

SILVER HORN MINING LTD.  
Form 10-K  
April 16, 2013

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2012

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES 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 or organization)

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

3346 Guadalupe Road  
Apache Junction, Arizona  
(Address of principal executive offices)

85120  
(Zip Code)

Registrant's telephone number, including area code: (480) 288-6530

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value \$0.0001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
Yes  No

Indicate by check 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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the

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preceding 12 months (or for such shorter period that the registrant was required to submit and post such filed).

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes  No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter, based on the price at which the common equity was last sold on the OTC Bulletin Board on such date was approximately \$26,107,556. For purposes of this computation only, all officers, directors and 10% or greater stockholders of the registrant are deemed to be affiliates.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.

Class	Outstanding at April 12, 2013
Common Stock, \$0.0001 par value	253,033,555

SILVER HORN MINING LTD.  
 ANNUAL REPORT ON FORM 10-K  
 Fiscal Year Ended December 31, 2012

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## PART I

### Item 1. Business.

#### Corporate History

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 merged with and into our 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.” The name change was effected pursuant to Section 253 of the Delaware General Corporation Law by merging a newly-formed, wholly-owned subsidiary with and into us, and we remained as the surviving corporation in the merger.

#### Our Current Business

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.

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.

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 we acquired pursuant to a quitclaim deed that we purchased from Can-Am Gold Corp., an entity controlled by Mr. Bleak, for \$10.00 on April 26, 2011. To maintain the mining claims in good standing, we 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 a total annual fee of approximately \$45 for all of the claims to record a notice of intent to hold the claims in Yavapai County. We are 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 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 approximately 280 acres. We filed the claims with the BLM on July 1, 2011. To maintain the mining claims in good standing, we 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 a total annual fee of approximately \$14 for all of the claims to record a notice of intent to hold the claims in Mohave County. We are currently planning an exploration program consisting of sampling, mapping, performing a grid survey 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 we received a notice from John C. Cost claiming that, of these 14 claims, at least nine are situated overlapping his alleged preexisting claims, and requesting that we cease and desist from sampling or removing any ores from these properties. We believe Mr. Cost's demands are without merit. On March 16, 2012 we filed a complaint against Mr. Cost in Mohave County Superior Court for quiet title and recovery of real property regarding the disputed mining claims. The case is currently in discovery, and trial is set for August 20, 2013.

#### Competition

We do not compete directly with anyone for the exploration or removal of silver and other minerals from our property as we hold all interest and rights to the claims. Readily available commodities markets exist in the U.S. and around the world for the sale of minerals. Therefore, we will likely be able to sell silver and other minerals that we are able to recover. We will be subject to competition and unforeseen limited sources of supplies in the industry in the event spot shortages arise for supplies such as dynamite, and certain equipment such as bulldozers and excavators that we will need to conduct exploration. If we are unsuccessful in securing the products, equipment and services we need we may have to suspend our exploration plans until we are able to secure them.

#### Compliance with Government Regulation

We are required to comply with all regulations, rules and directives of governmental authorities and agencies applicable to the exploration of minerals in the United States generally. We are also subject to the regulations of the BLM.

We are required to pay annual maintenance fees to the BLM to keep our federal lode mining claims in good standing. The maintenance period begins at noon on September 1 through the following September 1 and payments are due by the first day of the maintenance period. The annual fee is \$140 per claim.

Future exploration drilling on any of our properties that consist of BLM land will require us to either file a Notice of Intent or a Plan of Operations with the BLM, depending upon the amount of new surface disturbance that is planned. A Notice of Intent is for planned surface activities that anticipate less than five acres of surface disturbance, and usually can be obtained within a 30 to 60 day time period. A Plan of Operations will be required if there is greater than five acres of new surface disturbance involved with the planned exploration work. A Plan of Operations can take several months to be approved, depending on the nature of the intended work, the level of reclamation bonding required, the need for archeological surveys, and other factors as may be determined by the BLM. Permits to drill are also required from the Arizona Department of Water Resources.

#### Research and Development

We did not expend funds for research and development costs in fiscal 2011 and 2012.

#### Employees

As of December 31, 2012, we had no full time or part time employees. On April 3, 2011 we entered into a consulting agreement with Mr. Bleak that terminated on June 30, 2011. On June 1, 2011, we entered into a one year services and employee leasing agreement with MJI Resource Management Corp. pursuant to which it made available to us six of its employees, including Mr. Bleak, for the purpose of performing management, operations, legal, accounting and resource location services. Mr. Eckersley, one of our directors, served as the President of MJI Resource Management Corp. from May 18, 2011 through September 30, 2011. One of our former employees who we compensated through the services and employee leasing agreement served as the president of MJI Resource Management Corp. from October 1, 2011 through December 5, 2012.





## Compliance with Government Regulation

Various levels of governmental controls and regulations address, among other things, the environmental impact of mineral exploration and mineral processing operations and establish requirements for decommissioning of mineral exploration properties after operations have ceased. With respect to the regulation of mineral exploration and processing, legislation and regulations in various jurisdictions establish performance standards, air and water quality emission standards and other design or operational requirements for various aspects of the operations, including health and safety standards. Legislation and regulations also establish requirements for decommissioning, reclamation and rehabilitation of mineral exploration properties following the cessation of operations and may require that some former mineral properties be managed for long periods of time after exploration activities have ceased.

Our exploration activities are subject to various levels of federal and state laws and regulations relating to protection of the environment, including requirements for closure and reclamation of mineral exploration properties. Some of the laws and regulations include the Clean Air Act, the Clean Water Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Emergency Planning and Community Right-to-Know Act, the Endangered Species Act, the Federal Land Policy and Management Act, the National Environmental Policy Act, the Resource Conservation and Recovery Act, and all related state laws in Arizona. Additionally, our property is subject to the federal General Mining Law of 1872, which regulates how mineral claims on federal lands are obtained.

## Convertible Debentures and Warrants

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. The notes matured on February 28, 2013. We acknowledged and agreed that the notes were issued at an original issue discount. No regularly scheduled interest payments were paid on this note. 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. We believe that the holders will elect to convert the notes.

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 December 31, 2012, we owed \$137,500 under these convertible debentures and \$105,882 under the promissory notes for total debt of \$243,382.

#### Item 1A. Risk Factors

We qualify as a smaller reporting company, as defined by Rule 229.10(f)(1), and are not required to provide the information required by this Item.

#### Item 1B. Unresolved Staff Comments

None.

#### Item 2. Description of Property.

##### General

We moved to our current facilities, also in Apache Junction, Arizona, on October 3, 2011. Our current facilities are provided to us at no cost by MJI Resources Corp. Mr. Eckersley, one of our directors, served as the President of MJI Resources Corp. from May 18, 2011 through September 30, 2011. Our former operations manager served as the president of MJI Resources Corp. from October 1, 2011 through December 5, 2012. We believe that these facilities are adequate to meet our current needs.

##### The 76 Property

The 76 Property is located in Yavapai County, Arizona, 50 miles northwest of Phoenix, Arizona. The property can be accessed from Phoenix by taking Interstate 17 north and exiting on Table Mesa Road. From there, proceed west on unimproved roads for approximately 14 miles. The property consists of 36 federal unpatented lode mining claims on BLM land totaling 720 acres that we acquired pursuant to a quitclaim deed that we purchased from Can-Am Gold Corp. for \$10.00 on April 26, 2011. To maintain the mining claims in good standing, we 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 a total annual fee of approximately \$45 for all of the claims to record a notice of intent to hold the claims in Yavapai County. We are currently planning an exploration program consisting of sampling, mapping and assaying to determine potential targets for drilling and further development.

With regard to the unpatented lode mining claims, future exploration drilling will require us to either file a Notice of Intent or a Plan of Operations with the BLM, depending upon the amount of new surface disturbance that is planned. A Notice of Intent is for planned surface activities that anticipate less than five acres of surface disturbance, and usually can be obtained within a 30 to 60 day time period. A Plan of Operations will be required if there is greater than five acres of new surface disturbance involved with the planned exploration work. A Plan of Operations can take several months to be approved, depending on the nature of the intended work, the level of reclamation bonding required, the need for archeological surveys, and other factors as may be determined by the BLM.

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 can be accessed from Kingman, Arizona by taking by taking Stockton Hill Road north for 11 miles, turning west onto Quail Quest Road, and then following Coyote Run Road for 0.9 miles. The property consists of 14 federal unpatented lode mining claims on BLM land totaling approximately 280 acres. We filed the claims with the BLM on July 1, 2011. To maintain the mining claims in good standing, we 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 a total annual fee of approximately \$14 for all of the claims to record a notice of intent to hold the claims in Mohave County. We are currently planning an exploration program consisting of sampling, mapping, performing a grid survey and assaying to determine potential targets for drilling and further development.

On September 18, 2011 we received a notice from John C. Cost claiming that, of these 14 claims, at least nine are situated overlapping his alleged preexisting claims, and requesting that we cease and desist from sampling or removing any ores from these properties. We believe Mr. Cost's demands are without merit. On March 16, 2012 we filed a complaint against Mr. Cost in Mohave County Superior Court for quiet title and recovery of real property regarding the disputed mining claims. The case is currently in discovery, and trial is set for August 20, 2013.

With regard to the unpatented lode mining claims, future exploration drilling will require us to either file a Notice of Intent or a Plan of Operations with the BLM, depending upon the amount of new surface disturbance that is planned. A Notice of Intent is for planned surface activities that anticipate less than five acres of surface disturbance, and usually can be obtained within a 30 to 60 day time period. A Plan of Operations will be required if there is greater than five acres of new surface disturbance involved with the planned exploration work. A Plan of Operations can take several months to be approved, depending on the nature of the intended work, the level of reclamation bonding required, the need for archeological surveys, and other factors as may be determined by the BLM.

The COD Property does not currently have any reserves. All activities undertaken and currently proposed at the COD Property are exploratory in nature.



## Item 3. 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.

On September 18, 2011 we received a notice from John C. Cost claiming that, of these 14 claims, at least nine are situated overlapping his alleged preexisting claims, and requesting that we cease and desist from sampling or removing any ores from these properties. We believe Mr. Cost's demands are without merit. On March 16, 2012 we filed a complaint against Mr. Cost in Mohave County Superior Court for quiet title and recovery of real property regarding the disputed mining claims. The case is currently in discovery, and trial is set for August 20, 2013.

## Item 4. Mine Safety Disclosures.

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

## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

In 2009 and through May 16, 2010, our common stock traded on the OTC Bulletin Board under the symbol EEGT.OB. On May 17, 2010, our trading symbol on the OTC Bulletin Board was changed to EEMT.OB as a result of our merger into our wholly owned subsidiary EClips Energy Technologies, Inc. On April 27, 2011, our trading symbol on the OTC Bulletin Board was changed to SILV.OB as a result of our name change effected pursuant to Section 235 of the Delaware General Corporation Law. The following table sets forth the high and low bid prices for the periods indicated as reported on the OTC Bulletin Board. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

	Common Stock		
		High	Low
1st quarter 2011	\$	0.29	0.10
2nd quarter 2011		0.45	0.13
3rd quarter 2011		0.20	0.09
4th quarter 2011		0.20	0.09
1st quarter 2012	\$	0.18	0.07
2nd quarter 2012		0.13	0.06
3rd quarter 2012		0.12	0.07
4th quarter 2012		0.10	0.04

The last reported sales price of our common stock on the OTC Bulletin Board on April 11, 2013, was \$0.03 per share. As of April 12, 2013, there were 635 holders of record of our common stock.

In the past, we have not declared or paid cash dividends on our common stock, and we do not intend to pay any cash dividends on our common stock. Rather, we intend to retain future earnings (if any) to fund the operation and expansion of our business and for general corporate purposes. Subject to legal and contractual limits, our board of

directors will make any decision as to whether to pay dividends in the future.

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## Item 6. Selected Financial Data.

We qualify as a smaller reporting company, as defined by Rule 229.10(f)(1), and are not required to provide the information required by this Item.

## Item 7. 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.

## 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 year ended December 31, 2012, we had a net loss of approximately \$4.8 million, and net cash used in operations of \$142,000 during the year ended December 31, 2012. At December 31, 2012, we had a working capital deficiency of approximately \$1.7 million. Additionally, at December 31, 2012, we had an accumulated deficit of approximately \$49.6 million and stockholder’s deficit of \$1.7 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

**Net Revenues.** We have not generated revenues during the year ended December 31, 2012 and 2011.

**Operating Expenses.** Total operating expenses for the year ended December 31, 2012 were \$4,670,201, an increase of \$2,726,489, or approximately 140%, from total operating expenses for the year ended December 31, 2011 of \$1,943,712. This increase is primarily attributable to:

Payroll and stock based compensation expenses were \$3,875,049 and \$527,370 for the years ended December 31, 2012 and 2011, respectively, an increase of \$3,347,679 or 637%. The increase during the year ended September 31, 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. We did not have a comparable expense during the year ended December 31, 2011.

Exploration costs were \$115,832 and \$156,363 for the years ended December 31, 2012 and 2011, respectively, a decrease of \$40,531. 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 years ended December 31, 2012 and 2011, respectively, a decrease of \$500,000. We did not have a comparable expense during the year ended December 31, 2012.

Professional and consulting expenses were \$280,770 and \$263,746 for the years ended December 31, 2012 and 2011, respectively, an increase of \$17,024 or 6%. Professional expenses were incurred for our audits and public filing requirements.

General and administrative expenses, which consist of office expenses, insurance, rent and general operating expenses totaled \$98,551 for the year ended December 31, 2012, as compared to \$341,233 for the year ended December 31, 2011, an increase of \$57,318 or 17%. The overall increase in general and administrative expenses during the year ended December 31, 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 year ended December 31, 2012.

**Total Other Expense.** Our total other expenses during the year ended December 31, 2012 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 \$(160,740) and \$6,148,651 during the years ended December 31, 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 amortization of the debt discount amounting to approximately \$ 119,151 and \$623,667 during the year ended December 31, 2012 and 2011, respectively, associated with the 6% convertible debenture.

### Loss from Operations

We recorded loss from operations of \$4,670,201 for the year ended December 31, 2012 as compared to \$1,943,712 for the year ended December 31, 2011.

### Net Loss

We recorded net loss of \$4,811,072 for the year ended December 31, 2012 as compared to \$8,722,274 for the year ended December 31, 2011. As a result of the factors described above, our loss from continuing operations per share (basic and diluted) for the year ended December 31, 2012 and 2011 were \$0.02 and \$0.04 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 December 31, 2012, we had a cash balance of \$20, and a bank overdraft of \$2,982. Our working capital deficit is \$1,707,811 at December 31, 2012. We reported a net loss of \$4,811,072 during the year ended December 31, 2012. We do not anticipate we will be profitable in fiscal 2013.

We reported a net decrease in cash for the year ended December 31, 2012 of \$15,027. At December 31, 2012 we owed \$243,382 (before debt discount) under various convertible debentures and notes payable. During the year ended December 31, 2012, we have raised net proceeds of \$127,500 from the issuance of convertible debenture and notes payable and \$50,000 from the sale of Series D preferred stock. 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 year ended December 31, 2012 amounted to \$192,527 and were primarily attributable to our net losses of \$4,811,072, offset by amortization of debt discount and debt issuance costs of \$119,151, stock based compensation of \$3,541,516, derivative liability expense of \$174,128, total changes in assets and liabilities of \$943,974 offset by change in fair value of derivative liabilities of \$160,740. These changes in assets and liabilities are primarily attributable to a decrease in prepaid expenses of \$32,446, and increase in accounts payable and accrued expenses of \$911,528.

Net cash flows used in operating activities for the year ended December 31, 2011 amounted to \$754,006 and were primarily attributable to our net losses of \$8,722,274, offset by amortization of debt discount and debt issuance costs of \$629,919, change in fair value of derivative liabilities of \$6,148,651, amortization of prepaid expenses of \$140,601, stock based compensation of \$462,132, impairment of mineral rights of \$500,000, total changes in assets and liabilities of \$115,209 and add back gain from settlement of debt of \$28,244.

## Financing Activities

Net cash flows provided by financing activities were \$177,500 for the year ended December 31, 2012. We received net proceeds from issuance of notes payable of \$127,500 and \$50,000 from the issuance of preferred stock. Net cash flows provided by financing activities were \$675,000 for the year ended December 31, 2011. We received net proceeds from exercise of stock warrants of \$125,000 and sale of our stocks of \$550,000.

## Convertible Debentures and Warrants

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. The notes matured on February 28, 2013. We acknowledged and agreed that the notes were issued at an original issue discount. No regularly scheduled interest payments were paid on this note. 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. We believe that the holders will elect to convert the notes.

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 December 31, 2012, we owed \$137,500 under these convertible debentures and \$105,882 under the promissory 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 7A. Quantitative and Qualitative Disclosures About Market Risk.

We qualify as a smaller reporting company, as defined by Rule 229.10(f)(1), and are not required to provide the information required by this Item.

#### Item 8. Financial Statements and Supplementary Data.

See pages F-1 through F-26.

#### Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

#### Item 9A. Controls and Procedures.

##### Management's Conclusions Regarding Effectiveness of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of December 31, 2012, the end of the year covered by this report, our management concluded its evaluation of the effectiveness of the design and operation of our disclosure controls and procedures.

Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating and implementing possible controls and procedures.

Our management does not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls 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 fiscal year ending December 31, 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, as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934. Based upon our evaluation regarding the fiscal year ending December 31, 2012, our management, including Mr. Bleak, our principal executive officer and principal financial officer, has concluded that our disclosure controls and procedures were not effective due to our limited internal audit functions and lack of ability to have multiple levels of transaction review.

#### Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act. Our management is also required to assess and report on the effectiveness of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404"). Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2011. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. During our assessment of the effectiveness of internal control over financial reporting as of December 31, 2012, management identified significant deficiency related to (i) our internal audit functions and (ii) a lack of segregation of duties within accounting functions. Therefore, our internal controls over financial reporting were not effective as of December 31, 2012.

Management has determined that our internal audit function is significantly deficient due to insufficient qualified resources to perform internal audit functions.

Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. 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. Due to the nature of this significant deficiency in our internal control over financial reporting, there is more than a remote likelihood that misstatements which could be material to our annual or interim financial statements could occur that would not be prevented or detected.

A material weakness (within the meaning of PCAOB Auditing Standard No. 5) is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

#### Changes in Internal Controls

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

#### Item 9B. Other Information.

None.

### PART III.

#### Item 10. Directors, Executive Officers and Corporate Governance.

The following table sets forth information regarding the members of our board of directors and our sole executive officer. All directors hold office for one-year terms until the election and qualification of their successors. Officers are elected by the board of directors and serve at the discretion of the board.

Name	Age	Position
Daniel Bleak	56	Chief Executive Officer, Chairman of the Board of Directors and Chief Financial Officer
John Eckersley	53	Director
Joseph Wilkins, Jr.	74	Director

Daniel Bleak, Chief Executive Officer, Chairman of the Board of Directors and Chief Financial Officer. Mr. Bleak has served as our Chief Executive Officer and Chairman of the Board of Directors since May 2, 2011 and as our Chief Financial Officer since May 11, 2011. Mr. Bleak has over 30 years of experience in mineral exploration and development and has managed a broad range of exploration projects throughout North America, has discovered several producing mineral deposits, and developed decorative rock and industrial materials businesses in the southwestern U.S. Mr. Bleak has served on the board of directors and as an officer of a number of mining, mineral

exploration, and real estate companies. He has served as a director of Continental Resources Group, Inc. (formerly American Energy Fields, Inc.) (AEFI.OB) since November 2010, as a director of Southwest Exploration, Inc. since 2009, as President and director of Pinal Realty Investments, Inc. since 2006, as President and a director of NPX Metals, Inc., a resource acquisition company, since 2006, as President and sole director of Can-Am Gold Corp. since 2009, as President and director of Black Mountain Mining Company since 2000 and as a leased employee of MJI Resource Management Corp. since 2011. Mr. Beak was appointed to his positions based on his corporate experience and knowledge of the resources industry.

John Eckersley, Director. Mr. Eckersley has served as a director since July 12, 2011. Mr. Eckersley has practiced law as a solo practitioner since 1999. His practice focuses on securities compliance, corporate governance and estate planning. He has also served as the Vice President, Legal and Corporate Affairs, of Passport Potash, Inc. (PPRTF.OTCQX) (PPI.TSXV), a resource company engaged in the exploration and development of advanced potash properties, since December 2010. At Passport Potash, Inc., Mr. Eckersley's responsibilities include corporate counsel, corporate governance, securities compliance, land and mineral resource acquisition and permitting with local, State and federal agencies. Mr. Eckersley served as the President of MJI Resource Management Corp. from May 18, 2011 through October 1, 2011. Mr. Eckersley served as the Executive Vice President, Secretary and Treasurer of Digital Business Resource, Inc., a telecommunications company, from 1996 to 1999, where he was a founder, and was responsible for developing systems for office management, accounting, client services, vendor coordination and marketing. Prior to this position, Mr. Eckersley served as the General Counsel of TIMI, a public finance advisory company, where he advised the company on corporate strategy and was responsible for the company's compliance filings. Mr. Eckersley was appointed as a director based on his corporate experience and knowledge of the resources industry.

Joseph Wilkins, Jr., Director. Mr. Wilkins has served as a director since July 12, 2011. Mr. Wilkins has over 45 years of experience in mineral exploration and development and has served as a consulting geologist on a broad range of exploration projects throughout North America and Australia. Mr. Wilkins has provided consulting geologist services to OZ Minerals Ltd. (OZL.A), an Australian copper and gold producer, since October 2010; to Continental Resources Group, Inc. (formerly American Energy Fields, Inc.) (AEFI.OTCBB), a uranium exploration company, from August 2010 to September 2010; to Aurum National Holdings, Ltd., a gold exploration company, from February 2010 to July 2010; to West Timmins Mining Inc. (WTM.TSXV), a gold exploration company, from April 2009 to November 2009; to Grand Central Silver Mining, a precious metals exploration company, in August 2009; to NPX Metals, a metal exploration company, from February 2008 to October 2009; to Newcrest Resources, Inc., an Australian copper and gold producer, from June 2007 to July 2007 and to Kennecott Exploration Co., a mineral exploration company, from May 2005 to November 2007. Mr. Wilkins has a BS in Geophysics and Geochemistry and a MS in Geosciences from the University of Arizona. Mr. Wilkins was appointed as a director based on his knowledge of the resources industry and substantial relevant business experience.

There are no family relationships among any of our directors and executive officers.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of a registered class of our securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. A copy of each report is furnished to us.

SEC rules require us to identify anyone who failed to file a required report, or filed a required report late, during the most recent fiscal year. Based solely on a review of copies of such reports, we believe that during the year ended December 31, 2012, all Section 16(a) filing requirements were complied with on a timely basis.

#### Code of Ethics

We intend to adopt a code of ethics that applies to our officers, directors and employees, including our chief executive officer and chief financial officer, but have not done so to date due to our relatively small size.

#### Board Committees



Audit Committee. We intend to establish an audit committee of the board of directors once we have satisfied the other initial listing standards for listing our common stock on the Nasdaq Stock Market or another national exchange. The audit committee will consist of independent directors, of which at least one director will qualify as a qualified financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K. The audit committee's duties will be to recommend to our board of directors the engagement of independent auditors to audit our financial statements and to review our accounting and auditing principles. The audit committee will review the scope, timing and fees for the annual audit and the results of audit examinations performed by the internal auditors and independent public accountants, including their recommendations to improve the system of accounting and internal controls. The audit committee will at all times be composed exclusively of directors who are, in the opinion of our board of directors, free from any relationship that would interfere with the exercise of independent judgment as a committee member and who possess an understanding of financial statements and generally accepted accounting principles.

Compensation Committee. We intend to establish a compensation committee of the board of directors once we have satisfied the other initial listing standards for listing our common stock on the Nasdaq Stock Market or another national exchange. The compensation committee will review and approve our salary and benefits policies, including compensation of executive officers. The compensation committee will also administer our stock option plans and recommend and approve grants of stock options under such plans.

#### Item 11. Executive Compensation.

The following table summarizes the overall compensation earned over each of the past two fiscal years ending December 31, 2012 by each person who served as our principal executive officer during fiscal 2012.

##### Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$)(1)	All Other Compensation (\$)	Total (\$)
Daniel Bleak (2) (Current Chief Executive Officer, Chief Financial Officer and Chairman)	2011	90,828	500,000(3)	—	590,828
	2012	12,775	3,500,000(4)	—	3,512,775

(1) Reflects the grant date fair values of stock awards calculated in accordance with FASB Accounting Standards Codification Topic 718. All stock awards have been adjusted for our 1:150 reverse stock split effective August 25, 2009, our 2:1 forward exchange effective April 21, 2010 and our 2:1 stock dividend issued to certain stockholders on December 31, 2010.

(2) Mr. Bleak was appointed as our Chairman and Chief Executive Officer on May 2, 2011 and as our Chief Financial Officer on May 11, 2011.

(3) In connection with his appointment on May 2, 2011, Mr. Bleak was awarded 10,000,000 shares of common stock and a five year option to purchase 30,000,000 shares of our common stock. The option was exercisable for cash or shares of common stock at an exercise price of \$0.05 per share as to one third of the number of shares granted on each of the first, second and third anniversaries of the date of grant. The option was cancelled on February 21, 2012.

(4) Mr. Bleak was issued 25,000,000 shares on February 21, 2012 as compensation for his services. Amount equals grant date fair value determined for financial reporting purposes in accordance with generally accepted accounting principles.

##### Agreements and Option Grant

Effective April 3, 2011 we entered into a consulting agreement with Mr. Bleak that terminated on June 30, 2011, pursuant to which we paid Mr. Bleak \$5,000 a month for three months as compensation for his professional services.

On June 1, 2011, we entered into a one year services and employee leasing agreement with MJI Resource Management Corp. pursuant to which it made available to us six of its employees, including Mr. Bleak, for the purpose of performing management, operations, legal, accounting and resource location services. The agreement stipulated that we pay MJI Resource Management Corp. \$15,000 a month and the six employees an aggregate of \$11,000 a month under this agreement in each of June and July 2011, provided however, that such payments may be adjusted for additional services. The agreement was amended on August 1, 2011 such that, commencing in August 2011, we were to pay MJI Resource Management Corp. \$25,000 a month and the six employees an aggregate of \$11,000 a month, as such payments may be adjusted for additional services. The agreement was further amended on

October 1, 2011 to extend its term to five years. Pursuant to this agreement, from the period from June 1, 2011 through December 31, 2011, we paid MJI Resource Management Corp. a total of \$155,000, we directly paid the six employees \$169,471 and we paid certain subcontractors \$17,255. We paid Mr. Bleak a total of \$75,828 pursuant to this agreement. For the fiscal year December 31, 2012, we directly paid the six employees \$14,565 and we paid certain subcontractors \$3,083. We paid Mr. Bleak a total of \$12,775 pursuant to this agreement.

In connection with his appointment on May 2, 2011, we awarded Mr. Bleak 10,000,000 shares of common stock and a five year option to purchase 30,000,000 shares of our common stock. The option was exercisable for cash or shares of common stock at an exercise price of \$0.05 per share as to one third of the number of shares granted on each of the first, second and third anniversaries of the date of grant. The option was cancelled on February 21, 2012. Also on February 21, 2012 we issued Mr. Bleak 25,000,000 shares as compensation for his services.

#### Director Compensation

The compensation paid to Mr. Bleak for the years ending December 31, 2011 and 2012 is fully set forth above. Mr. Eckersley and Mr. Wilkins did not receive any compensation for their services as our directors for the years ending December 31, 2011 and 2012.

#### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth information with respect to the beneficial ownership of our common stock and Series A Convertible Preferred Stock (the "Series A Preferred Stock") as of April 12, 2013 by:

- each person known by us to beneficially own more than 5.0% of our common stock or Series A Preferred Stock;
- each of our directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

The percentages of common stock or Series A Preferred Stock beneficially owned are reported on the basis of regulations of the Securities and Exchange Commission governing the determination of beneficial ownership of securities. Under the rules of the Securities and Exchange Commission, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of the security, or investment power, which includes the power to dispose of or to direct the disposition of the security. Except as indicated in the footnotes to this table, each beneficial owner named in the table below has sole voting and sole investment power with respect to all shares beneficially owned and each person's address is c/o Silver Horn Mining Ltd., 3346 Guadalupe Road, Apache Junction, Arizona 85120. As of April 12, 2013, we had 253,033,555 shares of common stock and 3,000,000 shares of Series A Preferred Stock, respectively, issued and outstanding.

Name and Address of Beneficial Owner	Common Stock (1)		Series A Preferred Stock (2)	
	Shares Beneficially Owned	Percent of Class	Shares Beneficially Owned	Percent of Class
<b>5% Owners</b>				
Auracana, LLC (3)	219,863	*	3,000,000	100%
Michael Baybak (4)	13,541,667	5.35%	--	--
Michael Brauser (5)	13,050,000 (6)	5.71%	--	--
Frost Gamma Investments Trust (7)	19,000,000 (8)	7.51%	--	--
Sandor Master Capital Fund L.P. (9)	15,000,000	5.93%	--	--
<b>Officers and Directors</b>				
Daniel Bleak	35,470,588 (12)	13.99%	--	--
Officers and Directors as a Group (1 person)				



- (1) Shares of common stock beneficially owned and the respective percentages of beneficial ownership of common stock assumes the exercise of all debentures, warrants and other securities convertible into common stock beneficially owned by such person or entity currently exercisable or exercisable within 60 days of April 12, 2013. In computing the number of shares beneficially owned and the percentage ownership, shares of common stock that may be acquired within 60 days of April 12, 2013 pursuant to the conversion of debentures or the exercise of warrants are deemed to be outstanding for that person. Such shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.
- (2) Each share of the Series A Preferred Stock is entitled to 500 votes per share voting as a class with common stock.
- (3) Mr. Kesner is the president and a control person of Auracana, LLC and, as such, has sole voting and dispositive power over the securities held by Auracana, LLC.
- (4) The principal address and office of Mr. Baybak is 2110 Drew Street, Suite 200, Clearwater, Florida 33765.
- (5) The principal address and office of Mr. Brauser is 4400 Biscayne Boulevard, Suite 850, Miami, Florida 33137.
- (6) Represents (i) 12,950,000 shares of common stock, (ii) 750,000 shares of common stock issuable upon conversion of a convertible debenture and (iii) 750,000 shares of common stock issuable upon exercise of a warrant.
- (7) Dr. Philip Frost is the trustee and a control person of Frost Gamma Investments Trust and, as such, has sole voting and dispositive power over the securities held by Frost Gamma Investments Trust.
- (8) Includes 16,000,000 shares of common stock held by Frost Gamma Investments Trust and 3,000,000 shares of common stock held by Dr. Frost.
- (9) The principal address and office of Sandor Master Capital Fund L.P. is 2828 Routh Street, Suite 500, Dallas, Texas 75201. John Lemak is the manager and a control person of Sandor Master Capital Fund L.P., and, as such, has sole voting and dispositive power over the 15,000,000 shares of common stock held by Sandor Master Capital Fund L.P.
- (10) Includes 35,000,000 shares of common stock and 470,588 shares of common stock issuable upon conversion of a promissory note at a conversion price of \$0.05 per share.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

On June 21, 2010, through our wholly-owned subsidiary SD Acquisition Corp, we acquired all of the business and assets of Brand Interaction Group, LLC. In connection with the acquisition, Mr. Simon, the control person of Brand Interaction Group, LLC, was appointed as our Chief Executive Officer and was issued 10,000,000 shares of our common stock. We also issued Brand Interaction Group, LLC 20,000,000 shares of our common stock and assumed certain debt that Brand Interaction Group, LLC had previously issued to several of its creditors.

In the fall of 2010, we decided to discontinue the operations of SD Acquisition Corp. Mr. Simon resigned as our Chief Executive Officer on November 15, 2010 and on December 7, 2010, we entered into a spinoff agreement with Brand Interaction Group, LLC, Mr. Simon, SD Acquisition Corp. and certain holders of our outstanding convertible debentures pursuant to which we agreed to spinoff SD Acquisition Corp. to Brand Interaction Group, LLC and Mr. Simon and cancel the 30,000,000 shares of common stock previously issued to Brand Interaction Group, LLC and Mr.

Simon. Upon the execution of the spinoff, we were released from any obligations and agreements incurred by Mr. Simon on behalf of SD Acquisition Corp.

As set forth in the spinoff agreement, Brand Interaction Group, LLC was obligated to make direct payments of an aggregate of \$95,000 to certain holders of our convertible debentures in order to retire or reduce, on a dollar for dollar basis, amounts due and payable by us to such holders. In connection with the foregoing, Brand Interaction Group, LLC issued a \$95,000 promissory note to these holders. The note was payable in six equal monthly installments of \$15,833, with the first payment due on January 21, 2011. On June 20, 2011, Brand Interaction Group, LLC fully paid the entire amount of the \$95,000 promissory note, reducing the principal balance of our convertible debentures issued to these holders by \$95,000.

Effective April 3, 2011, we entered into a consulting agreement with Mr. Bleak, who was appointed as our Chief Executive Officer and Chairman on May 2, 2011 and as our Chief Financial Officer on May 11, 2011, pursuant to which we agreed to pay him a fee of \$5,000 per month for each of April, May and June 2011 as compensation for his professional services.

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

On May 2, 2011, we issued Mr. Bleak 10,000,000 shares of common stock and a five year option to purchase 30,000,000 shares of common stock, which was exercisable in equal amounts on on each of May 2, 2012, 2013 and 2014. The option was cancelled on February 21, 2012.

Between May 2011 and September 2011 we rented warehouse space in Apache Junction, Arizona from Pinal Realty Investments, Inc. pursuant to a month to month lease agreement. We paid Pinal Realty Investments, Inc., an aggregate of \$1,000 a month in rent and management fees. Mr. Bleak is a director, officer and owner of 16.45% of Pinal Realty Investments, Inc.

On June 1, 2011, we entered into a one year services and employee leasing agreement with MJI Resource Management Corp. pursuant to which it made available to us six of its employees, including Mr. Bleak, for the purpose of performing management, operations, legal, accounting and resource location services. The agreement stipulated that we pay MJI Resource Management Corp. \$15,000 a month and the six employees an aggregate of \$11,000 a month under this agreement in each of June and July 2011, provided however, that such payments may be adjusted for additional services. The agreement was amended on August 1, 2011 such that, commencing in August 2011, we were to pay MJI Resource Management Corp. \$25,000 a month and the six employees an aggregate of \$11,000 a month, as such payments may be adjusted for additional services. The agreement was further amended on October 1, 2011 to extend its term to five years. Pursuant to this agreement, from the period from June 1, 2011 through December 31, 2011, we paid MJI Resource Management Corp. a total of \$155,000, we directly paid the six employees \$169,471 and we paid certain subcontractors \$17,255. Mr. Bleak received a total of \$75,828 under this agreement. We have paid the current President of MJI Resource Management Corp., who is also our operations manager, a total of \$24,570 under the agreement.

In 2012, pursuant to the services and employee leasing agreement, we directly paid the six employees \$14,565, and we paid certain contractors \$3,083. Mr. Bleak received a total of \$12,775 under this agreement. As of December 31, 2012, we owed MJI Resources Management Corp. an aggregate of \$849,170 under this agreement.

We moved to our current facilities in Apache Junction, Arizona on October 3, 2011. Our current facilities are provided to us at no cost by MJI Resources Corp. Mr. Eckersley, one of our directors, is the President of MJI Resources Corp. Mr. Eckersley, one of our directors, served as the President of MJI Resource Management Corp. from May 18,



2011 through September 30, 2011. The former President of MJI Resource Management Corp., who was appointed October 1, 2011, served as our operations manager from April 2011 through December 5, 2012. MJI Resource Management Corp. has employed Mr. Bleak in the capacity of a “leased employee” since June 2011.

On February 24, 2012, we issued Mr. Bleak 25,000,000 shares of common stock as compensation for his continued services.

On February 29, 2012, we entered into a note purchase agreement with Mr. Bleak pursuant to which we sold him \$23,529.41 of convertible promissory notes at an aggregate purchase price of \$20,000. Unless earlier converted or immediately due and payable upon an event of default, the note shall mature on February 28, 2013. The face value of the note may be converted at Mr. Bleak's option, in whole or in part, at any time at least three months following the date of issuance into shares of our common stock at a conversion price of \$0.05 per share. We believe that Mr. Bleak will convert the note into shares of our common stock. Further, at any time prior to the maturity date or conversion as set forth in the prior sentence, the face value of the note shall be exchanged into the applicable dollar amount of equity securities issued by us in a subsequent financing of at least \$1,000,000 at a conversion price of \$0.05 per share.

On May 9, 2012, we issued \$37,500 of our 6% convertible debentures for an aggregate purchase price of \$37,500 to a 5% shareholder. 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 our securities. In connection with the agreement, the shareholder received a warrant to purchase 750,000 shares of our 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.

#### Item 14. Principal Accounting Fees and Services

We paid Randall N. Drake, C.P.A., P.A., our independent registered public accounting firm for the 2011 fiscal year, the following amounts:

	2011
Audit Fees (1)	\$ 23,500
Audit Related Fees (2)	0
Tax Fees	0
All Other Fees	0
Total Fees	\$ 23,500

- (1) Audit fees consisted primarily of fees for the audit of our annual financial statements and reviews of the financial statements included in our quarterly reports and current reports.
- (2) Audit related fees consisted primarily of fees for assurance and related services reasonably related to the audit and review services described under footnote 1 above.

On January 1, 2012, the audit firm of Randall N. Drake CPA, P.A. changed its name to Drake & Klein CPAs. The change was reported to the PCAOB as a change of name. This is not a change of auditors for the Company.

On April 12, 2013, we appointed D. Brooks and Associates CPA's, P.A. as our independent registered public accounting firm for the 2012 fiscal year.

We paid D. Brooks and Associates CPA's, P.A. ,our independent registered public accounting firm for the 2012 fiscal year, the following amounts:

	2012	
Audit Fees (1)	\$	\$ 0
Audit Related Fees (2)		0
Tax Fees		0
All Other Fees		0
Total Fees	\$	\$ 0

- (1) Audit fees consisted primarily of fees for the audit of our annual financial statements and reviews of the financial statements included in our quarterly reports and current reports.
- (2) Audit related fees consisted primarily of fees for assurance and related services reasonably related to the audit and review services described under footnote 1 above.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Documents filed as part of this report.

- (1) Financial Statements. See Index to Consolidated Financial Statements, which appears on page F-1 hereof. The financial statements listed in the accompanying Index to Consolidated Financial Statements are filed herewith in response to this Item.
- (2) Financial Statements Schedules. None.
- (3) Exhibits

Exhibit No.	Description
2.1	Agreement and Plan of Merger dated March 2, 2010 (Incorporated by reference to Exhibit 2.1 to the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 17, 2010)
2.2	Articles of Merger filed with the Florida Department of State on April 21, 2010 (Incorporated by reference to Exhibit 2.2 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2011)
2.3	Articles of Merger filed with the Delaware Department of State on April 21, 2010 (Incorporated by reference to Exhibit 2.3 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2011)
3.1	Certificate of Incorporation (Incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 17, 2010)
3.2	Bylaws (Incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 17, 2010)
3.3	Series A Preferred Stock Certificate of Designation (Incorporated by reference to Exhibit 3.3 to the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 17, 2010)
3.4	Series D Preferred Stock Certificate of Designation (Incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on November 14, 2012)
4.1	Form of Common Stock Purchase Warrant issued February 4, 2010 (Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 16, 2010)

- 4.2 Form of Common Stock Purchase Warrant issued April 21, 2010 (Incorporated by reference to Exhibit 4.2 to the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 17, 2010)
- 4.3 Form of Common Stock Purchase Warrant issued May 22, 2010 through June 11 (Incorporated by reference to Exhibit 10.10 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 24, 2010)
- 4.4 Form of Note (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2012)
- 4.5 Form of Convertible Debenture issued May 9, 2012\*
- 4.6 Form of Common Stock Purchase Warrant issued May 9, 2012\*
- 10.1 Option Agreement dated December 22, 2009 (Incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 3, 2010)
- 10.2 Form of Securities Purchase Agreement dated February 4, 2010 (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 16, 2010)
- 10.3 Professional Services Agreement dated April 1, 2011 (Incorporated by reference to Exhibit 10.25 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on July 22, 2011) +
- 10.4 Quitclaim Deed dated April 26, 2011 (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 29, 2011)
- 10.5 Commercial/Industrial Lease dated May 1, 2011 (Incorporated by reference to Exhibit 10.24 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on July 22, 2011)
- 10.6 Stock Option Agreement dated May 2, 2011 (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 3, 2011)
- 10.7 Form of Subscription Agreement (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 26, 2011)
- 10.8 Supplement to Subscription Agreement (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 26, 2011)
- 10.9 Services and Employee Leasing Agreement dated June 1, 2011 (Incorporated by reference to Exhibit 10.26 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on July 22, 2011) +

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- 10.10 Amendment of Services and Employee Leasing Agreement dated August 1, 2011 (Incorporated by reference to Exhibit 10.27 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on October 7, 2011) +
- 10.11 Third Amendment of Services and Employee Leasing Agreement dated October 1, 2011 (Incorporated by reference to Exhibit 10.24 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2012) +
- 10.12 Form of Note Purchase Agreement (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2012)
- 10.13 Cancellation Agreement dated February 21, 2012 ((Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2012)+
- 10.14 Form of Subscription Agreement (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on November 14, 2011)
- 21.1 List of Subsidiaries (Incorporated by reference to Exhibit 21.1 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2011)
- 31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002\*
- 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002\*
- 32.1 Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002\*

\* Filed herewith.

+ Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SILVER HORN MINING LTD.

Dated: April 16, 2013

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following person on behalf of the registrant and in the capacities and on the dates indicated.

Dated: April 16, 2013

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

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

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and  
Stockholders of Silver Horn Mining Ltd (An Exploration Stage Company)

We have audited the accompanying balance sheet of Silver Horn Mining Ltd. (An Exploration Stage Company) as of December 31, 2012, and the related statements of income, stockholders' deficiency, and cash flows for the year then ended. Silver Horn Mining Ltd.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Silver Horn Mining Ltd. (An Exploration Stage Company) as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has incurred operating losses, has incurred negative cash flows from operations and has a working capital deficit. These and other factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plan regarding these matters is also described in Note 2 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ D. Brooks and Associates CPA's, P.A.

D. Brooks and Associates CPA's, P.A.

West Palm Beach, Florida

April 16, 2013

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SILVER HORN MINING LTD. AND SUBSIDIARIES  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31, 2012 AND 2011

	2012	2011
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$20	\$15,047
Prepaid expenses	7,500	39,945
Debt issuance cost	-	517
<b>Total Assets</b>	<b>\$7,520</b>	<b>\$55,509</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$492,766	\$341,427
Accounts payable - related party	849,170	88,981
Convertible debentures and notes payable, net of debt discounts	210,110	145,959
Derivative liabilities	50,888	-
Liabilities for discontinued operations	112,397	112,397
<b>Total Current Liabilities</b>	<b>1,715,331</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	-	-
Series D, 1,000,000 and 0 issued and outstanding, as of December 31, 2012 and December 31, 2011, respectively	100	-
Common stock; \$0.0001 par value; 750,000,000 shares authorized; 253,033,555 and 225,833,555 shares issued and outstanding as of December 31, 2012 and December 31, 2011, respectively	25,303	22,583
Additional paid-in capital	47,859,648	44,125,952
Accumulated deficit	(41,947,270)	(41,947,270)
Accumulated deficit since inception of exploration stage (April 25, 2011)	(7,645,892 )	(2,834,820 )
<b>Total Stockholders' Deficit</b>	<b>(1,707,811 )</b>	<b>(633,255 )</b>
<b>Total Liabilities and Stockholders' Deficit</b>	<b>\$7,520</b>	<b>\$55,509</b>

See accompanying notes to consolidated financial statements.



SILVER HORN MINING LTD. AND SUBSIDIARIES  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011, AND FOR THE PERIOD  
FROM INCEPTION OF EXPLORATION STAGE (APRIL 25, 2011) TO DECEMBER 31, 2012

	Year Ended December 31, 2012	Year Ended December 31, 2011	Period from Inception of Exploration stage (April 25, 2011) through December 31, 2012
Net revenues	\$-	\$-	\$-
<b>Operating expenses:</b>			
Payroll expense and stock based compensation	3,875,049	527,370	4,385,418
Management fees - related party	300,000	155,000	300,000
Exploration cost	115,832	156,363	272,195
Impairment of mineral rights	-	500,000	500,000
Professional and consulting	280,770	263,746	589,019
General and administrative expenses	98,551	341,233	416,125
<b>Total operating expenses</b>	<b>4,670,201</b>	<b>1,943,712</b>	<b>6,462,757</b>
Loss from operations	(4,670,201 )	(1,943,712 )	(6,462,757 )
<b>Other income (expense)</b>			
Gain from settlement of debt	-	28,244	-
Interest expense, net	(127,483 )	(658,155 )	(488,807 )
Derivative liability expense	(174,128 )	-	(174,128 )
Change in fair value of derivative liabilities	160,740	(6,148,651 )	(520,200 )
<b>Total other expense, net</b>	<b>(140,871 )</b>	<b>(6,778,562 )</b>	<b>(1,183,135 )</b>
Loss before provision for income taxes	(4,811,072 )	(8,722,274 )	(7,645,892 )
Provision for income taxes	-	-	-
Net loss	(4,811,072 )	\$(8,722,274 )	\$(7,645,892 )
<b>NET LOSS PER COMMON SHARE:</b>			
Basic and Diluted	(0.02 )	\$(0.04 )	\$(0.03 )
<b>WEIGHTED AVERAGE COMMON SHARES</b>			
OUTSTANDING - Basic and Diluted	249,271,259	220,095,090	224,804,659

See accompanying notes to consolidated financial statements.

SILVER HORN MINING LTD. AND SUBSIDIARIES  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Preferred Stock - Series A \$0.0001 Par Value		Preferred Stock - Series D \$0.0001 Par Value		Common Stock	Additional Paid in Capital	Accumulated Deficit	Stockholders' Deficit	
Balance, January 1, 2011	3,000,000	\$300	-	\$-	170,613,692	\$17,061	\$28,831,876	\$(36,059,816)	\$(7,210,579)
Issuance of common stock for cash	-	-	-	-	11,000,000	1,100	548,900	-	550,000
Issuance of common stock for services	-	-	-	-	1,000,000	100	129,900	-	130,000
Issuance of common stock for accrued director's fees	-	-	-	-	219,863	22	9,978	-	10,000
Contributed capital	-	-	-	-	-	-	95,000	-	95,000
Reclassification of derivative liability upon extinguishment of convertible debentures	-	-	-	-	-	-	12,857,466	-	12,857,466
Issuance of common stock in connection with the conversion of convertible debentures	-	-	-	-	28,000,000	2,800	697,200	-	700,000
Issuance of common stock in connection with the	-	-	-	-	5,000,000	500	124,500	-	125,000

exercise of warrants									
Stock-based compensation in connection with options granted	-	-	-	-	-	-	332,132	-	332,132
Issuance of common stock in connection with the transfer and conveyance of unpatented mining claims	-	-	-	-	10,000,000	1,000	499,000	-	500,000
Net Loss	-	-	-	-	-	-	-	(8,722,274 )	(8,722,274 )
Balance, December 31, 2011	3,000,000	300	-	-	225,833,555	22,583	44,125,952	(44,782,090)	(633,255 )
Issuance of common stock for services	-	-	-	-	25,000,000	2,500	3,497,500	-	3,500,000
Beneficial conversion feature in connection with a convertible promissory note	-	-	-	-	-	-	90,000	-	90,000
Issuance of common stock in connection with the conversion of convertible debentures	-	-	-	-	2,200,000	220	54,780	-	55,000
Stock-based compensation in connection with options granted	-	-	-	-	-	-	41,516	-	41,516

Issuance of preferred stock for cash	-	-	1,000,000	100	-	-	49,900	-	50,000
Net Loss	-	-	-	-	-	-	-	(4,811,072 )	(4,811,072 )
Balance, December 31, 2012	3,000,000	\$300	1,000,000	\$100	253,033,555	\$25,303	\$47,859,648	\$(49,593,162)	\$(1,707,811 )

See accompanying notes to consolidated financial statements.

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SILVER HORN MINING LTD. AND SUBSIDIARIES  
(AN EXPLORATION STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011, AND FOR THE PERIOD  
FROM INCEPTION OF EXPLORATION STAGE (APRIL 25, 2011) TO DECEMBER 31, 2012

	Year Ended December 31, 2012	Year Ended December 31, 2011	Period from Inception of Exploration stage (April 25, 2011) through December 31, 2012
<b>Cash flows from operating activities:</b>			
Net loss	\$ (4,770,072 )	\$ (8,722,274 )	\$ (7,609,892 )
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>			
Amortization of prepaid expenses	-	140,601	95,034
Amortization of debt issuance costs	517	6,252	5,206
Amortization of debt discount	119,151	623,667	453,964
Impairment of mineral rights	-	500,000	500,000
Derivative liability expense	174,128	-	174,128
Change in fair value of derivative liabilities	(160,740 )	6,148,651	520,200
Stock based consulting	-	130,000	130,000
Stock based compensation expense	41,516	332,132	373,648
Common stock issued for services	3,500,000	-	3,500,000
Gain from settlement of debt	-	(28,244 )	-
<b>(Increase) Decrease in:</b>			
Prepaid expense	32,446	(95,004 )	3,641
<b>Increase (Decrease) in:</b>			
Accounts payable and accrued expenses	870,528	225,213	1,070,260
Liabilities of discontinued operations	-	(15,000 )	-
Net cash used in operating activities	(192,527 )	(754,006 )	(783,811 )
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of preferred stock	50,000	-	50,000
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	177,500	675,000	727,500
Net decrease in cash	(15,027 )	(79,006 )	(56,311 )

Cash, beginning of period	15,047	94,053	56,331
Cash, end of period	\$ 20	\$ 15,047	\$ 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	\$ -	\$ 95,000	\$ 31,666
Issuance of common stock for convertible debentures	\$ 55,000	\$ 700,000	\$ 505,000
Issuance of common stock for accrued director's fees	\$ -	\$ 10,000	\$ -
Reclassification of derivative liability to equity	\$ -	\$ 12,857,466	\$ 9,662,196
Issuance of common stock in connection with the transfer and conveyance of certain silver mining claim	\$ -	\$ 500,000	\$ 500,000

See accompanying notes to consolidated financial statements.

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

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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 December 31, 2012 and 2011 are summarized as follows:

	December 31, 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



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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.

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 December 31, 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.

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.



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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 December 31, 2012:

	Conversion feature derivative liability	Warrant liability	Total
Balance at January 1, 2012	\$—	\$—	\$—
Recognition of derivative liability	103,313	108,316	211,629
Extinguishment of derivative liability upon conversion of debt to equity	—	—	—
Change in fair value included in earnings	(88,317 )	(72,424 )	(160,740 )
Balance at December 31, 2012	\$ 14,996	\$ 35,892	\$ 50,888

Total derivative liabilities at December 31, 2012 and 2011 amounted to \$50,888 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 the instruments. The carrying amount of convertible notes and debentures at December 31, 2012, 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.



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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 years ended December 31, 2012 and 2011, the Company does not have long-lived assets and therefore did not consider it necessary to record any impairment charges.

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 year ended December 31, 2012, the Company incurred exploration cost of \$115,832. As of December 31, 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.

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.

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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 December 31, 2012, the Company has outstanding warrants to purchase 36,750,000 shares and 6,867,640 shares issuable pursuant to. At December 31, 2011, the Company had 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.

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NOTE 2 - GOING CONCERN CONSIDERATIONS

The accompanying consolidated financial statements are prepared assuming the Company will continue as a going concern. At December 31, 2012, the Company had an accumulated deficit of approximately \$49.6 million, and a working capital deficiency of \$1.7 million. For the year ended December 31, 2012, the Company incurred a net loss of approximately \$4.8 million and had negative cash flows from operations in the amount of approximately \$193,000. 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 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 December 31, 2012 the case is in discovery, and trial is set for August 20, 2013.

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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 December 31, 2012 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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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 December 31, 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. 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 December 31, 2012 and 2011, convertible debentures and notes payable consisted of the following:

	December 31, 2012	December 31, 2011
Convertible debentures and notes payable	\$ 243,382	\$ 155,000
Less: debt discount	(33,272 )	(9,041 )
Convertible debentures and notes payable– net	\$ 210,110	\$ 145,959

Total amortization of debt discounts for the convertible debentures amounted to \$119,151 and \$623,667 for the years ended December 31, 2012 and 2011, respectively, and is included in interest expense. Accrued interest as of December 31, 2012 and 2011 amounted to \$79,120 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 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 December 31, 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, and 1,000,000 shares as series D 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.

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.



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NOTE 5 – STOCKHOLDERS’ DEFICIT (continued)

Common Stock

In January 2011, the Company issued 219,863 shares in connection with the payment of accrued directors’ fee of \$10,000. The Company valued these common shares at the fair market value on the date of grants at approximately \$0.045 per share or \$10,000.

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 June 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.

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 10 million shares of the Company’s common stock and 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. 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 Company valued these common shares at the recent subscription price on the date of grant at \$0.05 per share (based on the recent selling price of the Company’s common stock below) or \$500,000. Accordingly, the Company recorded mineral cost of \$500,000 in connection with the transfer and conveyance of certain silver mining claims to the Company.

On May 23, 2011, the Company entered into subscription agreements with certain investors whereby it sold an aggregate of 11 million shares of the Company’s common stock at a purchase price of \$0.05 per share or an aggregate purchase price of \$550,000. As set forth in the subscription agreements, the Company has agreed to file a “resale” registration statement with the Securities and Exchange Commission (the “SEC”) covering 50% of the shares of the Common Stock sold to each investor in this offering within 60 days (the “Filing Date”). The Company has agreed to use its best efforts to cause the registration statement to be declared effective within 120 days (the “Effectiveness

Deadline”). The Company has agreed to maintain the effectiveness of the registration statement from the effective date until the date all securities have been sold or are otherwise freely tradeable under the Securities Act of 1933, as amended (the “Securities Act”). If a registration statement is not filed on or prior to the Filing Date, or is not effective with the SEC on or prior to the Effectiveness Deadline, the Company will make payments to this investors of 1% of the investors’ investment for every thirty (30) day period up to a maximum of 5% following the Filing Date or the Effectiveness Deadline, as applicable. Such payments shall be made to these investors in cash or shares of common stock, at the Company’s option.



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NOTE 5 – STOCKHOLDERS’ DEFICIT (continued)

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 conversion price of such shares issued amounted to \$0.025 per share.

In December 2011, the Company issued 1,000,000 shares of the Company’s common stock of the Company to a consultant for consulting and investor relations services rendered. The Company valued these common shares at the fair market value on the date of grant at \$0.13 per share or \$130,000. In connection with the issuance of these shares during the year ended December 31, 2011, the Company recorded stock based consulting of \$130,000.

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%.

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 years ended December 31, 2012 and 2011, the Company recorded stock-based compensation expense related to stock options of \$41,516 and \$332,132.

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## NOTE 5 – STOCKHOLDERS’ DEFICIT (continued)

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, 2011	—	\$—	—
Granted	30,000,000	0.05	5.0
Exercised	—	—	—
Forfeited	—	—	—
Cancelled	—	—	—
Balance outstanding at December 31, 2011	30,000,000	\$0.05	4.33
Options exercisable at December 31, 2011	—	\$—	
Options expected to vest	—		
Weighted average fair value of options granted during the year ended December 31, 2011		\$0.05	
Balance at January 1, 2012	30,000,000	\$0.05	4.33
Granted	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Cancelled	(30,000,000)	0.05	4.16
Balance outstanding at December 31, 2012	—	\$—	—
Options exercisable at December 31, 2012	—	\$—	
Options expected to vest	—		
Weighted average fair value of options granted during the year ended December 31, 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
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Balance at January 1, 2011	41,000,000	\$0.025
Granted	—	—
Exercised	(5,000,000 )	0.025
Balance at December 31, 2011	36,000,000	\$0.025
Granted	750,000	0.05
Exercised	—	—
Balance at December 31, 2012	36,750,000	\$0.026
Warrants exercisable at December 31, 2012	36,750,000	\$0.026

The following table summarizes the Company's stock warrants outstanding at December 31, 2012:

Range of Exercise Price	Warrants Outstanding			Warrants Exercisable		
	Number Outstanding at December 31, 2012	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2012	Weighted Average Exercise Price	
\$ 0.03	36,000,000	2.06 Years	\$ 0.025	36,000,000	\$ 0.025	
0.05	750,000	4.36 Years	0.05	750,000	0.05	
\$ 0.03	36,750,000	2.11 Years	\$ 0.026	36,750,000	\$ 0.026	

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## NOTE 6 – INCOME TAXES

The Company accounts for income taxes under ASC Topic 740: Income Taxes which requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and the tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax losses and tax credit carry forwards. ASC Topic 740 additionally requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets. The Company has a net operating loss carry forward for tax purposes totaling approximately \$20.8 million at December 31, 2012, expiring through the year 2031. Internal Revenue Code Section 382 places a limitation on the amount of taxable income that can be offset by carry forwards after certain ownership shifts.

The table below summarizes the differences between the Company's effective tax rate and the statutory federal rate as follows for the year ended December 31, 2012 and 2011:

	December 31, 2012	December 31, 2011
Tax benefit computed at "expected" statutory rate	\$ (1,623,524 )	\$ (2,965,573 )
State income taxes, net of benefit	(178,110 )	(54,330 )
Permanent differences :		
Stock based compensation and consulting	14,115	157,125
Loss (gain) from change in fair value of derivative liability	(54,652 )	2,090,541
Amortization of debt discount	40,511	212,047
Impairment loss	-	170,000
Increase in valuation allowance	1,801,660	390,190
Net income tax benefit	\$ -	\$ -

Deferred tax assets and liabilities are provided for significant income and expense items recognized in different years for tax and financial reporting purposes. Temporary differences, which give rise to a net deferred tax asset is as follows:

	December 31, 2012	December 31, 2011
Deferred tax assets:	\$ 10,003,984	\$ 8,202,324
Net operating loss carryforward		
Other	-	-
Total deferred tax assets	\$ 10,003,984	\$ 8,202,324
Deferred tax liabilities:		
Book basis of property and equipment in excess of tax basis	\$ -	\$ -
Total deferred tax liabilities	\$ -	\$ -
Net deferred tax asset before valuation allowance	\$ 10,003,984	\$ 8,202,324

Less: valuation allowance	(10,003,984)	(8,202,324 )
Net deferred tax asset	\$ -	\$ -

After consideration of all the evidence, both positive and negative, management has recorded a full valuation allowance at December 31, 2012 and 2011, due to the uncertainty of realizing the deferred income tax assets. The valuation allowance was increased by \$1,801,660.

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NOTE 7 – 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.

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 8 – 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. During the year ended December 31, 2012, the Company incurred \$300,000 of management fees and approximately \$437,000 of personnel expenses through MJI. As of December 31, 2012, accounts payable due to MJI amounted to approximately \$849,170. 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 9 – 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 \$50,888 and \$0 at December 31, 2012 and 2011, respectively. The gain (loss) resulting from the decrease (increase) in fair value of this convertible instrument was \$160,740 and \$(6,148,651) for the years ended December 31, 2012 and 2011, respectively. Derivative liability expense was \$174,129 for the year ended December 31, 2012.

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, 2011	December 31, 2012
Expected volatility	207% - 257%	89% - 217 %
Expected term	1.25 - 4 Years	1.5 - 4.36 Years
Risk-free interest rate	0.02% - 1.76 %	0.15% - 0.72 %
Expected dividend yield	0 %	0 %