1997. On October 22, 1999, we changed our name from “Swifty Carwash & Quick-Lube, Inc.” to “SwiftyNet.com, Inc.” On January 29, 2001, we changed our name from “SwiftyNet.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.

For the three months ended March 31, 2013, we had a net loss of approximately \$184,000, and net cash used in operations of \$0 during the three months ended March 31, 2013. At March 31, 2013, we had a working capital deficiency of approximately \$1.9 million. Additionally, at March 31, 2013, we had an accumulated deficit of approximately \$49.8 million and stockholder's deficit of \$1.9 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 months ended March 31, 2013 compared to three months ended March 31, 2012

Net Revenues. We have not generated revenues during the three months ended March 31, 2013 and 2012.

Operating Expenses. Total operating expenses for the three months ended March 31, 2013 were \$170,021 a decrease of \$3,639,208, or approximately 96%, from total operating expenses for the year ended March 31, 2012 of \$3,809,229. This decrease is primarily attributable to:

Payroll and stock based compensation expenses were \$70,804 and \$3,627,912 for the three months ended March 31, 2013 and 2012, respectively, a decrease of \$3,557,108 or 98%. The difference is primarily attributable to the 25 million shares of our common stock issued in three months ended March 31, 2012 to Mr. Bleak as compensation for his continued services valued at \$3,500,000. We did not have a comparable expense during the three months ended March 31, 2013.

Management fees to related party were \$75,000 for both the three months ended March 31, 2013 and 2012.

Exploration costs were \$5,000 and \$10,949 for the three months ended March 31, 2013 and 2012, respectively, a decrease of \$5,949. 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.

Professional and consulting expenses were \$11,599 and \$70,987 for the three months ended March 31, 2013 and 2012, respectively, a decrease of \$59,388 or 84%. Professional expenses were incurred for our audits and public filing requirements. The decrease was primarily attributable to the decrease in investor relations service, legal and accounting fees for the three months ended March 31, 2013.

General and administrative expenses, which consist of office expenses, insurance, rent and general operating expenses totaled \$7,618 for the three months ended March 31, 2013, as compared to \$24,381 for the three months ended March 31, 2012, a decrease of \$16,763 or 69%. The decrease in general and administrative expenses during the three months ended March 31, 2013 is primarily attributable to decrease in insurance expense and public company expense.

Total Other Expense. Our total other expenses during the three months ended March 31, 2013 primarily included expenses associated with derivative liabilities and 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 \$174,128 during the year ended December 31, 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 \$(15,147) and \$0 during the three months ended March 31, 2013 and 2012, 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 increase in interest expense when compared to the same period in 2012 is primarily attributable to the amortization of the debt discount amounting to approximately \$ 27,022 and \$18,382 during the three months ended March 31, 2013 and 2012, respectively, associated with the 6% convertible debenture.

Loss from Operations

We recorded loss from operations of \$70,021 for the three months ended March 31, 2013 as compared to \$3,809,229 for the three months ended March 31, 2012.

Net Loss

We recorded net loss of \$183,980 for the three months ended March 31, 2013 as compared to \$3,829,450 for the three months ended March 31, 2012. As a result of the factors described above, our loss from continuing operations per share (basic and diluted) for the three months ended March 31, 2013 and 2012 were \$0.001 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 March 31, 2013, we had a cash balance of \$20. Our working capital deficit is \$1,891,791 at March 31, 2013. We reported a net loss of \$183,980 during the three months ended March 31, 2013. We do not anticipate we will be profitable in fiscal 2013.

We reported a net decrease in cash for the three months ended March 31, 2013 of \$0. At March 31, 2013 we owed \$237,382 (before debt discount) under various convertible debentures 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 three months ended March 31, 2013 amounted to \$0 and were primarily attributable to our net losses of \$183,980, offset by amortization of debt discount and debt issuance costs of \$27,019 and change in fair value of derivative liabilities of \$(15,146), and total changes in assets and liabilities of \$172,107. These changes in assets and liabilities are attributable to amortization of prepaid expenses of \$5,500, and increase in accounts payable and accrued expenses of \$166,607.

Net cash flows used in operating activities for the three months ended March 31, 2012 amounted to \$(94,378) and were primarily attributable to our net losses of \$3,829,450, offset by amortization of debt discount and debt issuance costs of \$18,382, stock base compensation expense of \$41,516 and common stock issued for services of \$3,500,000, amortization of prepaid expenses of \$18,598, and total changes in assets and liabilities of \$156,576.

Financing Activities

Net cash flows provided by financing activities were \$0 for the three months ended March 31, 2013. Net cash flows provided by financing activities were \$90,000 for the three months ended March 31, 2013. We received net proceeds from debentures of \$90,000.

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 March 31, 2013, we owed \$100,000 under these convertible debentures and \$143,382 under these notes for a total debt of \$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 March 31, 2013, 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 March 31, 2013 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 March 31, 2013 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.

None.

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

None.

Item 3. Defaults Upon Senior Securities.

On February 29, 2012, the Company entered into note purchase agreements with certain investors whereby it sold an aggregate of \$105,882.35 of convertible promissory notes at an aggregate purchase price of \$90,000. These investors included Daniel Bleak, the Company's Chairman, Chief Executive Officer and Chief Financial Officer and several of the Company's existing shareholders. The face value of each note may be converted at the holder's option, in whole or in part, into shares of the Company's common stock at a conversion price of \$0.05 per share, subject to adjustment in the case of stock splits, reclassifications, reorganizations, certain issuances at less than the conversion price and the like. The notes matured on February 28, 2013 and to date no holder has converted its notes.

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 March 31, 2013 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.

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: May 20, 2013

By: /s/ Daniel Bleak
Daniel Bleak
Chief Executive Officer and Chief
Financial Officer
(Principal Executive Officer, Principal
Financial and Accounting Officer)