SECURITIES PURCHASE AGREEMENT

UNITED SILVER CORP.

- and -

HUSC, LLC, as agent

- and -

HUSC, LLC

Dated as of February 1, 2012

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SECURITIES PURCHASE AGREEMENT

THIS AGREEMENT made as of the 1st day of February, 2012.

BETWEEN:

UNITED SILVER CORP.,
a company incorporated under the laws of the Province of British Columbia,

(hereinafter referred to as the "**Company**"),

- and -

HUSC, LLC, as Agent
a limited liability company formed under the laws of the State of Delaware,

(hereinafter referred to as the "**Agent**"),

- and -

HUSC, LLC, as Initial Purchaser
a limited liability company formed under the laws of the State of Delaware,

(hereinafter referred to as the "**Initial Purchaser**").

WHEREAS, subject to the terms and conditions set forth in this Agreement, the Company desires to issue and sell to the Initial Purchaser 5,040,000 Warrants (as hereinafter defined) and Notes (as hereinafter defined), having an aggregate principal amount of up to US$6,300,000, and the Initial Purchaser has agreed to purchase from the Company, such Warrants and such Notes pursuant to the terms set forth herein.

AND WHEREAS the Agent and the Purchasers have agreed to enter into this Agreement with the Company to set forth certain of the terms and conditions relating to the Notes and the Warrants;

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged by each party, the Company, the Agent and the Purchasers (as defined herein) agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Defined Terms

For the purposes of this Agreement (including the recitals and the Exhibits and Schedules hereto), unless the context otherwise requires, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have the corresponding meanings:

"**Acquisition Rights**" has the meaning ascribed thereto in Section 7.1(mm).

"**Additional Guarantor**" means any Subsidiary of the Company or of any Guarantor created or acquired after the Closing Date.

"**Affiliate**" of a Person means any other Person that, directly or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the first Person.

"**Agent's Counsel**" means Davies Ward Phillips & Vineberg LLP, counsel to the Agent and the Initial Purchaser.

"**Agreement**" means this securities purchase agreement as it may be amended, restated, supplemented or otherwise modified from time to time.

"**Applicable Law**" means all federal, provincial, state, municipal, foreign and international statutes, acts, codes, ordinances, decrees, treaties, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards or any provisions of the foregoing, including general principles of common and civil law and equity, and all policies, practices and guidelines of any Governmental Authority binding on or affecting the Person referred to in the context in which such word is used.

"**Associate**" has the meaning ascribed to such term in the *Securities Act* (British Columbia), as in effect on the date of this Agreement.

"**BHCA**" has the meaning ascribed thereto in Section 7.1(sss).

"**Board**" means the board of directors of the Company.

"**Board Letter Agreement**" has the meaning ascribed thereto in Section (e) of Schedule 4.1;

"**Bunker Hill Property**" means the 42 patented mining claims in Township 48 North, Range 3 East, Shoshone County, Idaho, commonly known as the Alhambra Mine and the North American Mine.

"**Business Day**" means any day except Saturday, Sunday and any day which is a legal holiday under the laws of the State of New York or the Province of British Columbia or is a day on which banking institutions located in the State of New York or the Province of British Columbia are authorized or required by law or other governmental action to be closed.

"**Buy-In**" has the meaning ascribed thereto in Section 8.8.

"**Buy-In Price**" has the meaning ascribed thereto in Section 8.8.

"**Canadian Dollars**", "**C$**" or "**$**" means the lawful currency of Canada.

"**Canadian Employee Plan**" means any payroll practice and other employee benefit plan, policy, program, agreement or arrangement, including retirement, pension, profit sharing, collective bargaining agreement, bonus or other incentive compensation, retention, stock purchase, equity or equity-based compensation, deferred compensation, change of control, severance, sick leave, vacation, loans, salary continuation, hospitalization, health, life insurance, educational assistance or other fringe benefit or perquisite plan, policy, agreement which is or was sponsored, administered, maintained or contributed to by, or required to be contributed to by, the Company or any of its Subsidiaries, or with respect to which the Company or any of its Subsidiaries has or could have any obligation or liability, contingent or otherwise in respect of its Canadian employees or former employees and their dependants and beneficiaries.

"**Canadian Multi-Employer Plan**" means each multi-employer plan, within the meaning of the regulations under the *Income Tax Act* (Canada).

"**Canadian Pension Plan**" means a "registered pension plan" as defined in the *Income Tax Act* (Canada) and any other pension plan maintained or contributed to by, or to which there is or may be an obligation to contribute by, any of the Company or its Subsidiaries in respect of its Canadian employees or former employees and their dependants and beneficiaries.

"**Capital Lease Obligations**" of any Person means the obligations of such Person to pay, rent or other amounts under any lease of (or arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases for financial reporting purposes under IFRS, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with IFRS.

"**Cash Equivalents**" means:

(a) securities (i) issued or directly and fully guaranteed or insured by the Canadian government or any province thereof or by the United States government or (ii) issued by any Governmental Authority and which securities are fully guaranteed or insured or benefit from the full faith and credit, as applicable, of the United States government or the Canadian government or any province thereof, provided however, that in the case of securities issued or guaranteed by any province of Canada or securities defined in clause (ii), such securities are rated by at least two rating agencies and have a minimum rating of at least AA by S&P and AA2 by Moody's and have a remaining term to maturity not exceeding 365 days; and

(b) certificates of deposit with maturities of six months or less from the date of acquisition, bankers' acceptances with a remaining term to maturity not exceeding 365 days and overnight bank deposits, in each case, with any bank referred to in Schedule I of the *Bank Act* (Canada) or rated at least AA or the equivalent thereof by Standard & Poors, at least AA2 or the equivalent thereof by Moody's.

"**Change of Control**" means the occurrence of any of the following in one or a series of related transactions: (i) an acquisition after the date hereof by an individual (other than the Purchaser) or a legal entity or "group" (as described in Rule 13d-5(b)(1) under the Exchange Act) of more than 50% of the voting rights or equity interests in the Company provided that for the purposes of determining whether an individual, group or legal entity has acquired 50% or more of the voting rights or equity interests in the Company, no account shall be taken of the Initial Purchaser's holdings in the Company at such time; (ii) a replacement of more than 50% of the members of the Board that is not approved by those individuals who are members of the Board on the date hereof (or other directors previously approved by such individuals); (iii) a merger, amalgamation or consolidation of the Company or any of its Subsidiaries or a sale of 50% or more of the properties or assets of the Company or any of its Subsidiaries in one or a series of related transactions, unless, following such transaction or series of transactions, the holders of the Company's securities prior to the first such transaction continue to hold at least 50% of the voting rights and equity interests in the surviving entity or acquirer of such properties or assets, as applicable; (iv) a recapitalization, reorganization or other transaction involving the Company that constitutes or could pursuant to the express terms of any Contract or the terms of any Equity Securities, other securities, Indebtedness or otherwise result in a transfer of more than 50% of the voting rights or equity interests in the Company; (v) consummation of a "Rule 13e-3 transaction" as defined in Rule 13e-3 under the Exchange Act with respect to the Company; (vi) the execution by the Company or any of its controlling shareholders of an agreement providing for or that will result in any of the foregoing events or (vii) any event following which the Company ceases to hold, directly or indirectly, 100% of the Equity Securities of its Subsidiaries (including without limitation the Guarantors).

"**Claim**" means any claim, litigation, investigation or proceeding of any nature whatsoever including, without limitation, any demand, cause of action, suit, order, proceeding, arbitration, judgment, award of damages or loss, assessment and reassessment.

"**Closing**" means the closings of the purchase and sale of the Securities pursuant to Section 3.1 on the Closing Date.

"**Closing Date**" means the later of (a) the date of this Agreement; and (b) the date the conditions precedent set forth in Sections 4.1 and 4.2have been satisfied or waived.

"**Closing Price**" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Shares are then listed or quoted on a Trading Market, the closing bid price per Common Share for such date (or the nearest preceding date) on the primary Trading Market or exchange on which the Common Shares are then listed or quoted; (b) if prices for the Common Shares are then quoted on the OTC Bulletin Board, the closing bid price per Common Share for such date (or the nearest preceding date) so quoted; or (c) in all other cases, the Fair Market Value of the Common Shares as determined by an independent appraiser selected in good faith by the Agent.

"**Collateral**" means all present and after-acquired property, assets and undertakings of the Company and each of the Guarantors.

"**Commission**" means the Securities and Exchange Commission.

"**Common Shares**" means the common shares in the capital of the Company and any securities into which such common shares may hereafter be reclassified.

"**Company Control Agreement**" means the control agreement dated as of the Closing Date between the Company and the Agent, as the same may be amended, restated, supplemented or otherwise modified from time to time, substantially in the form of Exhibit A.

"**Company Counsel**" means Clark Wilson LLP, counsel to the Company.

"**Company Security Agreement**" means the general security agreement dated as of the Closing Date between the Company and the Agent, as the same may be amended, restated, supplemented or otherwise modified from time to time, substantially in the form of Exhibit B.

"**Contract**" means any agreement, indenture, contract, lease, deed of trust, licence, option, instrument, arrangement, understanding, purchase order, task order or other commitment, whether written or oral.

"**Control**" means the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise; "**Controlling**" and "**Controlled**" have corresponding meanings.

"**Control Agreements**" means, collectively, the Company Control Agreement and the Subsidiary Control Agreements.

"**Conversion Price**" has the meaning ascribed thereto in the form of Note attached hereto as Exhibit D and, for greater certainty is subject to adjustment as set forth therein.

"**Crescent Mine Property**" means 25 patented mining claims in Sections 15, 16, 17 and 20, T48N, R3E, Boise Meridian, owned by Syringa, as to 80% and Crescent, Inc., as to 20%.

"**Current Market Price**" means, on any calculation date except when calculating a "cashless exercise" of a Warrant (as contemplated in Section 3.8 of the Warrant), the VWAP for the five trading day period ending three trading days prior to the applicable date. When calculating cashless exercise, "**Current Market Price**" means, on any calculation date, the VWAP for the five trading days immediately preceding the applicable date.

"**Default**" means an event, condition or circumstance which, with the lapse of time or giving of notice, would constitute an Event of Default.

"**Deposit Account**" means "deposit account" as such term is defined in the UCC.

"**Disposition**" means with respect to any asset of any Person, any direct or indirect sale, lease (where such Person is the lessor of such asset), assignment, cession, transfer (including any transfer of title or possession), exchange, conveyance, release or gift of such asset, including by means of a Securitization Transaction, or any reorganization, consolidation, amalgamation or merger of such Person pursuant to which such asset becomes the property of any other Person; and "**Dispose**" and "**Disposed**" have meanings correlative thereto.

"**Environmental Laws**" means all Applicable Laws relating in whole or in part to the protection, quality or use of the natural environment or natural resources or occupational health and safety, the rehabilitation and closure of lands or emissions, discharges, Releases of Hazardous Materials into the environment including ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling or remediation of Hazardous Materials.

"**Environmental Liabilities**" means any Claims and Losses of any nature (known or unknown, fixed or contingent) to the extent relating to or connected with the business of the Company or any Guarantor or the Real Property instituted, required, made, imposed, rendered, issued or in any way arising out of or under or pursuant to Environmental Laws including the reclamation, characterization, remediation, rehabilitation and closure of Mine Properties, mine hazards, including tailings, waste rock and other accumulation areas connected therewith, whether instituted, required, made, imposed, rendered or issued by a Governmental Authority, or by a third party, or otherwise arising.

"**Environmental Permits**" means any Permit of any kind held or required to be held by any Person pursuant to applicable Environmental Laws including any Permit to explore for, develop, mine, produce or refine mineral resources or to construct, operate, rehabilitate and close Mine Properties.

"**Equity Event Value**" has the meaning ascribed thereto in the Notes;

"**Equity Securities**" means any securities (a) having voting rights in the election of the board of directors (or similar body) of a Person not contingent upon default; (b) evidencing an ownership interest in any Person (including preferred stock); or (c) convertible into or exercisable or exchangeable for any of the foregoing (other than unexercised options issued to an employee, officer or director of such Person or any of its Subsidiaries pursuant to an incentive option plan or otherwise), or any agreement or commitment to issue any of the foregoing.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"**ERISA Affiliate**" means, with respect to the Company or any of its Subsidiaries, any trade or business (whether or not incorporated) under common control with the Company or such Subsidiaries and which, together with the Company or such Subsidiaries, is treated as a single employer within the meaning of Section 414 of the US IRC.

"**ERISA Plan**" means any employee benefit plan as defined in Section 3(3) of ERISA, including any employee welfare benefit plan (as defined in Section 3(1) of ERISA), any employee pension benefit plan (as defined in Section 3(2) of ERISA), and any plan which is both an employee welfare benefit plan and an employee pension benefit plan, and in respect of which the Company or any ERISA Affiliate is (or, if such ERISA Plan were terminated, would under Section 4062 or Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"**Event of Default**" has the meaning ascribed thereto in Section 10.1.

"**Exercise Price**" has the meaning ascribed thereto in the Warrants.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Excluded Taxes**" means: (a) Taxes imposed on the income of the Agent or a Purchaser (as applicable) by a Governmental Authority as a result of the Agent or such Purchaser (i) carrying on a trade or business or having a permanent establishment in any jurisdiction or political subdivision thereof; (ii) being organized under the laws of such jurisdiction or political subdivision thereof; or (iii) being or being deemed to be resident in such jurisdiction or political subdivision thereof; and (b) Taxes that would not have been imposed but for the failure of the Purchaser to comply with certification, information or other reporting requirements concerning the nationality, residence or identity of the Agent or such Purchaser if such compliance is required by Applicable Law as a precondition to relief or exemption from such Tax.

"**Fair Market Value**" means a determination of the fair value that is calculated as at the time immediately before the occurrence of the event that gave rise to the requirement to make the calculation, the price, expressed in money, available in an open and unrestricted market between informed and willing parties acting at arm's length and under no compulsion to act and determined on a going concern basis.

"**Federal Reserve**" has the meaning ascribed thereto in Section 7.1(sss).

"**Financial Statements**" means:

(a) the audited financial statements of the Company as at and for the year ended December 31, 2010, including the notes thereto, together with the auditor's report thereon; and

(b) the unaudited financial statements of the Company as at and for the three and nine month periods ended September 30, 2011, in each case, including the notes thereto.

"**Finder**" means a broker finder, agent, financial advisor, investment advisor or other Person engaged to find or act as agent on behalf of purchasers of or Purchasers for, or proposed purchasers of or Purchasers for, securities of the Company or to otherwise identify potential investors in, or lenders to, or any other potential sources of debt, revenue or financial benefit (including, for greater certainty, off-take arrangements) for, the Company in return for compensation including cash and/or securities of the Company.

"**Foreign Plan**" means any employee benefit plan or arrangement (a) maintained or contributed to by the Company or its Subsidiaries that is not subject to the laws of the United States or Canada; or (b) mandated by a government other than the United States or Canada for employees or former employees of the Company or its Subsidiaries.

"**Governmental Authority**" shall mean any (a) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign; (b) subdivision, agent, commission, board, or authority of any of the foregoing; or (c) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing.

"**Guarantee**" means each of the guarantees executed and delivered by each of the Guarantors in favour of the Agent, in form and substance satisfactory to the Agent, substantially in the form of Exhibit C hereto.

"**Guarantors**" means UMS and Syringa and, in each case, any successors thereof and any Additional Guarantors.

"**Hazardous Material**" means any contaminant, pollutant, waste of any nature, hazardous or toxic substance or material or dangerous good as defined, judicially interpreted or identified in any Environmental Law or any substance that causes or may cause harm or degradation to the environment or injury to human health and includes any condition, circumstance, pollutant, contaminant, waste, hazardous waste, tailings, waste rock, petroleum and petroleum products, polychlorinated biphenyls or deleterious, toxic or hazardous substance or dangerous good present in such quantity or state that it contravenes any Environmental Laws or gives rise to any Losses, Claims, liability or obligation under any Environmental Law.

"**Hedging Contract**" means any contract or other agreement entered into by any Person with respect to a Hedging Transaction.

"**Hedging Transaction**" means (a) any transaction now existing or hereafter entered into (i) which is a rate swap transaction, swap option, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, credit protection transaction, credit swap, credit default swap, credit default option, total return swap, credit spread transaction, repurchase transaction, reverse repurchase transaction, buy/sell-back transaction, securities lending transaction, weather index transaction or forward purchase or sale of a security, commodity or other financial instrument or interest (including any option with respect to any of these transactions), or (ii) a transaction that is similar to any transaction referred to in clause (i) above that is currently, or in the future becomes, recurrently entered into in the financial markets (including terms and conditions incorporated by reference in such agreement) and which is a forward, swap, future, option or other derivative on one or more rates, currencies, commodities, equity securities or other equity instruments, debt securities or other debt instruments, economic indices or measures of economic risk or value, or other benchmarks against which payments or deliveries are to be made; and (b) any combination of these transactions;

"**IFRS**" means International Financial Reporting Standards.

"**Indebtedness**" means a liability of any Person which, in accordance with IFRS, would be classified as indebtedness of such Person, including without limitation: (a) all obligations of such Person for borrowed money, or with respect to advances to any kind; (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments (including capitalized interest), or mandatorily redeemable or exchangeable shares; (c) all obligations of such Person upon which interest charges are customarily paid; (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person; (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business and excluding instalments of premiums payable with respect to policies of insurance contracted for in the ordinary course of business); (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on the property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed; (g) all guaranties by such Person of Indebtedness by others; (h) all obligations under Capital (including the negative or "out-of-the money" mark to market value of any liabilities in respect of any Hedging Transaction) Lease Obligations of such Person; (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty; (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances; (k) any other contingent or off-balance sheet transactions; (l) all obligations of such Person under any contract for the sale, purchase or exchange, or for future delivery of commodities (whether or not such commodities are to be delivered or exchanged); and (m) all obligations of such Person under any agreement that would impact the economics of the Collateral, including, without limitation, any royalty agreements entered into after the date hereof without the prior written consent of the Agent and the Purchasers. For greater certainty, the Indebtedness of each Person shall include the Indebtedness of any other Person (including any partnership in which any Person is a general partner) to the extent such Person is liable therefore as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness expressly provide that such Person is not liable therefore.

"**Indemnified Party**" has the meaning ascribed thereto in Section 12.1(a).

"Indemnified Taxes" means all Taxes other than Excluded Taxes.

"Intellectual Property" means any and all issued patents and patent applications, industrial designs including all registrations and applications therefor, trade marks including all registrations and applications therefor, trade names and styles, logos and copyrights including all registrations and applications therefor.

"Interest Payment Date" means the 1st day of May, August, November and February and upon the Maturity Date, beginning on the first such date following the Closing Date.

"Interest Period" has the meaning ascribed thereto in the Notes.

"Interest Rate" means the rate of interest per annum at which the Notes will bear interest during each Interest Period or portion thereof, equal to WSJ Prime Rate plus 500 bps per annum.

"Investment" means, as to any Person, (a) any direct or indirect purchase or other acquisition of Equity Securities, Indebtedness, property or assets of any other Person or the rights to acquire or participate in the same or the acquisition of the beneficial interest in the same; (b) any loan, advance, extension of credit, guarantee or other form of financial assistance to or for the benefit of any other Person other than trade credit granted in the ordinary course of business; and (c) any capital contribution to any other Person.

"Lien" means any lien, mortgage, pledge, security interest, charge or encumbrance of any kind, whether voluntary or involuntary, (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest).

"Losses" means any and all damages, fines, penalties, deficiencies, liabilities, Claims, demands, proceedings, losses (including loss of value), judgments, awards, settlements, taxes, actions, obligations and costs and expenses in connection therewith (including, without limitation, all legal and other professional fees and disbursements, interest, penalties, judgments and amounts paid in settlement), or any other expenses of litigation or other Proceedings or of any default or assessment.

"Majority of the Purchasers" means, at any particular time in respect of the Notes, those holders of Notes holding Notes representing 50.01% or more of the aggregate principal amount of all Notes outstanding at such time.

"Material Adverse Effect" means an event or circumstances taken alone or in conjunction with other events or circumstances that has or could be reasonably expected to (a) have a material adverse effect upon (i) the business, operations, prospects, creditworthiness, properties, assets or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole, (ii) the ability of the Company and/or the Guarantors to perform its obligations under any Transaction Document to which it is a party, (iii) the amount which the Purchasers and/or the Agent would be likely to receive upon the liquidation of the Collateral, or (iv) the validity or enforceability of any Transaction Documents or the rights and remedies of the Purchasers and/or the Agent thereunder or (b) result in, give rise to or cause a material Loss to the Company or any of its Subsidiaries.

"Material Contract" means a Contract to which the Company or any of the Guarantors are a party or bound or by which any of its assets or properties are bound (a) which requires future expenditures by the Company or any Subsidiary in excess of US$100,000 or which might result in payments to the Company or any Guarantors in excess of US$100,000, (b) which constitute employment agreements (not including at-will employment letters with employees), (c) which is or would be required to be publicly filed under Securities Law, and (d) the breach, non-performance, non-enforceability or cancellation of which or the failure of which to renew could reasonably be expected to have a Material Adverse Effect (and includes the Contracts listed in Section 7.1(vv).

Material Permits" means, collectively any Permits of the Company or any Guarantor, the breach, non-performance, non-enforceability or cancellation of which or the failure of which to renew could reasonably be expected to have a Material Adverse Effect (and includes the Permits listed on Schedule 7.1(g)), and individually, any one of such Permits.

"**Maturity Date**" means three years from the Closing Date.

"**Mine Properties**" means the fee simple properties, surface leases, Mining Rights, Mining Title and Mining Leases, licences, claims and other mining-related rights comprising the Crescent Mine Property, the Stimson Property and the Bunker Hill Property, all of which are more particularly described in Schedule A hereto.

"**Mining Lease**" means a lease, license or other use agreement which provides the Company or any Guarantor any real property or water rights, other interests in land, including silver, or any other mineral or resource, mining and surface rights, easements, rights of way or options. Leases which provide the Company or any Guarantor the right to construct and operate a conveyor, crusher plant, silo, load out facility, rail spur, shops, offices and related facilities on the surface of the real property containing such reserves, minerals or resources shall also be deemed a Mining Lease.

"**Mining Rights**" means the unpatented mining claims and associated mining exploitation rights listed in Schedule A hereto, and registered with the Bureau of Land Management in the name of the Company and/or the Guarantors, together with all other unpatented mining claims and associated mining exploitation rights or claims hereafter owned or held by the Company and/or the Guarantors.

"**Mining Title**" shall mean fee simple title to surface and/or minerals (including silver) or an undivided interest in fee simple title thereto or a leasehold interest in all or an undivided interest in surface and/or minerals (including silver) together with no less than those real property, easements, licenses, privileges, rights and appurtenances as are necessary to mine, remove, process and transport silver in the manner presently operated.

"**Notes**" means the senior secured convertible notes issued by the Company hereunder, substantially in the form of Exhibit D hereto and includes the Initial Note.

"**NI 43-101**" means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

"**NI 45-106**" means National Instrument 45-106 – *Prospectus and Registration Exemptions*.

"**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations*.

"**NI 52-109**" means National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*.

"**Officer's Certificate**" means a certificate signed by a senior officer of the Company, or any Guarantor, as applicable.

"**Organizational Documents**" means in relation to any body corporate, the articles of incorporation, amendment, amalgamation, continuance or association and the memorandum of association and any unanimous shareholder agreement, as appropriate, or equivalent documents of that body corporate governing the incorporation, capacity, powers and business of that body corporate.

"**Original Currency**" has the meaning ascribed thereto in Section 15.14(a).

"**Other Currency**" has the meaning ascribed thereto in Section 15.14(a).

"**Other Taxes**" means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made under the Notes, the Warrants or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement, the Notes, the Warrants or any Security Document.

"**Patriot Act**" has the meaning ascribed thereto in Section 15.17.

"**Permits**" means, collectively, licences, franchises, certificates, consents, rights, directions, approvals, registrations, closure plan, orders, permits and other authorizations of or from any Governmental Authority and includes any permit necessary to explore for, exploit, develop, mine, produce or refine minerals.

"**Permitted Disposition**" means any Disposition:

(a) by the Company to a Guarantor (other than UMS);

(b) by a Guarantor to the Company or another Guarantor (other than UMS);

(c) of current production or inventory at Fair Market Value in the ordinary course of business; or

(d) of assets or property (other than Dispositions of any part of the Company's interest in UMS or Syringa or all or substantially all of the assets of the Company, UMS or Syringa) at Fair Market Value in the ordinary course of business which are either obsolete, redundant or, other than in the case of Real Property, of no material economic value.

"**Permitted Indebtedness**" means

(a) Indebtedness under the Transaction Documents;

(b) Unsecured Indebtedness subject to intercreditor arrangements in form and substance satisfactory to the Purchasers;

(c) Capital Lease Obligations and Indebtedness secured solely by Purchase Money Obligations which do not exceed at any time the aggregate of US$250,000 incurred in the ordinary course of business, provided that the principal amount of the Indebtedness shall not exceed the greater of the Fair Market Value of the cost of the property held or acquired;

(d) trade payables and normal accruals in the ordinary course of business not yet due and payable; and

(e) any other Indebtedness consented to by the Purchasers in their sole discretion;

"**Permitted Liens**" means

(a) Liens granted in connection with the Transaction Documents to the Agent;

(b) Liens on property at the time the Company or any Subsidiary acquired the property provided that such Liens were in existence prior to such acquisition and not incurred in contemplation of such acquisition and provided that Indebtedness related to such Liens was permitted under the definition of Permitted Indebtedness;

(c) Liens in favour of the Company or any Guarantor (other than UMS);

(d) Liens for Taxes not at the time delinquent or being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS shall have been set aside on the books of the Company or relevant Subsidiary (and as to which foreclosure or other enforcement proceedings shall have effectively been stayed within 30 days of the commencement of such proceedings);

(e) Liens of carriers, warehousemen, mechanics and landlords imposed by Applicable Law, such as those incurred in connection with the construction, maintenance, repair or operation of the property of the Company or any Subsidiary (i) for sums not overdue, or (ii) being contested in good faith by appropriate proceedings and for which dollar-for-dollar cash collateral security (x) in the amount by which any single Lien claim exceeds US$150,000; and (y) without duplication, the amount by which the aggregate of all Lien claims exceed US$150,000 has been posted with the Agent in form and substance acceptable to the Purchasers;

(f) Liens incurred in the ordinary course of business in connection with unemployment insurance or other forms of governmental insurance or benefits, or to secure performance of tenders, bids, performance bonds, surety and appeal bonds, statutory obligations, leases of real property (other than for indebtedness in respect of borrowed money) entered into in the ordinary course of business or to secure obligations on surety or appeal bonds or performance bonds, including those to support or secure reclamation in accordance with Applicable Law, to a maximum of US$150,000;

(g) Liens securing Indebtedness under Capital Lease Obligations or Purchase Money Obligations with a Fair Market Value referred to in clause (c) of Permitted Indebtedness;

(h) easements, rights-of-way, servitudes, restrictions, licenses and similar rights in real property or interests therein granted or reserved to third parties or minor title defects or irregularities which were not incurred in connection with any Indebtedness and which, in the aggregate, do not materially detract from the value of the property subject thereto or interfere with the use thereof in the operation of the business of the Company or any Subsidiary;

(i) Liens given in the ordinary course to a public utility or any Governmental Authority when required by such utility or other authority in connection with the supply of services or utilities to the Company or any Subsidiary for amounts less than US$50,000; and

(j) the Liens set out in Schedule B.

"**Person**" means and includes natural persons, corporations, limited partnerships, general partnerships, limited liability companies, joint share companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, and governments and Governmental Authorities and political subdivisions thereof.

"**Personal Property Security Legislation**" means, collectively, the PPSA and the UCC.

"**PFIC**" has the meaning ascribed thereto in Section 7.1(ccc).

"**PPSA**" means the *Personal Property Security Act* (British Columbia) or any similar legislation in any applicable jurisdiction.

"**Proceeding**" means an action, claim, suit, investigation or proceeding (including, without limitation, an investigation or partial proceeding, such as a deposition).

"**Public Disclosure Documents**" means, collectively, all of the documents which have been filed by or on behalf of the Company prior to the Closing Time with the relevant Securities Regulators pursuant to the requirements of Securities Laws, including all documents filed on www.sedar.com.

"**Purchase Money Obligation**" means, in respect of any Person, any Lien charging property acquired by such Person, which is granted or assumed by such Person in favour of the transferor of such property or a Person who gives value for the purpose of enabling the Person to acquire such property or a lessor of such property under a lease of more than one year and which is reserved by such transferor or lessor or which arises by operation of Applicable Law in favour of such transferor, financier or lessor concurrently with and for the purpose of the acquisition of such property, in each case where: (i) the principal amount secured by such security interest is not in excess of the cost to such Person of the property acquired and costs associated with such acquisition; and (ii) such security interest extends only to the property acquired and the proceeds therefrom;

"**Purchasers**" means, so long as such Person owns any Notes or Warrants, the Initial Purchaser and any Person who acquires any Notes or Warrants from time to time.

"**Real Property**" means any real property interest of the Company or any Guarantor, including without limitation the Mine Properties, Mining Leases, mineral leases, mining claims and other mining rights.

"**Recipient**" has the meaning ascribed thereto in Section 15.14(a).

"**Regulation S**" has the meaning ascribed thereto in Section 7.3(a)(i).

"**Release**" means the release, threatened release, spill, leak, pumping, pouring, emitting, adding, emptying, injection, escape, leaking, placing, throwing, exhausting, dumping, burial, abandonment, seepage, emission, placement, deposit, issuance, disposal or other discharge.

"**Repurchase Rights**" has the meaning ascribed thereto in Section 7.1(mm).

"**Restricted Payment**" means, with respect to any Person, any payment by such Person (a) of any dividends on any of its Equity Securities; (b) on account of, or for the purpose of setting apart any property for a sinking or other analogous fund for, the purchase, redemption, retirement or other acquisition of any of its Equity Securities or any warrants, options or rights to acquire any such shares, or the making by such Person of any other distribution in respect of any of its Equity Securities; (c) of any principal of or interest or premium on or of any amount in respect of a sinking or analogous fund or defeasance fund for any Indebtedness of such Person ranking in right of payment subordinate to any liability of such Person under the Notes; (d) of any principal of or interest or premium on or of any amount in respect of a sinking or analogous fund or defeasance fund for any Indebtedness of such Person to a shareholder of such Person or to an Affiliate of a shareholder of such Person; (e) of any management, consulting or similar fee or any bonus payment or comparable payment, or by way of cash gift or other cash gratuity, to any Affiliate of such Person or to any director or officer thereof (excluding customary director and officer compensation); (f) the making of any Investment or guarantee of any Investment in any Person; or (g) forgiveness of any Indebtedness of an Affiliate of the Company (other than a Guarantor) to the Company or any Guarantor.

"**Rule 144**" means Rule 144, promulgated by the Commission pursuant to the Securities Act, as such Rules may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"**Securities**" means the Notes, the Warrants and the Underlying Shares issued or issuable (as applicable) to the Purchasers pursuant to the Transaction Documents.

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Securities Laws**" means all applicable securities laws and the respective regulations made thereunder, together with applicable published fee schedules, prescribed forms, policy statements, notices, orders, blanket rulings and other regulatory instruments of the securities regulatory authorities in the provinces and territories of Canada, the United States of America or any state thereof or any other country which has jurisdiction over the Company or any Subsidiary, and all rules and policies of the TSX and any other stock exchange on which securities of the Company are traded.

"**Securities Regulators**" means, collectively, the securities regulators or other securities regulatory authorities in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Prince Edward Island and in any other jurisdictions whose Securities Laws become applicable to the Company.

"**Securitization Transactions**" means, in respect of any Person, any transaction providing for the sale, securitization or other asset-backed financing of (a) receivables of or owing to such Person; or (b) any other assets of such Person.

"**Security**" means the Liens granted pursuant to or under the Security Documents.

"**Security Agreements**" means, collectively, the Company Security Agreement and the Subsidiary Security Agreements.

"**Security Documents**" means:

(a) the Security Agreements;

(b) the Control Agreements;

(c) the Guarantees;

(d) the UMS Mortgage;

(e) the Syringa Mortgage; and

(f) debenture or mortgage instruments or other Contracts creating in favour of the Agent (subject only to Permitted Liens) fixed and specific mortgages, charges and security interests on the Mine Properties and all appurtenant or related licences, concessions, permits, easements, rights of way and other rights associated therewith, each such instrument to be in a form and substance satisfactory to the Agent.

"**Significant Shareholder**" means a Person who directly or indirectly owns or exercises direction over 5% or more of the issued and outstanding Common Shares.

"**Solvent**" means, as to any Person(s), such Person(s) who: (a) own(s) and will own saleable assets the higher of book value and fair market value which are: (i) greater than the total amount of its Indebtedness; and (ii) greater than the amount that will be required to pay the actual or probable liabilities, subordinated, contingent or otherwise, of such Person(s) individually and taken as a whole (as applicable) as they become absolute or mature; (b) has or have (as applicable) capital with which to conduct business that is not unreasonably small in relation to its or their (as applicable) businesses as presently conducted or any contemplated or undertaken transaction; and (c) do or does (as applicable) not intend to incur and do or does (as applicable) not believe that it or they (as applicable) will incur Indebtedness, subordinated, contingent or otherwise, beyond its or their (as applicable) ability to pay such debts as they become due, absolute and matured.

"**Stimson Property**" means 10.01 acres of surface rights purchased by UMS from Stimson Lumber Company in June 2010; a portion of the Countess Lode, Mineral Survey 3013, situated in the Yreka Mining District in the East ½ of Section 17, Township 48 North, Range 3 East, Boise Meridian, Shoshone County, Idaho; patent recorded in Book 57 of Deeds, page 485.

"**Subsidiary**" means any Person directly or indirectly Controlled by another Person.

"**Subsidiary Control Agreements**" means, collectively, the subsidiary control agreements between each of the Guarantors and the Agent, as the same may be amended, restated, supplemented or otherwise modified from time to time, substantially in the form of Exhibit E.

"**Subsidiary Security Agreements**" means, collectively, the subsidiary security agreements between each of the Guarantors and the Agent, as the same be amended, restated, supplemented or otherwise modified from time to time, substantially in the form of Exhibit F.

"**Successor**" has the meaning ascribed thereto in Section 9.2(n).

"**Successor Agent**" has the meaning ascribed thereto in Section 14.7.

"**Syringa**" means Syringa Exploration Inc., a corporation incorporated under the laws of Idaho.

"**Syringa Mortgage**" means that Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing with respect to the Crescent Mine Property and any other Real Property owned by Syringa, dated the date hereof from Syringa to the Agent.

"**Taxes**" includes all present and future income, corporation, capital gains, capital, mining, sales, harmonized sales, value-added and goods and services taxes and all stamp, franchise and other taxes and levies, imposts, deductions, duties, charges and withholdings whatsoever imposed by any Governmental Authority together with interest thereon and penalties with respect thereto, if any, and charges, fees and other amounts made on or in respect thereof.

"**Technical Report**" means the amended technical report dated September 30, 2011 (being the amended report date) prepared by SRK Consulting and titled "Amended NI 43-101 Technical Report on Resources – United Silver Corp. Crescent Mine".

"**Test Period**" means the most recent rolling four fiscal quarter period.

"**Trading Day**" means (a) any day on which the Common Shares are listed or quoted and traded on the TSX, or (b) if the Common Shares are not then listed or quoted and traded on the TSX, then any Business Day.

"**Trading Market**" means the Toronto Stock Exchange, or any Canadian or US national securities exchange, on which the Common Shares are then listed or quoted.

"**Transaction Documents**" means this Agreement, the Notes, the Warrants, the Guarantees, the Security Agreements, the Control Agreements, the UMS Mortgage, the Syringa Mortgage and all other agreements, instruments and documents executed and delivered by the Company or any Subsidiaries pursuant to or in connection with this Agreement.

"**TSX**" means the Toronto Stock Exchange.

"**UCC**" means the Uniform Commercial Code as in effect in the State of New York or Idaho as the context may require from time to time.

"**UMS**" means United Mine Services Inc., a corporation incorporated under the laws of Idaho.

"**UMS Mortgage**" means that Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing with respect to the Stimson Property and the Bunker Hill Property mining claims and any other Real Property owned by UMS, dated the date hereof from UMS to the Agent.

"**Underlying Shares**" means the Common Shares issuable (a) upon conversion of the Notes, (b) upon exercise of the Warrants, and (c) in satisfaction of any other obligation or right of the Company to issue Common Shares pursuant to the Transaction Documents (including as payment of principal and/or interest under the Notes), and in each case, any securities issued or issuable in exchange for or in respect of such securities.

"**US IRC**" means the United States Internal Revenue Code of 1986, and the U.S. Treasury Regulations promulgated thereunder, in each case as amended, restated, supplemented or superseded.

"**US Dollars**" or "**US$**" means the lawful currency of the United States of America.

"**VWAP**" means on any particular Business Day or for any particular period the volume weighted average trading price per Common Share on such date or for such period on a Trading Market as reported by TSX, or, if the Common Shares are then no longer listed on TSX, as reported by Bloomberg L.P. or any successor performing similar functions; provided, however, that during any period the VWAP is being determined, the VWAP shall be subject to adjustment from time to time for stock splits, stock dividends, combinations and similar events as applicable, or as may be required by the TSX.

"**Warrant**" means the Common Share purchase warrants in the form of Exhibit G.

"**WSJ Prime Rate**" means the rate of interest quoted in The Wall Street Journal, Money Rates Section as the Prime Rate, as in effect from time to time..

1.2 Gender and Number

Any reference in this Agreement to gender includes all genders, and words importing the singular number only include the plural and vice versa.

1.3 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles, Sections and the insertion of headings are for convenience of reference only and shall not affect the interpretation of this Agreement. The terms "**this Agreement**", "**hereof**", "**hereunder**" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Save as expressly provided herein, references herein to Articles and Sections are to Articles and Sections of this Agreement.

1.4 Certain Phrases, etc.

In this Agreement, unless otherwise expressly provided, (a) (i) the words "**including**" and "**includes**" mean "**including (or includes) without limitation**", (ii) the phrase "**the aggregate of**", "**the total of**", "**the sum of**", or a phrase of similar meaning means "**the aggregate (or total or sum), without duplication, of**", and (iii) any reference to any Person shall be construed to include such Person's successors, permitted assigns and legal personal representatives, and (b) in the computation of periods of time from a specified date to a later specified date the word "**from**" means "**from and including**".

1.5 Accounting Terms and Practices

Except as otherwise expressly provided herein, all terms of an accounting nature shall be construed in accordance with IFRS, as in effect from time to time. All calculations of the components of the financial information for the purposes of determining compliance with the financial ratios contained herein shall be made on a basis consistent with IFRS in existence as at the date of this Agreement and used in the preparation of the Financial Statements.

1.6 Non-Business Days

Whenever any payment to be made hereunder shall be stated to be due or any action to be taken hereunder shall be stated to be required to be taken on a day other than a Business Day, such payment shall be made or such action shall be taken on the next succeeding Business Day and, in the case of the payment of any monetary amount, the extension of time shall be included for the purposes of computation of interest or fees thereon.

1.7 References to Time of Day

Except as otherwise specified herein, a time of day shall be construed as a reference to the time of day in New York, New York.

1.8 Severability

If any provision contained in this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the invalidity, illegality or unenforceability of that provision will not affect:

(a) the validity, legality or enforceability of the remaining provisions hereof or thereof; or

(b) the validity, legality or enforceability of that provision in any other jurisdiction.

1.9 Currency

All monetary amounts in this Agreement refer to Canadian Dollars unless otherwise specified.

1.10 References to Statutes

Except as otherwise provided herein, any reference in this Agreement to a statute, regulation or other legislative instrument shall be construed to be a reference thereto as the same may from time to time be amended, re-enacted or replaced and any reference to a statute shall include any regulations made thereunder.

1.11 References to Agreements

Except as otherwise provided herein, any reference in this Agreement to this Agreement or to any other agreement or document shall be construed to be a reference to this Agreement or such other agreement or document, as the case may be, as the same may have been, or may from time to time be, amended, varied, novated, restated or supplemented.

1.12 Governing Law, Jurisdiction, etc.

(a) **Governing Law**. This Agreement shall be governed by, and construed in accordance with, the laws of the Sate of New York.

(b) **Consent to Jurisdiction**. Each party irrevocably agrees that any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("**Related Proceedings**") may be instituted in the federal courts of the United States of America located in the City of New York or the courts of the State of New York in each case located in the Borough of Manhattan in the City of New York (collectively, the "**Specified Courts**"), and irrevocably submits to the non-exclusive jurisdiction of such courts in any such suit, action or proceeding. The parties further agree that any service of process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any lawsuit, action or other proceeding brought in any such court. The parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any lawsuit, action or other proceeding in the Specified Courts, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such lawsuit, action or other proceeding brought in any such court has been brought in an inconvenient forum. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by Applicable Law.

1.13 Calculation of Dates

Unless otherwise provided, any time period required to be calculated under this Agreement shall exclude the date of the relevant event or notice and include the last day of the period being calculated.

1.14 Enurement

All covenants and agreements in this Agreement by the Company shall bind its successors and assigns, whether expressed or not.

1.15 Time of Essence

Time shall be of the essence of this Agreement.

1.16 Entire Agreement

This Agreement and when executed and delivered the other Transaction Documents constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written, oral or implied. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as provided herein or therein.

1.17 Schedules

The following schedules are hereby incorporated in, and form a part of, this Agreement:

Schedule A	-	Mine Properties
Schedule B	-	Permitted Liens
Schedule 4.1	-	Conditions Precedent to the Obligations of the Initial Purchaser in respect of the Purchase of the Initial Note and the Warrants
Schedule 4.2	-	Conditions Precedent to the Obligations of the Company
Schedule 7.1(d)	-	Authorizations and Approvals
Schedule 7.1(f)	-	Litigation
Schedule 7.1(g)	-	Material Permits
Schedule 7.1(x)	-	Locations
Schedule 7.1(y)	-	Freehold Properties, etc.

Schedule 7.1(z)	-	Mining Leases, etc.
Schedule 7.1(mm)	-	Acquisition Rights and Repurchase Rights
Schedule 7.1(nn)	-	Significant Shareholders
Schedule 7.1(uu)	-	Non-Arms Length Transactions
Schedule 7.1(vv)	-	Material Contracts
Schedule 7.3(a)(iv)	-	Accredited Investor Questionnaire

Exhibit A	-	Form of Company Control Agreement
Exhibit B	-	Form of Company Security Agreement
Exhibit C	-	Form of Guarantee
Exhibit D	-	Form of Note
Exhibit E	-	Form of Subsidiary Control Agreement
Exhibit F	-	Form of Subsidiary Security Agreement
Exhibit G	-	Form of Warrant

ARTICLE 2
AUTHORIZATION OF NOTES & WARRANTS

2.1 Authorization of Notes

The Company has authorized the issue and sale to the Initial Purchaser of up to US$6,300,000 aggregate principal amount of the Notes. The Notes shall be substantially in the form set out in Exhibit D, with such changes thereto, if any, as may be approved by the Purchasers, the TSX and the Company.

2.2 Authorization of Warrants

The Company has authorized the issue and sale to the Initial Purchaser of 5,040,000 Warrants. The Warrants shall be substantially in the form set out in Exhibit G, with such changes thereto, if any, as may be approved by the Purchasers, the TSX and the Company.

ARTICLE 3
PURCHASE AND SALE OF SECURITIES

3.1 Closings

(a) Subject to the terms and conditions set forth in this Agreement, on the Closing Date, the Company shall issue and sell to the Initial Purchaser, and the Initial Purchaser shall purchase from the Company:

(i) a Note in the principal amount of US$6,300,000 the "**Initial Note**");

(ii) 5,040,000 Warrants,

for an aggregate purchase price equal to 100% of the principal amount of the Initial Note.

The Closing shall take place promptly after the satisfaction or waiver of the conditions to Closing set forth in Sections 4.1 and 4.2 at the offices of the Agent's Counsel or at such other location as the parties may agree.

(b) Subject to the satisfaction of the terms and conditions set forth in Sections 4.1 and 4.2, as applicable, on the Closing Date, the Company shall issue and deliver to the Initial Purchaser a Note in the appropriate principal amount and 5,040,000 Warrants and the Initial Purchaser shall deliver to the order of the Company, the proceeds of the purchase of such Note and Warrants by wire transfer. Each party shall deliver all other documents, instruments and writings required to be delivered by such party pursuant to this Agreement at or prior to the Closing Date.

ARTICLE 4
CONDITIONS TO ISSUANCE OF SECURITIES

4.1 Conditions Precedent to the Obligations of the Initial Purchaser in respect of the Purchase of the Initial Note and the Warrants

The obligation of the Initial Purchaser to acquire the Note and the Warrants at the Closing is subject to the satisfaction or waiver by the Initial Purchaser and the Agent, at or before the Closing, of each of the conditions identified on Schedule 4.1. The conditions set forth in this Section are inserted for the sole benefit of the Agent and the Initial Purchaser and may be waived by the Agent and the Initial Purchaser in whole or in part, with or without terms or conditions.

4.2 Conditions Precedent to the Obligations of the Company

The obligation of the Company to sell the Notes and Warrants hereunder is subject to the satisfaction or waiver by the Company, at or before the applicable Closing, of each of the conditions identified on Schedule 4.2. The conditions set forth in this Section are inserted for the sole benefit of the Company and may be waived by the Company in whole or in part, with or without terms or conditions.

ARTICLE 5
ADDITIONAL GUARANTORS

5.1 Additional Guarantees

Upon any Additional Guarantor being created or acquired, the Company shall:

(a) cause the Additional Guarantor to execute and deliver to the Agent, a Guarantee, guaranteeing the payment and performance of the obligations of the Company under the Transaction Documents executed by the Company together with a security agreement and such other security instruments, mortgages, charges and hypothecs as the Agent may require to take a security interest, mortgage, charge or hypothec in all of such Additional Guarantor's real and personal property and undertaking;

(b) cause the Additional Guarantor to deliver to the Agent copies of those documents listed in Schedule 4.1(i) in respect of the Additional Guarantor;

(c) deliver customary legal opinion of counsel to the Additional Guarantor, in form and substance satisfactory to the Agent; and

(d) cause the Additional Guarantor to deliver to the Agent and the Purchasers all such financing statements, registrations, filings, opinions, agreements, certificates and other documents as the Agent may request, on the advice of the Agent's Counsel.

ARTICLE 6
RANK OF NOTES

6.1 Rank of Notes

The Note Indebtedness shall for all purposes be, and shall at all times remain, secured and rank in priority to all Indebtedness of the Company other than Indebtedness preferred by mandatory provisions of Applicable Law or Indebtedness permitted to rank *pari passu* with or in priority to the Note Indebtedness by the terms of this Agreement. To the extent expressly designated in Schedule B, the Security shall have the priority set forth in Schedule B relative to the Permitted Liens set forth in Schedule B.

ARTICLE 7
REPRESENTATIONS AND WARRANTIES

7.1 Representations and Warranties of the Company

To induce the Agent and the Purchasers to enter into this Agreement and the Initial Purchaser to purchase the Notes and the Warrants, the Company represents and warrants as follows to the Agent and the Purchasers and acknowledges and confirms that the Agent and the Purchasers are relying upon such representations and warranties:

(a) The Company and each of its Subsidiaries is existing under the laws of the jurisdiction of its incorporation or formation, is in good standing in such jurisdiction and is duly qualified to do business and is qualified, where necessary, as a foreign corporation, in each jurisdiction where the failure by it, to be in good standing or to be so qualified in such jurisdiction and all other jurisdictions in which such Persons are not so qualified could not be reasonably expected to have a Material Adverse Effect, and the Company and each of its Subsidiaries has full power and authority and holds all requisite Permits to enter into and perform its obligations under the Transaction Documents to which it is a party and to own or hold under lease its property and to conduct its business substantially as currently conducted by it.

(b) The Company and each of its Subsidiaries has duly executed and delivered each Transaction Document to which it is a party (which is in existence on any date on which this representation and warranty is given or deemed to be given) and each such Transaction Document constitutes a legal, valid and binding obligation of such Person enforceable against it in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, and other similar laws of general application limiting the enforcement of creditors' rights generally and the fact that the courts may deny the granting or enforcement of equitable remedies.

(c) The execution and delivery by the Company and each Guarantor of, and the performance of each such Person of its respective obligations under, each Transaction Document to which it is a party are within its powers, have been duly authorized by all necessary action by it, and do not:

(i) contravene its constating documents (including without limitation articles of incorporation, association or amalgamation, by-laws, shareholder agreements, operating agreements, partnership agreements or other organizational documents as the case may be);

(ii) contravene or breach: (A) any Applicable Law; (B) any Material Contracts; (C) any Permits binding on or affecting it or its business, where such contravention or breach could be reasonably expected to have a Material Adverse Effect; or

(iii) result in, or require the creation or imposition of, any Lien on any of its properties, except as specifically created in or by the Transaction Documents.

(d) No authorization or approval or other action by, and no consent from, notice to or filing with any Governmental Authority or any other Person is required in connection with the execution or delivery of the Transaction Documents or the performance of the transactions contemplated by the Transaction Documents other than as disclosed in Schedule 7.1(d) and other than the approval of the TSX and the filing by the Company of a Form 45-106F1 and 45-106F6 with the British Columbia Securities Commission and a Form D with the Securities and Exchange Commission within ten days following the Closing Date.

(e) The Underlying Shares have been duly and validly authorized for issuance and, on the conversion of the Notes or the exercise of the Warrant in accordance with the applicable terms and conditions thereof, the Underlying Shares shall be issued as fully paid and non-assessable Common Shares.

(f) Except as disclosed in Schedule 7.1(f) hereto, there is no pending or, to the knowledge of the Company, threatened Claim, governmental investigation, inquiry, proceeding, or material labour controversy against or involving the Company or any of its Subsidiaries or any of their respective properties, businesses, assets or revenues that adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities, or which could, if determined adversely, individually or in the aggregate reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary, nor to the Company's knowledge, any director or officer thereof (in his/her capacity as such), is or has been the subject of any action involving a claim of material violation of applicable Securities Laws or a claim of a breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the British Columbia Securities Commission or the Commission, involving the Company or any current or former director or officer of the Company (in his or her capacity as such).

(g) Schedule 7.1(g) Part I hereto sets out each material Permit held by or granted to the Company and each Guarantor including the Environmental Permits. Except as set forth in Schedule 7.1(g) Part II, all Permits required under Applicable Law to enable each of the Company and each Guarantor to enter into the Transactions (and perform their obligations thereunder), carry on their respective businesses as now or hereafter proposed to be conducted by them and to own or lease their respective assets or properties have been obtained and are in full force and effect. The Company and each Guarantor have complied with the terms and provisions required to be complied with by them in all material Permits and are not in violation of any of the respective provisions thereof. No written notice of cancellation, of default, of any dispute concerning any Permits referred to in this Section, or of any event, conditions or state of facts described in the preceding sentence, has been received by the Company or any Guarantor prior to the Closing Date, and to the Company's knowledge, as of the Closing Date, there is no proceeding pending or threatened to revoke, modify or otherwise deny renewal of any such Permits.

(h) Each of the Company, the Guarantors, their respective businesses and the Real Property:

(i) have been and are in compliance in all material respects with all Environmental Laws, including, with respect to the Release, management or transportation of any Hazardous Material including the reclamation, remediation, rehabilitation or closure of the Real Property;

(ii) have no Environmental Liabilities in connection with any Release or likely Release of Hazardous Materials and have not Released or caused or permitted the Release of Hazardous Materials, and the Company and the Guarantors have no knowledge of Releases by others, at, on, in under or from the Real Property or any property previously owned, controlled, managed, used, occupied, operated or leased by the Company or the Guarantors, which in each case could reasonably be expected to have a Material Adverse Effect or which could subject any officer or director of the Company or any Guarantor to criminal liability;

(iii) have not received notice of, and neither the Company nor any of the Guarantors is aware of, any pending or threatened Claims with respect to, or notices of, any alleged violation of, or potential Environmental Liability under any Environmental Law, which notice or Claim could individually or in the aggregate reasonably be expected to have a Material Adverse Effect or which could subject any officer or director of the Company or any Guarantor to criminal liability;

(iv) have and are in compliance in all material respects with all Environmental Permits that are required under Environmental Laws with respect to the development, construction, operation, rehabilitation and closure of its business and Real Property and each Environmental Permit is in full force and effect and there are no proceedings pending or, to the knowledge of the Company or any Guarantor, threatened, to revoke, amend or limit any Environmental Permit. To the knowledge of the Company or any Guarantor, there are no grounds, facts or circumstances that could reasonably be expected to prevent the renewal of any Environmental Permit held by or granted to the Company. The Company expects to be able to obtain in due course all such Environmental Permits required and Environmental Laws;

(v) have not, in the case of the Company or any Guarantor, directly transported or directly arranged for the transportation of any Hazardous Materials to any location, which in any such case could reasonably be expected to have a Material Adverse Effect or which could subject any officer or director of the Company or any Guarantor to criminal liability;

(vi) have no Environmental Liabilities that exist at, on or under any Real Property or property, facility or undertaking formerly owned, controlled, managed, used, occupied, operated or leased by the Company or any Guarantor that could reasonably be expected to have a Material Adverse Effect or which could subject any officer or director of the Company or any Guarantor to criminal liability; and

(vii) (A) the Company and each Guarantor have provided to the Agent and the Initial Purchaser a true and complete copy of each material environmental report, assessment, study or test of which it is aware relating to their businesses and the Real Property and (B) to the best of its knowledge (after due inquiry), there are no pending or proposed changes to Environmental Laws that could reasonably be expected to have a material adverse effect on the development, construction, operation, rehabilitation and closure of the business of the Company or any Guarantor or the Real Property.

(i) To the knowledge of the Company, any water rights used by the Company to irrigate or otherwise supply the Real Property: (i) are perfected under all Applicable Laws; (ii) are not subject to any claims of adverse possession or other disputes; (iii) have been used over the past five years according to their terms and conditions; and (iv) have been put to beneficial use on the Real Property.

(j) As at the Closing Date, none of the Company or the Guarantors has received any notice of, or is aware of, any Claim, written or oral, whether proven or unproven, made by any aboriginal person or group in respect of natural resource damages, aboriginal rights, aboriginal title, treaty rights or any other aboriginal interest in or in relation to all or any portion of the Real Property.

(k) Upon (i) the due and proper filing of financing statements relating to the Security in each office and in each jurisdiction where required in order to perfect such security interests and (ii) the taking possession by the Agent of any stock certificates or other certificates evidencing the pledged Equity Securities, the Liens granted to the Agent pursuant to the Security Documents will constitute first priority security interests under Personal Property Security Legislation to the extent such Liens can be perfected by such filings or possession entitled to all the rights, benefits and priorities provided by the Personal Property Security Legislation, subject to the Permitted Liens. There will be upon execution and delivery of the Security Documents, such filings and such taking of possession, no necessity for any further action in order to preserve, protect and continue such rights, except the filing of continuation statements with respect to such financing statements registered under Personal Property Security Legislation or other similar laws of the jurisdiction(s) where such financing statements are filed. All filing fees and other expenses in connection with each such action have been or will be paid by the Company.

(l) There are no Liens on any of the assets, property or undertaking of the Company or any Guarantor other than Permitted Liens.

(m) No Default or Event of Default has occurred and is continuing.

(n) There has been no voluntary or involuntary action taken by or against the Company or any of the Guarantors for any such Person's winding-up, dissolution, liquidation, bankruptcy, receivership, administration or similar or analogous events in respect of such Person or all or any substantial portion of its assets or revenues.

(o) Neither the Company nor any of the Guarantors is in violation of any Applicable Law, contractual obligation howsoever arising (whether under Contract or otherwise), judgment or decree, relating in any way to it, to the present or future operation of its business or to its assets, the breach or violation of which could reasonably be expected to result in a Material Adverse Effect or which could subject any officer or director of the Company or any Guarantor to criminal liability.

(p) There has occurred no event or development which has resulted in or which could reasonably be expected to result in a Material Adverse Effect.

(q) The Company and each Guarantor is Solvent.

(r) The Company and each Guarantor have duly filed on a timely basis all Tax returns required to be filed by them and have paid all Taxes which are due and payable by them in accordance with the provisions of such returns, and all assessments and reassessments, other Taxes, governmental charges, governmental royalties, penalties, interest and fines claimed against them or any of their property, other than those which could not reasonably be expected to have a Material Adverse Effect and for which liability is being contested by them in good faith by appropriate proceedings and for which adequate provision has been made where required in accordance with IFRS and all required instalment payments have been made in respect of Taxes payable for the current period for which returns are not yet required to be filed; there are no agreements, waivers or other arrangements with the applicable taxation authority providing for an extension of time with respect to the filing of any Tax returns by them or the payment of any Taxes; there are no actions or proceedings being taken by any taxation authority of any jurisdiction to enforce the payment of any Taxes by them other than those which are being contested by them in good faith by appropriate proceedings and in respect of which enforcement proceedings, if then available, have been stayed for the duration of such contestation and no Tax Liens have been filed. As of the date hereof, none of the income tax returns of the Company or any Guarantor is under audit and neither the Company nor any Guarantor has any knowledge of actual or potential Tax deficiency. No Tax liens (other than Permitted Liens) have been filed or are being asserted with respect to any such Taxes. The charges, accruals and reserves on the books of the Company and the Guarantors in respect of any Taxes are in accordance with IFRS.

(s) The Company and each Guarantor has: (i) withheld from each payment made to any of its past or present employees, officers or directors, and to any non-resident of the country in which it is resident, the amount of all Taxes and other deductions required to be withheld therefrom and has paid the same to the proper tax or other receiving officers within the time required under any applicable legislation; and (ii) collected and remitted to the appropriate tax authority when required by Applicable Law to do so all material amounts collectible and remittable in respect of sales Taxes, including, without limitation, harmonized sales, goods and services and value added Taxes and similar provincial or state Taxes, and has paid all such material amounts payable by it on account of such sales Taxes.

(t) Save and except for the defined contribution 401K plan which UMS offers to its employees, neither the Company nor any of its Subsidiaries has or has ever had any pension plan (including a Canadian Pension Plan, a Canadian Multi-Employer Plan, an ERISA Plan or a Foreign Plan).

(u) There are no ERISA Affiliates.

(v) Neither the Company nor any Guarantor has any Indebtedness, other than Permitted Indebtedness.

(w) Neither the Company nor any Guarantor owns or leases any real property (including the Real Property and the Mine Properties) which will not be subject to the perfected, first priority Liens, subject to Permitted Liens, in favour of the Agent.

(x) All of the locations of the Company and each Guarantor's assets, property, owned and leased, real or immoveable property, mining claims, Mining Leases and mining rights, head office, registered office, chief executive office and all other locations (whether warehouses, bailee or otherwise) (including all Mine Properties) are described on Schedule 7.1(x) hereto or in the notification provided pursuant to Section 9.1(t)(ix).

(y) A complete and accurate list of all freehold properties, surface leases and silver or other Mining Leases, licences, claims and other mining rights held by the Company or any Guarantor or to which the Company or any Guarantor is otherwise entitled to benefit is described on Schedule 7.1(y) hereto.

(z) The Company and each Guarantor has a good and marketable title to or rights in all of its property, assets and undertakings (including without limitation, the Mine Properties), free from any Liens other than the Permitted Liens, and except as disclosed in Schedule 7.1(z), no Person has any agreement or right to acquire any of the property, assets or undertaking of such Person.

(aa) The Guarantors and/or their respective predecessors were qualified on the date of location and remain so qualified to locate and own the federal unpatented mining claims which are included in the Mining Rights. All of the Mining Rights are good and valid and are not in conflict either with any other mining claims or with the possession of others asserting mineral entries. No Person other than the Company and/or the Guarantors has any right, title or interest in, to or under the Mining Rights or in the property and rights encompassed thereby except as otherwise disclosed herein. The unpatented mining claims which are included in the Mining Rights were properly located and monumented on public domain land open to mineral entry in compliance with Applicable Law. Copies of location certificates or notices and maps for such unpatented mining claims were timely filed and recorded in the appropriate county and United States Bureau of Land Management offices. Necessary and sufficient assessment, holding, rental and claim maintenance fees required to maintain the unpatented mining claims which are included in the Mining Rights were timely filed and properly filed and recorded in connection therewith as required by Applicable Law.

(bb) The Company and each Guarantor, as the case may be, owns or leases and has maintained, and in accordance with best silver mining practice, all of the machinery, equipment, vehicles, preparation plants or other processing facilities, loadouts and other transportation facilities and other tangible personal property that is necessary to conduct their business as it is now conducted, except where the failure to do so in the aggregate does not or could not reasonably be expected to have a Material Adverse Effect.

(cc) The property, assets and undertaking of the Company and the Guarantors are insured with reputable insurers, in amounts, for risks and otherwise on terms and in amounts customarily carried or maintained by Persons of established reputation engaged in similar businesses against loss or damage and there has been no default or failure by the party or parties insured under the provisions of such policies of insurance maintained which would prevent the recovery by the party or parties insured thereunder of the full amount of any material insured loss. The named insured under all insurance policies maintained by the Company and the Guarantors are not in default under any of the material provisions contained in any such insurance policies. Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business in terms consistent with the market for the Company, and such Subsidiary's business.

(dd) Other than the Guarantors, the Company has no Subsidiaries and neither the Company nor any Subsidiary is a partner, member or shareholder of or holds any Equity Securities in any other Person. All the Guarantors are directly or indirectly wholly-owned by the Company.

(ee) Each Company and each Subsidiary owns or is licensed or otherwise has the right to use all Intellectual Property reasonably necessary in the best business judgment of the Company for the operation of its business, without conflict with the rights of any other Person. Neither the Company nor any Subsidiary has received any notice of any claim of infringement or similar claim or proceeding relating to any of its Intellectual Property which if determined against such Company or Subsidiary, the Company or the Subsidiary could reasonably be expected to have a Material Adverse Effect.

(ff) As at the Closing Date, each of the Mining Leases held by the Company and each Guarantor, as applicable, is in full force and effect. Neither the Company nor any Guarantor is in default of any of its obligations under any Mining Leases held by the Company or any Guarantor, and, to the best of the Company's knowledge and belief, the lessors thereunder are not in default under any such lessor's obligations under such Mining Leases. To the Company's knowledge, no material amount of royalties are currently past due under any of Mining Leases held by the Company or any Guarantor.

(gg) The Company and each Guarantor that holds any United States federal or state silver or mineral lease is qualified in every material respect, including limitations and parameters imposed by Applicable Law, to take, hold, own and control federal and state silver and mineral leases, and is not in violation of any material limitations or parameters imposed by Applicable Law.

(hh) The Company and each Guarantor has a sufficient bonding capacity to be able to maintain the bonds for all the Permits necessary to carry on its business.

(ii) All of the representations and warranties made by the Company or any Guarantor set forth in each of the other Transaction Documents are true and correct.

(jj) The Company and the Board have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company's constating documents that is or could become applicable to the Agent and/or the Purchasers as a result of the Agent and/or the Purchasers and the Company fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation the Company's issuance of the Securities and the Purchasers' ownership of the Securities.

(kk) As at the Closing Date, the authorized capital of the Company consists of an unlimited number of Common Shares and of which 75,163,309 Common Shares have been validly issued and are outstanding as fully paid and non-assessable shares in the capital of the Company and no other shares have been issued or are outstanding. All of the outstanding securities of the Company have been offered, issued and sold in compliance with all Applicable Laws.

(ll) All of the rights or restrictions attached to the Common Shares of the Company are as set out in the Company's Organizational Documents.

(mm) Except as set out in Schedule 7.1(mm), no Person has any option, warrant, right (pre-emptive, contractual or otherwise) or other security or conversion privilege issued or granted by the Company or any of its Subsidiaries that is exercisable or convertible into, or exchangeable for, or otherwise carries the right of the holder to purchase or otherwise acquire (whether or not subject to conditions) common shares, preferred shares or other Equity Securities of the Company or any of its Subsidiaries, including pursuant to one or more multiple exercises, conversions and/or exchanges or other securities or rights (pre-emptive, contractual or otherwise) (collectively, "**Acquisition Rights**") or to require the Company or any of its Subsidiaries to purchase, redeem or otherwise acquire any of its issued and outstanding shares (collectively, "**Repurchase Rights**"). Schedule 7.1(mm) sets out the number, date of expiry and exercise price of each Acquisition Right and Repurchase Right, as applicable. Except as set out in Schedule 7.1(mm), no shareholder or other Person has any pre-emptive right or right of first refusal in respect of the allotment and issuance of any unissued common shares, preferred shares or other securities of the Company or any of its subsidiaries.

(nn) As at the Closing Date, no securities of the Company are issued and outstanding other than the Common Shares referred to in Section 7.1(kk) and the Acquisition Rights described in Schedule 7.1(mm). Other than as set forth on Schedule 7.1(nn), there are no Significant Shareholders of the Company and the Company is not a party to any Contract (other than a Transaction Document) pursuant to which a Person has the right to become a Significant Shareholder (oral or written).

(oo) Neither the Company nor any Subsidiary is party or subject to any Contract or understanding, and as at the Closing Date to the knowledge of the Company there is no Contract between any securityholders of the Company, that affects or relates to the voting or giving of written consents with respect to, the securities of the Company or any of its Subsidiaries (other than the Transaction Documents). Neither the Company nor any Subsidiary has granted any registration rights or similar rights with respect to its securities to any Person.

(pp) The Company is a "reporting issuer" only in the Provinces of British Columbia, Alberta and Ontario and is not included in a list of defaulting reporting issuers maintained by the Securities Regulators in the Provinces of British Columbia, Alberta and Ontario, and in particular, without limiting the foregoing, the Company has at all times complied with its obligations to make timely disclosure of all material changes relating to it and there is no material change relating to the Company which has occurred and with respect to which the requisite material change report has not been filed with the Securities Regulators. All material agreements required to be filed with the Securities Regulators by the Company pursuant to Securities Laws have been filed. All filings and fees required to be made and paid by the Company pursuant to Securities Laws and general corporate law have been made and paid. The Company has not taken any action to cease to be a reporting issuer in any jurisdiction in which it is a reporting issuer, and has not received any notification from a Securities Regulator seeking to revoke the Company's reporting issuer status.

(qq) As of their respective filing dates, each of the Public Disclosure Documents complied with the requirements of applicable Securities Laws and none of the Public Disclosure Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading. The Company has not filed any confidential material change report or other confidential report with any Securities Regulator or other Governmental Authority which at the date hereof remains confidential.

(rr) The Technical Report complies with the provisions of NI 43-101.

(ss) The Common Shares are listed and posted for trading on the TSX and the Frankfurt Stock Exchange and no order ceasing or suspending trading in any securities of the Company or prohibiting the sale or issuance of the Securities or the trading of any of the Company's issued securities has been issued and no (formal or informal) proceedings for such purpose are pending or, to the knowledge of the Company, have been threatened.

(tt) The Company has not taken any action which could reasonably be expected to result in the delisting or suspension of the Common Shares on or from the TSX and the Frankfurt Stock Exchange and the Company is currently in compliance with the rules and regulations of the TSX and the Frankfurt Stock Exchange.

(uu) Except as disclosed in Schedule 7.1(uu) or the notification provided pursuant to Section 9.1(t)(ix): (i) neither the Company nor any Subsidiary has since September 30, 2011 made any payment or loan to, or borrowed any moneys from or otherwise been indebted to, any director, officer, shareholder, employee of, consultant to, or any Person not dealing at arm's length with, the Company or any Subsidiary; (ii) neither the Company or any Subsidiary is a party to any Contract with any director, officer, shareholder, employee of, or any other Person not dealing at arm's length with, the Company or any Subsidiary, and (iii) to the knowledge of the Company, no officer, director or employee of the Company or any Subsidiary and no entity which is an Affiliate or Associate of one or more of such individuals:

(i) owns, directly or indirectly, any interest in (except for shares representing less than 1% of the outstanding shares of any class or series of any publicly traded company), or is an officer, director or employee of or consultant to, any Person which is, or is engaged in business as, a competitor of the Company or any Subsidiary or a lessor, lessee, supplier, distributor, agent or customer of the Company or any Subsidiary;

(ii) owns, directly or indirectly, in whole or in part, any property that the Company or any Subsidiary uses or intends to use in the operation of its business; or

(iii) has any cause of action or other Claim whatsoever against, or owes any amount to, the Company or any Subsidiary, except for any liabilities reflected in the Financial Statements and claims in the ordinary course of business for accrued vacation pay and accrued benefits.

(vv) All Material Contracts, and any Contract which exists in draft or unsigned form or in respect of which a term sheet, letter of intent, memorandum of understanding or other similar document exists which would, upon execution of the definitive agreement, constitute a Material Contract, are listed on Schedule 7.1(vv) and true and complete copies thereof have been delivered to the Agent and the Initial Purchaser on or prior to the date hereof. Neither the Company nor any Subsidiary, nor, to the Company's knowledge (after due inquiry), any other Person, is in default in the observance or performance of any material term, covenant or obligation to be performed by the Company or any Subsidiary or such other Person under any Material Contract and each Material Contract is in good standing, constitutes a valid and binding agreement of each of the parties thereto, is in full force and effect and is enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws of general application limiting creditors' rights generally and subject to the qualification that equitable remedies may be granted in the discretion of a court of competent jurisdiction, and no event has occurred which, with notice or lapse of time or both, would constitute such a default by the Company or any Subsidiary or, to the Company's knowledge, any other Person. Neither the Company nor any Subsidiary has any knowledge of the invalidity of or grounds for rescission, avoidance or repudiation of any such Material Contract and neither the Company or any Subsidiary has received notice of any intention to terminate any such Material Contract or repudiate or disclaim any transaction contemplated thereby. Except as set out in Schedule 7.1(vv), neither the Company nor any Subsidiary has any agreements or understanding of any nature whatsoever to acquire, merge or enter into any business combination or joint venture agreement with any other Person, or to acquire any other business operations.

(ww) All financial statements of the Company (including the Financial Statements) have been prepared in accordance with IFRS applied on a consistent basis throughout and complied, as of their respective dates of filing, with the applicable published rules and regulations of the TSX and applicable Securities Laws, and such financial statements, together with the applicable certifications filed by the Company in connection with such financial statements in accordance with NI 52-109, present fairly, in all material respects, the financial condition of the Company, on a consolidated basis, for the applicable periods then ended. The Company does not intend to correct or restate, nor, to the knowledge of the Company, is there any basis for any correction or restatement of, any aspect of the Financial Statements.

(xx) There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations) or other relationships of the Company or any Subsidiary with unconsolidated entities or other Persons.

(yy) Neither the Company nor any of its Subsidiaries have any liabilities (whether absolute, accrued, contingent) or other obligations of the type required to be included in the financial statements of the Company in accordance with IFRS that are not fully included on the Company's audited consolidated financial statements for its most recently-completed fiscal year or the Company's consolidated unaudited financial statements for its most recently-completed fiscal quarter, other than liabilities and obligations incurred after such fiscal year end or fiscal quarter end in the ordinary course or that have been incurred since then and disclosed by the Company to the Agent and the Purchasers in writing, none of which could reasonably be expected to materially and adversely affect the financial position of the Company or any Subsidiary or have a Material Adverse Effect.

(zz) PriceWaterhouseCooper LLP have been the auditors of the Company since January 1, 2011 and are independent public accountants as required under Securities Laws. There has never been a "reportable event" (within the meaning of NI 51-102) with the present or any former auditor of the Company.

(aaa) The Company complies with, and has established and monitors "disclosure controls and procedures" and "internal control over financial reporting" as those terms are defined in NI 52-109.

(bbb) Neither the Company nor any Subsidiary has since September 30, 2011:

(i) paid or satisfied any obligation or liability, absolute or contingent, other than current liabilities or obligations reflected in the Financial Statements and current liabilities or obligations incurred since September 30, 2011 in the ordinary course of business, except for the loans, credit facilities, and other transactions with Forbes & Manhattan Inc., and except for that severance settlement between the Company and Charles Pitcher in the amount of $124,300 in respect of the termination of his employment;

(ii) declared, set aside or paid any Restricted Payment;

(iii) suffered a material loss, destruction or damage to any of its property, whether or not insured;

(iv) authorized or agreed to any material change in the terms and conditions of employment of its personnel, including any benefit, pension or retirement plan;

(v) waived or cancelled any material right, claim or debt owed to it;

(vi) transferred, assigned, sold or otherwise disposed of any of its material assets;

(vii) incurred or assumed or guaranteed any liability, obligation or expenditure of any nature, absolute or contingent, other than liabilities incurred in the ordinary course of business in an amount less than US$75,000 in the aggregate;

(viii) committed to make or perform any capital expenditures or maintenance or repair projects, except for capital expenditures or maintenance or repair projects with a value not greater than US$75,000 in the aggregate;

(ix) entered into any commitment or transaction not in the ordinary course of business (other than pursuant to the Transaction Documents);

(x) entered into or authorized or agreed to any changes in any Material Contract other than in the ordinary course of business;

(xi) made or agreed to make any bonus or profit sharing distribution or payment of any kind, other than bonuses to employees in the ordinary course of business;

(xii) arranged any debt financing (other than the Notes) or incurred or increased its indebtedness for borrowed money;

(xiii) made any change in any method of accounting or auditing practice except as disclosed in the Financial Statements;

(xiv) made any gift of money or of any property or assets to any individual or Person; or

(xv) authorized, agreed or otherwise become committed to do any of the foregoing.

(ccc) For the fiscal year of the Company in which the Closing occurs, it is not anticipated that the Company will be a "passive foreign investment company" ("**PFIC**") within the meaning of Section 1297 of the US IRC, and the Company expects that it will not become a PFIC for any fiscal year thereafter. The fiscal year of the Company is the period ending on December 31 of each year.

(ddd) Neither the company nor any Subsidiary, nor, to the knowledge of the Company, any director, officer, agent, employee or other Person acting on behalf of the Company or any Subsidiary has, in the course of its actions (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (ii) made any direct or indirect unlawful payments to any Canadian, U.S. or other government official or employee from corporate funds; (iii) violated or is in violation of any provision of the Canadian Corruption of Foreign Public Officials Act, the United States Foreign Corrupt Practices Act of 1977, as amended (15 U.S.C. §§ 78a et seq. (1997 and 2000)) or any similar anticorruption or antibribery laws to which the Company or any Subsidiary is subject; or (iv) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

(eee) All accruals for unpaid vacation pay, premiums for employment insurance, health premiums, pension plan premiums, accrued wages, salaries and commissions, if any, have been in all material respects accurately reflected in the books and records of the Company and its Subsidiaries.

(fff) Save and except for the defined contribution 401K plan which UMS offers to its employees, neither the Company nor any Subsidiary is bound by or a party to any collective bargaining agreement or any benefit plan including any profit sharing plan, retirement plan, compensation deferral plan or other plan or arrangement of a similar nature maintained by or on behalf of the Company and any of its Subsidiaries for any of their employees.

(ggg) No labour dispute, work stoppage or labour strike with the employees of the Company or any of the Subsidiaries exists, is pending or imminent or, to the knowledge of the Company, is threatened or reasonably anticipated, and to the knowledge of the Company without independent inquiry having been made, there is no existing, pending or imminent labour disturbance by the employees of any of its principal suppliers, manufacturers, customers or contractors.

(hhh) The issuance and sale of the Securities to the Purchasers, and the performance by the Company and its Subsidiaries of its obligations under the Transaction Documents to which it is party or by which it is bound will not trigger any compensation or remuneration or other rights for any employees of the Company or any of its Subsidiaries.

(iii) The Company and its Subsidiaries has at all material times been and is in compliance with all Applicable Laws with respect to employment and labour and there are no current or, to the knowledge of the Company, pending or threatened proceedings before any Governmental Authority with respect to any of the Company or its Subsidiaries' employees. There are no complaints, claims, charges, levies or penalties outstanding or, to the knowledge of the Company, anticipated or threatened, nor are there any orders, decisions, directions or convictions currently registered or outstanding by any Governmental Authority against or in respect of any of the Company or its Subsidiaries under or in respect of any employment or labour laws.

(jjj) As at the Closing Date, no trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent:

(i) holds bargaining rights with respect to any of the employees of the Company or any of its Subsidiaries by way of certification, interim certification, voluntary recognition, designation or successor rights;

(ii) has applied to be certified as the bargaining agent of any such employees; or

(iii) has applied to have the Company or any of its Subsidiaries declared a related or common employer or successor employer pursuant to applicable labour or employment laws.

(kkk) Save and except for the allegations of J. Barry that Global Hunter Securities LLC is entitled to a finder's fee in respect of the transactions contemplated hereby, as at the Closing Date no Finder acted for the Company in connection with the Transaction Documents. The Company is not party to any Contract with any Finder and the Company does not owe any compensation, including by way of the issuance of securities, to any Finder in respect of this Agreement or the other Transaction Documents or the transactions contemplated herein or therein or any past or potential future transaction(s) involving the Company or any of its Subsidiaries.

(lll) None of the information (including information contained in the perfection certificate referred to in Section (d) of Schedule 4.1)) which has been furnished by or on behalf of the Company or any of its Subsidiaries to or for the benefit of the Agent and/or the Purchasers relating to the Company, its Subsidiaries and their respective business, properties and liabilities contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading as of the date it was prepared (if the information is clearly designated as being as of a certain date) or otherwise the date so furnished. To the best knowledge of the Company there is no material fact known to the Company or any of its Subsidiaries that has had or could reasonably be expected to have a Material Adverse Effect and that has not been fully disclosed herein or in such other documents, certificates and statements furnished to

Agent and/or the Purchasers for use in connection with the transactions contemplated hereby.

(mmm) Except as otherwise disclosed to the Agent in writing, no current officer or director of the Company or any of its Subsidiaries has, to the best of the Company's knowledge after reasonable inquiry, been the subject of:

(i) a petition under bankruptcy laws or any other insolvency or moratorium law or has a receiver, fiscal agent or similar officer been appointed by a court for such Person, or any partnership in which such person was a general partner at or within two years before the time of such filing, or any corporation or business association of which such person was an executive officer at or within two years before the time of such filing;

(ii) a conviction in a criminal proceeding or a named subject of a pending criminal proceeding (excluding traffic violations that do not relate to driving while intoxicated or driving under the influence);

(iii) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining any such person from, or otherwise limiting, the following activities:

(A) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Governmental Authority or an associated person of any of the forgoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company or engaging in or continuing any conduct or practice in connection with such activity;

(B) engaging in any type of business practice;

(C) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of securities laws or commodities laws; any order, judgment or decree, not subsequently reversed, suspended or vacated, of any authority barring, suspending or otherwise limiting for more than 60 days the right of any such person to engage in any activity described in the preceding sub paragraph, or to be associated with persons engaged in any such activity; or

(iv) a finding by a Governmental Authority to have violated any Securities Law.

(nnn) As at the Closing Date, since September 30, 2011 neither the Company's nor any Subsidiary's suppliers, vendors, or customers has: (i) terminated or cancelled or threatened to terminate or cancel a Material Contract or business relationship involving an amount in excess of US$100,000; or (ii) demand any modification, termination or limitation of a Material Contract or business relationship involving an amount in excess of US$100,000 with the Company or any Subsidiary.

(ooo) Neither the Company nor any of its Subsidiaries is, or, after giving effect to any loan, will be, subject to regulation under the *Public Utility Holding Company Act of 1935*, the *Federal Power Act* or the *Investment Company Act of 1940* or to any foreign, federal or state statute or regulation limiting its ability to incur indebtedness for borrowed money. The Company is not, and is not an affiliate of an investment company within the meaning of the *Investment Company Act of 1940*, as amended and after giving effect to the transactions contemplated herein will not be an "investment company" or an affiliate of an "investment company" within the meaning of the *Investment Company Act of 1940*, as amended.

(ppp) Neither the Company nor any of its affiliates (as defined in Rule 501(b) of Regulation D under the Act) has, directly or through any person acting on its or their behalf, (A) taken, directly or indirectly, any action designed to, or that might reasonably be expected to, cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities, (B) sold, bid for, purchased or paid any person any compensation for soliciting purchases of the Securities in a manner that would require registration of the Securities under the Securities Act (or a prospectus to be filed under Canadian securities legislation to qualify the Securities for distribution) or paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company in a manner that would require registration of the Securities under the Securities Act (or a prospectus to be filed under Canadian securities legislation to qualify the Securities for distribution), (C) sold, offered for sale, contracted to sell, pledged, solicited offers to buy or otherwise disposed of or negotiated in respect of any security (as defined in the Securities Act) that is currently or will be integrated with the sale of the Securities in a manner that would require the registration of the Securities under the Securities Act (or a prospectus to be filed under Canadian securities legislation to qualify the Securities for distribution).

(qqq) As of the date hereof and as of the Closing Date, no form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) was used by the Company or any person acting on its behalf in connection with the offer and sale of any of the Securities to the Purchaser, including, but not limited to, articles, notices or other communications published in any newspaper, magazine or similar medium or broadcast over television or radio or the internet, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising within the meaning of Regulation D under the Securities Act. Neither the Company nor any of its affiliates has entered into, or will enter into, any contractual arrangement with respect to the distribution of the Securities except for this Agreement and the Transaction Documents.

(rrr) In each case below, only to the extent the Company or any of its Subsidiaries is a United States person as defined in Section 7701 of the US IRC:

(i) Neither the Company nor any of its Subsidiaries have participated, within the meaning of United States Treasury Regulations Section 1.601 1-4(c), in any "reportable transaction" within the meaning of Section 601 1 of the US IRC;

(ii) Neither the Company nor any of its Subsidiaries will be required, as a result of a change in the method of accounting for any period ending on or before or including the Closing Date, to include any adjustment under Section 481(c) of the US IRC (or any similar or corresponding provision or requirement under any other law relating to Taxes) in taxable income for any period (or portion thereof) ending on or after the Closing Date;

(iii) Neither the Company nor any of its Subsidiaries will be required to include any item of income in taxable income for any period (or portion thereof) ending after the Closing Date as a result of any (i) prepaid amount received on or prior to the Closing Date, or (ii) "closing agreement" described in Section 7121 of the US IRC (or any similar or corresponding provision of any other law relating to Taxes);

(iv) Neither the Company nor any of its Subsidiaries have ever been either a "distributing corporation" or a "controlled corporation" in connection with a distribution of stock qualifying for tax-free treatment, in whole or in part, pursuant to Section 355 of the US IRC;

(v) To the knowledge of the Company and its Subsidiaries, no Governmental Authority has asserted any transfer pricing adjustment or otherwise challenged, recharacterized or reclassified any transaction or payment between the Company and any of the Subsidiaries and any Affiliate that would result in an increase in the Taxes of the Company or any of its Subsidiaries and no basis exists for which a Governmental Authority could successfully assert any such adjustment, challenge, recharacterization or reclassification that would result in an increase in the Taxes of the Company or any of its Subsidiaries; and

(vi) None of the Subsidiaries is a United States Real Property Holding Company as defined in US IRC Section 897, nor has been a United States Real Property Holding Company at any time during the five years ending on the Closing Date.

(sss) Neither the Company nor any of its Subsidiaries are subject to the *Bank Holding Company Act of 1956*, as amended (the "**BHCA**") and to regulation by the Board of Governors of the Federal Reserve System (the "**Federal Reserve**"). Neither the Company nor any of its Subsidiaries own or control, directly or indirectly, 5% or more of the outstanding shares of any class of voting securities or 25% or more of the total equity of a bank or any equity that is subject to the BHCA and to regulation by the Federal Reserve. Neither the Company or any of its Subsidiaries exercises a controlling influence over the management or policies of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve.

(ttt) The Company and/or the Guarantors (as applicable) has all necessary and unobstructed access to each of the Mine Properties.

(uuu) As of the date hereof and as of the Closing Date, the Company (i) has no class of equity security registered under Section 12 of the Exchange Act, (ii) is a "foreign private issuer" as defined in Rule 3b-4(c) under the Exchange Act, and there is no substantial U.S. market interest (as defined in Regulation S under the Securities Act) for the Company's common shares or debt securities. There are no securities of the Company that are listed on a national securities exchange registered under Section 6 of the Exchange Act or that are quoted in a United States automated interdealer quotation system of the same class within the meaning of Rule 144A as the Securities.

(vvv) As at the Closing Date UMS owns legal and beneficial title to 100% of the Bunker Hill Property subject only to minor title defects or irregularities and which, in the aggregate, do not materially detract from the value of the Bunker Hill Property or interfere with the use thereof in the operation of the business of the Company or any Subsidiary.

7.2 Representations and Warranties of the Initial Purchaser

To induce the Company to enter into this Agreement and to sell the Notes and Warrants to the Initial Purchaser, the Initial Purchaser hereby represents and warrants to the Company, and acknowledges and confirms that the Company is relying on such representations and warranties, that as of the date hereof:

(a) The Initial Purchaser is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with the requisite corporate, limited liability company or partnership power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution, delivery and performance by the Initial Purchaser of the Transaction Documents to which it is a party have been duly authorized by all necessary limited liability company action, on the part of the Initial Purchaser. Each of the Transaction Documents to which such Initial Purchaser is a party has been duly executed by such Initial Purchaser and, when delivered by the Initial Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Initial Purchaser, enforceable against it in accordance with its terms except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, and other similar laws of general application limiting the enforcement of creditors' rights generally and the fact that the courts may deny the granting or enforcement of equitable remedies.

(b) The Initial Purchaser is acquiring the Securities as principal for its own account for investment purposes and not with a view to distributing or reselling such Securities or any part thereof in violation of applicable Securities Laws. Nothing contained herein shall be deemed a representation or warranty by the Initial Purchaser to hold the Securities for any period of time.

(c) The Initial Purchaser has not taken any action designed to or that could reasonably expected to cause or result in stabilization or manipulation of the price of any Common Shares to facilitate the sale or resale of the securities of the Company.

(d) The Initial Purchaser is a resident of the United States of America.

(e) The Initial Purchaser is an accredited investor (as defined in Regulation D of the Securities Act) and it is acquiring the Notes and the Warrants as an investment for its own account or for the account of another accredited investor as to which it exercises sole investment discretion and not with a view to any resale, distribution or other disposition of the Notes and the Warrants in violation of the federal or state securities laws of the United States.

(f) The Initial Purchaser is not aware of any advertisement of any of the Securities and is not acquiring the Securities as a result of any form of general solicitation or general advertising within the meaning of Rule 502(c) of Regulation D under the Securities Act or otherwise, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media, or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising.

(g) The funds representing the purchase price which will be advanced by the Initial Purchaser to the Company hereunder will not represent proceeds of crime for the purposes of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (the "**PCMLTFA**"). To the best of the Initial Purchaser's knowledge (a) none of the subscription funds to be provided by the Initial Purchaser (i) have been or will be derived from or related to any activity that is deemed criminal under the law of Canada, the United States, or any other jurisdiction, or (ii) are being tendered on behalf of a person or entity who has not been identified to the Initial Purchaser, and (b) the Initial Purchaser shall promptly notify the Company if the Initial Purchaser discovers that any of such representations ceases to be true in any material respect, and to provide the Company with appropriate information in connection therewith.

7.3 **Acknowledgements and Agreements of Purchasers**

(a) The Initial Purchaser acknowledges and agrees that:

(i) none of the Securities have been or will be registered under the Securities Act, or under any securities or "blue sky" laws of any state of the United States, and, unless so registered, may not be offered or sold in the United States or, directly or indirectly, to U.S. Persons, as that term is defined in Regulation S under the Securities Act ("**Regulation S**"), except in accordance with the provisions of Regulation S, pursuant to an effective registration statement under the Securities Act, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in each case only in accordance with Securities Laws;

(ii) the Company has not undertaken, and will have no obligation, to register any of the Securities under the Securities Act or any other securities legislation;

(iii) there are risks associated with the purchase of the Securities, as more fully described in the Company's periodic disclosure forming part of the Public Record;

(iv) the Company is entitled to rely on the representations and warranties of the Initial Purchaser contained in this Agreement and the Questionnaire to be delivered by the Initial Purchaser to the Company in the form attached hereto as Schedule 7.3(a)(iv), as applicable;

(v) the Initial Purchaser understands and agrees that there may be material tax consequences to the Initial Purchaser of an acquisition or disposition of the Securities. The Company gives no opinion and makes no representation with respect to the tax consequences to the Purchasers under federal, state, provincial, local or foreign tax law of the Purchasers' acquisition or disposition of the Securities;

(vi) the Company has advised the Initial Purchaser that the Company is relying on an exemption from the requirements to provide the Initial Purchaser with a prospectus and as a consequence of acquiring the Securities pursuant to such exemption, certain protections, rights and remedies provided by the applicable securities legislation including the various provincial securities acts, including statutory rights of rescission or damages, will not be available to the Initial Purchaser; and

(vii) there are restrictions on the Initial Purchaser's ability to resell the Securities and it is the responsibility of the Initial Purchaser to find out what those restrictions are and to comply with such restrictions before selling any of the Securities.

(b) Each Purchaser (other than the Initial Purchaser and HUSC, LLC) may, at the request of the Company, be required to confirm its status as a U.S. Accredited Investor and the availability of an exemption from, or the inapplicability of, the prospectus and registration requirements under applicable securities laws at the time of exercise of any Warrants or the conversion of any of the Notes.

(c) The Purchasers acknowledge that the Company may in the future be required by law to disclose the Purchasers' name and other information relating to this Agreement and the Purchasers' subscription hereunder, on a confidential basis, pursuant to the PCMLTFA.

7.4 Survival

The representations, warranties, agreements and covenants contained herein shall survive the Closing, the repayment or repurchase of the Notes and all other amounts owing hereunder or thereunder and the exercise and/or conversion of the Securities, as applicable for a period of two years from the later of: (a) the indefeasible repayment in full or conversion of all of the Notes, and (b) the exercise or expiration of all of the Warrants with the exception of the Section 7.1(h), which shall survive indefinitely.

7.5 Bring Down

Each of the representations and warranties of the Company set out in Section 7.1 shall be true, correct and complete in all material respects and shall be deemed to be given on the occurrence of each Interest Payment Date.

ARTICLE 8
TRANSFER RESTRICTIONS AND OTHER AGREEMENTS OF THE PARTIES

8.1 Transfer Restrictions

(a) The Securities may only be disposed of pursuant to an effective registration statement under the Securities Act or pursuant to an available exemption from the registration requirements of the Securities Act, and in compliance with any applicable state and provincial securities laws. In connection with any transfer of Securities other than pursuant to an effective registration statement or to the Company or pursuant to the last sentence of Rule 144(b)(l)(i), except as otherwise set forth herein, the Company may require the transferor to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company (at the expense of the Company), the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration under the Securities Act or other Applicable Law. Notwithstanding the foregoing, the Company hereby consents to and agrees to register on the books of the Company and with its transfer agent, without any such legal opinion, any transfer of Securities by a Purchaser to an Affiliate of such Purchaser. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement (and any other applicable Transaction Document) and shall have the rights of a Purchaser under this Agreement. Notwithstanding the foregoing, the Agent and the Purchasers hereby agree that any Claim brought against or involving the Company or any of its Subsidiaries, or a consequent violation of Applicable Law by the Company or any of its Subsidiaries, resulting from the Initial Purchasers failure to dispose of the Securities in accordance with this Section 8.1(a), shall not constitute a Default or Event of Default pursuant to Section 10.1 (other than Sections 10.1(g) and 10.1(j)).

(b) Certificates evidencing Securities shall not be required to contain the US legends set forth in Section 8.2 if a registration statement covering the resale of such Securities under the Securities Act is effective. In addition, and provided that the holder is not then an "affiliate" of the Company, they shall not be required to contain the US legends set forth in Section 8.2 if, (i) following any sale of such Securities in compliance with Rule 144, (ii) if such Securities are eligible for sale under the last sentence in Rule 144(b)(l)(i), or (iii) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the Staff of the Commission). The Company shall cause its counsel to issue a legal opinion to the Company's transfer agent in connection with any transfer occurring after the date that a registration statement is first declared effective by the Commission. Following such date or at such earlier time as a legend is no longer required for certain Securities, the Company will no later than three Trading Days following the delivery by a Purchaser to the Company or the Company's transfer agent of a legended certificate representing such Securities, deliver or cause to be delivered to such Purchaser a certificate representing such Securities that is free from all restrictive and other legends provided in this Agreement. The Company may not make any notation on its records or give instructions to any transfer agent of the Company that enlarge the restrictions on transfer set forth in Section 8.2.

(c) The Company acknowledges and agrees that, subject to requirements of Applicable Law, a Purchaser may from time to time pledge or grant a security interest in some or all of the Securities in connection with a *bona fide* margin agreement secured by the Securities and, if required under the terms of such agreement, such Purchaser may transfer pledged or secured Securities to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the appropriate Purchaser's expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of Securities may reasonably request in connection with a pledge or transfer of the Securities.

8.2 Legends

(a) Notes and Warrants: The certificates representing the Notes and the Warrants will bear the following legends:

> **UNLESS PERMITTED UNDER CANADIAN SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITIES IN OR TO A PERSON IN CANADA BEFORE ____________________** *[Instruction for Date: Insert the date that is four months and a day after the distribution date]* .
>
> **THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND,**

ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

(b) Warrants. The certificates representing the Warrants will bear the following legend:

"THESE WARRANTS MAY NOT BE EXERCISED BY OR ON BEHALF OF A U.S. PERSON OR PERSON IN THE UNITED STATES UNLESS THE SECURITIES ISSUABLE UPON EXERCISE OF THESE WARRANTS HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND THE APPLICABLE SECURITIES LEGISLATION OF ANY SUCH STATE OR AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS IS AVAILABLE. "UNITED STATES" AND "U.S. PERSON" ARE AS DEFINED BY REGULATION S UNDER THE SECURITIES ACT."

(c) The certificates representing any Underlying Shares issued upon exercise of Warrants or conversion of any of the Notes on or before the date that is four months and one day after the Closing Date will bear the following legend mandated by Canadian Securities Laws:

"UNLESS PERMITTED UNDER CANADIAN SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY IN OR TO A PERSON IN CANADA BEFORE [INSERT THE DATE THAT IS FOUR MONTHS AND ONE DAY AFTER THE CLOSING DATE]."

provided that subsequent to the expiry of such period, the certificate representing such securities may be exchanged for a certificate not bearing this legend.

Unless a Purchaser can establish that a legend is not required by Securities Law and TSX Policies, certificates representing any Underlying Shares issued upon conversion of any of the Notes held by such Purchaser or upon exercise of any of the Warrants by such Purchaser will bear the following legends:

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE LISTED ON THE TORONTO STOCK EXCHANGE (THE "TSX"); HOWEVER, THE SAID SECURITIES CANNOT BE TRADED THROUGH THE FACILITIES OF TSX SINCE THEY ARE NOT FREELY TRANSFERABLE, AND CONSEQUENTLY ANY CERTIFICATE REPRESENTING SUCH SECURITIES IS NOT "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON TSX."

8.3 Acknowledgment of Dilution

The Company acknowledges that the issuance of the Securities (including the Underlying Shares) will result in dilution of the outstanding Common Shares, which dilution may be substantial under certain market conditions. The Company further acknowledges that its obligations under the Transaction Documents, including without limitation its obligation to issue the Securities (including the Underlying Shares) pursuant to the Transaction Documents, are unconditional and absolute and not subject to any right of set off, counterclaim, delay or reduction, regardless of the effect of any such dilution or any claim that the Company may have against the Purchasers.

8.4 Integration

The Company shall not, and shall use its best efforts to ensure that no Affiliate of the Company shall, sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 3.1 of the Securities Act) that would be integrated (as contemplated by Rule 502(a) of Regulation D promulgated pursuant to the Securities Act) with the offer or sale of the Securities to the Purchaser in a manner that would require the registration under the Securities Act of the sale of the Securities to the Purchaser or that would be integrated with such offer or sale of the Securities to the Purchaser for purposes of the rules and regulations of any Trading Market.

8.5 Listing of Common Shares

The Company shall use its best efforts to obtain, on or before the Closing Date (i) the approval of the TSX to the issuance and sale of the Securities to the Purchasers on the terms and conditions set out herein, and (ii) to apply for the listing and posting for trading of the Underlying Shares to be issued upon conversion of the Notes and exercise of the Warrants.

8.6 Securities Laws Disclosure; Publicity

(a) On the Business Day following the Closing Date, the Company shall issue a press release reasonably acceptable to the Agent and the Initial Purchaser disclosing the transactions contemplated hereby. The Company shall timely file any filings and notices required by applicable Securities Laws with respect to the transactions contemplated hereby and provide copies thereof to the Agent and the Purchasers promptly after filing. The Company shall, at least two Business Days prior to the filing or dissemination of any disclosure about this Agreement or the transactions contemplated by this Agreement, provide a copy thereof to the Agent for review. The Company and the Agent shall consult with each other in issuing any press releases or otherwise making public statements or filings and other communications with the applicable Securities Regulators or Trading Market with respect to the transactions contemplated hereby, and neither party shall issue any such press release or otherwise make any such public statement, filing or other communication without the prior consent of the other, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement, filing or other communication. Notwithstanding the foregoing, the Company shall not publicly disclose the name of the Purchasers, or include the name of the Purchasers in any filing with the applicable Securities Regulators or Trading Market, without the prior written consent of such Purchaser, except to the extent such disclosure is required by Applicable Law, in which case the Company shall provide such Purchaser with prior notice of such disclosure.

8.7 Shareholders Rights Plan

No claim will be made or enforced by the Company or any other Person that any Purchaser is an "Acquiring Person" under any shareholders rights plan or similar plan or arrangement in effect or hereafter adopted by the Company, or that any Purchaser could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Underlying Shares under the Transaction Documents.

8.8 Delivery of Certificates

In addition to any other rights available to the Purchasers, if the Company fails to deliver or to cause to be delivered to a Purchaser a certificate representing Common Shares on the date on which delivery of such certificate is required by any Transaction Document, and if after such date a Purchaser purchases (in an open market transaction or otherwise) Common Shares to deliver in satisfaction of a sale by such Purchaser of the shares that such Purchaser anticipated receiving from the Company (a "**Buy-In**"), then the Company shall, within three Business Days after such Purchaser's request and in such Purchaser's discretion, either (a) pay cash to such Purchaser in an amount equal to the applicable Purchaser's total purchase price (including brokerage commissions, if any) for the Common Shares so purchased (the "**Buy-In Price**"), at which point the Company's obligation to deliver such certificate (and to issue such Common Shares) shall terminate, or (b) promptly honour its obligation to deliver to the applicable Purchaser a certificate or certificates representing such Common Shares and pay cash to such Purchaser in an amount equal to the excess (if any) of the Buy-In Price over the product of (i) such number of Common Shares, times (ii) the Closing Price on the date of the event giving rise to the Company's obligation to deliver such certificate.

ARTICLE 9
COVENANTS OF THE COMPANY

9.1 Positive Covenants

So long as any Note remains outstanding the Company hereby covenants and agrees with the Agent and the Purchasers as follows:

(a) Payment. The Company will duly and punctually pay or cause to be paid to the Purchasers the principal of, interest accrued and any other amounts due and payable on the dates, at the places, in the moneys, and in the manner required by the terms of this Agreement, the Notes and all other Transaction Documents.

(b) Conduct of Business. The Company will, and will cause each of its Subsidiaries to, carry on and conduct its business in a proper and efficient manner and, at all reasonable times, it will furnish or cause to be furnished to the Agent and the Purchasers or their duly authorized agent or attorney such information relating to its business and the business of its Subsidiaries as the Agent or the Purchasers may reasonably require; and it will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and good standing and the existence and good standing, corporate or otherwise, of its Subsidiaries and to ensure no event which could reasonably be expected to have a Material Adverse Effect occurs.

(c) Maintenance of Assets, etc. The Company will and will cause each of its Subsidiaries to maintain, preserve, protect and keep its properties and assets in good repair, working order and condition, ordinary wear and tear excepted, and make necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times.

(d) Notice of Default. The Company shall deliver to the Agent, forthwith upon becoming aware of any Default or Event of Default or any material default under any Material Agreement or Material Permit or any event or circumstance which could reasonably be expected to become a Default or Event of Default, an Officer's Certificate specifying such Default, Event of Default or other event together with a statement of an officer of the Company setting forth details of such Default, Event of Default or other event and the action which has been, or is proposed to be, taken with respect thereto.

(e) Compliances with Laws, etc. The Company shall, and shall cause each of the Guarantors to, (i) comply with Applicable Laws including Environmental Laws and (ii) obtain and comply with the terms of and maintain all Permits including Environmental Permits from, and make such filings with, any Governmental Authority as may be necessary to carry on their respective businesses, to own, lease, develop, operate, rehabilitate and close their respective properties and to enable them to enter into and perform their respective obligations under each of the Transaction Documents to which they are expressed to be a party or to render each such Transaction Document legal, valid, binding or enforceable.

(f) Compliance with Material Leases, Contracts and Permits. The Company shall, and shall cause each of its Subsidiaries to, comply in all respects and perform its obligations under all leases (whether real or personal property), including its Mining Leases and all Material Contracts and Material Permits.

(g) Taxes. The Company shall, and shall cause each of the Guarantors to, pay or cause to be paid, when due, all Taxes imposed upon them or upon their income, sales, capital or profit or any property belonging to them unless any such Tax is contested by them in good faith by appropriate proceedings with adequate provision or reserve, where required by IFRS, and to withhold, collect and remit when due all payroll and withholding Taxes, and to collect and remit any harmonized sales, value added, goods and services, sales or similar Tax.

(h) Books and Records. The Company will, and will cause each Guarantor to, keep books and records in accordance with IFRS and which accurately reflect all of its business affairs and transactions.

(i) Visitations. The Company shall, and shall cause each Guarantor to, permit the Agent and the Initial Purchaser or any of their respective representatives at any time to visit and inspect its properties and offices, to discuss its business and financial matters with its officers and its independent auditors (and each of the Company and each Guarantor hereby authorizes such independent auditors to discuss their financial matters with the Agent and/or the Initial Purchaser or their representatives whether or not any representative of any Company and each Guarantor is present) and to examine (and, at the expense of the Company, photocopy extracts from) any of its books or corporate records; provided, however, that the Company shall not be required to provide the Agent or the Initial Purchaser access to any information or Persons if the Company reasonably determines that access to such information or Persons (i) would adversely affect the attorney-client privilege between the Company and its counsel, and (ii) would result in the disclosure of trade secrets, material non-public information or other confidential or proprietary information, and, in each case, cannot be provided to the Agent and/or the Initial Purchaser in a manner that would avoid the adverse affect on the attorney-client privilege between the Company and its counsel.

(j) Payments under Transaction Documents. The Company will, and will cause each Guarantor to, duly and punctually pay or cause to be paid all amounts due under the Transaction Documents to which it is party at the dates and places, in the currencies and in the manner provided in the Transaction Documents.

(k) Information. The Company shall ensure that all information, that in each case is furnished or made available to the Purchasers and/or the Agent by or on behalf of the Company and each Subsidiary (including information in the Public Disclosure Documents) is, or shall be, when furnished, true and correct in all respects as of the date thereof or, if no such date is specified, then as of the date delivered to the Purchasers and/or the Agent, as applicable, and does not, or shall not, when furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statement contained therein not misleading in light of the circumstances under which such statements are made.

(l) Credit Policies. The Company shall maintain, at all times, credit policies consistent with good business practices, adhere to such policies to the extent commercially reasonable and collect, and cause each Guarantor to collect, accounts receivable in the ordinary course of business in a commercially reasonable manner.

(m) Maintenance of Liens. The Company shall provide, and shall cause each of the Guarantors to provide, the Liens in favour of the Agent required hereunder registered, filed, recorded and perfected (as required by the terms hereof) to the satisfaction of the Agent and the Initial Purchaser. The Company shall notify the Agent at least 15 Business Days in advance of its or any Guarantor's adoption of a French or French/English form of name or any change of its name.

(n) Ranking of Liens. The Company shall take all such actions as may be required such that the Note Indebtedness and the Liens granted in favour of the Agent shall at all times rank in priority to all other present and future Indebtedness and Liens of the Company and the Guarantors except as specifically permitted by this Agreement and the Permitted Liens.

(o) Preferred Claims. The Company shall, and shall cause each Guarantor to, from time to time pay or cause to be paid all amounts related to workers' compensation obligations, government royalties or pension fund obligations and all other amounts which may result in an Lien against the assets of the Company or such Guarantor arising under statute or regulation except where (i) such amounts are being contested in good faith by appropriate proceedings; and (ii) reserves in conformity with IFRS with respect thereto, to the extent required, have been provided for.

(p) Warrants. As long as any Warrants are outstanding, the Company shall maintain and not revoke the reservation of the Common Shares to be issued upon any potential exercise of the Warrants.

(q) Purpose. The Company shall use the proceeds from the sale of the Securities solely for general corporate purposes.

(r) Delivery of Financial Statements and Other Reports.

The Company shall and shall cause each Guarantor to deliver to Agent and the Purchasers the financial statements and other reports described below:

(i) **Monthly Financials and Reports**. As soon as available but in no event more than 30 days after the end of each calendar month, the Company shall deliver a summary of such month's operations and a summary of the fiscal year-to-date operations, in a form reasonably satisfactory to the Agent, including information in reasonable detail concerning (i) production (if any) during such period, (ii) the inventory (if any) at the end of such period, (iii) revenues (if any) generated during such period, (iv) operating costs during such period, (v) costs constituting capital expenditures, (vi) the Company's most recent cash planning forecast covering at least the next following fiscal quarter, and (vii) any material developments during such period in project operation, including material technical problems, discovery of any material defect in the physical facilities of any of the Mine Properties, material interruption to operation, material disputes with any Governmental Authority (including tax authorities) or material labor difficulties;

(ii) **Quarterly Financials**. As soon as available and in any event within 60 days after the end of each fiscal quarter of each fiscal year, the Company shall deliver the consolidated balance sheet of the Company, as adjusted in conformity with IFRS, as at the end of such fiscal quarter and the related consolidated statements of income, shareholders' equity and cash flow for such fiscal quarter and for the period from the beginning of such fiscal year to the end of such fiscal quarter;

(iii) **Year-End Financials**. In addition to the relevant quarterly and monthly financial statements referred to in Sections 9.1(r)(i) and 9.1(r)(ii), as soon as available and in any event within 120 days after the end of each fiscal year, the Company shall deliver to the Agent and the Purchasers: (1) the audited consolidated and consolidating balance sheet of the Company and its Subsidiaries as at the end of such fiscal year and the related audited consolidated and consolidating statements of income, shareholders' equity and cash flow for such fiscal year; (2) a report with respect to such audited financial statements from the Company's auditors, which report shall be unqualified as to going concern and scope of audit of the Company and its Subsidiaries and shall state that (a) such audited financial statements present fairly, in all material respects, the Consolidated financial position of the Company as at the dates indicated and the results of its operations and cash flow for the periods indicated in conformity with IFRS applied on a basis consistent with prior years, (b) that the examination by such accountants in connection with such audited financial statements has been made in accordance with generally accepted auditing standards and (c) that such accountants acknowledge that Agent and the Purchasers are relying on such statements and (3) a budget and mine plan for the upcoming fiscal year; and

(iv) **Other Information**. With reasonable promptness, the Company shall deliver such other information and data as may be available to and disclosable by the Company with respect to the Company, any Guarantor or the Collateral as the Agent or any Purchaser may reasonably request from time to time, including reasonably requested updates to projections (including consolidating information therein for Subsidiaries and/or business lines) and consolidating quarterly financial statements for Subsidiaries and/or business lines.

(s) Delivery of Compliance Certificate. The Company will, contemporaneously with the delivery of the financial statements pursuant to Section 9.1(r), deliver to the Agent and the Purchasers an Officer's Certificate stating that the information contained in such financial statements is prepared and presented in accordance with IFRS as then in effect and in a manner consistent with the past practices of the Company, and that such financial statements are true and correct in all material respects, subject to normal year-end audit adjustments in the case of unaudited financial statements, and present fairly in all material respects the results of operations and changes in the financial position of the Company and each of its subsidiaries, as of and to the date of such financial statements and stating that the representations and warranties made by or in respect of the Company and/or its Subsidiaries in the Transaction Documents are true and correct as if made on the date of the Officer's Certificate and that no Default or Event of Default has occurred and is continuing, or if such is not the case, specifying the Default or Event of Default and giving particulars thereof.

(t) Other Notices. The Company shall promptly deliver to the Agent and the Purchasers:

(i) notification of the non-compliance by the Company or any Guarantor with any Environmental Law or any Claims regarding Environmental Liabilities issued to or against the Company or any Guarantor, and of any other environmental condition or event to the extent that any of the foregoing could reasonably be expected to result in fines, penalties and/or liabilities in excess of US$200,000 in value thereof or adversely effect such Person's ability to carry on its business in the ordinary course. As soon as practicable thereafter, the Company shall advise the Agent and the Purchasers as to the actions which the Company or any such Guarantor intends to take in connection with any such Claim or other condition or event and the estimated expense and cost of remediation, fines, penalties and/or liabilities relating to such Claim or other condition or event;

(ii) notification of any pending, threatened or actual litigation, action, proceeding or labour controversy against or involving the Company or any Guarantor or any of their respective properties, businesses, assets or revenues which, for those which are threatened, involves either: (x) damages or other monetary claims that exceed US$100,000 in value thereof; or (y) claims for injunctive relief being sought which, if granted, could reasonably be expected to adversely affect the ability of the Company or any Guarantor to carry on business in the ordinary course and, for those that are pending or actual, in respect of which either: (A) the Company or any Guarantor has taken an accounting reserve that is greater than US$100,000 in value thereof; or (B) a claim for injunctive relief being sought which, if granted, could reasonably be expected to adversely affect the ability of the Company or any Guarantor to carry on business in the ordinary course;

(iii) notification of the attachment of any Lien or any proceedings initiated asserting any Lien against any of the Collateral other than Permitted Liens; and the Company shall, or shall cause the applicable Guarantor to, at its own expense, defend the collateral of such Person against any and all such claims and Liens;

(iv) notification of any cancellation or non-renewal of any Material Permits;

(v) notification of any agreement, waiver or other arrangement with the applicable taxation authority providing for an extension of time with respect to the filing of any Tax returns by the Company or any Guarantor or the payment of any Taxes, only to the extent that any of the foregoing exceeds US$100,000 in value;

(vi) notification of any material loss or other insured damage to any material portion of the Collateral (which, for the avoidance of doubt, shall not include the conduct of mining operations in the ordinary course) or the commencement of any action or proceeding for the taking of any Collateral or any part thereof or interest therein under power of eminent domain or by condemnation or similar proceeding;

(vii) notification of any event, circumstance or condition known to it or any Guarantor that, individually or together with all other such events, circumstances or conditions, has had or could reasonably be expected to have a Material Adverse Effect;

(viii) notification of any material waiver, amendment or modifications of, or default under, any agreements to which the Company or any Subsidiary is party with respect to any Indebtedness in excess of US$25,000 of such Person;

(ix) notification of any previously undisclosed Subsidiaries of the Company or any Guarantor, any new Material Permits or Material Agreements, any additional owned or leased Real Property not identified in Schedule A, or any other changes required to the disclosure set forth in Schedules hereto or in the perfection certificate referred to in Section (d) of Schedule 4.1;

(x) notification of any Claim, written or oral, whether proven or unproven, made by any aboriginal person or group in respect of natural resource damages, aboriginal rights, aboriginal title, treaty rights or any other aboriginal interest in or in relation to all or any portion of the Real Property;

(xi) notification if any Mining Lease held by the Company or any Guarantor ceases to be in full force and effect;

(xii) notification if any trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent:

(A) holds bargaining rights with respect to any of the employees of the Company or any of its Subsidiaries by way of certification, interim certification, voluntary recognition, designation or successor rights;

(B) has applied to be certified as the bargaining agent of any such employees; or

(C) has applied to have the Company or any of its Subsidiaries declared a related or common employer or successor employer pursuant to applicable labour or employment laws;

(xiii) any change in the fiscal year of the Company or any of the Subsidiaries at least 30 days prior to such change; and

(xiv) such other information respecting the condition, operations, financial or otherwise, of the business of the Company or its Subsidiaries as the Agent or the Initial Purchaser may reasonably require from time-to-time.

(u) Insurance. The Company shall maintain, or cause to be maintained, on behalf of itself and its Subsidiaries, insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as would be prudent for Persons engaged in similar businesses and owning similar properties and assets (which insurance shall in form, scope, substance and amount shall be satisfactory to the Agent, acting reasonably) and shall cause the Agent to be endorsed as a first loss payee and additional insured on such policies of insurance and shall cause such insurance to contain a standard mortgage clause or alternative clause which is no less favourable to the Agent then such standard mortgage clause. The Company shall pay and cause each of its Subsidiaries to pay all premiums necessary for such purpose as the same shall become due and provide particulars of all such policies and all renewals thereof to the Agent upon written request. If the Company or any of its Subsidiaries receives any insurance proceeds, the Company shall or shall cause the applicable Subsidiary to use the proceeds received from any policies of insurance for the replacement of the asset(s) for which such proceeds have been received or for other general corporate purposes.

(v) Dividends to the Company. The Company will cause its Subsidiaries to pay, to the extent they are legally able to do so, dividends, interest, amounts due in respect of inter-company accounts and capital or other distributions to the Company in an aggregate amount sufficient and as may be required to enable the Company to satisfy its obligations under the Transaction Documents and to pay all mandatory repayments of principal, interest, fees, costs and other charges in respect of Indebtedness of the Company.

(w) Public Documents. The Company shall deliver, or cause to be delivered, to the Agent and the Purchasers, promptly upon the issuance thereof, copies of all annual reports, annual information forms and material change reports filed with any stock exchange, securities commission or similar regulatory body in any jurisdiction (except for any material change report filed on a confidential basis with any securities commission or stock exchange).

(x) Maintain Listing on TSX. The company shall maintain the listing and posting for trading of the Common Shares on the TSX.

(y) Reporting Issuer Status. The Company shall remain a reporting issuer in good standing in the Provinces of British Columbia, Alberta and Ontario.

(z) Cure Defects. The Company shall, promptly upon having knowledge thereof, cure or cause to be cured any defects in the execution and delivery of any of the Transaction Documents or any of the other agreements, instruments or documents contemplated thereby or executed pursuant thereto or any defects in the validity or enforceability of any of the Transaction Documents and execute and deliver or cause to be executed and delivered all such agreements, instruments and other documents as the Agent or the Initial Purchaser may consider reasonably necessary or desirable for the foregoing purposes.

(aa) Maintenance of Mine Properties, Permits, Agreements, Intellectual Property, etc. The Company shall maintain, and cause each of its Subsidiaries to maintain, (i) all Permits and agreements or contracts in good standing, and (ii) any Intellectual Property in the name of the Company or any of its Subsidiaries in good standing, except in each case where the failure to do so could not reasonably be expected to result in a Material Adverse Effect. Without limiting the foregoing, the Company shall and shall cause each Guarantor to obtain and maintain in full force and effect the Mine Properties and the Permits which are required by Applicable Law and necessary to authorize or permit the development and operation of the Mine Properties (including, without limitation, mining royalties and easements) and rights (including, without limitation, water rights) necessary for the construction, development and operation of the Mine Properties, to mine, produce, export and sell silver and, in the case of such Permits with respect to title issues shall maintain all such Permits and with respect to all other Permits except where failure to obtain and maintain such Approvals could not reasonably be expected to have a Material Adverse Effect. The Company shall and shall cause each Guarantor to maintain adequate equipment for the construction, development and operation of the Mine Properties as contemplated in the operating plans provided to the Agent and the Purchasers. The Company shall, and shall cause each Guarantor, to enforce the material rights granted to it under and in connection with all such Mine Properties, water rights, Permits and related rights. The Company and/or the Guarantors shall timely pay all taxes, assessments and fees required to be paid to maintain the Mine Properties. Specifically with respect to the Mining Rights, the Company and/or the Guarantors shall timely and properly pay the annual mining claim maintenance or rental fees, and shall execute and record or file, as applicable, proof of payment of the annual mining claim maintenance or rental fees and of the Company and/or the Guarantors' intention to hold the present Mining Rights and any future unpatented mining claims on the Mine Properties. The Company and/or the Guarantors shall pay such fees and complete such filings and recording as are required under Applicable Laws not less than 30 days before the time required for completion of such acts, and shall deliver to the Agent and the Purchasers proof of performance of such acts not less than 15 days before the time required for performance of such acts. The Agent and the Purchasers reserve the right to make payments of such fees on behalf of the Company and/or the Guarantors if not paid as provided above and to treat such amounts as an obligation for which the Company and/or the Guarantors are liable under this Agreement and the other Transaction Documents.

(bb) Abandonment of Mine Properties; New Mining Claims. Except as provided in this Agreement, the Company shall not, and shall cause the Guarantors not to, abandon any mining claims comprising any part of the Mining Rights without the Purchasers' advance written consent. Except in the event of an emergency, on not less than fifteen (15) days' advance written notice to the Agent and the Purchasers and the Purchasers' advance consent, the Company and/or the Guarantors shall have the right to amend or relocate any of the present and future unpatented mining claims on the lands which constitute part of the Mine Properties or to locate any additional present and future unpatented mining claims on the Mine Properties which are intended to correct, supersede or otherwise take the place of the present and future unpatented mining claims on the Mine Properties and to acquire or locate other present and future unpatented mining claims on the land included within the Mine Properties. In such event, all such present and future unpatented mining claims on the Mine Properties shall automatically be deemed part of the Mining Rights and be brought within the terms and provisions of this Agreement and the other Transaction Documents, to the extent permitted by Applicable Law, and the Company shall, and shall cause the Guarantors to, execute and deliver any instrument which the Agent and/or the Initial Purchaser reasonably requires to evidence the inclusion of such present and future unpatented mining claims on the Mine Properties within the coverage of this Agreement and the other Transaction Documents.

(cc) Observance of Covenants. The Company shall observe and perform, and cause each of its Subsidiaries to observe and perform, all of the covenants, agreements, terms and conditions to be observed and performed by it in the Transaction Documents.

(dd) Future Contracts. The Company shall and shall cause each Guarantor to use all commercially reasonable efforts to ensure that all Contracts entered into on and after the date of this Agreement expressly permit assignments of the benefits of such agreements as collateral security in favour of the Agent.

(ee) US Filings.

(i) The Company covenants that it shall not permit any class of its equity securities to become registered pursuant to Section 12 of the Exchange Act, unless required by the Exchange Act.

(ii) If the Company shall (i) incur a reporting obligation pursuant to Section 15(d) of the Exchange Act, or (ii) any such reporting obligation shall be terminated by the Company in accordance with the Exchange Act, the Company shall promptly deliver to the Agent (with a copy to the Purchasers) an Officer's Certificate notifying the Agent and the Purchasers of such termination and such other information as the Agent may reasonably require at such time.

(iii) The Company shall immediately upon becoming aware that it either (A) is required by the Exchange Act to cause any class of its equity securities to become registered pursuant to Section 12 of the Exchange Act or (B) has or will cease to be a "foreign private issuer" as defined in Rule 3b-4(c) under the Exchange Act provide written notice of such circumstance to the Agent and the Purchasers.

(iv) Promptly after the Company provides notice of any event set forth in Section 9.1(ee)(iii) but in any event prior to the Company registering any class of its equity securities pursuant to Section 12 of the Exchange Act, if requested by either the Agent or any Purchaser, the Company shall negotiate (acting reasonably and in good faith) with the Agent a form of an amendment to the Warrants and/or the Notes (as applicable) acceptable to the Agent (acting reasonably and in good faith) to include a restriction on conversion provision which shall limit to the extent necessary in the opinion of the Agent, the conversion of the Notes and/or the exercise of the Warrants, from and after such time as the Company registers any class of its equity securities pursuant to Section 12 of the Exchange Act, such that the total number of Common Shares that may be then beneficially owned by the Purchaser and its Affiliates shall not exceed 10% of the total number of outstanding Common Shares.

(ff) Board Letter Agreement. The Company shall, within 30 days of the Closing Date, deliver to the Agent a certified copy of a resolution of the Board approving the appointment of the Board Designee (as defined in the Board Letter Agreement).

(gg) Real Estate Matters. Within six months of the Closing Date, the Company will provide to the Agent and the Purchasers a title opinion or opinions prepared by Stoel Rives LLP or a law firm approved by the Agent and the Purchasers confirming that UMS holds all right, title and interest in and to the 42 patented mining claims acquired by UMS from Placer Mining Incorporated by Quitclaim Deed with Reservation of Royalty dated November 30, 2011, subject only to those exceptions, encumbrances and qualifications approved by the Agent and the Purchasers.

(hh) Cash Collateral. The Company shall, until the Agent has confirmed that the covenant in Section 9.1(gg) has been fully satisfied, maintain a cash balance of US$3,500,000 in a bank account which is subject to the Company Control Agreement.

(ii) 1973 Agreement. Upon the request of the Agent, the Company shall promptly verify in a manner reasonably acceptable to the Agent (including through delivery a legal opinion from Idaho counsel to the Company acceptable to the Agent) the validity and enforceability of the 1973 Agreement between the Bunker Hill Company and the Sunshine Mining Company.

(jj) Post Closing Matters. The Company shall, within five Business Days of the Closing Date, deliver to the agent a legal opinion from Idaho counsel to the Company (in form and substance satisfactory to the Agent) in respect of the same subject matter as the legal opinion from Idaho counsel to the Company delivered on the Closing Date except that such opinion shall also address the registration of mortgage security in Washington County, Idaho.

(kk) Further Assurances. At the Company's cost and expense, the Company shall and shall cause each of its Subsidiaries to execute and deliver, upon request by the Agent Purchaser, such further instruments and do and cause to be done such further acts as may be reasonably necessary or proper in the opinion of the Agent to carry out more effectually the provisions and purposes of the Transaction Documents.

9.2 Negative Covenants

So long as any Note remains outstanding hereunder, the Company covenants that it and each Guarantor shall not, and it shall cause each Guarantor not to:

(a) Amendments to Organizational Documents. Amend its constating documents (including without limitation articles of incorporation, association or amalgamation, by-laws, shareholder agreements, operating agreements, partnership agreements or other organizational documents as the case may be) (including by way of any filing under Applicable Law) in a manner that would be adverse or prejudicial to the interests of the

Agent or the Purchasers or which could reasonably be expected to have a Material Adverse Effect;

(b) Change of Name, etc. Change its name or change any location of the jurisdiction of incorporation or formation, the registered office, principal place of business or chief executive office of any of them or change the location of any Collateral subject to a Lien in favour of the Agent where such Collateral would, as a result of the relocation, not be subject to a first priority perfected Lien (subject to Permitted Liens permitted to be in priority by the terms of this Agreement) in favour of the Agent without providing at least 30 Business Days advance written notice to the Agent;

(c) Redeem Equity Securities. Redeem or purchase for cancellation any outstanding Equity Securities except as set forth in Section 9.2(k);

(d) Solicitation. Not to engage, not to allow any Subsidiary to engage, and to cause its other affiliates and any person acting on their behalf not to engage, in any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) in connection with any offer or sale of the Securities by the Company or any of its Subsidiaries in the United States.

(e) Closed End Investment Company. During the period of two years after the Closing Date or, if earlier, until such time as the Securities are no longer restricted securities (as defined in Rule 144 under the Act), not to be or become a closed end investment company required to be registered, but not registered, under the Investment Company Act of 1940.

(f) Creation of Subsidiaries. Create, acquire or suffer to exist any Subsidiaries, unless the Company and the Subsidiary, have complied with Article 7 hereof to cause the Subsidiary to be an Additional Guarantor and such Subsidiary is a Guarantor;

(g) Restrictions on Dispositions. Make any Disposition unless such Disposition is a Permitted Disposition;

(h) Debt Restrictions. Create, incur or suffer to exist any Indebtedness other than Permitted Indebtedness;

(i) Negative Pledge. Create, incur, assume or permit to exist any Liens on or with respect to any of its property, undertaking or assets now owned or hereafter acquired, other than Permitted Liens;

(j) Insolvency Proceedings. Enter into or consent to any liquidation, winding-up, reorganization, bankruptcy or other similar proceedings;

(k) Non Arm's Length Transactions. Enter into any transaction or agreement with any Person who is not at arm's length with the Company or any Guarantor (or who is an officer, director, employee of or consultant to the Company or any Guarantor) (other than the Agent, the Initial Purchaser or an Affiliate of the Agent or the Initial Purchaser) unless:

(i) either:

(A) such transaction or agreement is in the ordinary course of business and such transaction is on terms no less favourable to the Company or such Guarantor as would be obtainable in a comparable transaction with a Person which is at arm's length with the Company or the Guarantor, or

(B) such transaction is among one or more of the Company and the Guarantors; and

(ii) if such transaction (or series of related transactions) involves aggregate payments or other property with a Fair Market Value in excess of US$100,000 then the Company shall deliver an Officer's Certificate to the Agent (with a copy to the Purchasers) certifying that such transaction(s) is on terms that no less favourable to the Company or such Guarantor as would be obtainable in a comparable transaction with a Person which is at arm's length with the Company or the Guarantor; and

(iii) if such transaction (or series of related transactions) involves aggregate payments or other property with a Fair Market Value in excess of US$500,000 then such transaction shall be approved by the disinterested members of the Board as evidenced by a certified resolution of the Board delivered to the Agent and the Purchasers which includes a statement that such transaction complies with this Section 9.2(k)(iii) and shall be accompanied by an opinion as to the fairness to the Company or Guarantor, as applicable, of such transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing in the United States or Canada.

(l) <u>Restricted Payments</u>. Directly or indirectly make any Restricted Payments except Restricted Payments paid to the Company or a Guarantor who is wholly-owned by the Company;

(m) <u>Restrictions on Investments</u>. Make any Investments other than the following:

(i) Investments in Cash Equivalents;

(ii) purchases of property or assets in the ordinary course of business (provided that without limiting the foregoing a purchase which requires the approval of the board of directors (or similar body) of any Person shall not meet the test set forth in this Section);

(iii) Investments by the Company in the Guarantors (other than UMS);

(iv) Investments by a Guarantor in another Guarantor (other than UMS) or the Company;

(v) Investments in any Person where:

(A) the Company or any Guarantor (other than UMS) has acquired all of the issued and outstanding Equity Securities of such Person and such Person primarily carries on the same business as the Company or such Guarantor; provided that contemporaneously with the acquisition of such Equity Securities such acquired Person becomes a Guarantor;

(B) the Company has notified, in writing at least 30 days prior to the proposed transaction, the Agent and the Purchasers of the transaction and the Company has advised the Agent and the Purchasers in writing, as certified by the Board, that such transaction could not reasonably be expected to have a Material Adverse Effect;

(C) no Default or Event of Default is continuing or could occur as a result of the transaction; and

(D) the creditworthiness of the Company and its Subsidiaries shall not be less than the creditworthiness of the Company and its Subsidiaries, as applicable, immediately prior to giving effect to such Investment;

(n) Restrictions on Merger. Enter into any transaction or series of transactions, whether by way of merger, amalgamation, reconstruction, reorganization, consolidation, transfer, assignment, sale, lease or otherwise, whereby all or substantially all of its undertaking, property and assets would become the property of any other Person (the "**Successor**") without the prior written consent of the Purchasers.

(o) Restrictions on Payment of Indebtedness. Make any payments on or with respect to any Indebtedness, other than Note Indebtedness, which is accelerated, bonus or otherwise out of the ordinary course of such Indebtedness in accordance with its terms;

(p) Restriction on Sale and Leasebacks and Securitizations. Enter into sale and leaseback transactions or Securitization Transactions;

(q) Pension Matters. Establish, become party to, or admit any new participant into or suffer to exist, any ERISA Plan, Canadian Pension Plan, Foreign Plan, Multiemployer Plan, Canadian Multi-Employer Plan, Canadian Employee Plan or any plan providing for medical, life or other welfare benefits with respect to terminated or retired employees, or any rights or entitlements, or the actuarial assumptions used thereunder;

(r) Hedging Contracts. Enter into, become party to or suffer to exist any Hedging Contract without the prior written consent of the Purchasers;

(s) Contractual Limitations. Directly or indirectly, enter into, incur or permit to exist any Contract or other arrangement that prohibits, restricts or imposes any condition upon (i) the ability of the Company or any Guarantor to create, incur or permit to exist any Lien created by the Security upon any of its property or assets, (ii) the ability of any Guarantor to pay dividends or other distributions with respect to any of its Equity Securities or with respect to, or measured by, its profits or to make or repay loans or advances to the Company or any other Guarantor or to provide a guarantee of any Indebtedness of the Company or any other Guarantor, or (iii) the ability of the Company or any Guarantor to make any loan or advance to the Company or any Guarantor;

(t) Restriction on Change of Business. Either directly or indirectly, enter into any business other than those businesses that it is currently engaged in or businesses that are related thereto, or can be reasonably expected to flow therefrom; provided that it shall not enter into any mining business other than related to the mining of precious metals;

(u) Bank Accounts. Open or maintain, any deposit, bank or securities accounts unless the Agent has received a deposit or securities account control agreement or entered into other similar arrangements with the deposit taking institutions or securities intermediary, as applicable in form and substance satisfactory to the Agent accompanied by legal opinions, if requested, in form and substance satisfactory to the Agent;

(v) No Change in Accounting Treatment or Reporting Practices. Make any material change in its accounting or reporting or financial reporting practices, except as required or preferred by IFRS from time to time or by Applicable Law and which changes are disclosed to the Agent and the Purchasers;

(w) Change of Fiscal Year. Change its fiscal year or fiscal quarters unless it has provided the Agent and the Purchasers with 30 days' prior written notice of such change;

(x) Equity Security Issuances by the Company. Authorize or issue:

(i) any Equity Securities (other than Common Shares) without the prior written consent of the Purchasers; or

(ii) any Common Shares at a price per Common Share less than or equal to the Exercise Price;

provided, that this Section 9.2(x) shall only apply to the Company;

(y) Equity Security Issuances by Guarantors. Permit any Guarantor to authorize or issue any Equity Securities to any Person other than the Company or another Guarantor;

(z) Amendment to Transaction Documents. Enter into or become or remain subject to any agreement or instrument, except for the Transaction Documents, that would prohibit or require the consent of any Person to the amendment, modification or supplement of any of the Transaction Documents; or

(aa) Margin Security. Use any portion of the proceeds of the Loan in violation of Regulation T or Regulation X or any other regulation of the Board of Governors of the Federal Reserve System, or to violate the Exchange Act.

ARTICLE 10
DEFAULT

10.1 Event of Default

Upon the happening of any one or more of the following events (each herein sometimes referred to as an "**Event of Default**") namely:

(a) Payment Default. If the Company or any Guarantor shall fail or refuse to make or default in the payment of any amounts owing under the Notes or any other Transaction Document when due, whether at maturity or otherwise;

(b) Representations and Warranties. If any representation or warranty made or deemed to be made by the Company or any Guarantor in any Transaction Document shall prove to have been incorrect or misleading in any material respect (without giving effect to any qualifications as to materiality) when made or deemed made;

(c) Certain Covenants. If the Company or any Guarantor shall, as the case may be, default in the observance or performance of any agreement, covenant or condition contained in Sections 8.4, 9.1(o), 9.1(p), 9.1(q), 9.1(r), 9.1(s), 9.1(ee), 9.1(ff), 9.1(gg), 9.1(hh), 9.1(jj) or 9.2;

(d) Expropriation. If all or any material part of the Collateral or the assets of the Company and/or the Guarantors are seized, expropriated or otherwise appropriated by, or custody thereof is assumed by any Governmental Authority, or the Company or any of the Guarantors sells or divests itself of all or substantially all property because it is required to do so by a binding order from a Governmental Authority or the Company or any of the Guarantors is otherwise prevented from exercising normal control over all or a material part of its assets or loses any of the rights or privileges necessary to maintain its existence or to carry on its business;

(e) Obligations Unenforceable. If the obligations of the Company or any Guarantor under this Agreement or under any other Transaction Document shall cease to constitute the legal, valid and binding obligations of such Person or shall cease to be in full force and effect or become void or voidable or the Company or any Guarantor shall have contested the validity of this Agreement or any other Transaction Document or denied that it has any liability thereunder;

(f) Termination of Transaction Documents. If any Transaction Documents are terminated for any reason without the consent of the Purchasers;

(g) Insolvency. If the Company or any Guarantor shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally as they become due or shall make a general assignment, composition, compromise or arrangement for the benefit of any of its creditors; or any corporate action, legal proceeding or other procedure or step shall be instituted by or against the Company or any Guarantor seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, dissolution, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a liquidator, administrator, administrative receiver, compulsory manager, receiver, trustee or other similar official for it or for any substantial part of its property or for the purpose of enforcing any Liens or any assets of the Company or any Guarantor or, in each case any analogous procedure or step is taken in any jurisdiction and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 30 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against it or the appointment of a receiver, trustee, custodian, liquidator, administrator, administrative receiver, compulsory manager or other similar official for it or for any substantial part of its property) shall occur; or the Company or any Guarantor shall take any action to authorize any of the actions set forth above in this Section 10.1(g);

(h) Cross Default. If any one or more of the Company or any Guarantor, shall fail to pay the principal of (or lease payments on), or premium or interest on, any Indebtedness outstanding in a principal amount which, when aggregated with the principal amount of all other Indebtedness in respect of which any of them has failed to pay the principal of, or premium or interest on, exceeds US$50,000 (excluding Note Indebtedness) (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness (whether or not such default has been waived by the applicable creditor), or any other event of default or early termination event (howsoever described or designated) shall occur or condition shall exist, and shall continue after the applicable grace period, if any, specified in any agreement or instrument relating to any such Indebtedness (whether or not such default has been waived by the applicable creditor) and the effect of such event is (or if waived, would have been) to accelerate, or permit the acceleration of, Indebtedness of any of them in a principal amount which, when aggregated with the principal amount of all other Indebtedness of any of them which is, or may be, declared due and payable prior to its specified maturity as a result of an event of default, exceeds US$50,000;

(i) Change of Control. A Change of Control shall occur or any Guarantor shall cease to be a Subsidiary.

(j) Judgment Default. If any judgment or order or series of judgments or orders (whether or not related) for the payment of money in an aggregate amount in excess of US$50,000, other than any judgment or order for which one or more of the Company or any Guarantor will recover under a policy of insurance, shall be rendered against any one or more of them and (i) such judgment or order or series of judgments and/or orders are final with no further right of appeal and the Company has not satisfied the Agent and the Purchasers that the Company or any of the Guarantors (as applicable) is able to satisfy such judgment or order or series of judgments and/or orders; or (ii) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or series of judgments and/or orders, as the case may be; or (iii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order or series of judgments and/or orders, as the case may be, by reason of a pending appeal or otherwise, shall not be in effect;

(k) Material Adverse Effect. If there occurs any event which meets the definition of or has a Material Adverse Effect;

(l) Loss of Bonding Capacity. Any of the Company or any Guarantor shall (i) fail to maintain sufficient mine bonding capacity to be able to conduct its operations as at the relevant time, or (ii) default in the compliance with or the performance of its surety bonding agreements and obligations (including, but not limited to any default in the payment of outstanding reimbursement claims owing in connection with any of the bonds outstanding) and in either case, such default is not remedied within 30 days;

(m) Liens. Any Lien purported to be created by any Security Document shall fail or cease to be a valid and perfected Lien on Collateral intended to be subject thereto;

(n) Casualty Losses. There shall occur any material uninsured damage to or loss, theft or destruction of any of the Collateral; and

(o) Additional Covenant Default. If the Company or any of its Subsidiaries shall default in the observance or performance of any term, agreement, covenant or condition contained in this Agreement or the Transaction Documents (other than a covenant or condition whose breach or default in performance is elsewhere in this Section 10.1 specifically dealt with) and such default shall not be remedied, if capable of remedy, within a period of ten days of the occurrence of such default;

then, and in every such event (other than an event with respect to a Borrower described in Section 10.1(g)), and at any time thereafter during the continuance of such event, the Majority of the Purchasers may at any time at its option by notice or notices to the Company declare any or all amounts then outstanding under the Notes to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the greater of (a) the principal of the Notes so declared to be due and payable (plus a premium equal to 10% of the principal of such Notes), and (b) the Equity Event Value on such day, together with accrued interest thereon and all fees and other obligations of the Company and the Guarantors accrued hereunder, under the Notes or under any other Transaction Document, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company; and in case of any event with respect to any Borrower described in Section 10.1(g), the greater of (a) the principal of the Notes payable (plus a premium equal to 10% of the principal of such Notes) then outstanding and (b) the Equity Event Value on such day, together with accrued interest thereon and all fees and other obligations of the Company and the Guarantors accrued hereunder, under the Notes or under any other Transaction Document, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company. Upon any amounts becoming due and payable under this Section or under any other Transaction Document, whether automatically or by declaration, the Majority of the Purchasers may instruct the Agent to enforce any or all of the Security Documents and the other Transaction Agreements.

If the amounts referred to in the immediately preceding paragraph are not paid in cash within three Trading Days of becoming due, then, in addition to all other remedies that may be available, the Majority of the Purchasers may require the Company to pay such amount in Common Shares, to be issued at 93% of the Current Market Price, subject, however, to TSX approval in each instance. In the event any Purchasers exercise their rights under this paragraph, the Company agrees promptly to take all actions as may be required, including without limitation seeking to obtain shareholder approval if required, in order to comply with its obligations under this paragraph.

10.2 Remedies Cumulative and Waivers

It is expressly understood and agreed that the rights and remedies of the Agent and the Purchasers hereunder or under any other Transaction Document or other instrument executed pursuant to this Agreement are cumulative and are in addition to and not in substitution for any rights or remedies provided by law or by equity; and any single or partial exercise by the Agent or the Purchasers of any right or remedy for a default or breach of any term, covenant, condition or agreement contained in this Agreement or any other Transaction Document shall not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy or other rights or remedies to which the Purchasers or the Agent may be lawfully entitled for such default or breach. Any waiver by the Purchasers or the Agent of the strict observance, performance or compliance with any term, covenant, condition or other matter contained herein or in any Transaction Document and any indulgence granted, either expressly or by course of conduct, by the Purchasers or the Agent shall be effective only in the specific instance and for the purpose for which it was given and shall be deemed not to be a waiver of any rights and remedies of the Purchasers or the Agent under this Agreement or any other Loan Document as a result of any other default or breach hereunder or thereunder.

10.3 **Suspension of Purchaser's Obligations**

Without prejudice to the rights which arise out of this Agreement or by law, the occurrence of a Default or Event of Default shall, while such Default or Event of Default shall be continuing, relieve the Initial Purchaser of all obligations to purchase any Securities not already purchased pursuant to this Agreement.

10.4 **Application of Moneys by the Purchaser**

Except as otherwise expressly provided herein or under Applicable Law, any moneys received by the Agent or the Purchasers from the Company pursuant to the foregoing provisions of this Article 10, or as a result of legal or other proceedings or from any trustee in bankruptcy or liquidator of the Company, shall be applied, together with any other moneys in the hands of the Purchasers available for such purposes, in the following order:

(a) to amounts due hereunder as costs and expenses of the Agent and the Purchasers;

(b) to amounts due hereunder as fees;

(c) to amounts due under the Notes as interest;

(d) to amounts due under the Notes as principal; and

(e) any balance to the Company or as a Court of competent jurisdiction may direct.

ARTICLE 11
TAX INDEMNIFICATION

11.1 **Additional Amounts**

(a) **Payments Subject to Taxes.** All payments made under any Transaction Document and the conversion of the Notes and Warrants shall be made free and clear of and without deduction or withholding for any and all Indemnified Taxes (including Other Taxes) paid or payable by the Agent or any Purchaser or required to be withheld from a payment to the Agent or any Purchaser, unless such Indemnified Taxes or Other Taxes are required by law or the administration thereof to be withheld or deducted. If the Company or a Guarantor, the Agent or any Purchaser is required by Applicable Law to deduct or pay any Indemnified Taxes (including any Other Taxes) in respect of any payment by or on account of the Company or a Guarantor under any Transaction Document, then (i) the sum payable by the Company or Guarantor, as the case may be, shall be increased by such amount as is necessary so that after making or allowing for all required deductions and payments (including deductions and payments applicable to additional sums payable under this Section) the Agent and/or the Purchasers (as applicable) receives an amount equal to the sum it would have received had no such deductions or payments been required, (ii) the Company or Guarantor shall make any such deductions required to be made by it under Applicable Law, and (iii) the Company or Guarantor shall timely pay the full amount required to be deducted to the relevant Governmental Authority in accordance with Applicable Law.

(b) **Conversion Subject to Taxes.** If the Company, the Agent or any Purchaser is required by Applicable Law to deduct or pay any Indemnified Taxes (including any Other Taxes) in respect of the conversion of the Notes or the Warrants, then the Company shall, in addition to all sums otherwise payable hereunder, pay to the Agent and/or any Purchaser (as applicable) an additional payment in cash equal to the amount of such Taxes in respect of the conversion and any Indemnified Taxes in respect of amounts payable under this Section 11.1(b).

(c) **Payment of Other Taxes.** Without limiting the provisions of Sections 11.1(a) and 11.1(b), the Company shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(d) **Indemnification.**

(i) Without duplication of any gross-up by the Company or any Guarantor pursuant to Sections 11.1(a) and 11.1(b), the Company and each Guarantor shall indemnify the Agent and each Purchaser, within ten days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Agent or any Purchaser (as applicable) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Company by the Agent or any Purchaser, shall be conclusive absent manifest error.

(ii) If the Agent or a Purchaser determines, in its sole discretion, that it has received a refund of Taxes as to which it has been indemnified by the Company or a Guarantor or with respect to which the Company or a Guarantor has paid additional amounts pursuant to this Section 11.1, it shall forthwith pay to the Company or Guarantor an amount equal to such refund or reduction (but only to the extent of indemnity payments made, or additional amounts paid, by the Company or a Guarantor under this Section 11.1 with respect to Taxes giving rise to such refund or reduction), net of all out-of-pocket expenses of the Purchaser and without interest. The Company or Guarantor, upon the request of the Agent or any Purchaser, agrees to repay the amount paid over to the Company or Guarantor (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Agent or such Purchaser (as applicable) if it is required to repay such refund or reduction to such Governmental Authority. This paragraph shall not be construed to require the Agent or any Purchaser to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Company or any other person, to arrange its affairs in any particular manner or to claim any available refund or reduction in Taxes. The obligations of the Purchasers hereunder are several and not joint or joint and several.

(e) **Evidence of Payments.** As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Company or a Guarantor to a Governmental Authority, the Company or the Guarantor shall deliver to the Agent and the relevant Purchaser (if applicable) the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Agent and the applicable Purchaser.

(f) **Survival.** The provisions of this Section 11.1 shall survive repayment of all Notes and termination of this Agreement.

ARTICLE 12
INDEMNIFICATION

12.1 General Indemnity

(a) The Company hereby agrees to indemnify and hold harmless the Agent, the Purchasers or any of their Affiliates and their respective officers, directors, employees, agents, attorneys in fact, affiliates, consultants, partners, auditors, controlling persons and persons engaged by any of them to evaluate or monitor the Collateral (each, an "**Indemnified Party**") from and against any and all Claims and Losses of any kind or nature whatsoever to which any Indemnified Party becomes subject arising out of or relating to this Agreement or any of the other Transaction Documents, the purchase of the Securities or any use of the proceeds therefrom, and to reimburse each such Indemnified Party upon demand for any Loss for legal or other expenses incurred by or on behalf of such Indemnified Party in connection with defending any Claim; provided that the foregoing indemnity will not as to any Indemnified Party apply to any Loss or Claim or related expenses that a final non-appealable judgement of a court of competent jurisdiction has determined resulted from the gross negligence or wilful misconduct of such Indemnified Party. Without limiting the generality of the foregoing, the Company specifically agrees to reimburse the Agent and the Purchasers on demand for all costs of enforcing the indemnification obligations in this paragraph.

(b) The Company agrees to pay to each Indemnified Party, as applicable, on demand all amounts required to compensate such Indemnified Party for all Losses suffered or incurred by any one or more of them as a result of (i) the failure of the Company or any Guarantor to give any notice in the manner and at the times required by this Agreement or any other Transaction Document; (ii) the failure of a the Company or any Guarantor to make a payment or a mandatory repayment in the manner and at the time specified in this Agreement or any other Transaction Document; (iii) any Event of Default hereunder. A certificate as to the amount of any such Loss, providing reasonable detail of the calculation of such Loss by the Indemnified Party shall be conclusive and binding for all purposes, absent manifest error.

(c) The Company agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract, tort or otherwise) to the Company or any of its shareholders or other creditors, for any Loss or Claims sustained or incurred by the Company or any Guarantor arising out of this Agreement or the other Transaction Documents, or the preservation or enforcement of rights hereunder or thereunder except for such Losses or Claims that a final non-appealable judgment of a court of competent jurisdiction has determined were caused by the gross negligence or wilful misconduct of such Indemnified Party.

(d) In litigation or the preparation therefor, the Indemnified Parties shall be entitled to select one principal counsel (and additional local counsel if necessary) and, without limiting the generality of the foregoing indemnities, the Company shall pay promptly the reasonable fees and expenses of such counsel; provided however that if an Indemnified Party shall have concluded reasonably that representation of such Indemnified Party by such one counsel would be inappropriate due to actual or potential differing or conflicting interests between the Indemnified Parties in the conduct of the defence of such litigation, the Company shall pay promptly the reasonable fees and expenses of each additional counsel for each such Indemnified Party.

(e) To the fullest extent permitted by Applicable Law, neither the Company nor any Guarantor shall assert, and each of the Company and each Guarantor hereby waives, any Claim against any Indemnified Party, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Transaction Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby or the use of the proceeds thereof. No Indemnified Party shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Transaction Documents or the transactions contemplated hereby or thereby.

(f) The provisions of this Section 12.1 shall survive the termination of this Agreement and the other Transaction documents, the repayment or repurchase of the Notes and all other amounts owing hereunder or thereunder and the exercise and/or conversion of the Securities, as applicable for a period of two years from the later of: (a) the indefeasible repayment in full or conversion of all of the Notes, and (b) the exercise or expiration of all of the Warrants.

(g) The Company will not, without the prior written consent of each applicable Indemnified Party, settle, compromise or consent to the entry of any judgment in or otherwise seek to terminate any Claim or threatened Claim in respect of which indemnification or contribution may be sought hereunder.

12.2 Environmental Indemnity

(a) The Company agrees to indemnify and save harmless the Indemnified Party from and against any and all Environmental Liabilities regardless of whether caused by, or within the control of, the Company or any Guarantor or which arises out of or in connection with any action of, or failure to act by, the Company or any Guarantor or any predecessor or successor thereof in contravention of any Environmental Laws.

(b) The provisions of Sections 12.1(d) and 12.1(g) shall apply to any Claims under this Section 12.2.

(c) The provisions of this Section 12.2 shall survive the termination of this Agreement and the other Transaction Documents, and the repayment or purchase of the Notes and all other amounts owing hereunder or thereunder.

ARTICLE 13
REGISTRATION; EXCHANGE; SUBSTITUTION OF SECURITIES AND CONVERSION

13.1 Registration of Securities

The Company shall keep at its principal executive office a register for the registration of transfers of the Notes and the Warrants. The name and address of each holder of the Notes and Warrants, each permitted transfer thereof (if any) and the name and address of the Purchasers and of each permitted transferee of the Notes and Warrants (as applicable) shall be registered in such register (if any).

13.2 Transfer and Exchange of the Securities

Upon surrender of any of the Securities to the Company at the address and to the attention of the designated officer (all as specified in Section 15.4) for registration of a transfer or exchange (and in the case of a surrender for registration of a transfer accompanied by a written instrument of transfer duly executed by the registered holder of the Securities or such holder's attorney duly authorized in writing and accompanied by the relevant name, address and other details for notices of the transferee), within three Business Days thereafter the Company shall execute and deliver, at the Transferee's expense, one or more new Securities (as requested by the holder thereof) in exchange therefor, and in the case of the Notes, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to the transferee and shall be substantially in the form of Exhibit D. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment in advance of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes.

13.3 Replacement of Securities

Upon receipt by the Company at the address and to the attention of the designated officer (all as specified in Section 15.4) of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any of the Securities (which evidence shall be notice from a Purchaser of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it, or

(b) in the case of mutilation, upon surrender and cancellation thereof,

within five (5) Business Days thereafter the Company at the holder's expense shall execute and deliver, in lieu thereof, a new Note or Warrant, as the case may be, dated and, in the case of the Note, bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

13.4 Conversion Procedures

The form of exercise notice included in the Warrants and the form of holder conversion notice included in the Notes set forth the totality of the procedures required by the Purchasers in order to exercise the Warrants or convert the Notes. The Company shall honour exercises of the Warrants in accordance with their terms and conversions of the Notes in accordance with their terms and shall deliver Underlying Shares in accordance with the terms, conditions and time periods set forth in the Transaction Documents

ARTICLE 14
THE AGENT AND ADMINISTRATIVE MATTERS

14.1 Authorization of Action

Each Purchaser hereby irrevocably appoints and authorizes the Agent to be its agent in its name and on its behalf and to exercise such rights or powers granted to the Agent or the Purchasers under this Agreement and all other Transaction Documents to the extent specifically provided herein and therein and on the terms hereof and thereof, together with such rights, powers and discretions as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement or the Transaction Documents, the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority of the Purchasers, and such instructions shall be binding upon all Purchasers; provided, however, that the Agent shall not be required to take any action which exposes the Agent to liability in such capacity, which could result in the Agent incurring any costs and expenses or which is contrary to this Agreement or Applicable Law.

14.2 Remittance of Payments

Forthwith after receipt of any prepayment or any repayment of principal or payment of interest, fees or other amounts pursuant to any provision of this Agreement or any other Transaction Document, the Agent shall remit to each Purchaser its rateable portion thereof. If the Agent, on the assumption that it will receive on any particular date a payment of principal, interest, fees or other amounts hereunder or under any other Transaction Document, remits such payment to the Purchasers and the Company fails to make such payment, each of the Purchasers agrees to repay to the Agent forthwith on demand the amount received by it together with all reasonable costs and expenses incurred by the Agent in connection therewith to the extent not reimbursed by the Company and interest thereon at the rate and calculated in the manner applicable to the Notes for each day from the date such amount is remitted to the Purchasers, the exact amount of the repayment required to be made by the Purchasers pursuant hereto to be as set forth in a certificate delivered by the Agent to each Purchaser, which certificate shall be conclusive and binding for all purposes in the absence of manifest error. The Agent shall make appropriate entries in the register to reflect the foregoing.

14.3 Duties and Obligations

(a) Neither the Agent nor any of its directors, officers, agents or employees (and, for purposes hereof, the Agent shall be deemed to be contracting for and on behalf of such Persons) shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or any other Transaction Document except for its or their own gross negligence or wilful misconduct. Without limiting the generality of the foregoing, the Agent:

(i) may assume that there has been no assignment or transfer by any means by the Purchasers of their rights hereunder or under any Transaction Document, unless and until the Agent has received a duly completed and executed assignment in form satisfactory to it;

(ii) may consult with legal counsel (including the Agent's Counsel), independent public accountants and other experts of reputable standard selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts;

(iii) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing believed by it to be genuine and signed or sent by the proper party or parties or by acting upon any representation or warranty of the Company or any Guarantor made or deemed to be made hereunder;

(iv) may assume that no Default or Event of Default has occurred and is continuing unless an appropriate officer charged with the administration of this Agreement has actual notice or knowledge to the contrary;

(v) may rely as to any matters of fact which might reasonably be expected to be within the knowledge of any Person upon a certificate signed by or on behalf of such Person; and

(vi) shall incur no liability, in the absence of the gross negligence and/or wilful neglect of the Agent, for its failure to distribute to any Purchaser the financial statements or other information provided to the Agent by the Company or any Guarantor.

Further, the Agent (a) shall not have any duty to ascertain or to enquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any other Transaction Document on the part of the Company or any Guarantor or to inspect the property (including the books and records) of the Company or any Guarantor and (b) shall not be responsible to any Purchaser for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any instrument or document furnished pursuant hereto.

(b) The Agent makes no warranty or representation to any Purchaser and shall not be responsible to any Purchaser for the accuracy or completeness of the data made available to any of the Purchasers in connection with the negotiation of this Agreement or any Transaction Document, or for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement or any Transaction Document.

(c) Except as otherwise provided for herein, the Agent may, but is not obligated to, seek the approval of the Majority of the Purchasers to any consents required to be given by the Agent hereunder.

14.4 Prompt Notice to the Purchasers

Notwithstanding any other provisions herein, the Agent agrees to provide to the Purchasers, with copies where appropriate, all information, notices and reports required to be given to the Agent by the Company and the Guarantors, promptly upon receipt of same, excepting therefrom information and notices relating solely to the role of Agent hereunder.

14.5 Agent's Authority

The Agent may generally engage in any kind of business with the Company and its Subsidiaries or any Person owned or Controlled by any of them and any Person which may do business with any of them, all as if the Agent was not the Agent hereunder and without any duties to account therefor to the Purchasers.

14.6 Purchasers' Independent Credit Decision

It is understood and agreed by each Purchaser that it has itself been, and will continue to be, solely responsible for making its own independent appraisal of and investigations into the financial condition, creditworthiness, condition, affairs, status and nature of the Company and its Subsidiaries. Accordingly, each Purchaser confirms with the Agent that it has not relied, and will not hereafter rely, on the Agent (a) to check or enquire on its behalf into the adequacy, accuracy or completeness of any information provided by the Company, any of its Subsidiaries or any other Person under or in connection with this Agreement or any other Transaction Document or the transactions herein or therein contemplated (whether or not such information has been or is hereafter distributed to such Purchaser by the Agent), or (b) to assess or keep under review on its behalf the financial condition, creditworthiness, condition, affairs, status or nature of the Company, any Guarantor or any of their Subsidiaries. Each Purchaser acknowledges that a copy of this Agreement has been made available to it for review and each Purchaser acknowledges that it is satisfied with the form and substance of this Agreement.

14.7 Successor Agent

The Agent may, as hereinafter provided resign at any time by giving not less than 30 days' written notice thereof to the Purchasers and the Company; provided that so long as no Default shall have occurred and be continuing, the Agent shall also be required to name a successor acceptable to the Company acting reasonably. The Agent may be removed at any time on not less than 30 days' written notice thereof by the Majority of the Purchasers provided that the Majority of the Purchasers have designated a successor who is prepared to act and, so long as no Default has occurred and is continuing, who is acceptable to the Company, acting reasonably. Provided that the Agent has complied with either of the requirements set out in the preceding two sentences of this Section 14.7, if at any time that the Purchasers include a Person who is at arm's length to the Initial Purchaser, the Agent shall have the right to resign as Agent and to appoint a successor Agent, which successor Agent shall be entitled, at the expense of the Company and on customary market terms, to compensation for so acting. Upon any such resignation or removal, the Majority of the Purchasers shall have the right to appoint a successor Agent (the "**Successor Agent**") who, provided no Default shall have occurred and be continuing, shall be acceptable to the Company, acting reasonably. Upon the acceptance of any appointment as Agent hereunder by a Successor Agent, such Successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent and the retiring Agent shall thereupon be discharged from its further duties and obligations as Agent under this Agreement. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article 14 shall continue to enure to its benefit as to any actions taken or omitted to be taken by it while it was Agent hereunder.

14.8 Action by and Consent of Purchasers

(a) To the extent that any provision of Section 9.1, 9.2 or 10.1 requires the consent of the Purchasers or refers to any action to be taken hereunder by the Purchasers, such consent or action, subject to Section 14.8(b) shall only be required to be given or taken by the Purchasers holding Notes at such time.

(b) Where the terms of this Agreement or any other Transaction Documents refer to any action to be taken hereunder by the Purchasers or to any such action that requires the consent of such Purchasers, then, unless specifically otherwise indicated herein, the action taken by and the consent given by the Majority of the Purchasers shall constitute the action or consent herein referred to; and, without limitation, for greater certainty, any declaration or acceleration under Section 10.1 shall be made or taken with the consent of the Majority of the Purchasers and any action so taken shall be binding on all the Purchasers and all such Purchasers shall co-operate in any action so taken or otherwise taken hereunder with the consent of or on the instructions of the Majority of the Purchasers.

14.9 Taking and Enforcement of Remedies

(a) Each of the Purchasers hereby acknowledges that, to the extent permitted by Applicable Law, the remedies provided hereunder to the Purchasers are for the benefit of the Purchasers collectively and acting together and not severally and further acknowledges that its rights hereunder are to be exercised not severally, but collectively by the Agent upon the decision of the Purchasers regardless of whether declaration or acceleration was made pursuant to Section 10.1; accordingly, notwithstanding any of the provisions contained herein, each of the Purchasers hereby covenants and agrees that it shall not be entitled to take any action with respect to the Notes (other than to convert the Notes in accordance with their terms), including, without limitation, any declaration or acceleration under Section 10.1, but that any such action shall be taken only by the Agent with the prior written agreement of the Majority of the Purchasers, provided that, notwithstanding the foregoing:

(i) in the absence of instructions from the Purchasers and where in the sole opinion of the Agent the exigencies of the situation warrant such action, the Agent may without notice to or consent of the Purchasers take such action on behalf of the Purchasers as it deems appropriate or desirable in the interest of the Purchasers; and

(ii) the commencement of litigation before any court shall be made in the name of each Purchaser individually unless the laws of the jurisdiction of such court permit or require such litigation to be commenced in the name of the Agent on behalf of the Purchasers (whether pursuant to a specific power of attorney in favour of the Agent or otherwise) and the Agent agrees to commence such litigation in its name;

each of the Purchasers hereby further covenants and agrees that upon any such written consent being given by the Majority of the Purchasers, they shall co-operate fully with the Agent to the extent requested by the Agent in the collective realization including, without limitation, the appointment of a receiver and manager to act for their collective benefit; and each Purchaser covenants and agrees to do all acts and things to make, execute and deliver all agreements and other instruments, including, without limitation, any instruments necessary to effect any registrations, so as to fully carry out the intent and purpose of this Section.

(b) Notwithstanding any other provision contained in this Agreement or in any other Transaction Document, no Purchaser shall be required to be joined as a party to any litigation commenced against the Company or any Guarantor by the Agent or the Majority of the Purchasers hereunder or under any other Transaction Document (unless otherwise required by any court of competent jurisdiction) if it elects not to be so joined in which event any such litigation shall not include claims in respect of the rights of such Purchaser against the Company and the Guarantors hereunder until such time as such Purchaser does elect to be so joined; provided that if at the time of such subsequent election it is not possible or practicable for such Purchaser to be so joined, then such Purchaser may commence proceedings in its own name in respect of its rights against the Company and the Guarantors hereunder.

14.10 Collateral Matters

The Purchasers irrevocably authorize the Agent, at its option and discretion, to release any Lien on any Collateral granted to or held by the Agent, for the ratable benefit of itself and the Purchasers, under any Transaction Document (a) upon indefeasible payment and performance in full of all of the obligations of the Company and each of the Guarantors under this Agreement, the Notes, the Warrants and the other Transaction Documents and payment of all outstanding fees and expenses hereunder and under each Transaction Document, (b) that is Disposed of or to be Disposed of as part of or in connection with any Disposition permitted hereunder, or (c) authorized or ratified in writing by all of the Purchasers holding Notes.

14.11 Indemnity

(a) Each of the Purchasers holding Notes (the "**Indemnifying Parties**") hereby jointly and severally covenants and agrees to indemnify and hold the Agent harmless from and against any and all Claims and Losses of any kind or nature whatsoever to which the Agent becomes subject arising out of or relating to this Agreement or any of the other Transaction Documents, the purchase of the Notes (or any Underlying Shares related thereto) or any use of the proceeds therefrom, and to reimburse the Agent upon demand for any Loss for legal or other expenses incurred by or on behalf of the Agent in connection with defending any Claim; provided that the foregoing indemnity will not as the Agent apply to any Loss or

Claim or related expenses that a final non-appealable judgment of a court of competent jurisdiction has determined resulted from the gross negligence or wilful misconduct of the Agent. Without limited the generality of the foregoing, the Indemnifying Parties specifically agree to reimburse the Agent on demand for all costs of enforcing the indemnification obligations in this paragraph.

(b) The Indemnifying Parties agree that the Agent shall not have any liability (whether direct or indirect, in contract, tort or otherwise) to the Indemnifying Parties or any of their shareholders or other creditors, for any Loss or Claims sustained or incurred by the Indemnifying Parties arising out of this Agreement or the other Transaction Documents, or the preservation or enforcement of rights hereunder or thereunder except for such Losses or Claims that a final non-appealable judgment of a court of competent jurisdiction has determined were caused by the gross negligence or wilful misconduct of the Agent.

(c) To the fullest extent permitted by Applicable Law, no Purchaser shall assert, and each of the Indemnifying Parties hereby waives, any Claim against the Agent, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Transaction Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby or the use of the proceeds thereof. The Agent shall not be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Transaction Documents or the transactions contemplated hereby or thereby.

(d) The provisions of this Section shall survive the termination of this Agreement and the other Transaction Documents, and the repayment or purchase of the Notes and all other amounts owing hereunder or thereunder.

(e) The Indemnifying Parties will not, without the prior written consent of the Agent, settle, compromise or consent to the entry of any judgment in or otherwise seek to terminate any Claim or threatened Claim in respect of which indemnification or contribution may be sought hereunder.

14.12 Benefit

The provisions of this Article 14 are for the benefit of the Agent and the Purchasers and, except for the provisions of Sections 14.2 and 14.7, may not be relied upon by the Company or the Guarantors.

ARTICLE 15
MISCELLANEOUS

15.1 Bunker Hill Property

So long as the Agent or the Purchasers have or hold any Liens, in, over, or to the Bunker Hill Property, each hereby covenant and agree as follows:

(a) UMS may sell, transfer, or assign up to 20% of its interest in and to the Bunker Hill Property at any time hereafter to Crescent, Inc. or Gold Finder Explorations, Ltd. for cash consideration equal to US$2,250,000 (the "**BH Cash Consideration**") and on such terms and conditions acceptable to UMS acting in a commercially reasonable manner (the "**Bunker Hill Transfer**"); and

(b) within 30 days of written notice to the Agent that the Bunker Hill Transfer has occurred, or will occur, the Agent shall release and discharge its Liens registered against, and its interest arising pursuant to any Transaction Document in and to, the Bunker Hill Property and shall at the cost and expense of the Company within 30 days of the closing of the Bunker Hill Transfer provide copies of all such releases and discharges, duly registered where required, or such consents as may be required by Applicable Law to effect the Bunker Hill Transfer, in a form satisfactory to the Company acting reasonably; provided that notwithstanding the foregoing no such release and discharge shall be effective until the Company and/or the Guarantors have received the BH Cash Consideration and the Bunker Hill Transfer has closed.

15.2 Fees and Expenses

At the Closing, the Company shall pay to the Agent the diligence, legal and accounting fees and expenses incurred by the Purchasers, the Agent and their Affiliates in connection with due diligence and the preparation and negotiation of this Agreement and the other Transaction Documents, subject to any limits as may be agreed by the Purchaser and the Company from time to time. In lieu of the foregoing payments, the Initial Purchaser may retain the amount equal to such fees and expenses from the amount to be delivered to the Company at the Closing pursuant to the Notes.

15.3 New York State Filing

To the extent that Section 359e of the General Business Law of the State of New York apply to the sale of the Note and the Warrants to the Initial Purchaser hereunder, the parties hereto agree that the failure, prior to the Closing Date, to make any filing required pursuant to Section 359e of the General Business Law of the State of New York shall not constitute a Default or Event of Default hereunder.

15.4 Notices

Any notice, disclosure, or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by fax or e-mail or similar means of recorded electronic communication or sent by courier, charges prepaid, addressed as follows:

(a) if to the Agent:

c/o Hale Capital Partners, LP
570 Lexington Avenue, 49th Floor
New York, NY 10022

Attention: Martin Hale and Nathaniel Klein
Fax No.: 212.751.8822

(b) if to the Initial Purchaser:

c/o Hale Capital Partners, LP
570 Lexington Avenue, 49th Floor
New York, NY 10022

Attention: Martin Hale and Nathaniel Klein
Fax No.: 212.751.8822

(c) if to the Company:

United Silver Corp.
1220 Big Creek Road
Kellogg, ID 83837
USA

Attention:	Erik Panke and Graham Clark
Fax No.:	208.783.2700
Email:	epanke@unitedsilvercorp.com and gclarkeazau@gmail.com

with a copy to:

Clark Wilson LLP
Barristers and Solicitors
Suite 800 – 885 West Georgia Street
Vancouver, BC V6C 3H1

Attention:	Bernard Pinsky
Fax No:	604.687.6314

(d) if to the Purchasers, at their contact information provided to the Company, in writing. If no such information is provided to the Company, including without limitation, an email address with which a Purchaser can be contacted, the Company shall be under no obligation to provide any communications to the said Purchaser, as would otherwise be required pursuant to the Transaction Documents until such contact information is so provided.

Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted (or, if such day is not a Business Day or if delivery or transmission is made on a Business Day after 5:00 p.m. at the place of receipt, then on the next following Business Day) or, if mailed, on the third Business Day following the date of mailing; provided, however, that if at the time of mailing or within three Business Days thereafter there is or occurs a labour dispute or other event which might reasonably be expected to disrupt the delivery of documents by mail, any notice or other communication hereunder shall be delivered or transmitted by means of recorded electronic communication as aforesaid.

Any party may at any time change its address for service from time to time by giving notice to the other parties in accordance with this Section 15.4.

Notwithstanding the foregoing or anything to the contrary contained in the Transaction Documents, any document, disclosure, notice, delivery, or other form of communication required to be delivered or given by the Company or any Guarantors pursuant to the Transaction Documents shall be deemed to be sufficiently and adequately delivered to the Purchasers (other than the Initial Purchaser) if it has been:

(a) filed on www.sedar.com by the Company or any of the Guarantors; or

(b) uploaded to a website or cloud based file management system maintained, or subscribed to, by the Company (which may be a secure, password protected website accessible only to the Company, the Guarantors, the Agent, and the Purchasers, for whom the password or other login information shall be readily available by request to the Company)

and in the case of both (a) and (b), notice pertaining to each such filing or upload has been delivered to the applicable Purchasers either in writing or by other electronic means in accordance with this Section 15.4.

15.5 Amendments; Waivers

(a) Subject to Section 15.5(b), this Agreement, the Transaction Documents and documents collateral hereto or thereto may be modified or amended and a waiver of any breach of any term or provision of this Agreement and each other Transaction Document shall be effective only if the Company, the Agent and the Majority of the Purchasers on the date of the modification, amendment, or waiver so agree in writing, provided that in all cases the Company shall be entitled to rely upon the Agent, without further inquiry in respect of any amendments or waivers agreed to by the Agent and which the Agent has confirmed has been agreed to by the Majority of the Purchasers; provided further, however, that no amendment, waiver or consent, unless in writing and signed by each of the Purchasers holding Notes shall: (i) subject any holder of Notes to any additional obligation; (ii) reduce the principal of, or interest, premium or other amount payable on, the Notes or reduce any fees hereunder or under any other Transaction Document; (iii) postpone any date fixed for any payment of principal of, or interest, premium or other amount payable on, the Notes or any other amounts payable hereunder; (iv) change the number of Noteholders which shall be required for the Noteholders to take any action hereunder or under any other Transaction Document; (v) release security except in accordance with the provisions of this Agreement; (vi) amend the definition of "**Majority of the Purchaser**"; or (vii) amend this Section; and provided, further, that no amendment, waiver or consent, unless in writing and signed by the Agent in addition to the Noteholders required herein above to take such action, affects the rights or duties of the Agent under this Agreement or any other Transaction Document. A waiver of any breach of any term or provision of this Agreement or any other Transaction Document shall be limited to the specific breach waived.

(b) In addition to the requirements set forth in Section 15.5(a), this Agreement, the Transaction Documents and documents collateral hereto or thereto may be modified or amended and a waiver of any breach of any term or provision of this Agreement and each other Transaction Document in so far as they relate to or effect the Warrants or the holders of the Warrants in any manner, shall be effective only if the Company, the Agent and each holder of Warrants so effected so agree in writing.

15.6 Successors and Assigns

This Agreement shall enure to the benefit of and shall be binding on and enforceable by and against the parties and their respective successors and permitted assigns. The Company may not assign this Agreement or any other Transaction Document or any of its rights or obligations hereunder and thereunder, in each case, without the prior written consent of all of the Purchasers. The Purchasers may assign its rights under this Agreement or any other Transaction Document to any Person to whom such Purchaser assigns or transfers any Securities, provided such transferee agrees in writing to be bound, with respect to the transferred Securities, by the provisions hereof and of the applicable Transaction Documents that apply to such Purchaser. Notwithstanding anything to the contrary herein, the Securities may be pledged to any Person in connection with a *bona fide* margin account secured by such Securities.

15.7 Third Party Beneficiaries

Except as otherwise provided in Section 12.1 and 12.2 and this Section 15.7, no person that is not a party shall be entitled to the benefit of any provisions of this Agreement or have any rights hereunder. Except for the Indemnified Parties, no person that is not a party shall be entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum. Notwithstanding the foregoing, the Company acknowledges to each of the Indemnified Parties its direct rights against it under Section 12.1 of this Agreement. To the extent required by law to give full effect to these direct rights, each of the Agent and the Purchasers agree and acknowledge that it is acting as trustee of, and holds the entitlements and benefits of the indemnities contained in Section 12.1 in trust for, the Indemnified Parties. The parties reserve their right to vary or rescind at any time and in any way whatsoever, the rights, if any, granted by or under this Agreement to any person that is not a party, without notice to or consent of such person, including any Indemnified Party.

15.8 Waiver of Jury Trial

EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

15.9 Rescission and Withdrawal Right

Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) the Transaction Documents, whenever a Purchaser exercises a right, election, demand or option under a Transaction Document and the Company does not timely perform its related obligations within the periods therein provided, then such Purchaser may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights. For greater clarity, nothing set forth in this Section 15.9 shall give any Agent or any Purchaser the right to rescind this Agreement.

15.10 Remedies

In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, the Agent and the Purchasers and the Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations described in the foregoing sentence and hereby agrees to waive in any action for specific performance of any such obligation the defence that a remedy at law would be adequate.

15.11 Marshalling and Payment Set Aside

Neither the Agent nor any Purchaser shall be under any obligation to marshal any assets in favour of the Company or any of the Guarantors or other party or against or in payment of any or all of the Notes or other obligations existing under the Transaction Documents. To the extent that the Company makes a payment or payments to the Agent or any Purchaser hereunder or under any other Transaction Document or the Agent or a Purchaser enforces its Liens or exercises its rights of set-off, and such payment or payments or the proceeds of such enforcement or set-off or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company by a trustee, receiver or any other person under any Applicable Law (including, without limitation, any bankruptcy law, provincial, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied and all Liens, rights and remedies thereof, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or set-off had not occurred.

15.12 Adjustments in Share Numbers and Prices

In the event of any stock split, subdivision, dividend or distribution payable in Common Shares (or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly Common Shares), combination or other similar recapitalization or event occurring after the date hereof, each reference in this Agreement to a number of shares or a price per share shall be amended to appropriately account for such event.

15.13 Counterparts

This Agreement, the other Transaction Documents and all other documents contemplated by or delivered under or in connection with this Agreement and the other Transaction Documents may be executed and delivered in any number of counterparts with the same effect as if all the parties had signed and delivered the same document and all counterparts shall be construed together to be an original and will constitute one and the same agreement.

15.14 Judgment Currency

(a) If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due to the Agent or any Purchaser (each a "**Recipient**") in any currency (the "**Original Currency**") into another currency (the "**Other Currency**"), the parties agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which, in accordance with normal banking procedures, such Recipient could purchase the Original Currency with the Other Currency on the Business Day preceding the day on which final judgment is given or, if permitted by Applicable Law, on the day on which the judgment is paid or satisfied.

(b) The obligations of the Company or any Guarantor in respect of any sum due in the Original Currency from it to any Recipient under any of the Transaction Documents shall, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Business Day following receipt by the applicable Recipient of any sum adjudged to be so due in the Other Currency, such Recipient may, in accordance with normal banking procedures, purchase the Original Currency with such Other Currency. If the amount of the Original Currency so purchased is less than the sum originally due to such Recipient in the Original Currency, the Company agrees, as a separate obligation and notwithstanding the judgment, to indemnify each Recipient, against any loss, and, if the amount of the Original Currency so purchased exceeds the sum originally due to such Recipient in the Original Currency, such Recipient shall remit such excess to the Company.

15.15 Conflict

In the event of a conflict or inconsistency between the provisions of this Agreement and the provisions of any other Transaction Document, the provisions giving the Agent and/or the Purchasers greater rights or remedies shall govern (to the maximum extent permitted by Applicable Law), it being understood that the purpose of this Agreement and all of the other Transaction Documents is to add to, and not detract from, the rights granted to the Agent and the Purchasers under the Transaction Documents.

15.16 Maximum Rate

In no event shall any interest or fee to be paid hereunder or under a Note exceed the maximum rate permitted by Applicable Law. In the event any such interest rate or fee exceeds such maximum rate, such rate shall be adjusted downward to the highest rate (expressed as a percentage per annum) or fee that the parties could validly have agreed to by contract on the date hereof under Applicable Law.

15.17 US Patriot Act

The Agent and the Purchasers hereby notify the Company and each Guarantor that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "**Patriot Act**"), it is required to obtain, verify and record information that identifies the Company and each Guarantor, which information includes the name and address of the Company and each Guarantor and other information that will allow the Agent and the Purchasers to identify the Company and each Guarantor in accordance with the Patriot Act.

15.18 Collection of Personal Information

The Purchasers acknowledge and consent to the fact that the Company is collecting the Purchasers' personal information for the purpose of fulfilling this Agreement and completing the transactions contemplated herein (the "**Offering**"). The Purchasers' personal information (and, if applicable, the personal information of those on whose behalf a Purchaser is contracting hereunder) may be disclosed by the Company to (a) stock exchanges or securities regulatory authorities, (b) the Company's registrar and transfer agent, (c) Canadian tax authorities, (d) authorities pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and (e) any of the other parties involved in the Offering, including legal counsel, and may be included in record books in connection with the Offering. By executing this Agreement, each Purchaser is deemed to be consenting to the foregoing collection, use and disclosure of the Purchasers' personal information (and, if applicable, the personal information of those on whose behalf a Purchaser is contracting hereunder) for the foregoing purposes and for the purposes described in Exhibit "E" to this Agreement and to the retention of such personal information for as long as permitted or required by law or business practice. Notwithstanding that a Purchaser may be purchasing Notes and/or Warrants as agent on behalf of an undisclosed principal, such Purchaser agrees to provide, on request, particulars as to the nature and identity of such undisclosed principal, and any interest that such undisclosed principal has in the Company, all as may be required by the Company in order to comply with the foregoing.

Furthermore, the Purchasers are hereby notified that:

(a) the Company may deliver to any securities commission having jurisdiction over the Company, the Purchasers or this subscription, including any Canadian provincial securities commissions and/or the SEC (collectively, the "**Commissions**") certain personal information pertaining to the Purchasers, including such Purchasers' full name, residential address and telephone number, the number of shares or other securities of the Company owned by the Purchasers, the number of Warrants or the principal value of the Notes purchased by the Purchaser and the total purchase price paid for such securities, the prospectus exemption relied on by the Company and the date of distribution of the Units,

(b) such information is being collected indirectly by the Commissions under the authority granted to them in securities legislation,

(c) such information is being collected for the purposes of the administration and enforcement of the securities laws, and

(d) the Purchasers may contact the following public official in Ontario with respect to questions about the Ontario Securities Commission's indirect collection of such information at the following address and telephone number:

Administrative Assistant to the Director of Corporate Finance
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Telephone: (416) 593-8086

15.19 No Fiduciary Relationship.

The Company hereby acknowledges that the Initial Purchaser is acting solely as initial purchaser in connection with the purchase and sale of the Securities. The Company further acknowledges that the Initial Purchaser is acting pursuant to a contractual relationship created solely by this Agreement entered into on an arm's length basis and in no event do the parties intend that the Initial Purchaser act or be responsible as a fiduciary to the Company, its management, stockholders, creditors or any other person in connection with any activity that such Initial Purchaser may undertake or has undertaken in furtherance of the purchase and sale of the Securities, either before or after the date hereof. The Initial Purchaser hereby expressly disclaims any fiduciary or similar obligations to the Company, either in connection with the transactions contemplated by this Agreement or any matters leading up to such transactions, and the Company hereby confirms its understanding and agreement to that effect. The Company and the Initial Purchaser agree that they are each responsible for making their own independent judgments with respect to any such transactions, and that any opinions or views expressed by any Initial Purchaser to the Company regarding such transactions, including but not limited to any opinions or views with respect to the price or market for the Securities, do not constitute advice or recommendations to the Company. The Company hereby waives and releases, to the fullest extent permitted by law, any claims that the Company may have against the Initial Purchaser with respect to any breach or alleged breach of any fiduciary or similar duty to the Company in connection with the transactions contemplated by this Agreement or any matters leading up to such transactions.

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SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

UNITED SILVER CORP.

By ______________________
Name: GREG S. STEWART
Title: DIRECTOR

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGES OF PURCHASERS FOLLOW.]

AGENT:

HUSC, LLC

By ______________________________

Name: Martin Hale

Title: Manager

By ______________________________

Name: Martin Hale

Title: Manager

INITIAL PURCHASER:

HUSC, LLC

By ______________________________

Name: Martin Hale

Title: Manager

By ______________________________

Name: Martin Hale

Title: Manager

SCHEDULE A

MINE PROPERTIES

Schedule A Mine Properties

Entity	Mine Property	Description	Ownership Status	Mortgages
UMS	Bunker Hill Property	means 42 patented mining claims in Township 48 North, Range 3 East, Shoshone County, Idaho, USA	Own 100%; 20% to be owned by Crescent, Inc. or Gold Finder Explorations Ltd. upon satisfaction of certain conditions*	None
Syringa	Crescent Mine Property	25 Patented Mining Claims Situated In Sections 15, 16, 17 and 20, Township 48 North, Range 3 East, Boise Meridian, Shoshone County, Idaho	Own 80%; 20% owned by Crescent, Inc.	None
UMS	Stimson Property	10.01 acres of surface rights purchased by UMS from Stimson Lumber Company in June 2010; a portion of the Countess Lode, Mineral Survey 3013, situated in the Yreka Mining District in the East ½ of Section 17, Township 48 North, Range 3 East, Boise Meridian, Shoshone County, Idaho; patent recorded in Book 57 of Deeds, page 485	Own 100%	None

*The Bunker Hill Property is recorded in Shoshone County as 100% owned by UMS. However, under the terms of the earn-in agreement with Gold Finder Explorations, Ltd. ("Gold Finder") and Crescent, Inc., a wholly owned subsidiary of Gold Finder, Crescent, Inc. or Gold Finder have the option to include the Bunker Hill patented mining claims in the Crescent Mining Property, thereby gaining 20% ownership. Crescent, Inc. exercised that option in July 2011. UMS may sell, transfer, or assign up to 20% of its interest in and to the Bunker Hill Property at any time after the closing of the transaction to Crescent Inc. or Gold Finder for cash consideration equal to US$2,250,000 and on such terms and conditions acceptable to UMS acting in a commercially reasonable manner, but in no event shall UMS's interest in the Bunker Hill Property be less than 80%. See United Silver Corp news release dated August 4, 2011, confirming this transaction.

SCHEDULE B

PERMITTED LIENS

Schedule B Permitted Liens

Debtor	Secured Party	Type of Collateral	Registration Details (i.e. Registration Number, Term, Expiry, Statute)
UMS	Banc [sic] of America Leasing & Capital, LLC	One (1) Mazak Machine, S/N 227845, including all accessories, replacements, substitutions and proceeds.	Reg. Date: May 16, 2011 Reg. Length: 5 years Expiry Date: May 16, 2016 Filing No. B2011-1092986-4 Amendment changing name of creditor date: September 23, 2011 Filing No. B 6572369
UMS	Wells Fargo Equipment Finance, Inc.	One (1) Caterpillar Model XQ300 Generator Set, S/N GHJ00330 One (1) Sullair Model 750 Air Compressor, S/N 004-134444 including all attachments, replacements, substitutions, additions, accessions and proceeds.	Reg. Date: October 12, 2010 Reg. Length: 5 years Expiry Date: October 12, 2015 Filing No. B2010-1084754-3
UMS	Wells Fargo Equipment Finance, Inc.	One (1) Caterpillar Model 938GII Wheel Loader, S/N RTB00735, including all attachments, replacements, substitutions, additions, accessions and proceeds.	Reg. Date: September 16, 2010 Reg. Length: 5 years Expiry Date: September 16, 2015 Filing No. B2010-1083738-7
UMS	Caterpillar Financial Services Corporation	One (1) Caterpillar 279C Skid Steer Loader, S/N MBT00881, including all attachments, replacements, substitutions, additions, accessions and proceeds.	Reg. Date: June 3, 2010 Reg. Length: 5 years Expiry Date: June 3, 2015 Filing No. B2010-1079615-8
UMS	Forsberg Investments, Inc.	All assets, tangible or intangible, owned by debtor.	Reg. Date: April 13, 2009 Reg. Length: 5 years Expiry Date: April 13, 2014 Filing No. B2009-1062691-6
UMS	Forsberg Investments, Inc.	Deed of Trust covering the real property commonly referred to as the Mine Fab Property	Recorded on March 31, 2009 as Instrument No. 450965, records of Shoshone County, Idaho

Debtor	Secured Party	Type of Collateral	Registration Details (i.e. Registration Number, Term, Expiry, Statute)
UMS	Ally Bank	2011 Dodge Ram 2500 pickup, s/n 3D7TT2C54BG529378 2011 Dodge Ram 2500 pickup, s/n 3D7TT2C57BG547860 2011 GMC Sierra pickup, s/n 1GT121C80BF174141.	No registration (security interest granted)
UMS	U.S. Bank	2004 GMC Sierra pickup s/n 2GTEK19T741323653.	No registration (security interest granted)
UMS (Stewart Contracting)	Caterpillar Financial Services Corporation	One (1) Caterpillar 304CCR Hydraulic Excavator, S/N FPK052844 and substitutions, replacements, additions and accessions thereto, now owned or hereafter acquired and proceeds thereof.	Reg. Date: July 6, 2009 Reg. Length: 5 years Expiry Date: July 6, 2014 Filing No. B2009-1066757-9
UMS (Stewart Contracting)	Caterpillar Financial Services Corporation	One (1) Caterpillar 279C Compact Track Loader S/N MBT00276, One Caterpillar GP Bucket S/N 65SSGP000864 and substitutions, replacements, additions and accessions thereto, now owned or hereafter acquired and proceeds thereof.	Reg. Date: November 14, 2008 Reg. Length: 5 years Expiry Date: November 14, 2013 Filing No. B2008-1056708-1

SCHEDULE 4.1

CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE COMPANY IN RESPECT OF THE PURCHASE OF THE INITIAL NOTE AND THE WARRANTS

(a) the Transaction Documents shall have been duly authorized, executed and delivered to the Agent and the Purchasers by the Company and each Guarantor;

(b) customary legal opinions from British Columbia, Idaho and New York counsel to the Company, in form and substance satisfactory to the Agent, shall have been delivered to the Purchasers and the Agent;

(c) a legal opinion from Idaho counsel to the Company in respect of the Company's and/or the Guarantors' title to all Mining Rights, in form and substance satisfactory to the Agent, shall have been delivered to the Purchasers and the Agent;

(d) the perfection certificate, in form and substance satisfactory to the Agent, duly executed by the Company shall have been delivered to the Purchasers and the Agent;

(e) a letter agreement (the "**Board Letter Agreement**"), in form and substance satisfactory to the Agent, providing for the appointment of an independent member of the Board and granting HUSC, LLC observer status on the Board, shall have been delivered to the Purchasers and the Agent;

(f) an Officer's Certificate of the Company certifying:

  (i) that each of the conditions set out in Section 4.1 of this Agreement has been satisfied (except to the extent waived in writing by the Agent); and

  (ii) such other matters as may reasonably be requested by the Initial Purchaser and/or the Agent,

  shall have been delivered to the Initial Purchaser and the Agent;

(g) an Officer's Certificate of the Company and each Guarantor certifying:

  (i) as to articles, by-laws, resolutions, shareholder agreements, incumbency and other corporate matters; and

  (ii) such other matters as may be reasonably requested by the Initial Purchaser and/or the Agent,

  shall have been delivered to the Initial Purchaser and the Agent;

(h) the representations and warranties of the Company and the Guarantors contained herein and in the Transaction Documents shall be true, correct and complete on and as of the Closing Date and each Guarantor shall have delivered an Officer's Certificate to such effect;

(i) no Default or Event of Default has occurred and is continuing and the issuance of the Securities will not result in a Default or in an Event of Default and the Company shall have delivered an Officer's Certificate to such effect;

(j) the Company and each of the Guarantors shall have performed, satisfied and complied with all covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by it at or prior to the Closing and the Company and each Guarantor shall have delivered an Officer's Certificate to such effect;

(k) a private placement number (CUSIP) issued by CDS Clearing and Depository Services Inc. shall have been obtained for the Securities;

(l) evidence, satisfactory to the Agent, that the Company is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Prince Edward Island and is not in default of any requirement of applicable Securities Laws shall have been provided to the Purchasers and the Agent;

(m) the Agent shall be satisfied that no actions or proceedings, at law or in equity, shall be pending or threatened by any Person, Governmental Authority or any Securities Regulator or other competent authority to enjoin the issuance and sale of the Securities to the Purchasers pursuant to this Agreement or to suspend or cease or stop trading in the Common Shares;

(n) no statute, rule, regulation, executive order, decree, ruling or injunction (preliminary or permanent) shall have been enacted, entered, promulgated or endorsed by any court or Governmental Authority of competent jurisdiction that prohibits the consummation of any of the transactions contemplated by the Transaction Documents;

(o) since September 30, 2011, no event or series of events shall have occurred that has had or reasonably could be expected to have or result in a Material Adverse Effect;

(p) the Agent shall have received confirmation of satisfactory policies of insurance in place for the benefit of the Company and the Guarantors and copies of the certificates of insurance for the Company and the Guarantors with the Agent endorsed thereon as an additional insured or loss payee, as applicable;

(q) the Agent shall have received, in form and substance satisfactory to the Agent, title insurance for all patented claims in respect of the Mine Properties;

(r) all fees and expenses (including the legal fees and disbursements of Agent's Counsel, and local counsel engaged by Agent's Counsel on behalf of the Agent) payable under or in connection with the Transaction Documents shall have been paid in full;

(s) a commitment fee in an amount equal to US$90,000 shall have been paid to the HUSC, LLC;

(t) the Agent shall be satisfied that all registrations and other actions necessary to perfect the security interest created by the Security Documents and maintain the priority of the Liens in favour of the Agent have been made;

(u) the Agent shall have received certificates representing all Equity Securities pledged under the Security Documents together with blank undated powers of attorney therefor;

(v) the TSX shall have approved the issuance of the Securities, and the listing and posting for trading of the Underlying Shares to be issued upon conversion and/or exercise of the

Securities, as the case may be, subject to the satisfaction of the customary conditions to such listing;

(w) all approvals, consents and authorizations necessary for the consummation of the transaction contemplated by the Transaction Documents shall have been obtained by the Company and the Guarantors, in form and substance satisfactory to the Agent and all necessary documents shall have been filed and all requisite proceedings shall have been taken and all other legal requirements shall have been fulfilled under applicable Securities Laws to issue the Securities to the Purchasers as contemplated hereunder;

(x) the Agent shall have made such investigation of the assets, business and affairs of the Company and its Subsidiaries and the security to be provided to the Agent under the Transaction Documents as the Agent deems appropriate (and the Company shall have cooperated with the Agent in such investigation) and the Agent, in its sole discretion, shall be satisfied with the results thereof; and

(y) the Initial Purchaser and/or the Agent shall have received such other documents as the Initial Purchaser and/or the Agent may reasonably require.

SCHEDULE 4.2

CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE COMPANY

(a) the representations and warranties of the Initial Purchaser contained herein shall be true, correct and complete on and as of the Closing Date to the same extent as though made on and as of the Closing Date, except for any representation or warranty limited by its terms to a specific date;

(b) the Initial Purchaser shall have performed, satisfied and complied with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Purchasers at or prior to the Closing Date; and

(c) no statute, rule, regulation, executive order, decree, ruling or injunction (preliminary or permanent) shall have been enacted, entered, promulgated or endorsed by any court or Governmental Authority of competent jurisdiction that prohibits the consummation of any of the transactions contemplated by this Agreement.

Schedule 7.1(d) Authorizations and Approvals

- U.S. Bank Promissory Note and Security Agreement dated April 1, 2008; – no consent obtained
- Exploration Earn-In Agreement dated December 30, 2009; – consent obtained
- Western States Equipment Company Sales Agreement September 9, 2010 (financed by Wells Fargo Equipment Finance, Inc.); – no consent obtained
- Western States Equipment Company Sales Order September 29, 2010 (financed by Wells Fargo Equipment Finance, Inc.) – Combination Loan and Security Agreement, Section 4(e); – no consent obtained
- Mazak Corporation Conditional Sales Contract dated August 5, 2011 – Master Security Agreement, Section 5(a); – no consent obtained
- Caterpillar Financial Services Corporation Sales Contract #0538390 dated November 13, 2008 – no consent obtained
- Caterpillar Financial Services Corporation Sales Contract #0570441 dated June 1, 2010 – no consent obtained
- Caterpillar Financial Services Corporation Sales Contract #0550117 dated July 1, 2009 – no consent obtained
- Caterpillar Financial Services Corporation Sales Contract #0547070 dated April 24, 2009 – no consent obtained
- Ally Bank Sales Contract dated December 31, 2010 – no consent obtained
- Ally Bank Sales Contract dated January 6, 2011 – no consent obtained
- Ally Bank Sales Contract dated January 6, 2011 – no consent obtained
- New Jersey Mill Joint Venture dated January 7, 2011; – consent obtained
- Mine Fabrication and Machine Asset Purchase Agreement dated March 31, 2009
    - Promissory Note #1 dated March 31, 2009
    - Promissory Note #2 dated March 31, 2009Security Agreement dated March 31, 2009

Schedule 7.1(f) Litigation

USC

- In May 2011, USC signed a term sheet with Sprott Resource Lending Corp. ("**Sprott**") with respect to entering into a secured standby loan facility agreement for up to $10 million. Closing of the secured standby loan facility was subject to the satisfaction of terms and conditions standard for such transactions, including, among other things, completion of definitive documentation and satisfactory due diligence. Closing did not occurr because the lender would not advance the loan on terms the Company believed it had accepted. Sprott has invoiced for certain fees and expenses totaling approximately $718,000, payable in cash and / or shares of common stock, which USC has disputed. On October 14, 2011, USC was served with a Statement of Claim from Sprott seeking payment of fees totaling CDN$718,177. USC and its legal counsel are currently evaluating the perceived merits of this claim. [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Some contents contained in this Schedule 7.1(f) have been intentionally redacted. For a general description of such contents please refer to Section 7.1(f) of this Securities Purchase Agreement.

Schedule 7.1(g) Material Permits

Part I – Material Permits

Perfection Entity	**Name of Governmental Authority**	**Name and Date of License, Permit, Approval or Consent**	**Description**
UMS	U.S. Department of Treasury – Bureau of Alcohol, Tobacco and Firearms	33-User of High Explosives	Explosives permit
UMS	Idaho Division of Building Safety	Public Works License #PWC-C-15836-Unlimited-4	Annual public works license
UMS	Washington Department of Licensing	Washington business license #602 895 273	Annual State of Washington contractor's license
UMS	Idaho Bureau of Occupational Licenses	Contracting Business License #RCE-7405	Annual Idaho contractor's license
UMS	Shoshone County, Idaho	Site Disturbance Permit #SD-0118-10	Build 1,000' of road for Countess Portal access
UMS pursuant to 1973 agreement [does not belong to UMS]	EPA	NPDES permit #ID-000006-0	Water discharge permit for Sunshine Mine. Under a 1973 agreement, the Crescent Mine is allowed to use Sunshine's discharge lines. See data room, Folder B, "1973 Sunshine Water Discharge Agreement.pdf"

Part II – Permits required under Applicable Law but not obtained

- none

Schedule 7.1(x) Locations

Entity	Address	Description	Status	Mortgages, Liens
USC	British Columbia, Canada 1220 Big Creek Road, Kellogg, Idaho, 83837, USA	Corporate office	Lease / Purchase Agreement	None
UMS	51275 Silver Valley Road, Kellogg, Idaho, 83837, USA	Mine Fabrication and Machine fabrication and welding shop, buildings, and equipment on approximately 12 acres of land. <u>Parcel Numbers:</u> RP48N03E054825A RP48N03E054830A	Owned	Deed of Trust recorded on March 31, 2009 as Instrument No. 450965, records of Shoshone County, Idaho, on behalf of Forsberg Investments, Inc.
UMS	Bunker Hill Property	Mineral rights for 42 patented mining claims	Own 100%; 20% to be owned by Crescent, Inc. or Gold Finder upon satisfaction of certain conditions	None
Syringa	Crescent Mine Property 2136 Big Creek Road Kellogg, ID 83837	Mineral rights for 25 patented mining claims (2 of which include surface rights)	Own 80%; 20% owned by Crescent, Inc.	None
UMS	Stimson Property	Surface rights for location of Countess Portal	Own 100%	None
UMS	202 S. Division Street, Pinehurst, Idaho, USA	Contracting Services Division office, shop, and laydown yard	Leased	None
UMS and Syringa	1220 Big Creek Road, Kellogg, Idaho, USA	Corporate office	Lease / Purchase Agreement	None

Entity	Address	Description	Status	Mortgages, Liens
UMS	1498 Big Creek Road, Kellogg, Idaho, USA	Core shed	Lease / Purchase Agreement	None
UMS	100 Gold Run Gulch, Kellogg, Idaho, USA	New Jersey Mill	NJ Mill JV Agreement	Security interest granted in favor of New Jersey Mining Company in respect of JV Agreement, its Participating Interests and Assets.
UMS	Near Kellogg, Idaho	Three unpatented mining claims located around Kellogg, Idaho	In good standing	None
Syringa	Near Council Idaho in Washington County	Twenty unpatented mining claims located around Council, Idaho	In good standing	None

Schedule 7.1(y) Freehold Properties, etc.

- see Schedule 7.1(x)

Schedule 7.1(z) Mining Leases, etc.

- See data room, Folder B, "Item B.3 Bunker Hill Claim Purchase – Signed.pdf" and "Quitclaim Deed – Bunker Hill Claims Purchase." UMS entered into an agreement with Placer Mining Incorporated, also known as The New Bunker Hill Company, for the purchase of 42 patented mining claims. The agreement was executed on December 3, 2010. The Bunker Hill Property is recorded in Shoshone County as 100% owned by UMS. However, under the terms of the earn-in agreement with Gold Finder and Crescent, Inc., a wholly owned subsidiary of Gold Finder, Crescent, Inc. or Gold Finder have the option to include the Bunker Hill patented mining claims in the Crescent Mining Property, thereby gaining 20% ownership. Crescent, Inc. exercised that option in July 2011. UMS may sell, transfer, or assign up to 20% of its interest in and to the Bunker Hill Property at any time after the closing of the transaction to Crescent Inc. or Gold Finder for cash consideration equal to US$2,250,000 and on such terms and conditions acceptable to UMS acting in a commercially reasonable manner, but in no event shall UMS's interest in the Bunker Hill Property be less than 80%. See United Silver Corp news release dated August 4, 2011, confirming this transaction.

Schedule 7.1(mm) Acquisition Rights and Repurchase Rights

Acquisition Rights

Type	Grantor	Number	Exercise Price (CAN$)	Issuance Date	Expiration Date
Warrants	USC	5,909,220	0.75	May 4, 2010	May 4, 2012
Warrants	USC	1,253,500	1.25	Dec. 21, 2010	Dec. 21, 2012
Warrants	USC	175,490	0.92	Dec. 21, 2010	Dec. 21, 2012
Warrants	USC	2,741,889	1.25	Dec. 23, 2010	Dec. 23, 2012
Warrants	USC	566,446	1.25	Jan. 7, 2011	Jan. 7, 2013
Warrants	USC	7,843,137	0.80	Aug. 2, 2011	Aug. 2, 2014
Warrants	USC	542,020	0.55	Aug. 2, 2011	Aug. 2, 2014
Warrants	USC	866,000	0.75	Oct. 19, 2011	Oct. 19, 2016
Total Warrants		19,897,702			
Options	USC	1,825,000	0.80	May 10, 2010	May 10, 2015
Options	USC	300,000	0.54	July 14, 2010	July 14, 2015
Options	USC	760,000	0.81	Sept. 22, 2010	Sept. 22, 2015
Options	USC	800,000	1.05	Mar. 9, 2011	Mar. 9, 2016
Options	USC	200,000	0.60	Aug. 2, 2011	Aug. 2, 2016
Options	USC	25,000	0.435	Oct. 15, 2011	Oct. 15, 2013
Total Options		3,910,000			
Total Acquisitions Rights		23,807,702			

In connection with the Asset Purchase Agreement dated March 31, 2009, Forsberg Investments, Inc. has the option to convert all or any part of the principal balance of Promissory Note #2 into not more than 1,500,000 shares of UMS common stock at a conversion rate of Thirty-three cents ($0.33) per share only if the conditions noted below are satisfied. Said option shall be exercised, if at all, within thirty (30) days of written notice to UMS, and said option shall only be exercisable at any time within three (3) months of the date on which UMS becomes a public company and its stock becomes publicly traded.

Repurchase Rights

Type	Number	Exercise Price (CAN$)	Issuance Date	Expiration Date
NONE				

Schedule 7.1(nn) Significant Shareholders

Name	Shares Owned	Percentage of Issued and Outstanding Shares
Greg Stewart	12,418,507	16.5%

Schedule 7.1(uu) Non-Arms Length Transactions

- In accordance with the terms of the purchase agreement between Stewart Contracting and United Mine Services, dated June 30, 2007, UMS recorded a long-term note payable to Greg Stewart (CEO of UMS) of $1,250,000. The note accrues interest at 6.0% and is payable in $10,000 monthly installments. The balance due on the note is $86,520.

- UMS leases a shop building from Greg Stewart. Payments are $1,500 per month. The lease term began November 1, 2007, expired June 30, 2008, and continues on a month to month basis.

- Note: UMS has a contracting division. Several UMS employees own equipment, such as dump trucks and mini excavators. UMS occasionally rents equipment from these employees on an hourly or monthly basis.

Schedule 7.1(vv) Material Contracts

- DEQ Contract dated April 19, 2010, and extension dated March 8, 2011
- Exploration Earn-In Agreement dated December 30, 2009
- Bunker Hill Claims Purchase Agreement dated December 3, 2010
- New Jersey Mill Joint Venture dated January 7, 2011
- U.S. Silver Contract February 18, 2011
- Mazak Corporation Conditional Sales Contract dated August 5, 2011
- Formation Metals Agreement dated effective January 1, 2012
- Western States Equipment Company Sales Agreement September 9, 2010 (financed by Wells Fargo Equipment Finance, Inc.)
- Western States Equipment Company Sales Order September 29, 2010 (financed by Wells Fargo Equipment Finance, Inc.)
- SCI Purchase Agreement dated June 30, 2007, and Loan Extension from Greg Stewart from SCI Purchase dated June 30, 2010
- Mine Fab Asset Purchase Agreement dated March 31, 2009, and associated agreements
- Mine Fab Promissory Note #1 dated March 31, 2009
- Mine Fab Promissory Note #2 dated March 31, 2009
- Sprott Resource Lending Corp. Term Sheet dated May 13, 2011 (included for reference only as this is related to the litigation referenced in Schedule 7.1(f))
- Escrow Agreement dated January 28, 2009
- Escrow Agreement dated May 7, 2010
- Voluntary Pool Agreement dated May 7, 2010

SCHEDULE 7.3(a)(iv)

ACCREDITED INVESTOR QUESTIONNAIRE

All capitalized terms herein, unless otherwise defined, have the meanings ascribed thereto in the Securities Purchase Agreement (the "**Agreement**"). dated February 1, 2012 between United Silver Corp. (the "**Company**"), HUSC, LLC, as agent and HUSC, LLC, as initial purchaser (the "**Purchaser**").

The purpose of this Questionnaire is to assure the Company that the Purchaser will meet the standards imposed by the 1933 Act and the appropriate exemptions of applicable state securities laws. The Company will rely on the information contained in this Questionnaire for the purposes of such determination. The Securities will not be registered under the Securities Act in reliance upon the exemption from registration afforded by Section 3(b) and/or Section 4(2) and Regulation D of the 1933 Act. This Questionnaire is not an offer of the Securities of the Company in any state other than those specifically authorized by the Company.

All information contained in this Questionnaire will be treated as confidential. However, by signing and returning this Questionnaire, the Purchaser agrees that, if required under Securities Law, this Questionnaire may be presented to such parties as the Company deems appropriate to establish the availability, under the Securities Act or applicable state securities law, of exemption from registration in connection with the sale of the Notes and Warrants under the Agreement.

The Purchaser covenants, represents and warrants to the Company that it satisfies one or more of the categories of "Accredited Investors", as defined by Regulation D promulgated under the 1933 Act, as indicated below: (Please initial in the space provide those categories, if any, of an "Accredited Investor" which the Purchaser satisfies.)

_______	Category 1	An organization described in Section 501(c)(3) of the United States Internal Revenue Code, a corporation, a Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the Shares, with total assets in excess of US $5,000,000.
_______	Category 2	A natural person whose individual net worth, or joint net worth with that person's spouse, on the date of purchase exceeds US $1,000,000 excluding the value of the primary residence of such person(s) and the related amount of indebtedness secured by the primary residence up to its fair market value.
_______	Category 3	A natural person who had an individual income in excess of US $200,000 in each of the two most recent years or joint income with that person's spouse in excess of US $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.
_______	Category 4	A "bank" as defined under Section (3)(a)(2) of the 1933 Act or savings and loan association or other institution as defined in Section 3(a)(5)(A) of the 1933 Act acting in its individual or fiduciary capacity; a broker dealer registered pursuant to Section 15 of the *Securities Exchange Act of 1934* (United States); an insurance company as defined in Section 2(13) of the 1933 Act; an investment company registered under the *Investment Company Act of 1940* (United States) or a business development company as defined in Section 2(a)(48) of such Act; a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the *Small Business Investment Act of 1958* (United States); a plan with total assets in excess of $5,000,000 established and maintained by a state, a political subdivision thereof, or an agency or instrumentality of a state or a political subdivision thereof, for the benefit of its employees; an employee benefit plan within the meaning of the *Employee Retirement Income Security Act of 1974* (United States) whose investment decisions are made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of US$5,000,000, or, if a self-directed plan, whose investment decisions are made solely by persons that are accredited investors.
_______	Category 5	A private business development company as defined in Section 202(a)(22) of the *Investment Advisers Act of 1940* (United States).
_______	Category 6	A director or executive officer of the Company.
_______	Category 7	A trust with total assets in excess of US$5,000,000, not formed for the specific purpose of acquiring the Shares, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the 1933 Act.

_______ Category 8 An entity in which all of the equity owners satisfy the requirements of one or more of the foregoing categories.

Note that the Purchaser may be required to supply the Company with a balance sheet, prior years' federal income tax returns or other appropriate documentation to verify and substantiate the Purchaser's status as an Accredited Investor.

If the Purchaser is an entity which initialled Category 8 in reliance upon the Accredited Investor categories above, state the name, address, total personal income from all sources for the previous calendar year, and the net worth (exclusive of home, home furnishings and personal automobiles) for each equity owner of the said entity:

____

The Purchaser hereby certifies that the information contained in this Questionnaire is complete and accurate and the Purchaser will notify the Company promptly of any change in any such information. If this Questionnaire is being completed on behalf of a corporation, partnership, trust or estate, the person executing on behalf of the Purchaser represents that it has the authority to execute and deliver this Questionnaire on behalf of such entity.

IN WITNESS WHEREOF, the undersigned has executed this Questionnaire as of the ________ day of __________________, 2012.

If a Corporation, Partnership or Other Entity:	If an Individual:
______________________________	______________________________
Print of Type Name of Entity	Signature
______________________________	______________________________
Signature of Authorized Signatory	Print or Type Name
______________________________	______________________________
Type of Entity	Social Security/Tax I.D. No.

EXHIBIT A

FORM OF COMPANY CONTROL AGREEMENT

BLOCKED ACCOUNT AGREEMENT

THIS AGREEMENT is made as of __________________, 2012

AMONG: **BANK OF MONTREAL**
(the "**Bank**")

AND: **UNITED SILVER CORP.**
("**Company**")

AND: **HUSC, LLC**
("**Secured Party**")

WHEREAS the Company has established a Canadian Dollar Account No. 004-1627-889 and US Dollar Account No. 0004-4648-588 with the Bank (collectively, the "**Blocked Account**");

AND WHEREAS the Company has entered or is about to enter into financing arrangements with, *inter alia*, the Secured Party pursuant to which the Company has granted security in favour of the Secured Party over, among other things, all right, title and interest of the Company in and to all present and future accounts, contract rights, general intangibles, documents, instruments, chattel paper, deposit and other bank accounts and proceeds of the foregoing;

NOW THEREFORE in order for the Company to comply with the requirements under its financing arrangements with the Secured Party, and in consideration of the reciprocal obligations herein provided and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, each of the Bank, the Company and the Secured Party agree as follows:

1. **Establishment of Accounts.** The Bank will maintain the Blocked Account as long as the Company is in compliance with the terms of the Bank's account documentation with respect thereto.

2. **Security Interest of the Secured Party.** The Company has granted to the Secured Party a security interest in and lien upon, and pledged to the Secured Party, its assets as described above, which include cheques, drafts and other instruments received for deposit in the Blocked Account and all amounts at any time in or attributable to the Blocked Account. The Secured Party acknowledges and agrees that it may take whatever action it considers appropriate and necessary to preserve, perfect and protect and enforce its rights respecting the Blocked Account, including completion and registration of any documents or financing statements in order to preserve, perfect and protect any security interests in the Blocked Account. The Bank makes no representations and assumes no liability respecting the validity or the enforceability of any security interest the Secured Party or any other party may have relating to the Blocked Account or the existence of any other liens or other interests respecting the Blocked Account. The Bank assumes no responsibility or liability for maintaining the perfection, registration or validity of the security interest of the Secured Party in the Blocked Account.

3. **Authority.** Until receipt by the Bank of written notice from the Secured Party (such notice being in the form of Schedule "A" hereto and referred to as a "**Trigger Notice**")

and provided the Company is in compliance with the terms of the Bank's account documentation, the Bank will comply only with the transfer, withdrawal and disbursement instructions of the Company.

Upon receipt by the Bank of a Trigger Notice, the Company waives authority to withdraw any amounts from, to draw upon or otherwise exercise any authority or powers with respect to the Blocked Account and all amounts held therein and the Blocked Account shall be under the sole dominion and control of the Secured Party. Further, the Company waives authority to modify or terminate this Agreement without the Secured Party's written consent.

Notwithstanding the immediate effect of the Trigger Notice, the Secured Party and the Company acknowledge that the Bank may require up to two (2) business days (i.e. a day other than Saturday or Sunday when the Bank is open for business in Toronto) to implement the necessary changes required by the Trigger Notice and will not be liable for (i) any instructions from the Company that have been processed prior to receipt of a Trigger Notice or (ii) irrevocable electronic funds transfers or wire transfers that are subject to cut-off times and have been processed prior to receipt of the Trigger Notice.

The Secured Party may only deliver a Trigger Notice following the occurrence of a Default (as defined in the Securities Purchase Agreement dated January __, 2012 between the Company and the Secured Party).

4. **No Duty to Inquire.** Subject to Section 9 and upon receipt by the Bank of a Trigger Notice, the Bank will not have any duty to inquire whether or not the Secured Party is entitled to give, and has no duty to question, instructions, certificates or notices pursuant to any of the provisions of this Agreement or any other agreement. Any instructions, certificates or notices given by the Secured Party following receipt by the Bank of a Trigger Notice will be conclusive authority for the Bank to act in accordance with the instructions, certificates or notices whether or not the Secured Party is acting in good faith. The Bank is not obliged or required to monitor any requirements or obligations of the Secured Party or the Company pursuant to this Agreement or any other agreement.

5. **Reporting.** At such time or times as the Secured Party may request, the Bank will promptly report to the Secured Party the amounts deposited in the Blocked Account and will furnish to the Secured Party any copies of bank statements, deposit tickets, deposited items, debit and credit advices and other records maintained by the Bank under the terms of its arrangements with the Company (as in effect on the date hereof). The Company hereby expressly consents to the release of this information by the Bank to the Secured Party. The Company will reimburse the Bank for its reasonable out-of-pocket expenses in providing such items to the Secured Party.

6. **Charges and Waiver of Right of Set-Off.** The Company shall be liable to the Bank for any and all customary fees and service charges relating to the Blocked Account and chargebacks for any cheques, drafts and other payment items dishonoured or otherwise returned to the Bank with respect to the Blocked Account (all such fees, service charges and chargebacks being hereinafter referred to, collectively, as "**Charges**").

The Company and the Secured Party hereby acknowledge and agree that the Bank shall be entitled to recover any and all Charges from the Blocked Account and the Bank is hereby authorized to debit the Blocked Account or any account of the Company held at any branch of the Bank at any time to recover any and all Charges.

The Bank may exercise its rights of set-off, consolidation and banker's lien to the extent required to satisfy any Charges, provided, that the Bank shall not exercise any such rights with respect to other liabilities owed to it by the Company.

If there are insufficient funds on deposit in the Blocked Account or in any account of the Company, the Company agrees to promptly pay to the Bank the amount of such Charges upon demand by the Bank.

If the Company fails to pay amounts owing on account of such Charges within ten (10) days after demand by the Bank to the Company, the Secured Party shall promptly pay to the Bank the amount of all such outstanding Charges upon written notification from the Bank; provided, that, (i) the Secured Party shall not be obligated to pay any such Charges until delivery of a Trigger Notice, (ii) after delivery of a Trigger Notice, the Secured Party shall be obligated to pay any such Charges whether incurred before or after delivery of such Trigger Notice and (iii) in no event shall the Secured Party be required to pay to the Bank any amount in excess of the aggregate amount transferred by the Bank to the Secured Party in accordance with this Agreement.

7. **Compliance with Court Order.** Notwithstanding any other provision contained herein, the Bank shall have the right to automatically freeze or debit the Blocked Account in accordance with any court order or notice of garnishment received by it, or any other legal requirement with which the Bank reasonably determines it is required to comply.

8. **Indemnity.** The Company shall indemnify and hold harmless the Bank, its employees, officers and directors (each, an "**Indemnified Party**") from and against any and all loss, liability, cost, claim and expense incurred (including, without limitation, reasonable out-of-pocket legal fees and expenses) by the Indemnified Parties with respect to the performance of this Agreement. The Secured Party agrees to indemnify and hold harmless the Indemnified Parties from and against any and all loss, liability, cost, claim and expense incurred (including, without limitation, reasonable out-of-pocket legal fees and expenses), except if caused by an Indemnified Party's own gross negligence or wilful misconduct, to the extent the same arise solely as a result of an Indemnified Party's compliance with any instructions from the Secured Party with respect to the Blocked Account, after the Indemnified Party actually receives a Trigger Notice, and are not paid by the Company to the Indemnified Party pursuant to the immediately preceding sentence.

9. **Scope of Duty.** The Bank undertakes to perform only such duties as are expressly set forth in this Agreement and to deal with the Blocked Account with the degree of skill and care that the Bank accords to all accounts and funds maintained and held by it on behalf of its customers.

Notwithstanding any other provision of this Agreement, the parties agree that the Bank shall not be liable for any action taken by it or any of its directors, officers or employees in accordance with this Agreement except for its or their own gross negligence or willful misconduct. In no event shall the Bank be liable for losses or delays resulting from force majeure, computer malfunctions, interruption of communication facilities or other causes beyond the Bank's control or for indirect or consequential damages.

10. **Termination.** The Company shall have no right to terminate this Agreement or the account agreement relating to the Blocked Account without the written consent of the Secured Party. At any time prior to receipt by the Bank of a Trigger Notice, the Bank

may terminate this Agreement and/or the account agreement relating to the Blocked Account upon thirty (30) days prior written notice to the Secured Party and the Company thereof.

At any time following the receipt by the Bank of a Trigger Notice, the Bank may terminate this Agreement and/or the account agreement relating to the Blocked Account upon thirty (30) days prior written notice to the Secured Party thereof.

The Secured Party may terminate this Agreement at any time upon thirty (30) days prior notice to the Bank thereof.

If this Agreement is terminated at any time after receipt by the Bank of a Trigger Notice, the Secured Party shall, on or prior to the date on which this Agreement terminates in accordance with the second paragraph of this Section 10, issue a direction to the Bank directing the Bank to remit the entire balance of the Blocked Account to such deposit account as shall be specified in such direction by the Secured Party, save and except for the amount of any Charges owing to the Bank and subject to the rights of the Bank as set out in Section 6 hereof.

If this Agreement is terminated at any time prior to receipt by the Bank of a Trigger Notice, the Bank shall remit the entire balance of the Blocked Account to the Company, save and except for the amount of any Charges owing to the Bank and subject to the rights of the Bank set out in Section 6 hereof.

11. **Amendments.** No change or modification of this Agreement is binding upon the parties unless it is in writing and signed by all parties.

12. **Successors and Assigns.** This Agreement shall be binding upon the Bank and its successors and assigns and enure to the benefit of the Secured Party and its successors and assigns.

13. **Notices.** Any notices or instructions permitted or required pursuant to this Agreement shall be in writing and shall be delivered to the party for which it is intended by registered mail (postage prepaid), prepaid courier or facsimile to the address of such party indicated below, or at such other address as any party hereto may stipulate by notice to the other parties from time to time.

Any notice sent by registered mail shall be deemed to be received by the party for which it is intended five (5) business days after mailing. Any notice delivered by prepaid courier shall be deemed to be received by the party for which it is intended on the date of actual delivery thereof if such delivery occurs prior to 5:00 p.m. on such business day and, otherwise, on the next following business day. Any notice sent by facsimile shall be deemed to be received by the party for which it is intended on the next business day following transmission. The addresses for notice of the parties are as follows:

Secured Party:

HUSC, LLC
c/o Hale Capital Partners, LP
570 Lexington Avenue, 49th Floor
New York, NY 10022

Attention: Martin Hale and Nathaniel Klein
Fax No.: 212.751.8822

Bank:

Bank of Montreal
595 Burrard St,
Vancovuer, BC
V7X 1L7

Attention: Franz Vickerson
Fax No.: 604-668-1450

-and to -

Bank of Montreal
595 Burrard St,
Vancovuer, BC
V7X 1L7

Attention: Andrew Kostiw
Fax No.: 604-668-1450

Company:

United Silver Corp.
1220 Big Creek Road
Kellogg, ID 83837
USA

Attention: Erik Panke
Fax No.: 208-783-2700

14. **Severability.** If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision and the remainder of this Agreement shall continue in full force and effect.

15. **Further Assurances.** The parties agree that each of them shall, upon reasonable request of the other, do, execute, acknowledge and deliver such acts, deeds and agreements as may be necessary or desirable to give effect to the terms of this Agreement.

16. **Counterparts.** This Agreement may be executed in any number of counterparts with the same effect as if all parties hereto had all signed the same document. All counterparts shall be construed together and shall constitute one and the same original agreement.

17. **Governing Law.** This Agreement shall be governed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.

IN WITNESS WHEREOF, each of the parties has executed and delivered this Blocked Account Agreement as of the day and year first above set forth.

[Signature Page Follows]

UNITED SILVER CORP.

Per: ______________________________

Name:
Title:

____

Name:
Title:

HUSC, LLC

Per: ______________________________

Name:
Title:

____

Name:
Title:

BANK OF MONTREAL

Per: ______________________________

Name:
Title:

____

Name:
Title:

SCHEDULE "A"
TRIGGER NOTICE

[SECURED PARTY'S LETTERHEAD]

_____________, 20__

TO: BANK OF MONTREAL (the "**Bank**")
VIA FACSIMILE – (604) 668-1450

Re: Blocked Accounts Agreement dated January ___, 2012 among United Silver Corp., as Debtor, HUSC, LLC, as Secured Party, and the Bank (as amended, restated, supplemented or otherwise modified from time to time, the "**Blocked Account Agreement**").

Terms with initial capital letters in this notice and not otherwise defined herein shall have the meanings given to them in the Blocked Account Agreement.

This notice hereby constitutes the Trigger Notice as set out and described in Section 3 of the Blocked Account Agreement.

Thank you for your anticipated cooperation. Should you have any questions about these instructions, please contact the undersigned.

Dated _______________, 20___ .

Very truly yours,
HUSC, LLC

By:__________________________

Title:____________________________

Name:___________________________

EXHIBIT B

FORM OF COMPANY SECURITY AGREEMENT

GENERAL SECURITY AGREEMENT

THIS AGREEMENT made as of the ■ day of February, 2012,

B E T W E E N:

HUSC, LLC, as agent,
a limited liability company formed under the laws of the State of Delaware,

(hereinafter referred to as the "**Secured Party**"),

- and -

UNITED SILVER CORP.,
a corporation existing under the laws of the Province of British Columbia,

(hereinafter referred to as the "**Debtor**").

WHEREAS pursuant to a securities purchase agreement dated February ■, 2012 (the "**Securities Purchase Agreement**") between the Debtor, the Secured Party and HUSC, LLC, as initial purchaser (the "**Initial Purchaser**"), the Initial Purchaser has agreed, *inter alia*, to purchase up to $6,300,000 of secured promissory notes from the Debtor and the Debtor has agreed to issue such secured promissory notes to the Secured Party;

AND WHEREAS to secure the payment and performance of all of the Obligations, the Debtor has agreed to execute this Agreement in favour of the Secured Party;

AND WHEREAS, as a condition precedent to any purchase of secured notes by the Secured Party under the Securities Purchase Agreement, the Debtor is required to execute and deliver this Agreement and to grant to the Secured Party a continuing security interest in all of the Collateral to secure all Obligations;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the respective covenants, agreements, representations and warranties of the parties herein contained and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each of the parties), the parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Defined Terms

For the purpose of this Agreement, including the recitals herein, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

"**Account Debtor**" has the meaning given to it in Section 3.10;

"**Act**" means the *Personal Property Security Act* (British Columbia) and the regulations promulgated thereunder;

"**Collateral**" means, subject to Sections 2.3 and 2.4, any and all presently owned and after acquired Real Property and Personal Property in which a security interest can be taken, reserved, created or granted whether under the Act or otherwise, and which is now or hereafter owned by the Debtor or in which the Debtor now has or hereafter acquires any interest or rights of any nature whatsoever, excluding Consumer Goods but including, without in any way limiting the generality of the foregoing, all Accounts, Money, Inventory, Equipment, Goods, Intangibles, Investment Property, Intellectual Property, Instruments, Chattel Paper, Documents of Title, insurance policies, insurance proceeds, insurance claims and all ledger sheets, files, records and all Proceeds, products and accessions from, of and to any thereof, and, where the context permits, any reference to "**Collateral**" shall be deemed to be a reference to "**Collateral or any part thereof**";

"**Contractual Rights**" has the meaning given to it in Section 2.4;

"**control**" has the meaning given to it in the STA;

"**Default**" has the meaning given it in the Securities Purchase Agreement;

"**Event of Default**" has the meaning given to it in the Securities Purchase Agreement;

"**Expenses**" means any and all expenses incurred from time to time by the Secured Party, or any Receiver, in the preparation of this Agreement, in the perfection or preservation of the Security Interest and any and all expenses incurred from time to time by the Secured Party, or any Receiver, in enforcing payment or performance of the Obligations or any part thereof or in locating, taking possession of, transporting, holding, repairing, processing, preparing for and arranging for the disposition of and/or disposing of the Collateral and any and all other expenses incurred by the Secured Party, or any Receiver, as a result of the Secured Party or such Receiver exercising any of its rights or remedies hereunder or under the Act or the STA including, without in any way limiting the generality of the foregoing, any and all legal expenses (on a full indemnity basis) including those incurred in any legal action or proceeding or appeal therefrom commenced or taken in good faith by the Secured Party and any and all fees and disbursements of any solicitor (on a full indemnity basis), accountant or evaluator or a similar Person employed by the Secured Party in connection with any of the foregoing and the costs of insurance and payment of taxes and other charges incurred in retaking, holding, repairing, processing and preparing for disposition and disposing of the Collateral;

"**Governmental Authority**" has the meaning given to it in the Securities Purchase Agreement;

"**Intellectual Property**" has the meaning given to it in the Securities Purchase Agreement;

"**Lien**" has the meaning given to it in the Securities Purchase Agreement;

"**limited liability company**" has the meaning given to it in subsection 12(3) of the STA;

"**LLC Interest**" means any interest in a partnership or limited liability company which is not a Security;

"**Obligations**" means all indebtedness, liabilities and obligations (whether direct, indirect, absolute, contingent or otherwise and whether in respect of principal or interest thereon) existing from time to time of the Debtor to the Secured Party (including, for greater certainty, to any successor or permitted assign thereof, whether arising or incurred before or after the date of succession or assignment);

"**Permitted Liens**" has the meaning given to it in the Securities Purchase Agreement;

"**Person**" means and includes natural persons, corporations, limited partnerships, general partnerships, limited liability companies, joint share companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, and governments and governmental Authorities and political subdivisions thereof;

"**Rate**" means the Default Rate (as defined in the form of Note attached to the Securities Purchase Agreement);

"**Real Property**" has the meaning ascribed to that term in Section 2.1(b)(i);

"**Receiver**" has the meaning attributed thereto in Section 7.1(l);

"**Registrable Intellectual Property**" means any Intellectual Property in respect of which ownership, title, security interests, charges or encumbrances are from time to time registered, recorded or notated with any Governmental Authority pursuant to applicable laws;

"**Security Interest**" means, collectively, the security interests and floating charge granted pursuant to Section 2.1;

"**Securities Purchase Agreement**" has the meaning given to it in the first recital to this Agreement;

"**STA**" means the *Securities Transfer Act* (British Columbia) and the regulations promulgated thereunder;

"**Transaction Documents**" has the meaning given to it in the Securities Purchase Agreement;

"**ULC/Partnership**" means an unlimited company, unlimited liability company, unlimited liability corporation or general partnership; and

"**ULC/Partnership Interest**" means the Debtor's interest in any ULC/Partnership or its interest as a general partner in a limited partnership.

1.2 Other Definitions

All capitalized terms used herein and not otherwise defined herein shall, if defined therein, have the respective meanings assigned to them in the Act, including the terms "Accession", "Accounts", "Certificated Security", "Chattel Paper", "Consumer Goods", "Documents of Title", "Equipment", "Financial Asset" "Futures Account", "Goods", "Instrument", "Intangible", "Inventory", "Investment Property", "Money", "Personal Property", "Proceeds", "Securities Account", "Security", "Securities Intermediary" and "Uncertificated Security". All other capitalized terms used herein and not defined shall have the respective meanings assigned to them in the Securities Purchase Agreement.

1.3 Rules of Construction

Except as may be otherwise specifically provided in this Agreement and unless the context otherwise requires, in this Agreement:

(a) the terms "Agreement", "this Agreement", "the Agreement", "hereto," "hereof," "herein," "hereunder," and similar expressions refer to this Agreement in its entirety and not to any particular provision hereof;

(b) references to "Articles", "Section", "Schedule" or "Exhibit" followed by a number or letter refer to the specified Article or Section of or Schedule or Exhibit to this Agreement;

(c) the division of this Agreement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement;

(d) words importing the singular number only shall include the plural and vice versa and words importing the use of any gender shall include all genders;

(e) the word "including" is deemed to mean "including without limitation";

(f) the terms "party" and "the parties" refer to a party or the parties to this Agreement;

(g) any reference to this Agreement means this Agreement as amended, modified, replaced or supplemented from time to time;

(h) any reference to a statute, regulation or rule shall be construed to be a reference thereto as the same may from time to time be amended, re-enacted or replaced, and any reference to a statute shall include any regulations or rules made thereunder;

(i) unless otherwise indicated all dollar amounts refer to U.S. dollars;

(j) any time period within which a payment is to be made or any other action is to be taken hereunder shall be calculated excluding the day on which the period commences and including the day on which the period ends; and

(k) whenever any payment is required to be made, action is required to be taken or period of time is to expire on a day other than a Business Day, such payment shall be made, action shall be taken or period shall expire on the next following Business Day.

1.4 Time of Essence

Time shall be of the essence of this Agreement.

1.5 Governing Law, Jurisdiction, etc.

(a) This Agreement shall be interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of British Columbia and the federal laws of Canada applicable in that province.

(b) The Debtor irrevocably and unconditionally (i) submits to the non-exclusive jurisdiction of the courts of the Province of British Columbia over any action or proceeding arising out of or relating to this Agreement, (ii) waives any objection that it might otherwise be entitled to assert to the jurisdiction of such courts and (iii) agrees not to assert that such courts are not a convenient forum for the determination of any such action or proceeding.

1.6 References to the Secured Party and Receiver

Any reference in this Agreement to the Secured Party or any Receiver shall be construed so as to include its successors and permitted transferees or assigns hereunder in accordance with its respective interests.

1.7 References to a Time of Day

Except as otherwise specified herein, a time of day shall be construed as a reference to the time of day in New York, New York.

1.8 Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, all other provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby or thereby is not affected in any manner materially adverse to any party hereto or thereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto or thereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

1.9 Incorporation of Schedules

The Schedules attached hereto form part of this Agreement:

ARTICLE 2
SECURITY INTERESTS

2.1 Creation of Security Interest

Subject to Sections 2.3 and 2.4, as continuing security for the due and timely payment and performance by the Debtor of the Obligations, the Debtor hereby:

(a) grants to the Secured Party a security interest (the "**Security Interest**") in the Collateral; and

(b) charges as and by way of a floating charge to and in favour of the Secured Party, and grants to the Secured Party a security interest in and to:

(i) all the Debtor's right, title and interest in and to all its presently owned or held and after acquired or held real, immovable and leasehold property and all interests therein, and all easements, rights-of-way, privileges, benefits, licences, improvements and rights whether connected therewith or appurtenant thereto or separately owned or held, including all structures, plant and other fixtures (all which is hereinafter collectively called "**Real Property**"); and

(ii) all property, assets and undertakings of the Debtor, both present and future, of whatsoever nature or kind and wheresoever situate, and all Proceeds thereof and therefrom, other than such of its property, assets and undertakings as are otherwise validly and effectively subject to the charges and security interests in favour of the Secured Party created pursuant to Section 2.1(a) and 2.1(b)(i).

2.2 Attachment

The Debtor and the Secured Party acknowledge and agree that value has been given for the granting of the Security Interest and that they have not agreed to postpone the time for attachment, except for after-acquired property forming part of the Collateral the attachment to which will occur forthwith upon the Debtor acquiring rights thereto.

2.3 Exception for Last Day of Leases

The Security Interest granted hereby does not and shall not extend to, and Collateral shall not include, the last day of the term of any lease or sub-lease, oral or written, or any agreement therefor, now held or hereafter acquired by the Debtor, but the Debtor shall stand possessed of such last day in trust to assign the same as the Secured Party shall direct.

2.4 Exception for Contractual Rights

(a) The Security Interest hereby granted does not and shall not extend to, and Collateral shall not include, any agreement, right, franchise, licence or permit (the "**Contractual Rights**") to which the Debtor is a party or of which the Debtor has the benefit listed in Schedule 2.4(a) or any other Contractual Rights which are not material and do not relate to the Mine Properties, or which it enters into after the date hereof, to the extent that the creation of the Security Interest herein would constitute a breach of the terms of or permit any Person to terminate the Contractual Rights, but the Debtor shall hold its interest therein in trust for the Secured Party and shall assign such Contractual Rights to the Secured Party forthwith upon obtaining the consent of the other party thereto.

(b) The Debtor agrees that it shall, upon the request of the Secured Party, use all commercially reasonable efforts to obtain any consent required to permit any Contractual Rights to be subjected to the Security Interest. The Debtor will also use all commercially reasonable efforts to ensure that all agreements entered into on and after the date of this Agreement expressly permit assignments of the benefits of such agreements as collateral security to the Secured Party in accordance with the terms of this Agreement.

(c) Section 2.4(a) shall not apply to any Contractual Rights in so far as they prohibit, restrict or require the consent of the account debtor for the assignment of, or the giving of a security interest in, the whole of an Account or Chattel Paper for Money due or to become due and Collateral shall, notwithstanding Section 2.4(a), include such Contractual Rights.

2.5 Control of Instruments, Securities, etc.

(a) The Debtor shall forthwith deliver to the Secured Party, to be held by the Secured Party hereunder, all Instruments, Certificated Securities, Chattel Paper, Documents of Title, certificated LLC Interests and other negotiable documents of title in its possession or control which pertain to or form part of the Collateral including, without limitation, those Securities and LLC Interests listed on Schedule 3.6 (if any), and shall, where appropriate, duly endorse the same for transfer in blank or as the Secured Party may direct and shall make all reasonable efforts to deliver to the Secured Party any and all consents or other instruments or documents necessary to comply with any restrictions on the transfer thereof in order to transfer the same to the Secured Party. The Debtor agrees to denote the Secured Party's security interest on any Instruments, Certificated Securities, Chattel Paper, Documents of Title or other Collateral in the possession or control of the Debtor.

(b) If the Debtor acquires any Investment Property, LLC Interest or any Instruments, the Debtor will notify the Secured Party in writing and provide the Secured Party with a revised Schedule 3.6(a) or Schedule 3.6(b), as applicable, recording the acquisition and particulars of such Instruments, LLC Interests or Investment Property within two Business Days after such acquisition. Upon request by the Secured Party, the Debtor will promptly deliver to and deposit with the Secured Party any such Securities, Instruments or LLC Interests which are Certificated Securities, Instruments or certificated LLC Interests or in the case of Investment Property which is not Certificated Securities (or delivered to the Secured Party in accordance with this Section 2.5(b)), enter into a control agreement with the relevant Securities Intermediary, Futures

Intermediary or issuer and the Secured Party (in form and substance satisfactory to the Secured Party) or otherwise grant such control over such Investment Property as the Secured Party requires or considers necessary or desirable to perfect or better perfect its security interest in such Collateral or to give the Security Interest improved priority over the Collateral (including, without limitation, in the case of Uncertificated Securities, either delivering to the Secured Party an irrevocable agreement of the issuer of such Uncertificated Securities, on terms satisfactory to the Secured Party, that such issuer will comply with instructions originated by the Secured Party without the further consent of the Debtor, or causing such issuer to register the Secured Party or its agent or nominee, as directed by the Secured Party, as the registered owner of such Uncertificated Securities).

2.6 Intellectual Property

The Debtor will promptly notify the Secured Party in writing of the acquisition by the Debtor of any Registrable Intellectual Property. The Debtor will provide the Secured Party with a revised Schedule 3.7 recording the acquisition and particulars of such additional Intellectual Property.

2.7 Transfer of Title

As further continuing security for the due and timely payment and performance by the Debtor of the Obligations, the Debtor, subject to Sections 2.3 and 2.4, hereby grants, bargains, sells, assigns and transfers to the Secured Party all Collateral (specifically excluding trade-marks and tradenames) such that title thereto and ownership therein shall belong to and be vested in the Secured Party, provided that the Secured Party shall not thereby assume or be liable for any obligations or payments in respect of any of the Collateral and provided further that, upon the sale of any Collateral by the Debtor in accordance with Section 4.8 or upon the receipt of dividends or interest in accordance with Section 5.2(a)(ii), title thereto and ownership therein shall be divested automatically from the Secured Party and provided further that, upon the termination of this Agreement in accordance with Section 11.3(b), title to and ownership in the Collateral shall be revested automatically in the Debtor without any further act of the Secured Party or the Debtor.

2.8 Grant of Licence to Use Intellectual Property

At such time as the Secured Party is lawfully entitled to exercise its rights and remedies under Article 7, the Debtor grants (to the extent permitted by the terms of any licence, if applicable) to the Secured Party an irrevocable, nonexclusive licence (exercisable without payment of royalty or other compensation to the Debtor) to use, assign or sublicense any Intellectual Property in which the Debtor has rights wherever the same may be located, including in such licence access to (i) all media in which any of the licensed items may be recorded or stored, and (ii) all software and computer programs used for compilation or print-out. The licence granted under this Section is to enable the Secured Party to exercise its rights and remedies under Article 7 and for no other purpose.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE DEBTOR

The Debtor represents and warrants to the Secured Party that:

3.1 Representations and Warranties in the Securities Purchase Agreement

The representations and warranties of the Debtor set forth in the Securities Purchase Agreement are true and correct.

3.2 French Name

The Debtor does not have or use a French name or a combined French and English name.

3.3 Business Names and Predecessor Names

All business names, former names and names of all predecessors of the Debtor are set forth in Schedule 3.3.

3.4 Address of Debtor

The address:

(a) of the Debtor's chief executive office is located at #800-885 West Georgia Street, Vancouver, BC V6C 3H1;

(b) where the books and records of the Debtor are located is 1220 Big Creek Road, Kellogg, ID 83837, USA; 1075 West Georgia Street, Suite 1980, Vancouver, BC, V6E 3C9; and #800-885 West Georgia Street, Vancouver, BC V6C 3H1;

(c) where accounts and invoices of the Debtor are issued is located at 1220 Big Creek Road, Kellogg, ID 83837, USA; and

(d) of the Debtor's principal place of business is located at 1220 Big Creek Road, Kellogg, ID 83837, USA.

3.5 Location of Collateral

With the exception of Inventory in transit, all tangible assets comprising the Collateral are situate at the addresses set out in Schedule 3.5.

3.6 Investment Property

(a) Schedule 3.6(a) lists all Securities or LLC Interests owned by the Debtor.

(b) Schedule 3.6(b) lists all Investment Property (other than Securities or LLC Interests) which are owned or maintained by or in which the Debtor otherwise has an interest or rights.

(c) Schedule 3.6(c) sets out in the case of Collateral which is:

(i) Certificated Securities, the location of the certificate;

(ii) Uncertificated Securities, the location of the issuer's jurisdiction;

(iii) Securities Entitlements or Securities Accounts, the Security Intermediary's name, jurisdiction and the relevant account numbers;

(iv) Futures Contracts or Futures Accounts, the Futures Intermediary's name, jurisdiction and the relevant account numbers; and

(v) bank or depository accounts, the bank or depository's name, jurisdiction and the relevant account numbers.

3.7 Intellectual Property

Schedule 3.7 lists all Registered Intellectual Property owned or used by the Debtor.

3.8 Designation of Partnership and LLC Interests

The Debtor is only a partner of any partnership or member of any limited liability company where the applicable partnership agreement, constating documents or other terms of interest specifically state that such interest is a "security" for the purposes of the STA.

3.9 Financial Assets

With respect to any Securities Account, the relevant Securities Intermediary has expressly agreed with the Debtor that all credit balances maintained therein shall not be treated as a Financial Asset.

3.10 Account Debtors

Each account, chattel paper and instrument forming part of the Collateral is enforceable in accordance with its terms against the party obligated to apply the same (the "Account Debtor"), except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally and subject to any equitable principles limiting the right to obtain specific performance of any such obligation, and to the knowledge of the Debtor, no Account Debtor will have a defense, set-off, claim or counterclaim against the Debtor which can be asserted against the Secured Party, whether in any proceeding to enforce the Collateral or otherwise.

3.11 Insurance

The Debtor maintains insurance policies for public liability, property damage for its business and properties, of types and in amounts customarily carried or maintained by Persons of established reputation engaged in similar businesses; and, as of the date hereof, no notice of cancellation has been received with respect to such policies and the Debtor is in compliance in all material respects with all conditions contained in such policies. The Debtor has not failed to give any material notice or present any material claim or material incident (including, without limitation, environmental) under any insurance policy in a due and timely manner.

ARTICLE 4
COVENANTS OF THE DEBTOR

So long as any of the Obligations exist, the Debtor covenants and agrees as follows:

4.1 Maintain Collateral

The Debtor shall keep all Equipment comprising part of the Collateral (other than obsolete Equipment) in good order and repair, subject to normal wear and tear, and shall not use such Equipment in violation of the provisions of this Agreement or any other agreement between the Debtor and the Secured Party relating to Collateral or any policy insuring Collateral or any applicable statute, law, by-law, rule, regulation or ordinance.

4.2 No Accessions

The Debtor shall prevent any Collateral from being or becoming an accession to property.

4.3 Fixtures

The Debtor acknowledges and agrees that no Collateral acquired by the Debtor after the date hereof shall become affixed to any real property except with the prior written consent of the Secured Party.

4.4 Delivery of Documents

In addition to the requirements set out in Section 2.5, the Debtor shall deliver to the Secured Party from time to time promptly upon request:

(a) all statements of account, bills, invoices and books of account relating to Accounts and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to the Collateral for the purpose of inspecting, auditing or copying the same;

(b) all policies and certificates of insurance relating to Collateral; and

(c) such information concerning the Collateral, the Debtor and its business and affairs as the Secured Party may reasonably request.

4.5 Change of Name and Location

The Debtor shall not change its name or add any new business name or change any of the locations referred to in Section 3.4 without providing at least fifteen Business Days' advance written notice to the Secured Party of such change or addition. The Debtor shall not change its business structure or identity except in accordance with the Securities Purchase Agreement.

4.6 Creating and Preserving the Security Interest

The Debtor shall, from time to time at the request of the Secured Party, make and do all such acts and things and execute and deliver all such instruments, agreements, financing statements and documents as the Secured Party reasonably requests by notice in writing given to the Debtor in order to create, preserve, perfect, validate or otherwise protect the Security Interest, to enable the Secured Party to exercise and enforce its rights and remedies hereunder and generally to carry out the provisions and purposes of this Agreement and, for greater certainty, the Debtor shall, from time to time at the request of the Secured Party, execute a power of attorney in such form as may be reasonably satisfactory to the Secured Party.

4.7 Restrictions on Dealings with Collateral

Except as provided in Section 4.8, the Debtor agrees that it shall, without the prior written consent of the Secured Party:

(a) not sell, assign, transfer, exchange, lease, consign or otherwise dispose of any Collateral;

(b) not locate any Collateral at any location other than those set out in Section 3.4;

(c) not create, assume or suffer to exist any Encumbrances upon the Collateral other than Permitted Liens;

(d) not deliver or grant control over any Investment Property to any Person other than the Secured Party; and

(e) with respect to any Securities Account owned, opened, acquired or maintained by or on behalf of the Debtor after the date hereof, prior to opening or acquiring any such Securities Account expressly agree with the relevant Securities Intermediary that any credit balance maintained therein shall not be treated as Financial Assets;

provided that no provision hereof shall be construed as a subordination or postponement of the Security Interest to or in favour of any other Encumbrance, whether or not such Encumbrance is a Permitted Encumbrance.

4.8 Permitted Dealings with Collateral

Other than as provided in the Securities Purchase Agreement, unless and until an Default has occurred and is continuing, the Debtor may, without the consent of the Secured Party:

(a) sell, assign, transfer, exchange, lease, consign or otherwise dispose of Inventory in the ordinary course of its business;

(b) sell or otherwise dispose of such part of its Equipment which is no longer necessary or useful in connection with its business or which has become worn out or obsolete or unsuitable for the purpose for which it was intended; and

(c) collect Accounts in the ordinary course of its business.

4.9 Verification of Collateral

The Secured Party shall have the right at any time and from time to time to verify the existence and state of the Collateral in any reasonable manner the Secured Party may consider appropriate, and the Debtor agrees to furnish all assistance and information and to perform all such acts as the Secured Party may reasonably request in connection therewith and for such purpose to grant to the Secured Party or its agents access to all places where Collateral may be located and to all premises occupied by the Debtor.

4.10 ULC/Partnership Interests

Notwithstanding the grant of the Security Interest set out in Section 2.1 and the transfer of title set out in Section 2.7, the Debtor shall remain registered as the sole registered and beneficial owner of all ULC/Partnership Interests and will remain as registered and beneficial owner until such time as such ULC/Partnership Interests are effectively transferred into the name of the Secured Party or any other Person on the books and records of such ULC/Partnership upon the exercise of rights to sell or otherwise dispose of ULC/Partnership Interests following the occurrence and during the continuance of a Default hereunder. Nothing in this Agreement is intended to or shall constitute the Secured Party or any other Person other than the Debtor as a shareholder or member of any ULC/Partnership until such time as notice is given to such ULC/Partnership and further steps are taken thereunder so as to register the Secured Party or any other Person as the holder of the ULC/Partnership Interests of such ULC/Partnership upon the exercise of rights to sell or otherwise dispose of ULC/Partnership Interests following the occurrence and during the continuance of a Default hereunder. To the extent any provision hereof would have the effect of constituting the Secured Party or any other Person as a shareholder or member of a ULC/Partnership prior to such time, such provision shall be severed therefrom and ineffective with respect to the ULC/Partnership Interests of such ULC/Partnership without otherwise invalidating or rendering unenforceable this Agreement or invalidating or rendering unenforceable such provision insofar as it relates to Securities which are not ULC/Partnership Interests. Except upon the exercise of rights to sell or otherwise dispose of ULC/Partnership Interests following the occurrence and during the continuance of a Default hereunder, the Debtor shall not cause or permit, or enable any ULC/Partnership in which it holds ULC/Partnership Interests to cause or permit, the Secured Party to: (a) be registered as a shareholder or member of such ULC/Partnership; (b) have any notation entered in its favour in the share register of such ULC/Partnership; (c) be held out as a shareholder or member of such ULC/Partnership; (d) receive, directly or indirectly, any dividends, property or other distributions from such ULC/Partnership by reason of the Secured Party holding a security interest in such ULC/Partnership; or (e) act as a shareholder or member of such ULC/Partnership, or exercise any rights of a shareholder or member of such ULC/Partnership including the right to attend a meeting of, or to vote the shares of, such ULC/Partnership.

4.11 Designation of Partnership and LLC Interests

The Debtor shall not become a partner of any partnership or member of any limited liability company (as defined in the STA) unless the applicable partnership agreement, constating documents or other terms of interest and any unit certificate specifically state that such interest is a "security" for the purposes of the STA.

4.12 Defend

The Debtor shall promptly notify the Secured Party of any Encumbrance or other claim made or asserted against any of the Collateral or any event which could adversely affect the value of the Collateral or the Security Interest and shall defend the Secured Party's security interest in the Collateral against any and all claims and demands whatsoever including any adverse claim as defined in the STA.

4.13 Financial Accounts

The Debtor shall, with respect to any Securities Account owned or maintained by or on behalf of the Debtor on or after the date hereof, agree with the relevant Securities Intermediary that any credit balance maintained therein shall not be treated as a Financial Asset.

4.14 Collateral Held By Warehouseman, Bailee, etc.

If any Collateral is at any time in the possession or control of a warehouseman, bailee, agent or processor of the Debtor, then within 15 days of such event, the Debtor shall (a) notify the Secured Party of such possession or control, (b) notify such Person of the Secured Party's security interest in such Collateral, and (c) use its commercially reasonable efforts to obtain an acknowledgment from such Person that it is holding such Collateral for the benefit of the Secured Party.

4.15 Notices, Reports and Information

The Debtor shall (a) notify the Secured Party of any material claim made or asserted against the Collateral by any Person and of any event which could materially adversely affect the value of the Collateral or the Secured Party's security interest therein; (b) furnish to the Secured Party such statements and schedules further identifying and describing the Collateral and such other reports and other information in connection with the Collateral as the Secured Party may reasonably request from time to time, all in reasonable detail.

4.16 Insurance

The Debtor shall maintain or cause to be maintained, with financially sound and reputable insurers, public liability and property damage insurance with respect to its businesses and properties against loss or damage of the kinds customarily carried or maintained by Persons of established reputation engaged in similar businesses and in amounts reasonably acceptable to the Secured Party. The Debtor shall cause the Secured Party to be named as "lender's loss payee" on all insurance policies relating to any Collateral and as "additional insured" under all liability policies, in each case pursuant to appropriate endorsements in form and substance reasonably satisfactory to the Secured Party. If the Debtor is, at the time of receipt of any insurance proceeds, and no Event of Default has occurred and is continuing, the Debtor shall use any proceeds received from any policies of insurance for the replacement of the asset(s) for which such proceeds have been received or for other general corporate purposes. If an Event of Default has occurred and is continuing at the time of receipt of any insurance proceeds, the Debtor shall offer to apply any proceeds received from any policies of insurance relating to any Collateral to satisfy the Obligations.

ARTICLE 5
INVESTMENT PROPERTY

5.1 Registration in Secured Party's Name

In addition to the rights granted to the Secured Party pursuant to Section 2.5(b) in respect of Uncertificated Securities, if the Collateral at any time includes Investment Property or LLC Interests, upon the occurrence and during the continuance of a Default, the Debtor authorizes the Secured Party to transfer the same or any part thereof into its own name or that of its nominee so that the Secured Party or its nominee may appear as the sole owner of record thereof.

5.2 Voting and Other Rights

(a) So long as no Default has occurred and is continuing:

(i) the Debtor may exercise all rights to vote and to exercise all rights of conversion or retraction or other similar rights with respect to any Securities or LLC Interests; provided that no such exercise, in the reasonable opinion of the Secured Party, will have an adverse effect on the value of such Securities or LLC Interests and all expenses of the Secured Party in connection therewith have been paid in full and provided further that, upon the exercise of the conversion right or retraction right, the additional Securities, LLC Interests or Money resulting therefrom shall be paid or delivered to the Secured Party; and

(ii) the Debtor shall, subject to Section 2.5, be entitled to receive all dividends (whether paid or distributed in cash, securities or other property) and interest declared and paid or distributed in respect of the Securities or LLC Interests.

(b) Upon the occurrence of a Default and during the continuance thereof:

(i) no proxy granted by the Secured Party or its nominee to the Debtor or its nominee in respect of any Securities or LLC Interests shall thereafter be effective;

(ii) the Debtor shall have no rights to vote or take any other action with respect to any Securities or LLC Interests;

(iii) the Secured Party may, but shall not be obligated to, vote and take all other action with respect to any Securities or LLC Interests; and

(iv) the Debtor shall cease to be entitled to receive any dividends or interest, whether declared or payable before or after the occurrence of a Default, in respect of the Securities or LLC Interests and such dividends or interest shall be received by the Debtor in trust and paid to the Secured Party in accordance with Section 6.2.

ARTICLE 6
COLLECTION OF PROCEEDS AND ACCOUNTS

6.1 Control of Proceeds and Accounts

After the occurrence of a Default and during the continuance thereof, the Secured Party may, acting reasonably, at any time take control of any Proceeds and Accounts, and the Secured Party may notify, acting reasonably, any account debtor of the Debtor or any debtor under any instrument held by the Debtor or the Secured Party in satisfaction *pro tanto* of the Obligations hereunder to make payment directly to the Secured Party whether or not the Debtor has theretofore been making collections on the Collateral. From time to time after the occurrence of a Default and during the continuance thereof and upon the reasonable request in writing of the Secured Party, the Debtor shall also so notify such Persons to make payment directly to the Secured Party and the Secured Party may, in its discretion, apply such in satisfaction *pro tanto* of the Obligations or hold such payments as further Collateral hereunder.

6.2 Dividends, Proceeds and Accounts Received in Trust

After the occurrence of a Default and during the continuance thereof, if the Debtor shall collect or receive any dividends or interest payments or any Accounts or shall be paid for any of the other Collateral or shall receive any Proceeds, all Money so collected or received by the Debtor shall be received by the Debtor as trustee for the Secured Party and shall be paid to the Secured Party forthwith upon demand and the Secured Party may, in its discretion, apply such in satisfaction *pro tanto* of the Obligations or hold such payments as further Collateral hereunder.

ARTICLE 7
DEFAULT AND THE SECURED PARTY'S REMEDIES

7.1 Remedies Upon Default

Upon the occurrence of any Event of Default and during the continuance thereof, all of the Obligations shall without any further notice or any other action on the part of the Secured Party be due and payable forthwith by the Debtor to the Secured Party and the Security Interest hereby granted shall immediately become enforceable and the Secured Party may, forthwith or at any time thereafter and without notice to the Debtor, except as provided in the Act or this Agreement:

(a) declare any or all of the Obligations not then due and payable to be immediately due and payable by giving notice in writing thereof to the Debtor and, in such event, such Obligations shall be due and payable forthwith by the Debtor to the Secured Party;

(b) commence legal action to enforce payment or performance of the Obligations;

(c) require the Debtor, at the Debtor's expense, to assemble the Collateral at a place or places designated by notice in writing given by the Secured Party to the Debtor, and the Debtor agrees to so assemble the Collateral;

(d) require the Debtor, by notice in writing given by the Secured Party to the Debtor, to disclose to the Secured Party the location or locations of the Collateral and the Debtor agrees to make such disclosure when so required by the Secured Party;

(e) without legal process, enter any premises where the Collateral may be situated and take possession of the Collateral by any method permitted by law;

(f) repair, process, complete, modify or otherwise deal with the Collateral and prepare for the disposition of the Collateral, whether on the premises of the Debtor or otherwise and in connection with any such action utilize any of the Debtor's property without charge;

(g) dispose of the Collateral by private or public sale, lease or otherwise upon such terms and conditions as the Secured Party may determine and whether or not the Secured Party has taken possession of the Collateral;

(h) carry on all or any part of the business or businesses of the Debtor and, to the exclusion of all others including the Debtor, enter upon, occupy and, subject to any requirements of law and subject to any leases or agreements then in place, use all or any of the premises, buildings, plant, undertaking and other property of, or used by, the Debtor for such time and in such manner as the Secured Party sees fit, free of charge, and except to the extent required by law, the Secured Party shall not be liable to the Debtor for any act, omission or negligence in so doing or for any rent, charges, depreciation or damages or other amount incurred in connection therewith or resulting therefrom;

(i) file such proofs of claim or other documents as may be necessary or desirable to have its claim lodged in any bankruptcy, winding-up, liquidation, dissolution or other proceedings (voluntary or otherwise) relating to the Debtor;

(j) borrow money for the purpose of carrying on the business of the Debtor or for the maintenance, preservation or protection of the Collateral and mortgage, charge, pledge or grant a security interest in the Collateral, whether or not in priority to the Security Interest hereby created and granted, to secure repayment of any money so borrowed or any interest of fees payable in connection herewith;

(k) where the Secured Party has taken possession of the Collateral as herein provided, retain the Collateral irrevocably, to the extent not prohibited by law, by giving notice thereof to the Debtor and to any other Persons required by law in the manner provided by law provided that such retention reduces the amount of the Obligations by an amount equal to the fair market value, as reasonably determined by the Secured Party of the Collateral so retained;

(l) appoint, by an instrument in writing delivered to the Debtor, a receiver, manager or a receiver and manager (a "**Receiver**") and remove any Receiver so appointed and appoint another or others in its stead, or institute proceedings in any court of competent jurisdiction for the appointment of a Receiver, it being understood and agreed that:

   (i) the Secured Party may appoint any Person as Receiver, including an officer or employee of the Secured Party;

   (ii) such appointment may be made at any time after an Event of Default either before or after the Secured Party shall have taken possession of the Collateral;

   (iii) the Secured Party may from time to time fix the reasonable remuneration of the Receiver and direct the payment thereof out of the Collateral or Proceeds; and

   (iv) the Receiver shall be deemed to be the agent of the Debtor for all purposes and, for greater certainty, the Secured Party shall not be, in any way, responsible for any actions, whether wilful, negligent or otherwise, of any Receiver, and the Debtor hereby agrees to indemnify and save harmless the Secured Party from and against any and all claims, demands, actions, costs, damages, expenses or payments which the Secured Party may hereafter suffer, incur or be required to pay as a result of, in whole or in part, any action taken by the Receiver or any failure of the Receiver to do any act or thing;

(m) pay or discharge any Encumbrance claimed by any Person and reasonably established to the satisfaction of the Secured Party in the Collateral and the amount so paid shall be added to the Obligations and shall bear interest calculated from the date of payment at the Rate until payment thereof; and

(n) take any other action, suit, remedy or proceeding authorized or permitted by this Agreement, the Act, the STA or by law or equity.

7.2 Sale of Collateral

(a) The parties hereto acknowledge and agree that any sale referred to in Section 7.1(g) may be a sale of either all or any portion of the Collateral and may be by way of public auction, public tender, private contract or otherwise without notice, advertisement or any other formality, except as required by law, all of which are hereby waived by the Debtor to the extent permitted by law. To the extent not prohibited by law, any such sale may be made with or without any special condition as to the upset price, reserve bid, title or evidence of title or other matter and from time to time as the Secured Party in its sole discretion thinks fit with power to vary or rescind any such sale or buy in at any public sale and resell. The Secured Party may sell the Collateral for a consideration payable by instalments either with or without taking security for the payment of such instalments and may make and deliver to any purchaser thereof good and sufficient deeds, assurances and conveyances of the Collateral and give receipts for the purchase money, and any such sale shall be a perpetual bar, both at law and in equity, against the Debtor and all those claiming an interest in the Collateral by, from, through or under the Debtor.

(b) Without limiting Section 7.2(a), the parties hereto further acknowledge and agree that in connection with any sale by the Secured Party of any Investment Property or LLC Interest forming part of the Collateral, the Secured Party is authorized to comply with any limitation or restriction as it may be advised by counsel or otherwise considers is necessary to comply with applicable law, including compliance with procedures that may restrict the number of prospective bidders and purchasers, requiring that prospective bidders and purchasers have certain qualifications, and restricting prospective bidders and purchasers to Persons who will represent and agree that they are purchasing for their own account or investment and not with a view to the distribution or resale of such Collateral. The Debtor further agrees that compliance with any such limitation or restriction will not result in a sale being considered or deemed not to have been made in a commercially reasonable manner, and the Secured Party will not be liable or accountable to the Debtor for any discount allowed by reason of the fact that such Collateral is sold in compliance with any such limitation or restriction.

7.3 Reference to Secured Party Includes Receiver

For the purposes of Sections 7.1 and 7.2, a reference to "**the Secured Party**" shall, where the context permits, include any Receiver.

7.4 Payment of Expenses

The amount of the Expenses shall be paid by the Debtor to the Secured Party from time to time forthwith after demand therefor is given by the Secured Party to the Debtor, together with interest thereon calculated from the date of such demand at the Rate, and payment of such Expenses together with such interest shall be secured by the Security Interest.

7.5 Rights and Remedies Are Not Mutually Exclusive

To the fullest extent permitted by law, the Secured Party's rights and remedies, whether provided for in this Agreement or otherwise, are not mutually exclusive and are cumulative and not alternative and may be exercised independently or in any combination.

7.6 No Obligation to Enforce

The Secured Party shall not be under any obligation to, or liable or accountable for any failure to, enforce payment or performance of the Obligations or to seize, realize, take possession of or dispose of the Collateral and shall not be under any obligation to institute proceedings for any such purpose.

7.7 Floating Charge

For all purposes, including without limitation any application to register a crystallized floating charge under the *Land Title Act* (British Columbia) against any Real Property, the floating charge created by this Agreement shall be crystallized and become a fixed charge upon the earliest of:

(a) the occurrence of an event described in Section 10.1(g) of the Securities Purchase Agreement,

(b) the Secured Party making any demand for payment of the Obligations, unless the Secured Party otherwise states at that time; or

(c) the Secured Party taking any action pursuant to Section 7.1 hereof to enforce and realize upon any or all of the Security Interest,

and in any event upon the appointment by the Secured Party of a Receiver pursuant to this Agreement or any other Transaction Document.

ARTICLE 8
POSSESSION OF COLLATERAL BY THE SECURED PARTY

8.1 Possession of Collateral

Where any Collateral is in the possession of or controlled by the Secured Party:

(a) the Secured Party may, at any time following the occurrence of a Default which is continuing, grant or otherwise create a security interest in such Collateral upon any terms, whether or not such terms impair the Debtor's right to redeem such Collateral;

(b) the Secured Party may, at any time following the occurrence of a Default which is continuing, use such Collateral in any manner and to such extent as it deems necessary or desirable; and

(c) the Secured Party shall have no obligation to keep fungible Collateral in its possession identifiable.

8.2 Duty of the Secured Party

The Secured Party shall have no duty with respect to any of the Collateral in its possession other than the duty to use the same degree of care in the safe custody of the Collateral in its possession as it uses with respect to property which it owns.

ARTICLE 9
CONTINUING OBLIGATIONS

9.1 Continuing Obligations

Notwithstanding any other term or condition of this Agreement, this Agreement shall not relieve the Debtor or any other party to any of the Collateral from the observance or performance of any term, covenant, condition or agreement on its part to be observed or performed thereunder or from any liability to any other party or parties thereto or impose any obligation on the Secured Party to observe or perform any such term, covenant, condition or agreement to be so observed or performed, and the Debtor hereby agrees to indemnify and hold harmless the Secured Party from and against any and all losses, liabilities (including liabilities for penalties), costs and expenses which may be incurred by the Secured Party under the Collateral and from all claims, demands, actions, suits and judgments which may be asserted against the Secured Party by reason of any alleged obligation or undertaking on their part to observe, perform or discharge any of the terms, covenants, conditions and agreements contained in the Collateral. The Secured Party may, at its option, perform any term, covenant, condition or agreement on the part of the Debtor to be performed under or in respect of the Collateral (and/or enforce any of the rights of the Debtor thereunder) without thereby waiving any rights to enforce this Agreement. Nothing contained in this Section 9.1 shall be deemed to constitute the Secured Party the mortgagee in possession of the Collateral or the lessee under any lease or agreement to lease unless the Secured Party has agreed to become such mortgagee in possession or to be a lessee.

ARTICLE 10
ACKNOWLEDGEMENT BY THE DEBTOR

10.1 Acknowledgements

The Debtor:

(a) acknowledges receipt of a true copy of this Agreement;

(b) acknowledges receipt of a copy of the financing statement registered under the Act evidencing the Security Interest; and

(c) acknowledges and agrees that this Agreement may be assigned by the Secured Party to any Person, as the Secured Party may determine and, in such event, such assignee shall be entitled to all of the rights and remedies of the Secured Party as set forth in this Agreement or otherwise and the Secured Party shall be released and discharged from its further obligations hereunder upon the assumption of same by the assignee.

ARTICLE 11
MISCELLANEOUS

11.1 Notice

Unless otherwise specified herein, all notices, requests, demands or other communications to or from the parties hereto shall be in writing and shall be given by overnight delivery service, by hand delivery or by telecopy to the addressee at its address set forth below or at such other address as shall be designated by such party in a written notice to the other party hereto:

(a) if to the Secured Party, at:

c/o Hale Capital Partners, L.P.
570 Lexington Avenue
49th Floor
New York, NY 10022

Attention: Martin Hale and Nathaniel Klein

Fax: 212.751.8822

(b) if to the Debtor, at:

United Silver Corp.
1220 Big Creek Road
Kellogg, Idaho 83837
USA

Attention: Erik Panke and Graham Clark
Fax No.: 208.783.2700

with a copy to:

Clark Wilson LLP
Barristers and Solicitors
Suite 800 – 885 West Georgia Street
Vancouver, BC V6C 3H1

Attention: Bernard Pinsky
Fax No: 604.687.6314

If any such notice, request, demand or other communication is delivered or transmitted on a day other than a Business Day or after 3:00 p.m. on any Business Day, the same shall be deemed to have been effectively given and received on the next following Business Day.

Either party may change its address for service from time to time by notice given in accordance with the foregoing.

11.2 Waiver

(a) The Secured Party may waive, in whole or in part, any breach by the Debtor of any of the provisions of this Agreement, any default by the Debtor in the payment or performance of any of the Obligations or any of its rights and remedies, whether provided for herein or otherwise, provided that no such waiver shall be effective unless given by the Secured Party to the Debtor in writing.

(b) No waiver given in accordance with Section 11.2(a) shall be a waiver of any other or subsequent breach by the Debtor of any of the provisions of this Agreement, of any other or subsequent default by the Debtor in the payment or performance of any of the Obligations or any of the rights and remedies of the Secured Party, whether provided for herein or otherwise.

(c) The Secured Party may, at any time, grant extensions of time or other indulgences to, accept compositions from or grant releases and discharges to the Debtor in respect of the Collateral or otherwise deal with the Debtor or with the Collateral and other security held by the Secured Party, all as the Secured Party may see fit, and the Debtor agrees that any such act or any failure by the Secured Party to exercise any of its rights or remedies, whether provided for herein or otherwise, shall in no way affect or impair the Security Interest or the rights and remedies of the Secured Party, whether provided for in this Agreement or otherwise.

11.3 Effective Date and Termination

(a) This Agreement shall become effective according to its terms immediately upon the execution hereof by the Secured Party and the Debtor.

(b) This Agreement may be terminated by:

(i) written agreement made between the Secured Party and the Debtor; or

(ii) notice in writing given by the Debtor to the Secured Party at any time when all of the Obligations have been fully satisfied and performed by the Debtor and the Securities Purchase Agreement has been terminated in accordance with its terms.

(c) Upon termination of this Agreement in accordance with the provisions of Section 11.3(b), the Secured Party shall, at the request and expense of the Debtor, make and do all such acts and things and execute and deliver all such financing statements, instruments, agreements and documents as the Debtor considers necessary or desirable to discharge the Security Interest, to release and discharge the Collateral therefrom and to record such release and discharge in all appropriate offices of public record.

11.4 Other Security

This Agreement and the Security Interest are in addition to and not in substitution for any other agreement made between the Secured Party and the Debtor or any other security granted by the Debtor to the Secured Party, whether before or after the execution of this Agreement.

11.5 Power of Attorney

(a) The Debtor hereby appoints the Secured Party, or a Receiver as the agent of the Debtor, as the Debtor's attorney, with full power of substitution, in the name and on behalf of the Debtor, to execute, deliver and do all such acts, deeds, leases, documents, transfers, demands, conveyances, assignments, contracts, assurances, consents, financing statements and things as the Debtor has herein agreed to execute, deliver and do as may be required by the Secured Party to give effect to the Securities Purchase Agreement and/or this Agreement or in the exercise of any rights, powers or remedies hereby or thereby conferred on the Secured Party, and generally to use the name of the Debtor in the exercise of all or any of the rights, powers or remedies hereby or thereby conferred on the Secured Party including, without limitation, the right to bring actions for and in the name of the Debtor, the right to collect Accounts, and the right to exercise the rights of the Debtor under all agreements or contracts to which it is a party and to cure any defaults thereunder.

(b) The Secured Party shall only exercise its rights pursuant to Section 11.5(a) after the occurrence of and during the continuance of, a Default except that the Secured Party may exercise its rights under Section 11.5(a) from the date of this Agreement with respect to preparation and filing of financing statements or mortgages and such other documents and instruments as may be required to register or give notice of or perfect or preserve the Security Interest or to give effect to Section 11.6.

(c) The appointment in Section 11.5(a) is coupled with an interest and shall not be revoked by the insolvency, bankruptcy, dissolution, liquidation or other termination of the existence of the Debtor or for any other reason.

11.6 Registrations

The Debtor will, from time to time at the request of the Secured Party, promptly effect all registrations, filings, recordings and all re-registrations, re-filings and re-recordings of or in respect of this Agreement and the Security Interest in such offices of public record and at such times as may be necessary or of advantage in perfecting, maintaining and protecting the validity, effectiveness and priority of this Agreement and/or of the Security Interest.

11.7 Application of Payments

Subject to the provisions of the Securities Purchase Agreement, any and all payments made by the Debtor to the Secured Party in respect of the Obligations from time to time and any and all moneys realized by the Secured Party whether hereunder or otherwise may be applied by the Secured Party to such part or parts of the Obligations as the Secured Party shall in its sole discretion determine. The Secured Party shall at all times and from time to time have the right to change any application so made.

11.8 Conflict

In the event of a conflict or inconsistency between the provisions of this Agreement and the provisions of any other Transaction Document, the provisions giving the Secured Party greater rights or remedies shall govern (to the maximum extent permitted by Applicable Law), it being understood that the purpose of this Agreement and all of the other Credit Documents is to add to, and not detract from, the rights granted to the Secured Party under the Credit Documents. In the event of any other conflict or inconsistency between the terms of this Agreement and the Securities Purchase Agreement, the applicable terms of the Securities Purchase Agreement shall govern.

11.9 Entire Agreement

This Agreement and the other Credit Documents to which the Debtor is a party constitute the entire agreement between the Debtor and the Secured Party with respect to the subject matter hereof and thereof, and supersede all prior agreements and understandings, if any, relating to the subject matter hereof or thereof. Any promises, representations, warranties or guarantees not herein contained and hereinafter made shall have no force and effect unless in writing signed by the parties hereto. Each party hereto acknowledges that it has been advised by counsel in connection with the negotiation and execution of this Agreement and is not relying upon oral representations or statements inconsistent with the terms and provisions hereof.

11.10 Time

Time is of the essence.

11.11 Amendment

No provision of this Agreement may be changed, modified, amended, restated, waived, supplemented, discharged, cancelled or terminated orally or by any course of dealing or in any other manner other than by a written agreement signed by the Secured Party and the Debtor.

11.12 Successors and Assigns

This Agreement shall enure to the benefit of and be enforceable by the Secured Party and its successors and assigns and shall be binding upon the Debtor and its successors and permitted assigns. Except as permitted under the Securities Purchase Agreement, the Debtor may not assign any of its obligations hereunder without the prior written consent of the Secured Party.

11.13 Further Assurances

The Debtor, at its expense, will promptly execute and deliver, or cause to be executed and delivered, to the Secured Party, upon request, all such other and further documents, agreements, certificates and instruments necessary or desirable to be in compliance with, or in respect of the accomplishment of the covenants and agreements of the Debtor hereunder or to more fully state the obligations of the Debtor as set out herein or to make any recording, file any notice or obtain any consents, all as may be necessary or appropriate in connection therewith.

11.14 Counterparts

This Agreement and all documents contemplated by or delivered under or in connection with this Agreement may be executed and delivered in any number of counterparts with the same effect as if all parties had all signed and delivered the same document and all counterparts will be construed together to be an original and will constitute one and the same agreement.

11.15 Facsimile and Electronic Mail Delivery

To evidence the fact that it has executed this Agreement or any other document contemplated by or delivered under or in connection with this Agreement, a party may transmit a copy of its executed counterpart to all other parties thereto by facsimile (fax) or by electronic mail and, unless the parties agree to some other date as the date of delivery, the transmitting party shall be deemed to have delivered this Agreement on the date it transmitted such counterpart by facsimile (fax) or by electronic mail or such later date as the transmitting party specifies in a written notice to the other parties given with or prior to the transmission of its executed counterpart.

Any party transmitting an executed counterpart of this Agreement or such other document by facsimile (fax) or electronic mail shall promptly thereafter deliver to the other parties a counterpart bearing its original signature (but any failure or delay in so doing, shall not derogate in any way from the sufficiency or effectiveness of that party having transmitted its executed counterpart by facsimile (fax) or electronic mail).

The signature of an individual executing this Agreement (or any notice, certificate or other document contemplated by this Agreement) on behalf of a party, if sent and received by electronic mail or facsimile (fax) transmission, will be deemed to be genuine in the absence of evidence to the contrary and thus effective in the hands of the recipient, and binding upon the individual whose signature it reproduces and upon the party on whose behalf that individual signed, for all purposes and with the same effect as if it were the original signature of that individual.

11.16 Survival

It is the express intention and agreement of the parties hereto that all covenants, representations, warranties and waivers and indemnities made by the Debtor herein shall survive the execution and delivery of this Agreement until all Obligations have been fully satisfied and performed by the Debtor and the Securities Purchase Agreement has been terminated in accordance with its terms.

11.17 Copy of Agreement and Financing Statement

The Debtor hereby:

(a) acknowledges receiving a copy of this Security Agreement, and

(b) waives all rights to receive from the Secured Party a copy of any financing statement, financing change statement or verification statement filed, issued or obtained at any time in respect of this Security Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the parties hereto have executed this Agreement on the date indicated below.

Officer Signature(s)	EXECUTION DATE Y | M | D	UNITED SILVER CORP. by its authorized signatory
______________________		______________________ Name:
Officer Signature(s)		HUSC, LLC
______________________		______________________ Name:

OFFICER CERTIFICATION:

Your signature constitutes a representation that you are a solicitor, notary public or other person authorized by the Evidence Act, R.S.B.C. 1979, c. 116, to take affidavits for use in British Columbia and certifies the matters set out in Part 5 of the Land Title Act as they pertain to the execution of this instrument.

SCHEDULE 2.4(a)

NONE

SCHEDULE 3.3

NAMES

Business Names

United Silver Corp.

Former Names

Debtor was incorporated on November 6, 2007 pursuant to the *Business Corporations Act* (British Columbia) under the name "Scarlet Resources Ltd." Effective May 7, 2010, Debtor changed its name to "United Mining Group, Inc." and effective June 3, 2011, Debtor further changed its name to "United Silver Corp.".

Predecessor Names

None

SCHEDULE 3.5

LOCATION OF COLLATERAL

1220 Big Creek Road, Kellogg, ID, 83837, USA

1075 West Georgia Street, Suite 1980, Vancouver, BC, V6E 3C9, Canada

#800-885 West Georgia Street, Vancouver, BC, V6C 3H1, Canada (the corporate minute book is maintained and held at this address)

SCHEDULE 3.6(a)

SECURITIES

Debtor owns 12,335,422 common shares of United Mine Services, Inc. representing 100% of the Common shares in the capital of United Mine Services, Inc.:

Certificate No.	Number and Class of Shares
1001	12,335,422 Common shares

SECURITY AGREEMENT

This SECURITY AGREEMENT, dated as of February 1, 2012 (the "Agreement") is by and among United Silver Corp., a company duly organized and validly existing under the laws of the Province of British Columbia (the "Company"), and HUSC, LLC, as agent (in such capacity, together with its successors in such capacity, the "Agent").

The Company, the Agent and HUSC, LLC, as initial purchaser (the "Initial Purchaser") are parties to a Securities Purchase Agreement dated as of February 1, 2012 (as modified and supplemented and in effect from time to time, the "Purchase Agreement"), that provides, subject to the terms and conditions thereof, for the issuance and sale by the Company to the Initial Purchaser of Notes and Warrants as more fully described in the Purchase Agreement.

The Company has agreed to execute this Agreement in favour of the Agent to secure the payment and performance of all of the Secured Obligations.

To induce the Agent and the Initial Purchaser to enter into the Purchase Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company has agreed to pledge and grant a security interest in the Collateral (as hereinafter defined) as security for the Secured Obligations (as hereinafter defined). Accordingly, the parties hereto agree as follows:

Section 1. Definitions. Each capitalized term used herein and not otherwise defined shall have the meaning assigned to such term in the Purchase Agreement. In addition, as used herein:

"Accounts" shall have the meaning ascribed thereto in Section 3(d) hereof.

"Business" shall mean the businesses from time to time, now or hereafter, conducted by the Company and its Subsidiaries.

"Collateral" shall have the meaning ascribed thereto in Section 3 hereof.

"Copyright Collateral" shall mean all Copyrights, whether now owned or hereafter acquired by the Company, that are associated with the Business, including without limitation those Copyrights identified on Part 1 of Annex 3 hereto.

"Copyrights" shall mean all copyrights, copyright registrations and applications for copyright registrations, including, without limitation, all renewals and extensions thereof, all income, royalties, damages and payments now or hereafter due and/or payable under and with respect thereto, the right to recover for all past, present and future infringements thereof, and all other rights of any kind whatsoever accruing thereunder or pertaining thereto.

"Deposit Accounts" shall mean, collectively, with respect to the Company (i) all "deposit accounts" as such term is defined in Article 9 of the UCC and in any event shall include all accounts and sub-accounts relating to any of the foregoing accounts and (ii) all cash, funds, checks, notes and instruments from time to time on deposit in any of the accounts or sub-accounts described in clause (i) of this definition.

"Documents" shall have the meaning ascribed thereto in Section 3(j) hereof.

"Equipment" shall have the meaning ascribed thereto in Section 3(h) hereof.

"Equity Interests" means shares of capital stock, partnership interests, limited liability company interests in a limited liability company, beneficial interests in a trust or other corresponding equity ownership interests in any other type of Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest, and also includes the status of the holder thereof as a partner, member, beneficiary or corresponding type of equity holder.

"Excluded Collateral" shall mean those assets of the Company, as listed on Annex 2 hereto, which both (i) have not been pledged or assigned to any other Person (including the holder(s) of Permitted Indebtedness) and (ii) cannot be assigned (but only to the extent such prohibition on assignment is enforceable under applicable law, including, without limitation, Sections 9-406 and 9-408 of the UCC).

"Instruments" shall have the meaning ascribed thereto in Section 3(e) hereof.

"Intellectual Property" shall mean, collectively, all Copyright Collateral, all Patent Collateral and all Trademark Collateral, together with (a) all inventions, processes, production methods, proprietary information, know-how and trade secrets used or useful in the Business; (b) all licenses or user or other agreements granted to the Company with respect to any of the foregoing, in each case whether now or hereafter owned or used including, without limitation, the licenses or other agreements with respect to the Copyright Collateral, the Patent Collateral or the Trademark Collateral; (c) all customer lists, identification of suppliers, data, plans, blueprints, specifications, designs, drawings, recorded knowledge, surveys, manuals, materials standards, processing standards, catalogs, computer and automatic machinery software and programs, and the like pertaining to the operation by the Company of the Business; (d) all sales data and other information relating to sales now or hereafter collected and/or maintained by the Company that pertain to the Business; (e) all accounting information which pertains to the Business and all media in which or on which any of the information or knowledge or data or records which pertain to the Business may be recorded or stored and all computer programs used for the compilation or printout of such information, knowledge, records or data; (f) all licenses, consents, permits, variances, certifications and approvals of governmental agencies now or hereafter held by the Company pertaining to the operation by the Company and its Subsidiaries of the Business; and (g) all causes of action, claims and warranties now or hereafter owned or acquired by the Company in respect of any of the items listed above.

"Inventory" shall have the meaning ascribed thereto in Section 3(f) hereof.

"Issuers" shall mean, collectively, the respective entities identified on Annex 1 hereto, and all other entities formed by the Company or entities in which the Company owns or acquires any capital stock or similar interest.

"Lien" shall mean any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Uniform Commercial Code or comparable law of any jurisdiction).

"Motor Vehicles" shall mean motor vehicles, tractors, trailers and other like property, whether or not the title thereto is governed by a certificate of title or ownership.

"Organizational Documents" means the Articles of Incorporation and By-laws of a corporation, the certificate of limited partnership and limited partnership agreement of a limited partnership, the certificate of organization and operating agreement of a limited liability company, and the corresponding documents of any other Person, in each case as the same may be amended from time to time.

"Patent Collateral" shall mean all Patents, whether now owned or hereafter acquired by the Company that are associated with the Business, including without limitation those Patents identified on Part 2 of Annex 3 hereto.

"Patents" shall mean all patents and patent applications, including, without limitation, the inventions and improvements described and claimed therein together with the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, all income, royalties, damages and payments now or hereafter due and/or payable under and with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, the right to sue for past, present and future infringements thereof, and all rights corresponding thereto throughout the world.

"Permitted Indebtedness" shall have the meaning ascribed thereto in the Purchase Agreement.

"Permitted Liens" shall have the meaning ascribed thereto in the Purchase Agreement and additionally, with respect to Pledged Stock, any restrictions on transfer arising under federal or state securities laws and regulations.

"Pledged Stock" shall have the meaning ascribed thereto in Section 3(a) hereof.

"Proceeds" shall mean all "proceeds" as such term is defined in Article 9 of the UCC and, in any event, shall include with respect to the Company, any consideration received from the sale, exchange, license, lease or other disposition of any asset or property that constitutes Collateral, any value received as a consequence of the possession of any Collateral and any payment received from any insurer or other Person or entity as a result of the destruction, loss, theft, damage or other involuntary conversion of whatever nature of any asset or property that constitutes Collateral, and shall include, without limitation, (a) all cash and negotiable instruments received by or held on behalf of the Agent or the Purchasers, (b) any claim of the Company against any third party for (and the right to sue and recover for and the rights to damages or profits due or accrued arising out of or in connection with) (i) past, present or future infringement of any Patent now or hereafter owned by the Company, or licensed under a Patent license, (ii) past, present or future infringement or dilution of any Trademark now or hereafter owned by the Company or licensed under a Trademark license or injury to the goodwill associated with or symbolized by any Trademark now or hereafter owned by the Company, (iii) past, present or future breach of any Patent, Trademark and/or Copyright license and (iv) past, present or future infringement of any copyright now or hereafter owned by the Company or licensed under a Copyright license and (c) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Real Estate" shall have the meaning ascribed thereto in Section 3(l) hereof.

"Secured Obligations" shall mean, collectively, (a) the principal of and interest on the Notes issued or issuable (as applicable) by the Company and held by the Purchasers and all other amounts from time to time owing to the Agent and such Purchasers by the Company under the Purchase Agreement, the Notes or any other Transaction Document (b) all amounts owed by the Company or any subsidiary of the Company to the Agent and the Purchasers under the Guaranty, this Agreement or any other Transaction Document and (c) all obligations of the Company or any of its subsidiaries to the Agent and the Purchasers thereunder.

"Stock Collateral" shall mean, collectively, the Collateral described in clauses (a) through (c) of Section 3 hereof and the Proceeds of and to any such property and, to the extent related to any such property or such Proceeds, all books, correspondence, credit files, records, invoices and other papers.

"Trademark Collateral" shall mean all Trademarks, whether now owned or hereafter acquired by the Company, that are associated with the Business. Notwithstanding the foregoing, the Trademark Collateral does not and shall not include any Trademark which would be rendered invalid, abandoned, void or unenforceable by reason of its being included as part of the Trademark Collateral, including without limitation those Trademarks identified on Part 3 of Annex 3 hereto.

"Trademarks" shall mean all trade names, trademarks and service marks, logos, trademark and service mark registrations, and applications for trademark and service mark registrations, including, without limitation, all renewals of trademark and service mark registrations, all income, royalties, damages and payments now or hereafter due and/or payable under and with respect thereto, all rights corresponding thereto throughout the world, the right to recover for all past, present and future infringements thereof, all other rights of any kind whatsoever accruing thereunder or pertaining thereto, together, in each case, with the product lines and goodwill of the business connected with the use of, and symbolized by, each such trade name, trademark and service mark.

"Uniform Commercial Code" or "UCC" shall mean the Uniform Commercial Code as in effect in the State of New York from time to time.

Section 2. Representations and Warranties. In addition to the representations and warranties set forth in the Purchase Agreement, the Company represents and warrants to the Agent and the Purchasers that:

(a) the Company is the sole beneficial owner of the Collateral and no Lien exists or will exist upon any Collateral at any time (and, with respect to the Stock Collateral, no right or option to acquire the same exists in favour of any other Person), except for Permitted Liens and Liens in favour of the Agent created or provided for herein which Lien constitutes a first priority perfected pledge and security interest in and to all of the Collateral;

(b) the Pledged Stock directly or indirectly owned by the Company in the entities identified in Annex 1 hereto is, and all other Pledged Stock, whether issued now or in the future, will be, duly authorized, validly issued, fully paid and nonassessable (each, as applicable), free and clear of all Liens other than Permitted Liens and none of such Pledged Stock is or will be subject to any contractual restriction, pre-emptive and similar rights, or any restriction under the Organizational Documents of the respective Issuers of such Pledged Stock, upon the transfer of such Pledged Stock;

(c) the Pledged Stock directly or indirectly owned by the Company in the entities identified in Annex 1 hereto constitutes all of the issued and outstanding Equity Interests of any class of such Issuers beneficially owned by the Company on the date hereof (whether or not registered in the name of the Company), and said Annex 1 correctly identifies, as at the date hereof, the respective Issuers of such Pledged Stock;

(d) set forth on Part 1 of Annex 3 hereto is a true, complete and correct list of all Copyrights owned or used by the Company that are the subject of active copyright registrations or pending applications for copyright registration (the "Registered Copyrights"); except as set forth on Part 4 of Annex 3, none of the Copyrights owned or used by the Company that are not Registered Copyrights are material to the Company's business; set forth on Part 2 of Annex 3 hereto is a true, complete and correct list of all Patents owned or used by the Company that are the subject of active issued patents or pending patent applications (the "Registered Patents"); none of the Patents owned or used by the Company that are not Registered Patents are material to the Company's business; and set forth on Part 3 of Annex 3 hereto is a true, complete and correct list of all Trademarks owned or used by the Company that are the subject of active trademark registrations or applications for trademark registration (the "Registered Trademarks"); except as set forth on Part 4 of Annex 3, none of the Trademarks owned or used by the Company that are not Registered Trademarks are material to the Company's business;

(e) the Company owns and possesses the right to use, and except as may be set forth in Part 4 of Annex 3 hereto, has done nothing to authorize or enable any other Person to use, all of its Copyrights, Patents and Trademarks, and all registrations of its material Copyrights, Patents and Trademarks (other than licenses which are not material) are valid and in full force and effect. Except as may be set forth in Part 4 of Annex 3 hereto, the Company owns or possesses the right to use all material Copyrights, Patents and Trademarks, necessary for the operation of the Business;

(f) to the Company's knowledge, (i) except as set forth in Part 4 of Annex 3 hereto, there is no violation by others of any right of the Company with respect to any material Copyrights, Patents or Trademarks, respectively, and (ii) the Company is not, in connection with the Business, infringing in any respect upon any Copyrights, Patents or Trademarks of any other Person; and no proceedings have been instituted or are pending against the Company or, to the Company's knowledge, threatened, and no claim against the Company has been received by the Company, alleging any such violation, except as may be set forth in Part 4 of Annex 3 hereto; and

(g) except as set forth on Part 4 of Annex 3, the Company does not own any material Trademarks registered in the United States of America to which the last sentence of the definition of Trademark Collateral applies.

(h) All Deposit Accounts of the Company on the date hereof are listed and identified (by account number and depository institution) on Annex 5 attached hereto and made a part hereof.

(i) The Company's chief executive office and principal place of business is at, and the Company keeps and shall keep all of its books and records relating to Accounts only at 1220 Big Creek Road, Kellogg, ID 83837; and the Company has no other executive offices or places of business other than as set out on Annex 4.

Section 3. Collateral. As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, the Company hereby pledges, grants, assigns, hypothecates and transfers to the Agent, as hereinafter provided, a security interest in and Lien upon all of the Company's right, title and interest in, to and under all personal property and other assets of the Company, whether now owned or hereafter acquired by or arising in favor of the Company, whether now existing or hereafter coming into existence, whether owned or consigned by or to the Company, or leased from or to the Company and regardless of wherever located, except for the Excluded Collateral (all being collectively referred to herein as "Collateral") including:

(a) the Company's direct or indirect ownership interest in the respective Equity Interests of the Issuers and all other Equity Interests of whatever class of the Issuers, now or hereafter owned by the Company, together with in each case the certificates, if any, evidencing the same (collectively, the "Pledged Stock");

(b) all Equity Interests, securities, moneys or property representing a dividend on any of the Pledged Stock, or representing a distribution or return of capital upon or in respect of the Pledged Stock, or resulting from a split-up, revision, reclassification or other like change of the Pledged Stock or otherwise received in exchange therefor, and any subscription warrants, rights or options issued to the holders of, or otherwise in respect of, the Pledged Stock;

(c) without affecting the obligations of the Company under any provision prohibiting such action hereunder or under the Purchase Agreement, the Notes or any Transaction Documents, in the event of any consolidation or merger in which any Issuer is not the Person that survives same, all Equity Interests of each class of the successor (unless such successor is the Company itself) formed by or resulting from such consolidation or merger (the Pledged Stock, together with all other certificates, Equity Interests, securities, properties or moneys as may from time to time be pledged hereunder pursuant to clause (a) or (b) above and this clause (c) being herein collectively called the "Stock Collateral");

(d) all accounts and general intangibles (each as defined in Article 9 of the Uniform Commercial Code) of the Company constituting any right to the payment of money, including (but not limited to) all moneys due and to become due to the Company in respect of any loans or advances for the purchase price of Inventory or Equipment or other goods sold or leased or for services rendered, all moneys due and to become due to the Company under any guarantee (including a letter of credit) of the purchase price of Inventory or Equipment sold by the Company and all tax refunds (such accounts, general intangibles and moneys due and to become due being herein called collectively "Accounts");

(e) all instruments, chattel paper or letters of credit (each as defined in Article 9 of the Uniform Commercial Code) of the Company evidencing, representing, arising from or existing in respect of, relating to, securing or otherwise supporting the payment of, any of the Accounts, including (but not limited to) promissory notes, drafts, bills of exchange and trade acceptances (herein collectively called "Instruments");

(f) all inventory (as defined in the Uniform Commercial Code) of the Company and all goods obtained by the Company in exchange for such inventory (herein collectively called "Inventory");

(g) all Intellectual Property of the Company and all other accounts or general intangibles of the Company not constituting Intellectual Property or Accounts;

(h) all equipment (as defined in the Uniform Commercial Code) of the Company (herein collectively called "Equipment");

(i) each contract and other agreement of the Company including contracts relating to the sale or other disposition of Inventory or Equipment;

(j) all documents of title (as defined in the Uniform Commercial Code) or other receipts of the Company covering, evidencing or representing Inventory or Equipment (herein collectively called "Documents");

(k) all rights, claims and benefits of the Company against any Person arising out of, relating to or in connection with Inventory or Equipment purchased by the Company, including, without limitation, any such rights, claims or benefits against any Person storing or transporting such Inventory or Equipment;

(l) all estates of the Company in land together with all improvements and other structures now or hereafter situated thereon, together with all rights, privileges, tenements, hereditaments, appurtenances, easements, including, but not limited to, rights and easements for access and egress and utility connections, and other rights now or hereafter appurtenant thereto ("Real Estate");

(m) all minerals and as-extracted collateral (as defined in the UCC);

(n) all other tangible or intangible property of the Company, including, without limitation, all Proceeds, products and accessions of and to any of the property of the Company described in clauses (a) through (l) above in this Section 3 (including, without limitation, any proceeds of insurance thereon), and, to the extent related to any property described in said clauses or such Proceeds, products and accessions, all books, correspondence, credit files, records, invoices and other papers, including without limitation all tapes, cards, computer runs and other papers and documents in the possession or under the control of the Company or any computer bureau or service company from time to time acting for the Company.

Section 4. Covenants, Further Assurances; Remedies. In furtherance of the grant of the pledge and security interest pursuant to Section 3 hereof, the Company hereby agrees with the Agent as follows:

4.01 Delivery and Other Perfection. The Company shall:

(a) if any of the above-described Equity Interests, securities, monies or property required to be pledged by the Company under clauses (a), (b) and (c) of Section 3 hereof are received by the Company, forthwith either (x) deliver and pledge to the Agent such Equity Interests or securities so received by the Company (together with the certificates for any such Equity Interests and securities duly endorsed in blank or accompanied by undated transfer powers duly executed in blank) all of which thereafter shall be held by the Agent, pursuant to the terms of this Agreement, as part of the Collateral or (y) take such other action as the Agent shall deem necessary or appropriate to duly record the Lien created hereunder in such Equity Interests, securities, monies or property referred to in said clauses (a), (b) and (c) of Section 3;

(b) deliver and pledge to the Agent any and all Instruments, endorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Agent may request; provided, that so long as no Default or Event of Default shall have occurred and be continuing, the Company may retain for collection in the ordinary course any Instruments received by it in the ordinary course of business;

(c) give, execute, deliver, file and/or record any financing statement, notice, instrument, document, agreement or other papers that may be necessary or desirable (in the judgment of the

Agent) to create, preserve, perfect or validate any security interest granted pursuant hereto or to enable the Agent to exercise and enforce their rights hereunder with respect to such security interest, including, without limitation, causing any or all of the Stock Collateral to be re-registered as pledged into the name of the Agent or its nominee (and the Agent agrees that if any Stock Collateral is registered into its name or the name of its nominee for the benefit of the Company, the Agent will thereafter promptly give to the Company copies of any notices and communications received by it with respect to the Stock Collateral), provided that notices to account debtors in respect of any Accounts or Instruments shall be subject to the provisions of Section 4.12 below;

(d) upon the acquisition after the date hereof by the Company of any Equipment covered by a certificate of title or ownership cause the Agent to be listed as the lienholder on such certificate of title and within 15 days of the acquisition thereof deliver evidence of the same to the Agent;

(e) keep accurate books and records relating to the Collateral, and stamp or otherwise mark such books and records in such manner as the Agent may reasonably require in order to reflect the security interests granted by this Agreement;

(f) furnish to the Agent from time to time (but, unless a Default or Event of Default shall have occurred and be continuing, no more frequently than quarterly) statements and schedules further identifying and describing the Copyright Collateral that is subject of active copyright registrations or applications for copyright registration or that is otherwise material to the Company's business, the Patent Collateral that is subject of active issued patents or patent applications or that is otherwise material to the Company's business and the Trademark Collateral that is subject of active trademark registrations or applications for trademark application or that is otherwise material to the Company's business, respectively, and such other reports in connection with the Copyright Collateral, the Patent Collateral and the Trademark Collateral, as the Agent may reasonably request, all in reasonable detail;

(g) permit representatives of the Agent at any time during normal business hours to inspect and make abstracts from its books and records pertaining to the Collateral, and permit representatives of the Agent to be present at the Company's place of business to receive copies of all communications and remittances relating to the Collateral, and forward copies of any notices or communications by the Company with respect to the Collateral, all in such manner as the Agent may require; and

(h) upon request of the Agent, promptly notify each account debtor or obligor in respect of any Accounts, Instruments or that such Collateral has been assigned to the Agent hereunder, and that any payments due or to become due in respect of such Collateral are to be made directly to the Agent.

4.02 Other Financing Statements and Liens. Except with respect to Liens securing Permitted Indebtedness, without the prior written consent of the Agent, the Company shall not file or suffer to be on file, or authorize or permit to be filed or to be on file, in any jurisdiction, any financing statement or like instrument with respect to the Collateral in which the Agent is not named as the sole secured party.

4.03 Preservation of Rights. The Agent shall not be required to take steps necessary to preserve any rights against prior parties to any of the Collateral.

4.04 Location of Collateral. The Company shall ensure that the Collateral is and shall at all times remain in the Company's possession or control at the locations listed on Annex 4 attached hereto; provided that, without limiting the foregoing, if for any reason any Collateral is at any time kept or located at a location other than as listed on Annex 4 attached hereto, the Agent shall nevertheless have and retain a Lien on and security interest therein.

4.05 Maintenance of Perfected Lien. The Company shall maintain the Lien created by this Agreement as a first priority perfected Lien and shall defend such Lien against the claims and demands of all Persons whomsoever.

4.06 Changes in Locations, Name, etc. Without limiting obligations under the Purchase Agreement or the Guaranty and without at least 30 days' prior written notice to the Agent, the Company shall not (a) change its legal name, or the name under which it does business, from the name shown on the signature page hereto, (b) change its jurisdiction of organization or location for purposes of the UCC, (c) change its identity or type of organization, (d) change its Federal Taxpayer Identification Number or organizational identification number or (e) maintain any of its books or records with respect to the Collateral at any office or maintain its chief executive office or its principal place of business at any place, or permit any Inventory or Equipment to be located anywhere other than at one of the locations identified in Annex 4 hereto or in transit from one of such locations to another. The Company agrees promptly to provide the Agent and the Purchasers with certified organizational documents reflecting any of the changes described in the first sentence of this Section 4.06. The Company also agrees to promptly notify the Agent and the Purchasers if any material portion of the Collateral is damaged or destroyed.

4.07 Deposit Accounts. The Company shall promptly notify the Agent of any other Deposit Account opened or maintained by the Company after the date hereof, and shall submit to the Agent a supplement to Schedule VIII to reflect such additional accounts (provided the Company's failure to do so shall not impair the Agent's Lien therein).

4.08 Special Provisions Relating to Certain Collateral.

(a) Stock Collateral.

(1) The Company will cause the Stock Collateral to constitute at all times 100% of the total number of shares of each class of capital stock of each Issuer then outstanding that is owned directly or indirectly by the Company.

(2) So long as no Default or Event of Default shall have occurred and be continuing, the Company shall have the right to exercise all voting, consensual and other powers of ownership pertaining to the Stock Collateral for all purposes not inconsistent with the terms of this Agreement, any other Transaction Document or any other instrument or agreement referred to herein or therein, provided that the Company agrees that it will not vote the Stock Collateral in any manner that is inconsistent with the terms of this Agreement, any other Transaction Document or any such other instrument or agreement; and the Agent shall execute and deliver to the Company or cause to be executed and delivered to the Company all such proxies, powers of attorney, dividend and other orders, and all such instruments, without recourse, as the Company may reasonably request for the purpose of enabling the Company to exercise the rights and powers which it is entitled to exercise pursuant to this Section 4.08(a)(2).

(3) Unless and until a Default or Event of Default has occurred and is continuing, the Company shall be entitled to receive and retain any dividends on the Stock Collateral paid in cash out of earned surplus.

(4) If any Default or Event of Default shall have occurred, then so long as such Default or Event of Default shall continue, and whether or not the Agent exercises any available right to declare any Secured Obligations due and payable or seeks or pursues any other relief or remedy available to it under applicable law or under this Agreement, the Purchase Agreement, the Notes, any Transaction Document or any other agreement relating to such Secured Obligations, all dividends and other distributions on the Stock Collateral shall be paid directly to the Agent and retained by it as part of the Stock Collateral, subject to the terms of this Agreement, and, if the Agent shall so request in writing, the Company agrees to execute and deliver to the Agent appropriate additional dividend, distribution and other orders and documents to that end, provided that if such Default or Event of Default is cured, any such dividend or distribution theretofore paid to the Agent shall, upon request of the Company (except to the extent theretofore applied to the Secured Obligations) be returned by the Agent to the Company.

(b) Intellectual Property.

(1) For the purpose of enabling the Agent to exercise rights and remedies under Section 4.09 hereof at such time as the Agent shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, the Company hereby grants to the Agent, to the extent assignable, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Company) to use, assign, license or sublicense any of the Intellectual Property (other than the Trademark Collateral or goodwill associated therewith) now owned or hereafter acquired by the Company, wherever the same may be located, including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof.

(2) Notwithstanding anything contained herein to the contrary, so long as no Default or Event of Default shall have occurred and be continuing, the Company will be permitted to exploit, use, enjoy, protect, license, sublicense, assign, sell, dispose of or take other actions with respect to the Intellectual Property in the ordinary course of the business of the Company. In furtherance of the foregoing, unless a Default or Event of Default shall have occurred and is continuing, the Agent shall from time to time, upon the request of the Company, execute and deliver any instruments, certificates or other documents, in the form so requested, which the Company shall have certified are appropriate (in its judgment) to allow it to take any action permitted above (including relinquishment of the license provided pursuant to clause (1) immediately above as to any specific Intellectual Property). Further, upon the payment in full of all of the Secured Obligations or earlier expiration of this Agreement or release of the Collateral, the Agent shall grant back to the Company the license granted pursuant to clause (1) immediately above. The exercise of rights and remedies under Section 4.09 hereof by the Agent shall not terminate the rights of the holders of any licenses or sublicenses theretofore granted by the Company in accordance with the first sentence of this clause (2).

(c) Governmental Contracts. The Company will, at the request of the Agent, execute, or cause to be executed, any instruments and take, or cause to be taken, any steps required by the Agent so that all monies due and to become due under such Government Contracts shall be assigned to the Agent and notice thereof given to and acknowledged by the appropriate government agency or authority under the Assignment of Claims Act. The Company will immediately notify the Agent in writing of any audits of such contracts by the United States of America or any department, agency or instrumentality thereof as well as any assertions by the United States of America or any department, agency or instrumentality thereof any defaults under any such contract.

4.09 Events of Default, etc. During the period during which an Event of Default shall have occurred and be continuing:

(a) the Company shall, at the request of the Agent, assemble the Collateral owned by it at such place or places, reasonably convenient to both the Agent and the Company, designated in its request;

(b) the Agent may make any compromise or settlement deemed desirable with respect to any of the Collateral and may extend the time of payment, arrange for payment in instalments, or otherwise modify the terms of, any of the Collateral;

(c) the Agent shall have all of the rights and remedies with respect to the Collateral of a secured party under the Uniform Commercial Code (whether or not said Code is in effect in the jurisdiction where the rights and remedies are asserted) and such additional rights and remedies to which a secured party is entitled under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted, including, without limitation, the right, to the maximum extent permitted by law, to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Agent were the sole and absolute owner thereof (and the Company agrees to take all such action as may be appropriate to give effect to such right);

(d) the Agent in its discretion may, in its name or in the name of the Company or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for any of the Collateral, but shall be under no obligation to do so; and

(e) the Agent may upon 10 Business Days' prior written notice to the Company of the time and place, with respect to the Collateral or any part thereof which shall then be or shall thereafter come into the possession, custody or control of the Agent, or any of its respective agents, sell, lease, assign or otherwise dispose of all or any of such Collateral, at such place or places as the Agent deems best, and for cash or on credit or for future delivery (without thereby assuming any credit risk), at public or private sale, without demand of performance or notice of intention to effect any such disposition or of time or place thereof (except such notice as is required above or by applicable statute and cannot be waived) and the Agent or anyone else may be the purchaser, lessee, assignee or recipient of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by law, at any private sale), and thereafter hold the same absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of the Company, any such demand, notice or right and equity being hereby expressly waived and released. In the event of any sale, assignment, or other disposition of any of the Trademark Collateral, the goodwill of the Business connected with and symbolized by the Trademark Collateral subject to such disposition shall be included, and the Company shall supply to the Agent or its designee, for inclusion in such sale, assignment or other disposition, all Intellectual Property relating to such Trademark Collateral. The Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned.

The Proceeds of each collection, sale or other disposition under this Section 4.09, including by virtue of the exercise of the license granted to the Agent in Section 4.08(b)(1) hereof, shall be applied in accordance with Section 4.12 hereof.

The Company recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended, and applicable state securities laws, the Agent may be compelled, with respect to any sale of all or any part of the Collateral, to limit purchasers to those who will agree, among other things, to acquire the Collateral for their own account, for investment and not with a view to the distribution or resale thereof. The Company acknowledges that any such private sales to an unrelated third party in an arm's length transaction may be at prices and on terms less favourable to the Agent than those obtainable through a public sale without such restrictions, and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Agent shall have no obligation to engage in public sales and no obligation to delay the sale of any Collateral for the period of time necessary to permit the respective Issuer thereof to register it for public sale.

4.10 Deficiency. If the Proceeds of sale, collection or other realization of or upon the Collateral pursuant to Section 4.09 hereof are insufficient to cover the costs and expenses of such realization and the payment in full of the Secured Obligations, the Company shall remain liable for any deficiency.

4.11 Private Sale. The Agent shall incur no liability as a result of the sale of the Collateral, or any part thereof, at any private sale to an unrelated third party in an arm's length transaction pursuant to Section 4.09 hereof conducted in a commercially reasonable manner. The Company hereby waives any claims against the Agent arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Agent accepts the first offer received and does not offer the Collateral to more than one offeree.

4.12 Application of Proceeds. Except as otherwise herein or in the Purchase Agreement expressly provided, the Proceeds of any collection, sale or other realization of all or any part of the Collateral pursuant hereto, and any other cash at the time held by the Agent under this Section 4, shall be applied by the Agent:

First, to the payment of the costs and expenses of such collection, sale or other realization, including out-of-pocket costs and expenses of the Agent and the fees and expenses of its agents and counsel, and all expenses, and advances made or incurred by the Agent in connection therewith;

Next, to the payment in full of the Secured Obligations in each case equally and rateably in accordance with the respective amounts thereof then due and owing to the Agent; and

Finally, to the payment to the Company, or its successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining.

4.13 Attorney-in-Fact. Without limiting any rights or powers granted by this Agreement to the Agent while no Default or Event of Default has occurred and is continuing, upon the occurrence and during the continuance of any Default or Event of Default, the Agent is hereby appointed the attorney-in-fact of the Company for the purpose of carrying out the provisions of this Section 4 and taking any action and executing any instruments which the Agent may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, so long as the Agent shall be entitled under this Section 4 to make collections in respect of the Collateral, the Agent shall have the right and power to receive, endorse and collect all checks made payable to the order of the Company representing any dividend, payment, or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same.

4.14 Perfection. (i) Prior to or concurrently with the execution and delivery of this Agreement, the Company shall file or deliver to Agent for filing such financing statements and other documents in such offices as the Agent may request to perfect the security interests granted by Section 3 of this Agreement, and (ii) at any time requested by the Agent, the Company shall deliver to the Agent all certificates representing Equity Interests directly or indirectly owned by the Company in the entities identified in Annex 1 hereto, accompanied by undated stock powers duly executed in blank.

4.15 Termination. This Agreement may be terminated by (a) written agreement made between the Company and the Agent; or (b) notice in writing given by the Company to the Agent at any time when all of the Secured Obligations have been fully and indefeasibly satisfied and performed by the Company and the Purchase Agreement and the Notes have been terminated in accordance with their terms. Following such termination the Agent shall forthwith, at the expense of the Company, cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral and money received in respect thereof, to or on the order of the Company and to be released and cancelled all licenses and rights referred to in Section 4.08(b)(1) hereof. The Agent shall also execute and deliver to the Company upon such termination such Uniform Commercial Code termination statements, certificates for terminating the Liens on the Motor Vehicles and such other documentation as shall be reasonably requested by the Company to effect the termination and release of the Liens on the Collateral.

4.16 Expenses. The Company agrees to pay to the Agent all out-of-pocket expenses (including expenses for legal services of every kind) of, or incident to, the enforcement of any of the provisions of this Section 4, or performance by the Agent or the Purchasers of any obligations of the Company in respect of the Collateral which the Company has failed or refused to perform upon reasonable notice, or any actual or attempted sale, or any exchange, enforcement, collection, compromise or settlement in respect of any of the Collateral, and for the care of the Collateral and defending or asserting rights and claims of the Agent or the Purchasers in respect thereof, by litigation or otherwise, including expenses of insurance, and all such expenses shall be Secured Obligations secured under Section 3 hereof.

4.17 Further Assurances. The Company agrees that, from time to time upon the written request of the Agent, the Company will execute and deliver such further documents and do such other acts and things as the Agent may reasonably request in order fully to effect the purposes of this Agreement.

Section 5. Miscellaneous.

5.01 No Waiver. No failure on the part of the Agent or any of its agents to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by the Agent or any of its agents of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

5.02 Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York without regard to principles of conflicts of law (other than Section 5-1401 of the New York General Obligations Law).

5.03 Notices. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service or sent by telecopier as noted below. Notices sent by hand or overnight courier service shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient).

(a) Notices to the Agent shall be sent to the address or transmission number for notices as provided in Section 15.2 of the Purchase Agreement; and

(b) Notices to the Company shall be sent to its address or transmission number for notices set forth under its signature below.

5.04 Waivers, etc. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by the Company and the Agent. Any such amendment or waiver shall be binding upon the Agent and the Company.

5.05 Conflicts. In the event of a conflict or inconsistency between the provisions of this Agreement and the provisions of any other Transaction Document, the provisions giving the Agent or the Purchasers greater rights or remedies shall govern (to the maximum extent permitted by Applicable Law), it being understood that the purpose of this Agreement and all of the other Transaction Documents is to add to, and not detract from, the rights granted to the Agent or the Purchasers under the Transaction Documents. In the event of any other conflict or inconsistency between the terms of this Agreement and the Purchase Agreement, the applicable terms of the Purchase Agreement shall govern.

5.06 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Company and the Purchaser (provided, however, that the Company shall not assign or transfer its rights hereunder without the prior written consent of the Purchaser).

5.07 5.06 Counterparts. This Agreement may be executed in any number of counterparts, all of which together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

5.08 Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Agent in order to carry out the intentions of the parties hereto as nearly as may be possible and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.
SIGNATURE PAGES FOLLOW.]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed as of the day and year first above written.

COMPANY:

[1220 Big Creek Road
Kellogg, ID 83837]

UNITED SILVER CORP.

By: ______________________________

Name: Greg Stewart
Title: President

AGENT:

HUSC, LLC, as agent

By ______________________________

Name:
Title:

By ______________________________

Name:
Title:

ANNEX 1

ENTITIES IN WHICH THE COMPANY IS PLEDGING ITS EQUITY INTERESTS

Entity	Number and Class of Equity Interest	Percentage of Outstanding Equity Interests
United Mine Services, Inc.	12,335,422 common shares	100%

ANNEX 2

EXCLUDED COLLATERAL

None

Part 1: Copyrights

None

Part 2: Patents

None

Part 3: Trademarks

None

EXCEPTIONS FOR COPYRIGHTS, PATENTS AND TRADEMARKS

None

ANNEX 4

LIST OF LOCATIONS

In addition to its corporate office at #800-885 West Georgia Street, Vancouver, BC, V6C 3H1, Canada, the Company has the following places of business:

- 1220 Big Creek Road, Kellogg, ID 83837 USA

ANNEX 5

DEPOSIT ACCOUNTS

Bank	Address	Account No.	Type of Account
Bank of Montreal	595 Burrard Street Vancouver, BC V7X 1L7	Intentionally redacted	

SCHEDULE 3.6(b)

INVESTMENT PROPERTY

NONE

SCHEDULE 3.6(c)

COLLATERAL

(i) Location of Certificated Securities

- #800-885 West Georgia Street, Vancouver, BC, V6C 3H1, Canada

(ii) Uncertificated Securities

- NONE

(iii) Securities Entitlements or Securities Accounts

- NONE

(iv) Futures Contracts or Futures Accounts

- NONE

(v) Bank or depository accounts

Bank of Montreal 595 Burrard Street Vancouver, BC V7X 1L7	Intentionally redacted

SCHEDULE 3.7

INTELLECTUAL PROPERTY

NONE

EXHIBIT C

FORM OF GUARANTEE

SUBSIDIARY GUARANTY

SUBSIDIARY GUARANTY (this "Guaranty"), dated as of February ■, 2012, made by United Mine Services, Inc. ("UMS") and Syringa Exploration, Inc. ("Syringa")(each a "Guarantor" and collectively, the "Guarantors"), in favour of HUSC, LLC, as agent (together with its successors in such capacity, the "Agent").

WITNESSETH

WHEREAS, pursuant to that certain Securities Purchase Agreement (the "Purchase Agreement"), dated as of February ■, 2012, by and among United Silver Corp, a British Columbia corporation (the "Borrower"), the Agent, and HUSC, LLC, as initial purchaser (the "Initial Purchaser"), the Borrower is issuing, and the Initial Purchaser is purchasing, the Notes and Warrants (as those terms are defined in the Purchase Agreement);

WHEREAS, each Guarantor will, as a condition precedent to the purchase of the Notes and Warrants, execute and deliver this Guaranty pursuant to which such Guarantor will guarantee, among other things, payment of all of the Secured Obligations (as such term is defined in the Security Agreement dated as of the date hereof between the Guarantor and the Agent (the "Security Agreement")); and

WHEREAS, UMS is a wholly-owned subsidiary of the Borrower, Syringa is a wholly-owned subsidiary of UMS and it is of material benefit to each Guarantor that the Initial Purchaser purchase the Notes and Warrants.

NOW, THEREFORE, in consideration of the foregoing and to induce the Initial Purchaser and the Agent to enter into the Purchase Agreement and to purchase the Notes and Warrants, each Guarantor hereby agrees with the Agent and the Purchasers, as follows:

1. Defined Terms.

(a) Unless otherwise defined herein, terms defined in the Purchase Agreement and used herein shall have the meanings given to them in the Purchase Agreement.

(b) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Guaranty shall refer to this Guaranty as a whole and not to any particular provision of this Guaranty, and section and paragraph references are to this Guaranty unless otherwise specified.

(c) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

2. Guaranty.

(a) Subject to the provisions of Section 15, each Guarantor hereby, jointly and severally, unconditionally and irrevocably, guarantees to the Agent on its own behalf and as agent for the Purchasers, and their respective successors, indorsees, transferees and assigns, the prompt and complete payment and performance by the Borrower when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations. Each Guarantor hereby affirms this Guaranty is a guaranty of payment and not of collection, is continuing in nature and applies to all Secured Obligations, whether existing now or in the future, including Secured Obligations arising or accruing before or after bankruptcy of Borrower or any beneficial owner or other subsidiary of Borrower, and includes any obligations that may be rejected by Borrower or any such beneficial owner or subsidiary in a bankruptcy proceeding, or that may be terminated, modified or determined to be unenforceable thereunder.

(b) Each Guarantor further agrees to pay any and all fees and expenses (including, without limitation, all fees and disbursements of counsel) which may be paid or incurred by the Agent and/or the Purchasers in enforcing, or obtaining advice of counsel in respect of, any rights with respect to, or collecting, any or all of the Secured Obligations and/or enforcing any rights with respect to, or collecting against, such Guarantor under this Guaranty.

(c) Each Guarantor agrees that the Secured Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing this Guaranty or affecting the rights and remedies of the Agent and the Purchasers hereunder.

(d) No payment or payments made by the Borrower, any of the Guarantors, any other guarantor or any other Person or received or collected by the Agent or the Purchasers, from the Borrower, any of the Guarantors, any other guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Secured Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Guarantor hereunder which shall, notwithstanding any such payment or payments other than payments made by such Guarantor in respect of the Secured Obligations or payments received or collected from such Guarantor in respect of the Secured Obligations, remain liable for the Secured Obligations up to the maximum liability of such Guarantor hereunder until the Secured Obligations are indefeasibly paid in full in immediately available funds.

(e) Each Guarantor agrees that whenever, at any time, or from time to time, it shall make any payment to the Agent and the Purchasers on account of its liability hereunder, it shall notify the Agent in writing that such payment is made under this Guaranty for such purpose; provided, that the failure to give such notice shall not effect the validity of such payment.

3. Right of Set-off. Each Guarantor hereby irrevocably authorizes the Agent and the Purchasers from time to time without notice to such Guarantor or any other Guarantor, any such notice being expressly waived by each Guarantor, upon occurrence of and during the continuation of any Event of Default, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), and any other credits, Indebtedness or claims, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Agent or the Purchasers to or for the credit or the account of such Guarantor, or any part thereof in such amounts as the Agent or the Purchasers, as applicable may elect, against and on account of the obligations and liabilities of such Guarantor to the Agent and/or the Purchasers arising under the Purchase Agreement, the Notes or any other Transaction Document or otherwise, as the Agent and/or the Purchasers may elect, whether or not the Agent or the Purchasers (as applicable) have made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Agent or the relevant Purchasers, as applicable, shall notify such Guarantor of any such set-off and the application made by the Agent or such Purchasers; provided, that the failure to give such notice shall not affect the validity of such set-off and application or result in any liability to the Guarantor. The rights of the Agent and the Purchasers under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Agent and the Purchasers may have.

4. No Subrogation. Notwithstanding any payment or payments made by any of the Guarantors hereunder or any set-off or application of funds of any of the Guarantors by the Agent or the Purchasers, no Guarantor shall be entitled to be subrogated to any of the rights of the Agent or the Purchasers against the Borrower or any other Guarantor or any collateral security or guaranty or right of offset held by the Agent or the Purchasers for the payment of the Secured Obligations, nor shall any Guarantor seek or be entitled to seek any contribution or reimbursement from the Borrower or any other Guarantor in respect of payments made by such Guarantor hereunder, until all amounts owing by the Borrower on account of the Secured Obligations are indefeasibly paid in full in immediately available funds. If any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Secured Obligations shall not have been indefeasibly paid in full, such amount shall be held by such Guarantor in trust for the Agent and the Purchasers, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Agent in the exact form received by such Guarantor (duly indorsed by such Guarantor to the Agent, for the ratable benefit of the Purchasers, if required or reasonably requested), to be applied against the Secured Obligations, whether matured or unmatured, in such order as the Agent may determine.

5. Amendments, etc. with respect to the Secured Obligations; Waiver of Rights. Each Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against any Guarantor and without notice to or further assent by any Guarantor, any demand for payment of any of the Secured Obligations made by any Agent or the Purchasers may be rescinded by such party and any of the Secured Obligations continued, and the Secured Obligations, or the liability of any other party upon or for any part thereof, or any collateral security

or guaranty therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Agent, and the Purchase Agreement, the Notes and the other Transaction Documents and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Agent and the Purchasers may deem advisable from time to time, and any collateral security, guaranty or right of offset at any time held by the Agent or the Purchasers for the payment of the Secured Obligations may be sold, exchanged, waived, surrendered or released. The Agent and the Purchasers shall not have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Secured Obligations or for this Guaranty or any property subject thereto. When making any demand hereunder against any of the Guarantors, the Agent and the Purchasers may, but shall be under no obligation to, make a similar demand on the Borrower or any other Guarantor, and any failure by the Agent or the Purchasers to make any such demand or to collect any payments from the Borrower or any such other Guarantor or any release of the Borrower or such other Guarantor by agreement, operation of law or otherwise, shall not relieve any of the Guarantors in respect of which a demand or collection is not made or any of the Guarantors not so released of their several obligations or liabilities hereunder, and shall not impair or affect the rights and remedies, express or implied, or as a matter of law, of the Agent and/or the Purchasers against any of the Guarantors. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

6. Guaranty Absolute and Unconditional.

(a) Each Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Secured Obligations and upon notice of or proof of reliance by the Agent and/or the Purchasers upon this Guaranty or acceptance of this Guaranty, the Secured Obligations, and any of them, such Secured Obligations shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon this Guaranty; and all dealings between the Borrower and any of the Guarantors, on the one hand, and the Agent and/or the Purchasers, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon this Guaranty. Each Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Borrower or any of the Guarantors with respect to the Secured Obligations. Each Guarantor understands and agrees that this Guaranty shall be construed as a continuing, absolute and unconditional guaranty of payment without regard to (i) the validity, regularity or enforceability of the Purchase Agreement, the Notes or any other Transaction Document, any of the Secured Obligations or any other collateral security therefor or guaranty or right of offset with respect thereto at any time or from time to time held by the Agent and/or the Purchasers, (ii) any defense, set-off or counterclaim (other than a defense of indefeasible payment or performance) which may at any time be available to or be asserted by the Borrower against the Agent and/or the Purchasers, and all rights and remedies accorded by applicable laws to guarantors or sureties, or (iii) any other circumstance whatsoever (with or without notice to or knowledge of the Borrower or such Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrower for the Secured Obligations, or of such Guarantor under this Guaranty, in bankruptcy or in any other instance. When pursuing its rights and remedies hereunder against any Guarantor, the Agent and the Purchasers may, but shall be under no obligation to, pursue such rights and remedies as it or they may have against the Borrower or any other Person or against any collateral security or guaranty for the Secured Obligations or any right of offset with respect thereto, and any failure by the Agent and/or the Purchasers to pursue such other rights or remedies or to collect any payments from the Borrower or any such other Person or to realize upon any such collateral security or guaranty (or to proceed against any collateral in any particular order) or to exercise any such right of offset, or any release of the Borrower or any such other Person or any such collateral security, guaranty or right of offset, shall not relieve such Guarantor of any liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Agent and/or the Purchasers against such Guarantor. Furthermore, (i) Guarantor's liability shall in no way be limited or impaired by, (ii) Guarantor hereby consents to and agrees to be bound by, and (iii) Guarantor shall not be released from its obligations hereunder by any other act or occurrence that might increase or otherwise vary the risk or affect the rights or remedies of Guarantor with respect to its obligations hereunder, including any or all of the following: any other dealings or transactions between the Agent, the Purchasers and Borrower, whether or not Guarantor shall be a party to or cognizant of the same; any financial decline, bankruptcy, insolvency, assignment for the benefit of creditors, receivership, trusteeship or dissolution of or affecting Borrower; or any change, restructuring or termination of the structure or existence of Borrower. This Guaranty shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon each Guarantor and the successors and assigns thereof, and shall inure to the benefit of the Agent and the Purchasers and their respective successors, indorsees, transferees and assigns until all the Secured Obligations and the obligations of each Guarantor under this Guaranty shall have been indefeasibly satisfied by payment in full in immediately available funds.

(b) Without limiting the generality of any other waiver contained herein, each Guarantor waives any right to require the Agent or the Purchasers to: (i) proceed against any other Guarantor or any other Person; (ii) proceed against or exhaust any collateral, including, without limitation, any collateral secured by any of the Security Agreements (or to proceed against any collateral in any particular order); or (iii) pursue any other right or remedy for such Guarantor's benefit. Each Guarantor agrees that the Agent and the Purchasers may proceed against such Guarantor with respect to the Secured Obligations without taking any actions against any other Guarantor or any other Person and without proceeding against or exhausting any collateral. Each Guarantor agrees that each of the Agent and the Purchasers may unqualifiedly exercise in its sole discretion any or all rights and remedies available to it against any other Guarantor without impairing the Agent and/or the Purchasers' rights and remedies in enforcing this Guaranty, under which such Guarantor's liabilities shall remain independent and unconditional. Each Guarantor agrees and acknowledges that the Agent and/or the Purchasers' exercise of certain of such rights or remedies may affect or eliminate such Guarantor's right of subrogation or recovery against any other Guarantor and that such Guarantor may incur a partially or totally nonreimbursable liability in performing under this Guaranty. Without limiting the generality of any other waivers in this Guaranty, each Guarantor expressly waives any statutory or other right that such Guarantor might otherwise have to: (A) limit such Guarantor's liability after a nonjudicial foreclosure sale to the difference between the Secured Obligations and the fair market value of the property or interests sold at such nonjudicial foreclosure sale or to any other extent; (B) otherwise limit the Agent and/or the Purchasers's right to recover a deficiency judgment after any foreclosure sale; or (C) require the Agent and/or the Purchasers to exhaust its collateral before the Agent or the Purchasers may obtain a personal judgment for any deficiency. Any proceeds of a foreclosure or similar sale may be applied first to any obligations of the Guarantors that do not also constitute Secured Obligations. Each Guarantor acknowledges and agrees that any nonrecourse or exculpation provided for in any Transaction Document or elsewhere, or any other provision of a Transaction Document or any other agreement limiting the Agent or the Purchasers's recourse to specific collateral or limiting the Agent or the Purchasers's right to enforce a deficiency judgment against any other Guarantor, shall have absolutely no application to such Guarantor's liability under this Guaranty. To the extent that the Agent or the Purchasers collect or receive any sums or payments from a particular Guarantor, the Agent and the Purchasers shall have the right, but not the obligation, to apply such amounts first to that portion of any Guarantor's Indebtedness and obligations to the Agent and the Purchasers that are not covered by this Guaranty, regardless of the manner in which any such payments and/or amounts are characterized by the person making payment.

(c) Without limiting the generality of any other waiver contained herein, each Guarantor waives all rights and defenses that such Guarantor may have because any other Guarantor's obligations may be secured by real property. This means, among other things, that (1) the Agent and the Purchasers may collect from such Guarantor without first foreclosing on any real or personal property collateral pledged by any other Guarantor, and (2) if the Agent forecloses on any real property collateral pledged by any Guarantor, (A) the amount of the Secured Obligations may be reduced only by that portion of the price for which that collateral is sold at a foreclosure sale, even if the collateral is worth more than the sale price, and (B) the Agent and/or the Purchasers may collect from such Guarantor even if the Agent or the Purchasers, by foreclosing on the real property collateral, has destroyed any right such Guarantor may have to collect from any other Guarantor. This paragraph (c) is an unconditional and irrevocable waiver of any rights and defenses any Guarantor may have because any other Guarantor's obligations are secured by real property.

(d) Without limiting the generality of any other waiver contained herein, each Guarantor waives all rights and defenses arising out of an election of remedies by the Agent and/or the Purchasers, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for any obligation has destroyed such Guarantor's rights of subrogation and reimbursement against any other Guarantor by operation of applicable law or otherwise.

(e) Without limiting the generality of the foregoing, each Guarantor expressly and irrevocably waives, to the fullest extent permitted by applicable law, any and all rights and defenses including, without limitation, any rights of indemnification and contribution which might otherwise be available to such

Guarantor under applicable law or otherwise; provided, however, that nothing in this Section 6(e) shall in any way modify or otherwise affect any Guarantor's rights under Section 4 hereof.

7. Reinstatement. This Guaranty shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Secured Obligations is rescinded or must otherwise be restored or returned by the Agent and/or the Purchasers in connection with the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

8. Payments. Each Guarantor hereby guarantees that payments hereunder shall be paid to the Agent on behalf of itself and each of the Purchasers without set-off or counterclaim in United States dollars at the addresses set forth on the signature pages to the Purchase Agreement.

9. Representations and Warranties; Covenants and Other Secured Obligations. Each Guarantor hereby, jointly and severally, affirms the representations and warranties made by the Borrower under the Purchase Agreement, and agrees, jointly and severally, that it shall not fail to perform or observe any of the covenants, commitments or other obligations of the Borrower contained in the Purchase Agreement, and specifically represents and warrants that:

(a) all representations and warranties made by the Borrower or any other Guarantor contained in the Purchase Agreement and all other Transaction Documents are true and correct;

(b) the execution, delivery and performance of this Guaranty will not violate any provision of any Applicable Law, any contractual obligation or any organizational documents of such Guarantor and will not result in or require the creation or imposition of any Lien on any of the properties, assets or revenues of such Guarantor pursuant to any Applicable Law or contractual obligation of such Guarantor;

(c) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or Governmental Authority and no consent of any other Person (including, without limitation, any stockholder or creditor of such Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty;

(d) no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or threatened by or against such Guarantor or against any of its properties or revenues with respect to this Guaranty or any of the transactions contemplated hereby; and

(e) such Guarantor has accurately prepared and timely filed all tax returns required to be filed by it and has paid or made provision for the payment of all taxes, including without limitation, all sales and use taxes and all taxes that it is obligated to withhold from amounts owing to employees, creditors and third parties, with respect to the periods covered by such tax returns (whether or not such amounts are shown as due on any tax return, except for such taxes that are being contested in good faith and for which such Guarantor has reserved amounts adequate to meet any liabilities for any such taxes). No deficiencies for taxes with respect to such Guarantor have been claimed or proposed in writing or assessed by any tax authority. There are no pending or, to its knowledge, threatened audits, assessments or other actions for or relating to any liability in respect of taxes of such Guarantor. There are no matters under discussion with any tax authority, or known to it, with respect to taxes that are likely to result in an additional liability for taxes with respect to such Guarantor. The accruals and reserves on the books and records of such Guarantor in respect of tax liabilities for any taxable period not finally determined are adequate to meet any assessments and related liabilities for any such period and, since most recent year-end, such Guarantor has not incurred any liability for taxes other than in the ordinary course of its business. There are no Liens for taxes upon the assets of such Guarantor.

10. Notices. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service or sent by telecopier as noted below. Notices sent by hand or overnight courier service shall be deemed to have been given when received; notices sent by telecopier shall be

deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient).

(a) Notices to the Agent and the Purchasers shall be sent to the address or transmission number for notices as provided in Section 15.2 of the Purchase Agreement; and

(b) Notices to any Guarantor shall be sent to its address or transmission number for notices set forth under its signature below.

11. Counterparts. This Guaranty may be executed by one or more of the Guarantors on any number of separate counterparts (including by facsimile) and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

12. Severability. Any provision of this Guaranty which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

13. Integration. This Guaranty represents the agreement of each Guarantor with respect to the subject matter hereof and there are no promises or representations by the Agent or the Purchasers relative to the subject matter hereof not reflected herein or in the other Transaction Documents.

14. Amendments in Writing; No Waiver; Cumulative Remedies. None of the terms or provisions of this Guaranty may be waived, amended, supplemented or otherwise modified except by a written instrument executed by each Guarantor and the Agent.

(a) The Agent and the Purchasers shall not by any act of (except by a written instrument pursuant to Section 14 hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Agent and/or the Purchasers, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Agent and/or the Purchasers of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Agent and/or the Purchasers would otherwise have on any future occasion.

(b) The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

15. Limitation on Guaranteed Obligations. Notwithstanding any provision in this Guaranty or any other Transaction Document to the contrary, the liability of each Guarantor under this Guaranty shall be limited to an amount not to exceed as of any date of determination the amount which could be claimed by the Agent and/or the Purchasers from such Guarantor under this Guaranty without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of Title II of the United States Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law.

16. Section Headings. The section headings used in this Guaranty are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

17. Successors and Assigns. This Guaranty shall be binding upon the successors and assigns of each Guarantor and shall inure to the benefit of the Agent and the Purchasers and their respective successors, transferees, endorsees and assigns.

18. Governing Law. This Guaranty shall be governed by, and construed and interpreted in accordance with, the law of the State of New York, without regard to conflicts of laws principles thereof (other than Section 5-1401 of the New York General Obligations Law).

19. Termination. Upon indefeasible payment and satisfaction in full of the Secured Obligations (other than contingent indemnification obligations not yet due and payable) in immediately available funds, this Guaranty shall terminate.

20. Jurisdiction, Jury Trial Waiver, Etc. ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY, ENFORCEMENT AND INTERPRETATION OF THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF. EACH PARTY AGREES THAT ALL LEGAL PROCEEDINGS CONCERNING THE INTERPRETATIONS, ENFORCEMENT AND DEFENSE OF THIS GUARANTY (WHETHER BROUGHT AGAINST A PARTY HERETO OR ITS RESPECTIVE AFFILIATES, DIRECTORS, OFFICERS, SHAREHOLDERS, EMPLOYEES OR AGENTS) SHALL BE COMMENCED EXCLUSIVELY IN THE STATE AND FEDERAL COURTS SITTING IN THE CITY OF NEW YORK, BOROUGH OF MANHATTAN. EACH PARTY HERETO HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE CITY OF NEW YORK, BOROUGH OF MANHATTAN FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR WITH ANY TRANSACTION CONTEMPLATED HEREBY OR DISCUSSED HEREIN (INCLUDING WITH RESPECT TO THE ENFORCEMENT OF ANY OF THIS GUARANTY), AND HEREBY IRREVOCABLY WAIVES, AND AGREES NOT TO ASSERT IN ANY SUIT, ACTION OR PROCEEDING, ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF ANY SUCH COURT, THAT SUCH SUIT, ACTION OR PROCEEDING IS IMPROPER. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES PERSONAL SERVICE OF PROCESS AND CONSENTS TO PROCESS BEING SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING BY MAILING A COPY THEREOF VIA REGISTERED OR CERTIFIED MAIL OR OVERNIGHT DELIVERY (WITH EVIDENCE OF DELIVERY) TO SUCH PARTY AT THE ADDRESS IN EFFECT FOR NOTICES TO IT UNDER THIS GUARANTY AND AGREES THAT SUCH SERVICE SHALL CONSTITUTE GOOD AND SUFFICIENT SERVICE OF PROCESS AND NOTICE THEREOF. NOTHING CONTAINED HEREIN SHALL BE DEEMED TO LIMIT IN ANY WAY ANY RIGHT TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OF THE TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. IF ANY PARTY SHALL COMMENCE AN ACTION OR PROCEEDING TO ENFORCE ANY PROVISIONS OF THIS GUARANTY OR ANY TRANSACTION DOCUMENT, THEN THE PREVAILING PARTY IN SUCH ACTION OR PROCEEDING SHALL BE REIMBURSED BY THE OTHER PARTY FOR ITS REASONABLE ATTORNEYS' FEES AND EXPENSES AND OTHER REASONABLE COSTS AND EXPENSES INCURRED WITH THE INVESTIGATION, PREPARATION AND PROSECUTION OF SUCH ACTION OR PROCEEDING. NOTWITHSTANDING THE FOREGOING OR ANY OTHER PROVISION CONTAINED IN ANY TRANSACTION DOCUMENT NOTHING SHALL PREVENT OR LIMIT THE ABILITY OF THE AGENT AND/OR THE PURCHASERS TO BRING ANY ACTION UNDER THE LAWS OF THE STATE OF IDAHO TO ENFORCE ANY SECURITY, SECURITY AGREEMENT OR MORTGAGE GRANTED IN FAVOR OF THE AGENT AND/OR THE PURCHASERS.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.
SIGNATURE PAGES FOLLOW.]

IN WITNESS WHEREOF, each of the undersigned has caused this Guaranty to be duly executed and delivered by its duly authorized officer as of the day and year first above written.

<u>Guarantors:</u>

United Mine Services Inc.

By:____
Name: Greg Stewart
Title: President

Address for Notice:

1220 Big Creek Road
Kellogg, Idaho 83837

Fascimile: 208.783.2700
Attention: Erik Panke and Graham Clark

Syringa Exploration, Inc.

By:____
Name: Greg Stewart
Title: President

Address for Notice:

1220 Big Creek Road
Kellogg, Idaho 83837

Facsimile : 208.783.2700
Attention: Erik Panke and Graham Clark

Agreed and accepted
as of the date first written above:

HUSC, LLC, as agent

By:___________________________________
Name: ________________________________
Title: _________________________________

EXHIBIT D

FORM OF NOTE

TRANSFER OF THIS SECURITY IS RESTRICTED TO PERMITTED TRANSFERS PURSUANT TO A SECURITIES PURCHASE AGREEMENT BETWEEN THE ISSUER, THE PURCHASER AND HUSC, LLC DATED FEBRUARY 1, 2012.

UNLESS PERMITTED UNDER CANADIAN SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITIES IN OR TO A PERSON IN CANADA BEFORE JUNE 2, 2012.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

"THE SECURITIES INTO WHICH THIS NOTE MAY BE CONVERTED ARE LISTED ON THE TORONTO STOCK EXCHANGE (THE "TSX"); HOWEVER, THE SAID SECURITIES CANNOT BE TRADED THROUGH THE FACILITIES OF TSX SINCE THEY ARE NOT FREELY TRANSFERABLE, AND CONSEQUENTLY ANY CERTIFICATE REPRESENTING SUCH SECURITIES IS NOT "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON TSX."

No. 1

CUSIP No.: 911521AA0
ISIN No.: CA 911521AA08

US$ 6,300,000

SECURED CONVERTIBLE NOTE

FOR VALUE RECEIVED, United Silver Corp., a company incorporated under the laws of the Province of British Columbia (the "**Company**"), hereby promises to pay to HUSC, LLC, a limited liability company formed under the laws of the State of Delaware or its registered assigns or successors in interest (the "**Purchaser**"), on order, the sum of US$6,300,000 in lawful money of the United States of America, together with any accrued and unpaid interest hereon, on February 1, 2015 (the "**Maturity Date**") if not sooner paid.

This Note is one of the Notes (as defined in the Securities Purchase Agreement (as defined below)) referred to in, and is pursuant to, that certain securities purchase agreement dated as of February 1, 2012 among the Company, the Purchaser and HUSC, LLC, as agent (the "**Agent**") (as amended, restated, supplemented or otherwise modified from time to time, the "**Securities Purchase Agreement**").

The following terms shall apply to this Note:

ARTICLE 1
DEFINITIONS

1.1 Definitions

Capitalized terms used herein without definition shall have the meanings ascribed to such terms in the Securities Purchase Agreement. The following terms used herein shall have the following meanings:

"**Alternate Consideration**" has the meaning ascribed thereto in Section 5.1(a)(v).

"**Business Day**" means any day except Saturday, Sunday and any day which is a legal holiday under the laws of the State of New York or the Province of British Columbia or is a day on which banking institutions located in the State of New York or the Province of British Columbia are authorized or required by law or other governmental action to be closed.

"**Buy-In**" has the meaning ascribed thereto in Section 4.1(e).

"**Buy-In Price**" has the meaning ascribed thereto in Section 4.1(e).

"**CDS**" has the meaning ascribed thereto in Section 2.1(f).

"**Common Share Reorganization**" has the meaning ascribed thereto in Section 5.1(a).

"**Common Shares**" means the common shares in the capital of the Company and any securities into which such common shares may hereafter be reclassified.

"**Conversion Date**" means the date a Conversion Notice is delivered to the Company (as determined in accordance with the notice provisions hereof) together with a Conversion Schedule pursuant to Section 3.1.

"**Conversion Price**" means, in respect of the conversion of all or any portion of the Principal Amount (other than PIK Interest), US$0.50, subject to adjustment from time to time pursuant to Article 5. When used in respect of the conversion of any amount of PIK Interest, the term "Conversion Price" is equal to the "market price" (as defined in the Toronto Stock Exchange Company Manual) on the applicable Interest Payment Date, subject to adjustment from time to time pursuant to Article 5 and subject further to the approval of the Toronto Stock Exchange in each instance.

"**Conversion Notice**" means a written notice in the form attached hereto as Exhibit A.

"**Conversion Schedule**" has the meaning ascribed thereto in Section 3.1.

"**Current Market Price**" means, on any calculation date, the VWAP for the five trading day period ending three trading days prior to the applicable date.

"**Daily Trading Volume**" means on any given Trading Day the total volume of Common Shares traded on the Trading Market as reported by TSX.

"**Default Rate**" has the meaning ascribed thereto in Section 2.1(c).

"**Deferred Monthly Instalment**" has the meaning ascribed thereto in Section 2.1(b).

"**Deferral Notice**" has the meaning ascribed thereto in Section 2.1(b).

"**Election Notice**" has the meaning ascribed thereto in Section 2.1(b).

"**Equity Conditions**" means, with respect to Common Shares issuable pursuant to the conversion of all or any portion of principal or interest due under this Note (including, without limitation, upon conversion in full of the Notes), that each of the following conditions is satisfied: (a) the number of authorized but unissued and otherwise unreserved Common Shares is sufficient for such issuance; (b) such Common Shares are registered for resale by the Purchaser and may be sold by the Purchaser pursuant to an effective registration statement covering the Underlying Shares or such shares may be sold without volume restrictions and without any requirement for registration under the Securities Act; (c) an exemption from the prospectus and registration requirements of the *Securities Act* (British Columbia) and the U.S. Securities Act is available to issue the Underlying Shares issuable upon such conversion; (d) the Common Shares are listed or quoted (and are not suspended from trading) on the TSX and such Common Shares are approved for listing upon issuance; (e) such issuance would be permitted in full without violating the rules or regulations of the TSX; (f) no Default or Event of Default has occurred and is continuing; (g) neither the Company nor any Subsidiary breached any material obligation under the Securities Purchase Agreement or any other Transaction Document; (h) no public announcement of a pending or proposed Change of Control transaction has occurred that has not been consummated or consented to by the Majority of the Purchasers and the Agent; and (i) the Company has confirmed to the Purchaser in writing that the Company does not believe that the Purchaser, or any employee, officer, director, agent or representative of the Purchaser is at such time in possession of any material non-public information relating to the Company by the Company or any Subsidiary, or any of their respective employees, officers, directors, agents or representatives.

"**Event Equity Value**" means the average of the Closing Prices for the five Trading Days preceding the date of delivery of the notice requiring payment of the Event Equity Value, provided that if the Company does not make such required payment (together with any other payments, expenses and liquidated damages then due and payable under the Transaction Documents) when due or, in the event the Company disputes in good faith the occurrence of the event pursuant to which such notice relates, does not instead deposit such required payment (together with such other payments, expenses and liquidated damages then due) in escrow with an independent third party escrow agent within five Trading Days of the date such required payment is due, then the Event Equity Value shall be 110% of the greater of (a) the average of the Closing Prices for the five Trading Days preceding the date of delivery of the notice requiring payment of the Event Equity Value and (b) the average of the Closing Prices for the five Trading Days preceding the date on which such required payment (together with such other payments, expenses and liquidated damages) is paid in full.

"**Event of Default**" means, either, an Event of Default as defined in the Securities Purchase Agreement or a Triggering Event.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Exchange Rate**" means, in relation to any amount of currency to be converted into US dollars pursuant to this Note, the exchange rate at which Royal Bank of Canada would sell Canadian dollars in exchange for US dollars at noon on the Business Day preceding the relevant date of calculation.

"**Fundamental Change**" has the meaning ascribed thereto in Section 5.1(a)(v).

"**Interest Payment Date**" has the meaning ascribed thereto in Section 2.1(a).

"**Interest Rate**" has the meaning ascribed thereto in Section 2.1(a).

"**Issue Date**" means January 31, 2012, regardless of the number of transfers of any particular Note and regardless of the number of new Notes that may be issued in respect of such transfers.

"**Issuer Bid**" has the meaning ascribed thereto in Section 5.1(a)(iv).

"**Monthly Amount**" has the meaning ascribed thereto in Section 2.1(b).

"**Monthly Volume Limitation**" has the meaning ascribed thereto in Section 2.1(d).

"**Optional Prepayment**" has the meaning ascribed thereto in Section 2.2(a).

"**Optional Prepayment Date**" has the meaning ascribed thereto in Section 2.2(a).

"**Optional Prepayment Price**" has the meaning ascribed thereto in Section 2.2(a).

"**Original Currency**" has the meaning ascribed thereto in Section 7.8.

"**Other Currency**" has the meaning ascribed thereto in Section 7.8.

"**PIK Interest**" has the meaning ascribed thereto in Section 2.1(a).

"**Principal Amount**" has the meaning ascribed thereto in Section 2.1(b).

"**Principal Payment Date**" has the meaning ascribed thereto in Section 2.1(b).

"**Purchaser Deferred Amount**" has the meaning ascribed thereto in Section 2.1(g).

"**Quarterly Interest Payment**" has the meaning ascribed thereto in Section 2.1(a).

"**Recipient**" has the meaning ascribed thereto in Section 7.8.

"**Related Proceedings**" has the meaning ascribed thereto in Section 7.7(a).

"**Rights Offering**" has the meaning ascribed thereto in Section 5.1(a)(ii).

"**Rights Period**" has the meaning ascribed thereto in Section 5.1(a)(ii).

"**SEC**" means the United States Securities and Exchange Commission.

"**Special Distribution**" has the meaning ascribed thereto in Section 5.1(a)(iii).

"**Specified Courts**" has the meaning ascribed thereto in Section 7.7(a).

"**Trading Day**" means (a) any day on which the Common Shares are listed or quoted and traded on the TSX, or (b) if the Common Shares are not then listed or quoted and traded on the TSX, then any Business Day.

"**Triggering Event**" means any of the following events: (a) the Common Shares are not listed or quoted, or are suspended from trading, on a Trading Market for a period of ten or more Trading Days (which need not be consecutive Trading Days) in any 180 Trading Day period; (b) the exercise or conversion rights of the Purchaser pursuant to any of the Transaction Documents are suspended for any reason; (c) the Company fails to have available a sufficient number of authorized but unissued and otherwise unreserved Common Shares available to issue the Underlying Shares upon any conversion of the Notes and exercise of the Warrants or fails to have full authority, including under all laws, rules and regulations of any Trading Market, to issue such Underlying Shares (other than shareholder approval); (d) at any time after the Initial Closing Date, any Common Shares issuable pursuant to the Transaction Documents are not listed on a Trading Market; (e) the Company or any Subsidiary fails to make any cash payment required under any Transaction Document to which it is a party; or (f) a Default or an Event of Default has occurred and is continuing.

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended.

"**VWAP**" means on any particular Business Day or for any particular period the volume weighted average trading price per Common Share on such date or for such period on a Trading Market as reported by TSX, or, if the Common Shares are then no longer listed on TSX, as reported by Bloomberg L.P. or any successor performing similar functions; provided, however, that during any period the VWAP is being determined, the VWAP shall be subject to adjustment from time to time for stock splits, stock dividends, combinations and similar events as applicable.

1.2 <u>Currency</u>

(a) All monetary amounts in this Note refer to US dollars unless otherwise specified. All amounts denominated in other currencies shall be converted to the US dollar equivalent amount at the Exchange Rate on the relevant date of calculation or determination.

(b) For greater certainty and without limiting any other provision contained herein, the Conversion Price, the Current Market Price, Closing Prices and the Buy-in Price shall always be expressed in US dollars and shall be converted from Canadian dollars into the US dollar equivalent amount (if required) at the Exchange Rate on the relevant date of calculation or determination.

(c) For greater clarity and without limiting any other provision contained herein, for the purposes of calculating:

(i) the average Closing Prices in the definition of Event Equity Value;

(ii) the trading price in the definition of VWAP; and

(iii) the average Closing Prices in Section 2.2(a);

such price shall always be expressed in US dollars and shall be converted from Canadian dollars into the US dollar equivalent amount (if required) at the Exchange Rate on the relevant date of calculation or determination. For the purposes of determining the average Closing Prices referred to above such determination shall be made at the close of each relevant Trading Date.

ARTICLE 2
PRINCIPAL & INTEREST

2.1 Principal and Interest

(a) Subject to Section 7.1 hereof, interest payable on this Note shall accrue at a rate per annum (the "**Interest Rate**") equal to the "prime rate" quoted in The Wall Street Journal, Money Rates Section from time to time, plus 500 basis points (5.0%). The Interest Rate shall be increased or decreased as the case may be for each increase or decrease in the prime rate in an amount equal to such increase or decrease in the prime rate; each change to be effective as of the day of the change in such rate. Interest shall accrue and be (i) calculated daily on the basis of a 360 day year, and (ii) payable quarterly, in arrears (each, a "**Quarterly Interest Payment**") in cash, on the 1st day of May, August, November and February and upon the Maturity Date, whether by acceleration or otherwise (each, an "**Interest Payment Date**") beginning on the first such date following the Closing Date, except if such date is not a Trading Day in which case such interest shall be payable on the next succeeding Trading Day; provided, however, that so long as no Default or Event of Default shall have occurred and be continuing that the Company may elect to pay any Quarterly Interest Payment by adding the amount of such accrued any unpaid interest to the Principal Amount of this Note (interest so capitalized, the "**PIK Interest**") and recording the amount of PIK Interest to be added to the Principal Amount, the applicable Interest Payment Date and the Conversion Price in respect thereof on the grid schedule attached hereto as Exhibit C. With respect to all payments of PIK Interest, the Company will provide the Purchaser prior written notice, no later than five Business Days prior to the applicable Interest Payment Date, to adjust this Note by the applicable amount of PIK Interest. Following an increase in the Principal Amount of this Note as a result of PIK Interest, the Note will bear interest on such increased Principal Amount from and after the date of such Interest Payment Date. Unless the context otherwise requires, the Principal Amount of this Note at any time will include all interest which has theretofore been capitalized to principal thereon. All PIK Interest shall result in increases in the Principal Amount of this Note by an amount equal to the interest payable rounded up to the next whole US$1.00 and the increased Principal Amount shall be re-amortized over the remaining term of the Note and the amortization schedule to this Note shall be deemed to be amended accordingly.

The Company hereby appoints the Purchaser as its duly authorized agent to record on the grid schedule attached hereto (i) all amounts of PIK Interest to be added to the Principal Amount, (ii) the applicable Interest Payment Date in respect of such PIK Interest, and (iii) the Conversion Price in respect of the PIK Interest.

The amounts outstanding from time to time under this Note as evidenced on the grid schedule attached hereto as Exhibit C shall, in the absence of manifest error, be conclusive and binding on the Company; provided that notwithstanding the state of the grid schedule attached hereto, the failure of the Purchaser to record any amounts owing hereunder on the grid schedule attached hereto shall not affect the obligation of the Company to pay to the Purchaser the amounts due and payable by the Company.

(b) The Company shall pay the principal balance of this Note (including all PIK Interest) (the "**Principal Amount**") to the Purchaser in 18 equal monthly instalments (each, a "**Monthly Amount**") commencing on August 1, 2013 (or such later date as the Purchaser may, in its sole discretion, determine by written notice to the Company) and continuing each month thereafter on the first day of each succeeding month until the Maturity Date, except if such date is not a Trading Day in which case such Monthly Amount shall be payable on the next succeeding Trading Day (each, a "**Principal Payment Date**"), until the outstanding principal balance of this Note has been paid in full, provided, however, that,

(i) so long as no Default or Event of Default shall have occurred and be continuing that the Company may elect to defer (but only up to four times in any 12-month period, with the initial 12-month period to commence on the Issue Date) by written notice to the Purchaser (a "**Cash Deferral Notice**"), payment of all or any portion of a Monthly Amount, in which event the deferred Monthly Amount(s) shall be added to the Principal Amount outstanding effective as of the applicable Principal Payment Date, and the increased Principal Amount shall be re-amortized over the remaining term of the Note and the amortization schedule attached to this Note shall be deemed to be amended accordingly; and

(ii) in the event that the Company is not permitted pursuant to Section 2.1(d) below to pay such Monthly Amount by issuing Common Shares because of the Monthly Volume Limitation (but would otherwise be entitled pursuant to Section 2.1(d) below to do so), and the Company has not made the election to defer such Monthly Amount pursuant to Section 2.1(b)(i) above, the Company may elect (but only up to four times in any 12-month period, with the initial 12-month period to commence on the Issue Date), by written notice to the Purchaser (a "**Deferral Notice**"), to pay by issuance of Common Shares the portion of such Monthly Amount that may be paid without exceeding the applicable Monthly Volume Limitation and to defer payment of the balance of such Monthly Amount until the next Principal Payment Date (a "**Deferred Monthly Instalment**"); provided, further, that (A) if the Purchaser elects by written notice (an "**Election Notice**") to the Company within five Business Days after receipt of a Deferral Notice to accept payment of all or part of such Monthly Amount by issuance of Common Shares notwithstanding the applicable Monthly Volume Limitation, the Company shall pay all or such portion of such Monthly Amount as indicated in such Election Notice by issuance of Common Shares, and (B) until any and all outstanding Deferred Monthly Instalments have been paid in full, interest shall continue to accrue on such Deferred Monthly Instalment at the Interest Rate (or Default Rate, if applicable), and any payment (in cash or Common Shares) on this Note shall be applied first to the repayment of the interest portion of all unpaid Deferred Monthly Instalments, in the order such Deferred Monthly Instalments were deferred, and then to the repayment of the principal portion of all unpaid Deferred Monthly Instalments, in the order such Deferred Monthly Instalments were deferred, before application to other amounts owing under this Note.

If the Purchaser elects to convert any portion of the Principal Amount of this Note, that amount shall be applied as a credit to the next succeeding Monthly Amount or Monthly Amounts, as applicable or such other Monthly Amount(s) as specified by the Purchaser. Any Principal Amount that remains outstanding on the Maturity Date shall be due and payable on the Maturity Date.

(c) The Company shall pay to the order of the Purchaser interest on any principal or interest payable hereunder that is not paid in full when due, whether at the time of any Principal Payment Date or Interest Payment Date, as applicable, or maturity or by prepayment, acceleration or declaration or otherwise, for the period from and including the due date of such payment to but excluding the date the same is paid in full, at a rate per annum equal to the Interest Rate as of such due date plus 10% (but in no event in excess of the maximum rate permitted under Applicable Law) (the "**Default Rate**"). Following the occurrence and during the continuance of an Event of Default, the Interest Rate shall equal the Default Rate.

(d) Unless the Purchaser otherwise consents in writing, if (i) all of the Equity Conditions are satisfied (or waived by the Purchaser in its sole discretion or the Majority of the Purchasers and the Agent, in their sole discretion, as the case may be) on and at all times during the ten days preceding the applicable Principal Payment Date, and (ii) the arithmetic average of the VWAP for each of the 20 consecutive Trading Days prior to such Principal Payment Date is greater than 110% of the applicable Conversion Price, then unless the Purchaser, in its sole discretion otherwise directs in writing (in which case the payment of the Monthly Amount for any applicable Principal Payment Date shall be made in cash) and subject to the limitations set forth below, the Company shall pay each Monthly Amount by issuing Common Shares; provided, however, that, unless and to the extent waived by the Purchaser, the aggregate number of Common Shares issuable by the Company to the Purchaser as payment in respect of such Monthly Amount, shall not exceed 20% of the arithmetic average of the Daily Trading Volume for each of the 20 consecutive Trading Days preceding such Principal Payment Date (each such arithmetic average a "**Monthly Volume Limitation**"). Unless the Company has delivered a Cash Deferral Notice with respect to any Monthly Amount or any portion thereof, then all or any portion of such Monthly Amount that is not required or permitted to be paid in Common Shares pursuant to this Section 2.1(d) shall be paid by the Company in cash on the applicable Principal Payment Date. Any payment of a Monthly Amount in whole or in part in Common Shares shall effectively be treated as a partial conversion of that portion of the Principal Amount of this Note, with a credit applied against such Monthly Amount.

(e) In the event that the Company pays a Monthly Amount (or any portion thereof) in Common Shares in accordance with Section 2.1(d), the number of Common Shares to be issued to the Purchaser as payment for such Monthly Amount (or any portion thereof) shall be determined by dividing the Monthly Amount (or any portion thereof) by the applicable Conversion Price and rounding up to the nearest whole share and paid to the Purchaser in accordance with Section 2.1(f) below.

(f) In the event that a Monthly Amount (or any portion thereof) is paid in Common Shares in accordance with Section 2.1(d), the Company shall promptly (but in no event later than three Trading Days after the Conversion Date) (i) issue (or cause to be issued) and deliver (or cause to be delivered) to the Purchaser a certificate, bearing the restrictive legends set forth herein, if applicable, registered in the name of the Purchaser, for the number of Common Shares to which the Purchaser shall be entitled, or (ii) at all times after (x) the Company is eligible to deliver its Common Shares electronically through CDS Clearing and Depository Services Inc. ("**CDS**") in connection with a resale by the Purchaser of such Common Shares pursuant to Section 8.1 of the Securities Purchase Agreement and (y) the Purchaser has notified the Company that this clause (ii) shall apply, credit the number of Common Shares to which the Purchaser shall be entitled to the Purchaser's or its designee's balance account with CDS.

(g) Notwithstanding the foregoing, the Purchaser may elect by written notice to the Company to defer (i) all or any portion of a Monthly Amount prior to its Principal Payment Date and/or (ii) any interest payment prior to its Interest Payment Date (such deferred amount the "**Purchaser Deferred Amount**"). If the Purchaser elects to defer all or any portion of a Monthly Amount and/or interest payment, the Company shall pay all such Purchaser Deferred Amounts (together with all other amounts that may be due and payable by the Company) on the Maturity Date or such earlier date as the Purchaser may otherwise elect in writing (but not prior to the Principal Payment Date or, if applicable, the Interest Payment Date, when it was otherwise due).

2.2 Prepayment

(a) At any time following the 90th Trading Day following the Issue Date, the Company shall have the right to repurchase (an "**Optional Prepayment**") all (but not some only) of the Notes then outstanding at a price equal to 110% of the Principal Amount and all accrued but unpaid interest due under such Notes (the "**Optional Prepayment Price**"), in cash, provided, that if the aggregate value of the Underlying Shares for which all of the Notes may then be converted (based on the arithmetic average of the Closing Prices on the most recent ten Trading Days prior to the proposed Optional Prepayment) exceeds the Optional Prepayment Price, then the Company shall have the right to effect the Optional Prepayment only if (i) all of the Equity

Conditions are satisfied on and at all times during the 20 days preceding the date of the proposed Optional Prepayment and (ii) the aggregate number of Underlying Shares issuable on such date does not exceed 20% of the arithmetic average of the Daily Trading Volume for each of the 20 consecutive Trading Days preceding the date of the proposed Optional Prepayment. To effect an Optional Prepayment the Company must deliver a notice of the Optional Prepayment to the Purchaser at least 20 Trading Days prior the date of the Optional Prepayment (the "**Optional Prepayment Date**"), which notice shall state the date of the Optional Prepayment Date and the Optional Prepayment Price.

(b) Upon receipt of payment of the Optional Prepayment Price by the Purchaser, the Purchaser will deliver the certificate(s) evidencing the Notes redeemed by the Company against payment of the Optional Prepayment Price therefor, unless the Purchaser is awaiting receipt of a new Note from the Company pursuant to another provision hereof. At any time on or prior to the Optional Prepayment Date, the Purchaser may convert all or any portion of this Note, and the Company shall honour any such conversions in accordance with the terms hereof.

ARTICLE 3
CONVERSION RIGHTS

3.1 Conversion Rights

(a) All or any portion of the Principal Amount of this Note shall be convertible into Common Shares, at the option of the Purchaser, at any time and from time to time from and after the Issue Date. The number of Underlying Shares issuable upon any conversion hereunder shall equal the outstanding Principal Amount of this Note to be converted, divided by the Conversion Price on the Conversion Date. The Purchaser shall effect conversions under this Section 3.1 by delivering to the Company a Conversion Notice together with a schedule in the form of Exhibit B attached hereto (the "**Conversion Schedule**"). If the Purchaser is converting less than all of the Principal Amount of this Note, the Company shall honour such conversion to the extent permissible hereunder and shall promptly deliver to the Purchaser a Conversion Schedule indicating the Principal Amount which has not been converted.

(b) To the extent that the Company elects to PIK Interest on any Quarterly Interest Payment due on the applicable Interest Payment Date and such election is in accordance with the terms set out in Section 2.1(a), any conversion of this Note by the Purchaser shall be applied first to the conversion of any PIK Interest at the applicable Conversion Price in the order such PIK Interest was added to the Principal Amount and then to the conversion of all or any portion of the Principal Amount (other than PIK Interest) at the applicable Conversion Price.

ARTICLE 4
MECHANICS OF CONVERSION

4.1 Mechanics of Purchaser's Conversion

(a) Upon conversion of this Note, the Company shall promptly (but in no event later than three Trading Days after the Conversion Date) issue or cause to be issued and cause to be delivered to or upon the written order of the Purchaser and in such name or names as the

Purchaser may designate a certificate for the Underlying Shares issuable upon such conversion. The Purchaser, or any Person so designated by the Purchaser to receive Underlying Shares, shall be deemed to have become holder of record of such Underlying Shares as of the Conversion Date. The Company shall, upon request of the Purchaser, use its reasonable best efforts to deliver the Underlying Shares hereunder electronically through CDS in connection with a resale by the Purchaser of such shares.

(b) The Purchaser shall not be required to deliver the original Note in order to effect a conversion hereunder. Execution and delivery of the Conversion Notice shall have the same effect as cancellation of the original Note and issuance of a new Note representing the remaining outstanding Principal Amount; provided that the cancellation of the original Note shall not be deemed effective until a certificate for such Underlying Shares is delivered to the Purchaser, or the Purchaser or its designee receives a credit for such Underlying Shares to its balance account with CDS. Upon surrender of this Note following one or more partial conversions, the Company shall promptly deliver to the Purchaser a new Note representing the remaining outstanding Principal Amount. The Purchaser shall deliver the original Note to the Company within thirty (30) days after the conversion of the entire Note hereunder, provided, that the Purchaser's failure to so deliver the original Note shall not affect the validity of such conversion or any of the Company's obligations under this Note and the Company's sole remedy for the Purchaser's failure to deliver the original Note shall be to obtain an affidavit of lost note from the Purchaser.

(c) The Company's obligations to issue and deliver Underlying Shares upon conversion of this Note in accordance with the terms and subject to the conditions hereof are absolute and unconditional, irrespective of any action or inaction by the Purchaser to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any set-off, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Purchaser or any other Person of any obligation to the Company or any violation or alleged violation of law by the Purchaser or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Purchaser in connection with the issuance of such Underlying Shares (other than such limitations contemplated by this Note).

(d) If by the fifth Trading Day after a Conversion Date the Company fails to deliver or cause to be delivered to the Purchaser such Underlying Shares in such amounts and in the manner required pursuant to Section 4.1(a), then the Purchaser will have the right to rescind such conversion.

(e) If by the third Trading Day after a Conversion Date the Company fails to deliver or cause to be delivered to the Purchaser such Underlying Shares in such amounts and in the manner required pursuant to Section 4.1(a), and if after such third Trading Day the Purchaser purchases (in an open market transaction or otherwise) Common Shares to deliver in satisfaction of a sale by the Purchaser of the Underlying Shares which the Purchaser anticipated receiving upon such conversion (a "**Buy-In**"), then the Company shall either (i) pay cash to the Purchaser (in addition to any other remedies available to or elected by the Purchaser) in an amount equal to the Purchaser's total purchase price (including brokerage commissions, if any) for the Common Shares so purchased (the "**Buy-In Price**"), at which point the Company's obligation to deliver such certificate (and to issue such Common Shares) shall terminate, or (ii) promptly honour its obligation to deliver to the Purchaser a certificate or certificates representing such Common Shares and pay cash to the Purchaser in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number of Common Shares, times (B) the Closing Price on the date of the event giving rise to the Company's obligation to deliver such certificate.

(f) Each certificate for Underlying Shares shall bear a restrictive legend to the extent and as provided in the Securities Purchase Agreement.

ARTICLE 5
CERTAIN ADJUSTMENTS

5.1 Certain Adjustments

(a) The Conversion Price and number of Underlying Shares or other securities to be issued upon conversion is subject to adjustment from time to time upon the occurrence of certain events, as follows:

(i) Stock Splits, Combinations and Dividends. If at any time while this Note is outstanding, the Company shall:

(A) fix a record date for the issue of, or issue Common Shares, or securities exchangeable for or convertible into Common Shares, to the holders of all or substantially all of the outstanding Common Shares by way of a stock dividend;

(B) fix a record date for the distribution to, or make a distribution to, the holders of all or substantially all of the outstanding Common Shares payable in Common Shares or securities exchangeable for or convertible into Common Shares;

(C) subdivide, redivide or change the outstanding Common Shares into a greater number of Common Shares; or

(D) consolidate, combine or reduce the outstanding Common Shares into a lesser number of Common Shares,

(any of such events in subclauses 5.1(a)(i)(A), 5.1(a)(i)(B), 5.1(a)(i)(C) and 5.1(a)(i)(D) above being herein called a "**Common Share Reorganization**"), the Conversion Price shall be adjusted on the effective date of the Common Share Reorganization to the amount determined by multiplying the Conversion Price in effect immediately prior to such record date or effective date, as the case may be, by a fraction:

(I) the numerator of which shall be the number of Common Shares outstanding on such effective date before giving effect to such Common Share Reorganization; and

(II) the denominator of which shall be the total number of Common Shares which will be outstanding immediately after giving effect to such Common Share Reorganization (including in the case of a distribution of securities exchangeable for or convertible into Common Shares the number of Common Shares that would have been outstanding had such securities been exchanged for or converted into Common Shares on such date). Such adjustment shall be made successively whenever any such Common Share Reorganization occurs. Any such issue of Common Shares by way of a stock dividend shall be deemed to have been made on the record date for such stock dividend for the purpose of calculating the number of outstanding Common Shares under Sections 5.1(a)(i) and 5.1(a)(ii).

(ii) Rights Offering. If at any time while this Note is outstanding, the Company shall fix a record date for the issue or distribution to the purchasers of all or substantially all of the outstanding Common Shares of rights, options or warrants pursuant to which such purchasers are entitled, during a period expiring not more than 45 days after the record date for such issue (such period being the "**Rights Period**"), to subscribe for or purchase Common Shares or securities exchangeable for or convertible into Common Shares at a price per share to the purchasers (or in the case of securities exchangeable for or convertible into Common Shares, at an exchange or conversion price per share) at the date of issue of such securities of less than 95% of the Current Market Price of the Common Shares on such record date (any of such events being called a "**Rights Offering**"), the Conversion Price shall be adjusted effective immediately after the record date for such Rights Offering to the amount determined by multiplying the Conversion Price in effect on such record date by a fraction:

(A) the numerator of which shall be the aggregate of

(I) the total number of Common Shares outstanding on the record date for the Rights Offering, plus

(II) the quotient determined by dividing

a) either (a) the product of the number of Common Shares acquired during the Rights Period pursuant to the Rights Offering and the price at which such Common Shares are offered, or, (b) the product of the exchange, exercise or conversion price of the securities so offered and the number of Common Shares for or into which the securities offered pursuant to the Rights Offering were exchanged, exercised or converted, as the case may be, by

b) the Current Market Price of the Common Shares as of the record date for the Rights Offering; and

(B) the denominator of which shall be the aggregate of the total number of Common Shares outstanding on such record date plus the total number of Common Shares offered pursuant to the Rights Offering (including in the case of the issue or distribution of securities exchangeable or exercisable for or convertible into Common Shares the number of Common Shares for or into which such securities may be exchanged, exercised or converted).

If by the terms of the rights, options, or warrants referred to in this clause 5.1(a)(ii), there is more than one purchase, conversion or exchange price per Common Share, the aggregate price of the total number of additional Common Shares offered for subscription or purchase, or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered, shall be calculated for purposes of the adjustment on the basis of the lowest purchase, conversion or exchange price per Common Share, as the case may be. Any Common Shares owned by or held for the account of the Company shall be deemed not to be outstanding for the purpose of any such calculation. To the extent that any adjustment in the Conversion Price occurs pursuant to this clause 5.1(a)(ii) as a result of the fixing by the Company of a record date for the issue or distribution of rights, options or warrants referred to in this clause 5.1(a)(ii), the Conversion Price shall be readjusted immediately after the expiry of any relevant exchange, conversion or exercise right to the Conversion Price which would then be in effect based upon the number of Common Shares actually issued and remaining issuable after such expiry and shall be further readjusted in such manner upon the expiry of any further such right.

(iii) Pro Rata Distributions. If at any time while this Note is outstanding, the Company shall issue or distribute to the purchasers of all or substantially all of the Common Shares:

(A) a dividend;

(B) shares of the Company or any other corporation of any class other than Common Shares;

(C) rights, options or warrants to acquire Common Shares or securities exchangeable or exercisable for or convertible into Common Shares, or property or other assets of the Company (other than rights, options or warrants pursuant to which purchasers of

Common Shares are entitled, during a period expiring not more than 45 days after the record date for such issue, to subscribe for or purchase Common Shares or securities exchangeable for or convertible into Common Shares at a price per share (or in the case of securities exchangeable or exercisable for or convertible into Common Shares at an exchange, exercise or conversion price per share on the record date for the issue of such securities) of at least 95% of the Current Market Price of the Common Shares on such record date);

(D) evidences of indebtedness of the Company; or

(E) cash, securities or other property or assets of the Company;

and if such issue or distribution does not constitute a dividend paid in the ordinary course or a Common Share Reorganization or a Rights Offering (any of such non-excluded events being herein called a "**Special Distribution**"), the Conversion Price shall be adjusted effective immediately after the record date for the Special Distribution to the amount determined by multiplying the Conversion Price in effect on the record date for the Special Distribution by a fraction:

(I) the numerator of which shall be the difference between

a) the product of the total number of Common Shares outstanding on such record date multiplied by the Current Market Price of the Common Shares on such record date, minus

b) the fair market value in US dollars (provided that if such amount is determined in Canadian dollars it shall be converted to the US dollar equivalent at the Exchange Rate on the date that such fair market value is set), subject to TSX acceptance, as determined by the directors of the Company, acting reasonably and in good faith of such dividend, shares, rights, options, warrants, evidences of indebtedness or cash, securities or other property or assets to be paid, issued or distributed in the Special Distribution, and

(II) the denominator of which shall be the product obtained by multiplying the total number of Common Shares outstanding on such record date by the Current Market Price of the Common Shares on such record date.

Any Common Shares owned by or held for the account of the Company shall be deemed not to be outstanding for the purpose of such calculation.

To the extent that any adjustment in the Conversion Price occurs pursuant to this clause 5.1(a)(iii) as a result of the fixing by the Company of a record date for a Special Distribution, the Conversion Price shall be readjusted immediately after the expiry of any relevant exchange, exercise or conversion right to the amount which would then be in effect if the fair market value had been determined on the basis of the number of Common Shares issued and remaining issuable immediately after such expiry, and shall be further readjusted in such manner upon the expiry of any further such right.

(iv) Issuer Bids. If at any time while this Note is outstanding, the Company shall make an issuer bid or a tender or exchange offer (other than an odd lot offer or a normal course issuer bid) to all or substantially all of the holders of Common Shares for all or any portion of the Common Shares where the cash and the value of any other consideration included in such payment per Common Share exceeds the Current Market Price on the Trading Day immediately preceding the commencement of the issuer bid or tender or exchange offer (any such issuer bid or tender or exchange offer being called an "**Issuer Bid**"), the Conversion Price shall be adjusted to a price determined by multiplying the applicable Conversion Price in effect on the date of the completion of such Issuer Bid by a fraction, the numerator of which shall be the product of (A) the number of Common Shares outstanding immediately prior to the completion of the Issuer Bid (without giving effect to any reduction in respect of any tendered or exchanged shares) and (B) the Current Market Price on the Trading Day immediately preceding the commencement of the Issuer Bid, and the denominator of which shall be the sum of (A) the fair market value in US dollars, provided that if such amount is determined in Canadian dollars it shall be converted to the US dollar equivalent at the Exchange Rate on the date that such fair market value is set (determined by the board of directors of the Company, acting reasonably and in good faith and subject, in each instance, to TSX approval) of the aggregate consideration paid by the Company to holders of Common Shares upon the completion of such Issuer Bid, and (B) the product of (i) the difference between the number of Common Shares outstanding immediately prior to the completion of the Issuer Bid (without giving effect to any reduction in respect of tendered or exchanged shares) and the number of Common Shares actually purchased by the Company pursuant to the Issuer Bid, and (ii) the Current Market Price on the Trading Day immediately preceding the commencement of the Issuer Bid.

(v) Reclassification, etc. If, at any time while this Note is outstanding, (i) the Company effects any amalgamation, consolidation, arrangement, merger or other form of business combination of the Company with or into another Person resulting in any reclassification of the outstanding Common Shares, any change of the Common Shares into other shares or securities or any other reorganization of the Company, (ii) the Company effects any sale, conveyance, lease, exchange or transfer of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation or entity, (iii) the Company effects any reclassification of or amendment to the outstanding Common Shares, any change of the Common Shares into other shares or securities or any other reorganization of the Company (other than as described in Section 5.1(a)(i)) or any compulsory share exchange pursuant to which the Common Shares are effectively converted into or exchanged for other securities, cash or property (other than as a result of a subdivision or combination of Common Shares described in 5.1(a)(i) above), or (iv) there is a Change of Control (each case in clauses (i) through (iv) above, a "**Fundamental Change**"), then upon any subsequent conversion of this Note, the Purchaser shall have the right to receive (except to the extent previously distributed to the Purchaser pursuant to 5.1(a)(iii) above), for each Conversion Share that would have been issuable upon such conversion absent such Fundamental Change, the same kind and amount of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Change if it had been, immediately prior to such Fundamental Change, the registered purchaser of the number of Common Shares to which such purchaser was theretofore entitled upon such exercise of Common Shares (the "**Alternate Consideration**"). If purchasers of Common Shares are given any choice as to the securities, cash or property to be received in a Fundamental Change, then the Purchaser shall be given the same choice as to the Alternate Consideration it receives upon any conversion of this Note following such Fundamental Change. In the event of a Fundamental Change, the Company or the successor or purchasing Person, as the case may be, shall execute with the Purchaser a written agreement providing that:

(A) this Note shall thereafter entitle the Purchaser to the Alternate Consideration upon conversion;

(B) in the case of any such successor or purchasing Person, upon such consolidation, amalgamation, statutory exchange, combination, sale or conveyance such successor or purchasing Person shall be jointly and severally liable with the Company for the performance of all of the Company's obligations under this Note and the other Transaction Documents; and

(C) if registration or qualification is required under applicable Securities Laws or other Applicable Laws for the public resale by the Purchaser of shares of stock and other securities so issuable upon exercise of this Note, such registration or qualification shall be completed prior to such reclassification, change, consolidation, amalgamation, statutory exchange, combination or sale.

If, in the case of any Fundamental Change, the Alternate Consideration includes shares of stock, other securities, other property or assets of a Person other than the Company or any such successor or purchasing Person, as the case may be, in such Fundamental Change, then such written agreement shall also be executed by such other Person and shall contain such additional provisions to protect the interests of the Purchaser as the Purchaser shall reasonably consider necessary by reason of the foregoing. At the Purchaser's request, any successor to the Company or surviving Person in such Fundamental Change shall issue to the Purchaser a new Note consistent with the foregoing provisions and evidencing the Purchaser's right to convert such Note into Alternate Consideration. The terms of any agreement pursuant to which a Fundamental Change is effected shall include terms requiring any such successor or surviving Person to comply with the provisions of this Section 5.1 and ensuring that this Note (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Change. If any Fundamental Change constitutes or results in a Change of Control, then at the request of the Purchaser, the Company (or any such successor or surviving entity) will purchase this Note from the Purchaser for a purchase price, payable in cash within five Trading Days after such request, equal to the greater of (x) 110% of such outstanding principal amount of this Note, and all such accrued but unpaid interest thereon through the date of payment, and (y) the Event Equity Value of the Underlying Shares issuable upon conversion of such Principal Amount and all such accrued but unpaid interest thereon.

In the event of any question or dispute arising with respect to the adjustments provided in this Section 5.1, such questions or dispute shall be conclusively determined by an independent national firm of chartered accountants appointed by the board of directors of the Company and the Purchaser. The Company shall provide such accountants access to all necessary records of the Company and such determination shall be binding upon the Company and the Purchaser, absent manifest error.

5.2 Calculations

All calculations under this Article 5 shall be made to the nearest cent or the nearest 1/100th of a share, as applicable. The number of Common Shares outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Shares.

5.3 Notice of Adjustments

Upon the occurrence of each adjustment pursuant to this Article 5, the Company at its expense will promptly compute such adjustment in accordance with the terms hereof and prepare and deliver to the Purchaser a certificate describing in reasonable detail such adjustment and the transactions giving rise thereto, including all facts upon which such adjustment is based.

5.4 Notice of Corporate Events

If the Company (a) declares a dividend or any other distribution of cash, securities or other property in respect of its Common Shares, including without limitation any granting of rights or warrants to subscribe for or purchase any capital of the Company or any Subsidiary (other than incentives or pursuant to incentives), (b) authorizes or approves, enters into any agreement contemplating or solicits shareholder approval for a Fundamental Change or (c) authorizes the voluntary dissolution, liquidation or winding up of the affairs of the Company, then the Company shall deliver to the Purchaser a notice describing the material terms and conditions of such transaction, at least 15 Trading Days prior to the applicable record or effective date on which a Person would need to hold Common Shares in order to participate in or vote with respect to such transaction, and the Company will take all steps reasonably necessary in order to insure that the Purchaser is given the practical opportunity to convert this Note prior to such time so as to participate in or vote with respect to such transaction.

5.5 Corporate Action

As a condition precedent to the taking of any action which would require any adjustment to the Conversion Price, the Company shall take any corporate action which may be necessary in order that the Company or any successor to the Company or successor to the undertaking or assets of the Company have an unlimited amount of authorized capital or, where the amount of authorized capital is limited, such amount of unissued and reserved authorized capital as will enable it to validly and legally issue as fully paid and non-assessable all the shares or other securities which the Purchaser is entitled to receive on the full exercise thereof in accordance with the provisions hereof.

5.6 No Fractional Shares

The Company shall not issue or cause to be issued fractional Underlying Shares on conversion of this Note. If any fraction of an Underlying Share would, except for the provisions of this Section 5.6, be issuable upon conversion of this Note, the number of Underlying Shares to be issued will be rounded up to the nearest whole share.

ARTICLE 6
EVENTS OF DEFAULT

6.1 Events of Default

If an Event of Default occurs the Purchaser is entitled to all of the rights and remedies set forth in the Securities Purchase Agreement and the other Transaction Documents and the Purchaser acknowledges and agrees that in such circumstances the Principal Amount of this Note and/or all other amount specified in the Securities Purchase Agreement or any other Transaction Document may be declared or otherwise become due and payable in the manner, and with the effect provided in the Securities Purchase Agreement or any other Transaction Document.

ARTICLE 7
MISCELLANEOUS

7.1 *Interest Act* (Canada)

For the purposes of this Note and the other Transaction Documents, whenever any interest is calculated on the basis of a period of time other than a calendar year, the annual rate of interest to which each rate of interest determined pursuant to such calculation is equivalent for the purposes of the *Interest Act* (Canada) is such rate as so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days used in the basis of such determination.

7.2 Terms and Conditions of the Securities Purchase Agreement

The Company acknowledges that it is bound by all of the terms and conditions contained in the Securities Purchase Agreement.

7.3 Failure or Indulgence Not Waiver

No failure or delay on the part of the Purchaser hereof in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

7.4 Notices

Any notice herein required or permitted to be given shall be given in accordance with Section 15.2 of the Securities Purchase Agreement.

7.5 Amendment Provision

The term "Note" and all reference thereto, as used throughout this instrument, shall mean this instrument as originally executed, or if later amended or supplemented, then as so amended or supplemented, and any successor instrument issued pursuant to Section 4.1(b) hereof, as it may be amended or supplemented from time to time.

7.6 Assignability

This Note shall enure to the benefit of and shall be binding on and enforceable by and against the parties hereto and their respective successors and permitted assigns. This Note may only be assigned by the Purchaser in accordance with Section 15.4 of the Securities Purchase Agreement. This Note shall not be assigned by the Company without the prior written consent of all of the Purchasers.

7.7 Governing Law, Jurisdiction, etc.

(a) **Governing Law.** This Note shall be governed by, and construed in accordance with the laws of the State of New York.

(b) **Consent to Jurisdiction.** Each party irrevocably agrees that any legal suit, action or proceeding arising out of or based upon this Note or the transactions contemplated hereby ("**Related Proceedings**") may be instituted in the federal courts of the United States of America located in the City of New York or the courts of the State of New York in each case located in the Borough of Manhattan in the City of New York (collectively, the "**Specified Courts**"), and irrevocably submits to the non-exclusive jurisdiction of such courts in any such suit, action or proceeding. The parties further agree that any service of process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any lawsuit, action or other proceeding brought in any such court. The parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any lawsuit, action or other proceeding in the Specified Courts, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such lawsuit, action or other proceeding brought in any such court has been brought in an inconvenient forum. Nothing in this Note will affect the right of any party to this Note to serve process in any other manner permitted by Applicable Law.

7.8 Judgment Currency

(a) If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due to the Purchaser (each a "**Recipient**") in any currency (the "**Original Currency**") into another currency (the "**Other Currency**"), the parties agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which, in accordance with normal banking procedures, such Recipient could purchase the Original Currency with the Other Currency on the Business Day preceding the day on which final judgment is given or, if permitted by Applicable Law, on the day on which the judgment is paid or satisfied.

(b) The obligations of the Company in respect of any sum due in the Original Currency from it to any Recipient under this Note or any other Transaction Documents shall, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Business Day following receipt by the applicable Recipient of any sum adjudged to be so due in the Other Currency, such Recipient may, in accordance with normal banking procedures, purchase the Original Currency with such Other Currency. If the amount of the Original Currency so purchased is less than the sum originally due to such Recipient in the Original Currency, the Company agrees, as a separate obligation and notwithstanding the judgment, to indemnify each Recipient, against any loss, and, if the amount of the Original Currency so purchased exceeds the sum originally due to such Recipient in the Original Currency, such Recipient shall remit such excess to the Company.

7.9 Security Interest and Guarantee

The Agent, for and on behalf of the Purchasers has been granted a security interest in certain assets of the Company and each of the Guarantors, as more fully described in the Transaction Documents. The obligations of the Company under this Note are guaranteed by each of the Guarantors pursuant to each of the Guarantees dated as of the date hereof.

7.10 Construction

Each party acknowledges that its legal counsel participated in the preparation of this Note and, therefore, stipulates that the rule of construction that ambiguities are to be resolved against the drafting party shall not be applied in the interpretation of this Note to favour any party against the other.

7.11 Severability

If any provision contained in this Note shall be invalid, illegal or unenforceable in any jurisdiction, the invalidity, illegality or unenforceability of that provision will not affect:

(a) the validity, legality or enforceability of the remaining provisions hereof or thereof; or

(b) the validity, legality or enforceability of that provision in any other jurisdiction.

7.12 Conversions Generally

If the Company or the Purchaser converts any amount payable under this Note into Common Shares in accordance with the terms of the Note prior to a Principal Payment Date, such conversion shall be credited by the Purchaser towards the Monthly Amount payable on the next Principal Payment Date and each successive Principal Payment Dates thereafter (to the extent applicable).

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Company has caused this Note to be signed in its name effective as of this ___________ day of February, 2012.

UNITED SILVER CORP.

by ________________________________

Name:
Title:

EXHIBIT A

FORM OF NOTICE OF CONVERSION

(To be executed by the Purchaser in order to convert all or part of the Note into Common Shares)

To: UNITED SILVER CORP.

The undersigned hereby elects to convert US$_________ of the principal due on __________________ **[specify applicable Principal Payment Date]** under the Note issued by **UNITED SILVER CORP.** dated February 1, 2012 by delivery of Common Shares of **UNITED SILVER CORP.** according to the conditions hereof, as of the date written below.

1. Date to Effect Conversion: ______________________________
2. Principal Amount of Notes Owned Prior to Conversion: ______________________________
3. Principal Amount of Notes to be Converted: ______________________________
4. Number of Common Shares to be Issued: ______________________________
5. Applicable Conversion Price(s): ______________________________
6. Principal Amount of Notes Owned Subsequent to Conversion: ______________________________
7. Name of Purchaser: ______________________________

By: _________________________

EXHIBIT B

CONVERSION SCHEDULE

This Conversion Schedule reflects conversions of the Notes issued by United Silver Corp.

Date of Conversion	Amount of Conversion	Conversion Price(s)	Aggregate Principal Amount Remaining Subsequent to Conversion

EXHIBIT C

GRID SCHEDULE RE PIK INTEREST

Amount of PIK Interest to be added to Principal Amount	Applicable Interest Payment Date	Conversion Price

AMORTIZATION SCHEDULE

Months	Monthly Amortization	Total for Year

EXHIBIT E

FORM OF SUBSIDIARY CONTROL AGREEMENT

BLOCKED ACCOUNTS AGREEMENT

THIS AGREEMENT is made as of January ___, 2012,

A M O N G:

HUSC, LLC

(as agent for itself and the "Purchasers" under the Securities Purchase Agreement referred to below, hereinafter referred to as the "**Secured Party**"),

- and -

UNITED MINE SERVICES INC.,
a corporation existing under the laws of Idaho,

(hereinafter referred to as the "**Debtor**"),

-and-

MOUNTAIN WEST BANK

(hereinafter referred to as the "**Bank**").

WHEREAS as required by the Securities Purchase Agreement dated as of January _____, 2012 between the Debtor and the Secured Party (the "**Securities Purchase Agreement**"), the Debtor has granted security to the Secured Party and the Securities Purchase Agreement requires the implementation of the cash management arrangements provided for in this Agreement.

NOW THEREFORE for value received, the parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Defined Terms

For the purpose of this Agreement, including the recitals herein, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

"**Activation Date**" means a date specified by Secured Party in the Activation Notice delivered by Secured Party to the Bank which shall fall no sooner than a date that is three Business Days following the Bank's receipt of such Activation Notice:

"**Activation Notice**" means a notice from the Secured Party to the Bank in the form appearing at Schedule B hereto:

"**Branch of Account**" means the branch of the Bank located at:

101 Ironwood Drive
Coeur d'Alene, ID 83816;

"**Business Day**" means any day on which the Branch of Account is open for business to the public;

"**CPA Rules**" means the rules established from time to time by the Canadian Payments Association (or any other appropriate clearing group) to govern the clearing and settlement of payment items within the national clearing and settlement system;

"**Cheques**" means all cheques, money orders, wire transfers, notes, drafts and other orders for payment of money or other remittances payable to the Debtor;

"**Obligations**" means all indebtedness, liabilities and obligations (whether direct, indirect, absolute, contingent or otherwise and whether in respect of principal or interest thereon) existing from time to time of the Debtor to the Secured Party (including, for greater certainty, to any successor or permitted assign thereof, whether arising or incurred before or after the date of succession or assignment); and

"**Receivables**" means all present and future accounts, accounts receivable, debts and book debts of any nature or type of the Debtor.

1.2 Gender and Number

Any reference in this Agreement to gender includes all genders, and words importing the singular number only include the plural and *vice versa*.

1.3 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the interpretation of this Agreement. The terms "**this Agreement**", "**hereof**", "**hereunder**" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Save as expressly provided herein, references herein to Articles and Sections are to Articles and Sections of this Agreement.

1.4 Certain Phrases, etc.

In this Agreement, unless otherwise expressly provided, (i) (A) the words "**including**" and "**includes**" mean "**including (or includes) without limitation**", (B) the word "**will**" has the same meaning as the word "**shall**", and (C) any reference to any Person shall be construed to include such Person's successors, permitted assigns and legal personal representatives, and (ii) in the computation of periods of time from a specified date to a later specified date the word "**from**" means "**from and including**" and the words "**to**" and "**until**" each mean "**to (or until) but excluding**".

1.5 References to the Secured Party

Any reference in this Agreement to the Secured Party, shall be construed so as to include its successors and permitted transferees or assigns hereunder in accordance with its respective interests.

1.6 References to a Time of Day

Except as otherwise specified herein, a time of day shall be construed as a reference to the time of day in New York, New York.

1.7 Severability

If any provision contained in this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the invalidity, illegality or unenforceability of that provision will not affect:

(a) the validity, legality or enforceability of the remaining provisions hereof or thereof; or

(b) the validity, legality or enforceability of that provision in any other jurisdiction.

1.8 References to Statutes

Except as otherwise provided herein, any reference in this Agreement to a statute, regulation or other legislative instrument shall be construed to be a reference thereto as the same may from time to time be amended, re-enacted or replaced and any reference to a statute shall include any regulations made thereunder.

1.9 References to Agreements

Except as otherwise provided herein, any reference in this Agreement to this Agreement or to any other agreement or document shall be construed to be a reference to this Agreement or such other agreement or document, as the case may be, as the same may have been, or may from time to time be, amended, varied, novated, restated or supplemented.

1.10 Governing Law, Jurisdiction, etc.

(a) **Governing Law**. This Agreement shall be governed by, construed and interpreted in accordance with, the laws of the State of New York, without regard to conflicts of laws principles thereof (other than Section 5-1401 of the New York General Obligations Law). The parties expressly agree that for purposes of the Uniform Commercial Code, Article 9 of the Uniform Commercial Code, Section 9-300 *et. seq* and Section 9-304(b)(1) of the Uniform Commercial Code, the Bank's jurisdiction is the State of New York, and the Bank and the Debtor hereby represent and warrant they have no other agreement to the contrary or providing for a different jurisdiction.

(b)

Jurisdiction, Jury Trial Waiver, etc. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of this Agreement (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York, Borough of Manhattan. Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement. If any party shall commence an action or proceeding to enforce any provisions of this Agreement, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its reasonable attorneys' fees and expenses and other reasonable costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

(c) **Waiver of Venue.** The Debtor irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement in any court referred to in Section 1.10. The Debtor irrevocably waives, to the fullest extent permitted by applicable law, the defence of an inconvenient forum to the maintenance of such action or proceeding in any such court.

1.11 Incorporation of Schedules

The schedules attached to this Agreement shall, for all purposes of this Agreement, form an integral part of it.

ARTICLE 2
ACKNOWLEDGEMENT OF SECURITY

2.1 Acknowledgement of Security

The Debtor acknowledges that it has granted to, and has created in favour of, Secured Party a first priority perfected security interest in:

(a) its interest in all Cheques and other remittances received by the Debtor; and

(b) the depository accounts in the name of the Debtor described in Schedule A hereto as blocked accounts (the "**Blocked Accounts**"), including all sums now on deposit in or payable to and any interest accrued or payable on the credit balances therein.

ARTICLE 3
COLLECTION OF RECEIVABLES

3.1 Collections

The Debtor shall, as soon as practically possible, and, in any event, within 24 hours of receipt thereof, deliver to the Bank for deposit into the Blocked Accounts any and all Cheques. Prior to the Activation Date, the Debtor shall hold all post-dated Cheques received by it until they may be included in a deposit made by or on behalf of the Debtor. Until all cash and Cheques received by the Debtor are delivered to the Bank for deposit in the Blocked Accounts, the Debtor shall hold all such cash and Cheques in trust and as mandatary for Secured Party, segregated from all other funds and other property of the Debtor.

ARTICLE 4
BLOCKED ACCOUNTS OPERATION

4.1 Instructions

(a) Prior to the Activation Date, the Blocked Accounts shall be subject to instructions, written or otherwise, only from the Debtor which alone, as between the Debtor and Secured Party, prior to the Activation Date, shall have all authority and right in connection with the Blocked Accounts. Prior to the Activation Date, the Bank shall be entitled to act upon the instructions of any person who the Bank believes, acting reasonably, is a person that the Debtor has identified in writing from time to time to the Bank as being a person authorized by the Debtor to give instructions to the Bank.

(b) Secured Party is hereby advised that, prior to the Activation Date, the Blocked Accounts are subject to debits and funds transfers therefrom (including, without limitation, funds transfers to or for the benefit of the Debtor), and other instructions, which transfers and instructions may be communicated, initiated or effected by the Debtor either in writing, verbally and/or by mechanical or electronic means pursuant to various account and service agreements or arrangements with the Bank from time to time (collectively, the "**Account Agreements**"). In the event of a conflict between this Agreement and the Account Agreements after the Activation Date, the terms of this Agreement shall govern. The parties acknowledge and agree that, on and after the Activation Date, and notwithstanding anything to the contrary contained in any of the Account Agreements or otherwise, the Bank shall no longer be required to be bound by, observe, perform or comply with, any of the Account Agreements and the Bank may forthwith terminate any or all of the Account Agreements or any portions or parts thereof, all without requirement for any notice of termination or any other notice to the Debtor or the Secured Party whatsoever and each of the Debtor and the Secured Party hereby irrevocably acknowledges and agrees to the foregoing and waives and releases the Bank from and against any and all claims, losses, costs and damages that each of them may incur or suffer as a result thereof. For greater certainty, nothing herein, including any termination by the Bank of any of the Account Agreements, is intended to or shall result in: (a) the Debtor being released from any liabilities or obligations to the Bank arising under or in connection with any of the Account Agreements, or (b) the Bank being released from any prior notice obligation arising under Section 8.2 of this Agreement in respect of any termination of this Agreement by the Bank. Nothing in this Section 4.1(b) or in any other provision of this Agreement shall be construed to limit or diminish any of the Bank's obligations to comply with this Agreement (including without limitation Section 4.1(d)) or permit the Bank to cause any Blocked Account to cease constituting a deposit account under Section 9-102(a)(29) of the New York Uniform Commercial Code. In the event of any conflict between this Agreement and the Account Agreements, this Agreement shall control, and in the event of any conflict between Section 4.1(d) and any other Section of this Agreement, Section 4.1(d) shall control.

(c) The Bank will be fully protected in acting on any and all instructions given prior to the Activation Date by the Debtor pursuant to or otherwise in connection with this Agreement regarding the Blocked Accounts without making any inquiry as to the right or authority of the Debtor to give the instructions or as to the application of any payment or transfer made pursuant thereto. For greater certainty, the Debtor hereby acknowledges and confirms that it shall not issue any payment instructions of any kind nor shall it deliver any other instructions, written or otherwise, to the Bank in connection with the Blocked Account following receipt of an Activation Notice. Notwithstanding anything in this Agreement or any document, the Bank hereby agrees that it shall not comply with any instructions originated by the Debtor on or after the Activation Date directing disposition of funds in the Blocked Accounts.

(d) On and after the Activation Date, the Blocked Accounts shall be subject to written instructions only from Secured Party which alone, as between the Debtor and Secured Party, shall have all authority and right in connection with the Blocked Accounts, without any requirement of obtaining any consent from Debtor. The Bank shall be entitled and required to act upon the instructions of any person who the Bank believes, acting reasonably, is a person that Secured Party has identified in writing from time to time to the Bank as being a person authorized by Secured Party to give instructions to the Bank. Notwithstanding anything in this Agreement or any document, the Debtor, the Secured Party and the Bank hereby agree that the Bank shall comply with all instructions originated by the Secured Party on or after the Activation Date directing disposition of funds in any or all of the Blocked Accounts without the consent of the Debtor.

4.2 Wire Transfers

The Bank shall apply and credit to the applicable Blocked Account all wire transfers directed to that Blocked Account in accordance with the Bank's standard procedures.

ARTICLE 5
FEES, EXPENSES, CHARGEBACKS AND INDEMNITY

5.1 Waiver of the Bank's Rights

Except as expressly provided in this Agreement, on and after Activation Date, the Bank waives and agrees not to assert, claim or endeavour to exercise any right of deduction, set-off, pledge or other right to claim with respect to the Blocked Accounts, or the funds therein.

The Debtor hereby agrees that it is responsible for all normal and customary fees and expenses established by the Bank from time to time for the services provided hereunder (all such amounts, the "**fees and expenses**"). If any of the fees and expenses are not paid by the Debtor when due, the Bank shall be entitled to automatically debit, by mechanical, electronic or manual means, any of the Blocked Accounts for such fees and expenses.

5.2 Chargebacks

Notwithstanding Section 5.1, the Bank shall be entitled to automatically debit, by mechanical, electronic or manual means, any one or more of the Blocked Accounts at any time and from time to time solely for:

(a) the amount of any Cheque deposited in a Blocked Account after the date hereof which is subsequently returned to the Bank for any reason whatsoever ("**Returned Amounts**"); and

(b) the amount of any required adjustments due to clerical errors or calculation errors directly related to any Blocked Account ("**Error Amounts**" and, together with Returned Amounts, "**Chargebacks**").

and provided, further, that if the Bank has transferred to the Secured Party the funds on deposit in a Blocked Account (the "Transferred Amount") in respect of which the Bank is entitled to a Chargeback and the funds in the Blocked Accounts are insufficient to cover the amount of the relevant Chargeback, Secured Party shall pay to the Bank the amount of the Chargeback not recoverable from the Blocked Accounts, within three Business Days of receipt of a statement signed by the Bank confirming the details of such Chargeback and the Bank's entitlement to it under this Section 5.2 in form satisfactory to Secured Party; provided however, Secured Party shall only be required to make any such payment if the Bank has made such request for payment in the case of (i) a Returned Amount, within 95 days after the date the value represented by the Returned Amount was transferred or otherwise paid to or to the order of Secured Party, and (ii) an Error Amount, within 85 days after the error forming the basis of the Error Amount was made. The Secured Party shall not be obligated, pursuant to this Section 5.2, to pay the Bank any amount in excess of the Transferred Amount.

5.3 Indemnity

The Debtor hereby agrees to pay, indemnify and hold harmless the Bank from and against any and all loss, liability, cost, claim and expense incurred by it with respect to the performance of this Agreement by the Bank or any of the Bank's directors, officers, or employees, unless arising from its or their own violation of law, gross negligence or wilful misconduct.

5.4 **Court Orders**

The Bank shall, no later than two Business Days following any request by the Debtor or the Secured Party, provide to the Secured Party or the Debtor, as the case may be, a copy of any court order relating to the Blocked Accounts.

ARTICLE 6
BLOCKED ACCOUNT ARRANGEMENT

This Article intentionally omitted.

ARTICLE 7
REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE DEBTOR

7.1 **No Other Accounts**

The Debtor represents and warrants to the Secured Party that as at the date hereof, the Debtor has no other deposit accounts other than (a) the Branch Account; and (b) any other account that is subject to blocked account agreement substantially similar to this Agreement in favour of the Secured Party. So long as any obligations are owed by the Debtor to the Secured Party, the Debtor covenants and agrees not to create or suffer to exist any deposit accounts other than those existing on the date hereof without the prior written consent of the Secured Party.

ARTICLE 8
GENERAL PROVISIONS

8.1 **Notice**

(a) Any notice to the Debtor, the Secured Party or the Bank under the provisions of this Agreement shall be valid and effective if: (A) delivered; (B) sent by registered letter, postage prepaid; or (C) facsimiled and confirmed by first class mail, postage prepaid to the applicable address set out below. Any notice given to the Debtor, the Secured Party or the Bank in any manner set form in (A) to (C) of this Section 8.1 shall be deemed to have been effectively given (X) if delivered, on the date so delivered; (Y) if sent by facsimile, on the date such facsimile is sent; or (Z) if mailed, on the date five Business Days after the date of mailing.

(i) Communications with the Debtor shall be addressed as follows:

United Mine Services, Inc.
1220 Big Creek Rd.
Kellogg, ID 83837

Attention: Erik Panke
Fax No.: 208-783-2700

(ii) Communications with the Bank shall be addressed as follows:

Mountain West Bank

125 Ironwood Drive

Coeur d'Alene, ID 83816

Attention: Leza Wright
Fax No.: 208-765-0177

(iii) Communications with Secured Party shall be addressed as follows:

c/o Hale Capital Partners, L.P.
570 Lexington Avenue
49th Floor
New York, NY 10022

Attention: Martin Hale and Nathaniel Klein
Fax: 212.751.8822

(b) Any Party may from time to time change its address for purposes of this Section 8.1 by providing written notice thereof to each other Parties in accordance with the provisions of this Section 8.1.

8.2 Termination

This Agreement may be terminated by (a) written agreement made between the Secured Party, the Debtor and the Bank; or (b) notice in writing given by the Debtor to the Secured Party and the Bank at any time when all of the Obligations (as such term is defined in the Trust Indenture) have been fully satisfied and performed by the Debtor and the Trust Indenture has been terminated in accordance with its terms. For a period of thirty (30) days after termination the Bank shall hold any Cheques received for Secured Party and after such time shall process the same according to the Bank's usual practices without liability to or on the part of the Bank. Sections 5.2 and 5.3 shall survive termination of this Agreement.

8.3 Remedies Cumulative

The rights enumerated in this Agreement are in addition to and not in substitution for any other rights of Secured Party pursuant to any security held by Secured Party and except as otherwise contemplated in this Agreement, nothing in this Agreement is to be interpreted as restricting the rights of Secured Party pursuant to any security held by Secured Party.

8.4 Power of Attorney

The Debtor constitutes and irrevocably appoints Secured Party its true and lawful attorney, with full power of substitution, without limitation, to demand, collect, receive and sue for all amounts which may become due or payable in respect of any Blocked Account and to execute all withdrawal receipts or other orders for the Debtor, in its own name or in the Debtor's name or otherwise, which Secured Party deems necessary or appropriate to protect and preserve its right, title and interest in any Blocked Account and, otherwise, to carry out the provisions and purposes of this Agreement.

8.5 Limitation of the Bank's Liability

The Bank undertakes to perform only such duties as are expressly set forth in this Agreement and to deal with the Blocked Accounts with the degree of skill and care that the Bank accords to all accounts and funds maintained and held by it on behalf of its customers. Notwithstanding any other provision of this Agreement to the contrary, it is agreed by the parties hereto that:

(a) the Bank shall not be liable for any action taken by it or any of its directors, officers or employees in accordance with this Agreement except for its or their own violation of law or this Agreement, gross negligence or wilful misconduct;

(b) in no event shall the Bank be liable for losses or delays resulting from computer malfunctions or interruption of communication facilities which are beyond the Bank's control or from other causes which are beyond the Bank's control or from *force majeure* or for indirect, special or consequential damages; and

(c) with respect to any instructions given or requests made by either of the Debtor or Secured Party in connection with this Agreement, in no event shall the Bank be liable for any failure to comply with or satisfy the same if such failure resulted from circumstances or causes beyond the Bank's control or from *force majeure*.

8.6 Collection of Accounts

Notwithstanding anything in this Agreement to the contrary, neither Secured Party nor the Bank shall have any obligation or liability under any Receivable (or any agreement giving rise thereto) by reason of or arising out of any of this Agreement or any other agreement or the receipt by Secured Party or the Bank of any payment relating to such Receivable nor shall Secured Party or the Bank be obligated in any manner to perform any of the obligations of the Debtor or any other person or party under or pursuant to any Receivable (or any agreement giving rise thereto), to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Receivable (or any agreement giving rise thereto), to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been hypothecated to it, or in which a security interest may have been created in its favour, or to which it may be entitled at any time or times.

8.7 Records

The Bank shall maintain a record of all money, Cheques and other remittance items deposited in and transfers to the Blocked Accounts in accordance with the Bank's standard procedures.

8.8 Provision of Information

Upon the request of Secured Party, from time to time, the Bank shall provide to the Debtor and the Secured Party, at the Debtor's expense, monthly statements summarizing the daily activity in each Blocked Account. The Bank shall also provide to Secured Party, at the Debtor's expense, such information compiled by the Bank in accordance with the activity, on a daily, weekly or monthly basis, in each Blocked Account, as may be reasonably requested by Secured Party in writing.

8.9 Entire Agreement

This Agreement constitutes the entire agreement between the Debtor, the Secured Party and the Bank with respect to the subject matter hereof and thereof, and supersede all prior agreements and understandings, if any, relating to the subject matter hereof or thereof. Any promises, representations, warranties or guarantees not herein contained and hereinafter made shall have no force and effect unless in writing signed by the parties hereto. Each party hereto acknowledges that it has been advised by counsel in connection with the negotiation and execution of this Agreement and is not relying upon oral representations or statements inconsistent with the terms and provisions hereof.

8.10 Time

Time is of the essence.

8.11 Amendments

No provision of this Agreement may be changed, modified, amended, restated, waived, supplemented, discharged, cancelled or terminated orally or by any course of dealing or in any other manner other than by a written agreement signed by all parties hereto.

8.12 Successors and Assigns

This Agreement shall enure to the benefit of and be enforceable by each of the parties hereto and their respective successors and assigns and shall be binding upon each of the parties hereto and their respective successors and permitted assigns. Except as permitted under the Trust Indenture, the Debtor may not assign this Agreement without the prior written consent of the Secured Party. The Bank may not assign this Agreement without the prior written consent of the Secured Party. This Agreement may be assigned by the Secured Party to any successor of the Secured Party under its general security agreement with the Debtor, provided that written notice thereof is given by the Secured Party to the Bank.

8.13 Further Assurances

The parties shall at all times do, execute, acknowledge and deliver such acts, deeds and agreements as may be reasonably necessary or desirable to give effect to the terms of this Agreement.

8.14 Counterparts

This Agreement and all documents contemplated by or delivered under or in connection with this Agreement may be executed and delivered in any number of counterparts with the same effect as if all parties had all signed and delivered the same document and all counterparts will be construed together to be an original and will constitute one and the same agreement.

8.15 Authorization

For the purposes of this Agreement, any attorney, officer, employee or agent of Secured Party shall be authorized to act, and to give instructions and notice, on behalf of Secured Party hereunder, and any attorney, officer, manager or agent of the Bank shall be authorized to act and give instructions and notice on behalf of the Bank hereunder.

8.16 No Fiduciary Obligations

Nothing in this Agreement shall constitute any party to this Agreement a fiduciary in relation to any other party to this Agreement.

[*The remainder of this page is intentionally left blank.*]

IN WITNESS WHEREOF the parties have executed this Agreement.

HUSC, LLC

by ______________________
Name: Murphy Ithle
Title: Manager

____
Name: Murphy Ithle
Title: Manager

UNITED MINE SERVICES, INC.

by ______________________
Name: Greg Stewart
Title: President

____
Name:
Title:

MOUNTAIN WEST BANK

by ______________________
Name: LEZA M. WRIGHT
Title: VICE PRESIDENT | MANAGER

____
Name:
Title:

SCHEDULE A
ACCOUNTS

Blocked Accounts

Type of Account	Account Number
Intentionally redacted	

SCHEDULE B
ACTIVATION NOTICE

TO: Mountain West Bank (the "**Bank**")

Re: Blocked Accounts Agreement dated ■, 2011 among United Silver Corp., as Debtor, Hale Capital Partners, L.P., as Secured Party, and the Bank (as amended, restated, supplemented or otherwise modified from time to time, the "**Blocked Accounts Agreement**").

Terms with initial capital letters in this notice and not otherwise defined herein shall have the meanings given to them in the Blocked Accounts Agreement.

The Secured Party hereby notifies the Bank that the Activation Date shall occur not later than the third Business Day following receipt by the Bank of this notice.

Dated ■, 201■ .

■

By: ______________________________

Name:

Title:

EXHIBIT F

FORM OF SUBSIDIARY SECURITY AGREEMENT

SECURITY AGREEMENT

This SECURITY AGREEMENT, dated as of February ■, 2012 (the "Agreement") is by and among United Mine Services, Inc., a corporation duly organized and validly existing under the laws of the State of Idaho (the "Company"), and HUSC, LLC, as agent (in such capacity, together with its successors in such capacity, the "Agent").

United Silver Corp., a British Columbia corporation (the "Borrower"), the Agent and HUSC, LLC, as initial purchaser (the "Initial Purchaser") are parties to a Securities Purchase Agreement dated as of February ■, 2012 (as modified and supplemented and in effect from time to time, the "Purchase Agreement"), that provides, subject to the terms and conditions thereof, for the issuance and sale by the Borrower to the Initial Purchaser of Notes and Warrants as more fully described in the Purchase Agreement.

The Company is a wholly-owned subsidiary of the Borrower.

The Company has guaranteed the Secured Obligations (as hereinafter defined) pursuant to a subsidiary guaranty (the "Guaranty") made by, *inter alia*, the Company and the Agent and dated the date hereof.

To induce the Agent and the Initial Purchaser to enter into the Purchase Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company has agreed to pledge and grant a security interest in the Collateral (as hereinafter defined) as security for the Secured Obligations (as hereinafter defined). Accordingly, the parties hereto agree as follows:

Section 1. Definitions. Each capitalized term used herein and not otherwise defined shall have the meaning assigned to such term in the Purchase Agreement. In addition, as used herein:

"Accounts" shall have the meaning ascribed thereto in Section 3(d) hereof.

"Business" shall mean the businesses from time to time, now or hereafter, conducted by the Company and its Subsidiaries.

"Collateral" shall have the meaning ascribed thereto in Section 3 hereof.

"Copyright Collateral" shall mean all Copyrights, whether now owned or hereafter acquired by the Company, that are associated with the Business, including without limitation those Copyrights identified on Part 1 of Annex 3 hereto.

"Copyrights" shall mean all copyrights, copyright registrations and applications for copyright registrations, including, without limitation, all renewals and extensions thereof, all income, royalties, damages and payments now or hereafter due and/or payable under and with respect thereto, the right to recover for all past, present and future infringements thereof, and all other rights of any kind whatsoever accruing thereunder or pertaining thereto.

"Deposit Accounts" shall mean, collectively, with respect to the Company (i) all "deposit accounts" as such term is defined in Article 9 of the UCC and in any event shall include all accounts and sub-accounts relating to any of the foregoing accounts and (ii) all cash, funds, checks, notes and instruments from time to time on deposit in any of the accounts or sub-accounts described in clause (i) of this definition.

"Documents" shall have the meaning ascribed thereto in Section 3(j) hereof.

"Equipment" shall have the meaning ascribed thereto in Section 3(h) hereof.

"Equity Interests" means shares of capital stock, partnership interests, limited liability company interests in a limited liability company, beneficial interests in a trust or other corresponding equity ownership interests in any other type of Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest, and also includes the status of the holder thereof as a partner, member, beneficiary or corresponding type of equity holder.

"Excluded Collateral" shall mean those assets of the Company, as listed on Annex 2 hereto, which both (i) have not been pledged or assigned to any other Person (including the holder(s) of Permitted Indebtedness) and (ii) cannot be assigned (but only to the extent such prohibition on assignment is enforceable under applicable law, including, without limitation, Sections 9-406 and 9-408 of the UCC).

"Instruments" shall have the meaning ascribed thereto in Section 3(e) hereof.

"Intellectual Property" shall mean, collectively, all Copyright Collateral, all Patent Collateral and all Trademark Collateral, together with (a) all inventions, processes, production methods, proprietary information, know-how and trade secrets used or useful in the Business; (b) all licenses or user or other agreements granted to the Company with respect to any of the foregoing, in each case whether now or hereafter owned or used including, without limitation, the licenses or other agreements with respect to the Copyright Collateral, the Patent Collateral or the Trademark Collateral; (c) all customer lists, identification of suppliers, data, plans, blueprints, specifications, designs, drawings, recorded knowledge, surveys, manuals, materials standards, processing standards, catalogs, computer and automatic machinery software and programs, and the like pertaining to the operation by the Company of the Business; (d) all sales data and other information relating to sales now or hereafter collected and/or maintained by the Company that pertain to the Business; (e) all accounting information which pertains to the Business and all media in which or on which any of the information or knowledge or data or records which pertain to the Business may be recorded or stored and all computer programs used for the compilation or printout of such information, knowledge, records or data; (f) all licenses, consents, permits, variances, certifications and approvals of governmental agencies now or hereafter held by the Company pertaining to the operation by the Company and its Subsidiaries of the Business; and (g) all causes of action, claims and warranties now or hereafter owned or acquired by the Company in respect of any of the items listed above.

"Inventory" shall have the meaning ascribed thereto in Section 3(f) hereof.

"Issuers" shall mean, collectively, the respective entities identified on Annex 1 hereto, and all other entities formed by the Company or entities in which the Company owns or acquires any capital stock or similar interest.

"Lien" shall mean any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Uniform Commercial Code or comparable law of any jurisdiction).

"Motor Vehicles" shall mean motor vehicles, tractors, trailers and other like property, whether or not the title thereto is governed by a certificate of title or ownership.

"Organizational Documents" means the Articles of Incorporation and By-laws of a corporation, the certificate of limited partnership and limited partnership agreement of a limited partnership, the certificate of organization and operating agreement of a limited liability company, and the corresponding documents of any other Person, in each case as the same may be amended from time to time.

"Patent Collateral" shall mean all Patents, whether now owned or hereafter acquired by the Company that are associated with the Business, including without limitation those Patents identified on Part 2 of Annex 3 hereto.

"Patents" shall mean all patents and patent applications, including, without limitation, the inventions and improvements described and claimed therein together with the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, all income, royalties, damages and payments now or hereafter due and/or payable under and with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, the right to sue for past, present and future infringements thereof, and all rights corresponding thereto throughout the world.

"Permitted Indebtedness" shall have the meaning ascribed thereto in the Purchase Agreement.

"Permitted Liens" shall have the meaning ascribed thereto in the Purchase Agreement and additionally, with respect to Pledged Stock, any restrictions on transfer arising under federal or state securities laws and regulations.

"Pledged Stock" shall have the meaning ascribed thereto in Section 3(a) hereof.

"Proceeds" shall mean all "proceeds" as such term is defined in Article 9 of the UCC and, in any event, shall include with respect to the Company, any consideration received from the sale, exchange, license, lease or other disposition of any asset or property that constitutes Collateral, any value received as a consequence of the possession of any Collateral and any payment received from any insurer or other Person or entity as a result of the destruction, loss, theft, damage or other involuntary conversion of whatever nature of any asset or property that constitutes Collateral, and shall include, without limitation, (a) all cash and negotiable instruments received by or held on behalf of the Agent or the Purchasers, (b) any claim of the Company against any third party for (and the right to sue and recover for and the rights to damages or profits due or accrued arising out of or in connection with) (i) past, present or future infringement of any Patent now or hereafter owned by the Company, or licensed under a Patent license, (ii) past, present or future infringement or dilution of any Trademark now or hereafter owned by the Company or licensed under a Trademark license or injury to the goodwill associated with or symbolized by any Trademark now or hereafter owned by the Company, (iii) past, present or future breach of any Patent, Trademark and/or Copyright license and (iv) past, present or future infringement of any copyright now or hereafter owned by the Company or licensed under a Copyright license and (c) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Real Estate" shall have the meaning ascribed thereto in Section 3(l) hereof.

"Secured Obligations" shall mean, collectively, (a) the principal of and interest on the Notes issued or issuable (as applicable) by the Borrower and held by the Purchasers and all other amounts from time to time owing to the Agent and such Purchasers by the Company under the Purchase Agreement, the Notes or any other Transaction Document (b) all amounts owed by the Company or any other subsidiary of the Borrower to the Agent and the Purchasers under the Guaranty, this Agreement or any other Transaction Document and (c) all obligations of the Company, the Borrower or any of its other subsidiaries to the Agent and the Purchasers thereunder.

"Stock Collateral" shall mean, collectively, the Collateral described in clauses (a) through (c) of Section 3 hereof and the Proceeds of and to any such property and, to the extent related to any such property or such Proceeds, all books, correspondence, credit files, records, invoices and other papers.

"Trademark Collateral" shall mean all Trademarks, whether now owned or hereafter acquired by the Company, that are associated with the Business. Notwithstanding the foregoing, the Trademark Collateral does not and shall not include any Trademark which would be rendered invalid, abandoned, void or unenforceable by reason of its being included as part of the Trademark Collateral, including without limitation those Trademarks identified on Part 3 of Annex 3 hereto.

"Trademarks" shall mean all trade names, trademarks and service marks, logos, trademark and service mark registrations, and applications for trademark and service mark registrations, including, without limitation, all renewals of trademark and service mark registrations, all income, royalties, damages and payments now or hereafter due and/or payable under and with respect thereto, all rights corresponding thereto throughout the world, the right to recover for all past, present and future infringements thereof, all other rights of any kind whatsoever accruing thereunder or pertaining thereto, together, in each case, with the product lines and goodwill of the business connected with the use of, and symbolized by, each such trade name, trademark and service mark.

"Uniform Commercial Code" or "UCC" shall mean the Uniform Commercial Code as in effect in the State of New York from time to time.

Section 2. Representations and Warranties. In addition to the representations and warranties set forth in the Guaranty, the Company represents and warrants to the Agent and the Purchasers that:

(a) the Company is the sole beneficial owner of the Collateral and no Lien exists or will exist upon any Collateral at any time (and, with respect to the Stock Collateral, no right or option to acquire the same exists in favour of any other Person), except for Permitted Liens and Liens in favour of the Agent created or provided for herein which Lien constitutes a first priority perfected pledge and security interest in and to all of the Collateral;

(b) the Pledged Stock directly or indirectly owned by the Company in the entities identified in Annex 1 hereto is, and all other Pledged Stock, whether issued now or in the future, will be, duly authorized, validly issued, fully paid and nonassessable (each, as applicable), free and clear of all Liens other than Permitted Liens and none of such Pledged Stock is or will be subject to any contractual restriction, pre-emptive and similar rights, or any restriction under the Organizational Documents of the respective Issuers of such Pledged Stock, upon the transfer of such Pledged Stock;

(c) the Pledged Stock directly or indirectly owned by the Company in the entities identified in Annex 1 hereto constitutes all of the issued and outstanding Equity Interests of any class of such Issuers beneficially owned by the Company on the date hereof (whether or not registered in the name of the Company), and said Annex 1 correctly identifies, as at the date hereof, the respective Issuers of such Pledged Stock;

(d) set forth on Part 1 of Annex 3 hereto is a true, complete and correct list of all Copyrights owned or used by the Company that are the subject of active copyright registrations or pending applications for copyright registration (the "Registered Copyrights"); except as set forth on Part 4 of Annex 3, none of the Copyrights owned or used by the Company that are not Registered Copyrights are material to the Company's business; set forth on Part 2 of Annex 3 hereto is a true, complete and correct list of all Patents owned or used by the Company that are the subject of active issued patents or pending patent applications (the "Registered Patents"); none of the Patents owned or used by the Company that are not Registered Patents are material to the Company's business; and set forth on Part 3 of Annex 3 hereto is a true, complete and correct list of all Trademarks owned or used by the Company that are the subject of active trademark registrations or applications for trademark registration (the "Registered Trademarks"); except as set forth on Part 4 of Annex 3, none of the Trademarks owned or used by the Company that are not Registered Trademarks are material to the Company's business;

(e) the Company owns and possesses the right to use, and except as may be set forth in Part 4 of Annex 3 hereto, has done nothing to authorize or enable any other Person to use, all of its Copyrights, Patents and Trademarks, and all registrations of its material Copyrights, Patents and Trademarks (other than licenses which are not material) are valid and in full force and effect. Except as may be set forth in Part 4 of Annex 3 hereto, the Company owns or possesses the right to use all material Copyrights, Patents and Trademarks, necessary for the operation of the Business;

(f) to the Company's knowledge, (i) except as set forth in Part 4 of Annex 3 hereto, there is no violation by others of any right of the Company with respect to any material Copyrights, Patents or Trademarks, respectively, and (ii) the Company is not, in connection with the Business, infringing in any respect upon any Copyrights, Patents or Trademarks of any other Person; and no proceedings have been instituted or are pending against the Company or, to the Company's knowledge, threatened, and no claim against the Company has been received by the Company, alleging any such violation, except as may be set forth in Part 4 of Annex 3 hereto; and

(g) except as set forth on Part 4 of Annex 3, the Company does not own any material Trademarks registered in the United States of America to which the last sentence of the definition of Trademark Collateral applies.

(h) All Deposit Accounts of the Company on the date hereof are listed and identified (by account number and depository institution) on Annex 5 attached hereto and made a part hereof.

(i) The Company's chief executive office and principal place of business is at, and the Company keeps and shall keep all of its books and records relating to Accounts only at 1220 Big Creek Road, Kellogg, ID 83837; and the Company has no other executive offices or places of business other than as set out on Annex 4.

Section 3. Collateral. As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, the Company hereby pledges, grants, assigns, hypothecates and transfers to the Agent, as hereinafter provided, a security interest in and Lien upon all of the Company's right, title and interest in, to and under all personal property and other assets of the Company, whether now owned or hereafter acquired by or arising in favor of the Company, whether now existing or hereafter coming into existence, whether owned or consigned by or to the Company, or leased from or to the Company and regardless of wherever located, except for the Excluded Collateral (all being collectively referred to herein as "Collateral") including:

(a) the Company's direct or indirect ownership interest in the respective Equity Interests of the Issuers and all other Equity Interests of whatever class of the Issuers, now or hereafter owned by the Company, together with in each case the certificates, if any, evidencing the same (collectively, the "Pledged Stock");

(b) all Equity Interests, securities, moneys or property representing a dividend on any of the Pledged Stock, or representing a distribution or return of capital upon or in respect of the Pledged Stock, or resulting from a split-up, revision, reclassification or other like change of the Pledged Stock or otherwise received in exchange therefor, and any subscription warrants, rights or options issued to the holders of, or otherwise in respect of, the Pledged Stock;

(c) without affecting the obligations of the Company under any provision prohibiting such action hereunder or under the Purchase Agreement, the Notes or any Transaction Documents, in the event of any consolidation or merger in which any Issuer is not the Person that survives same, all Equity Interests of each class of the successor (unless such successor is the Company itself) formed by or resulting from such consolidation or merger (the Pledged Stock, together with all other certificates, Equity Interests, securities, properties or moneys as may from time to time be pledged hereunder pursuant to clause (a) or (b) above and this clause (c) being herein collectively called the "Stock Collateral");

(d) all accounts and general intangibles (each as defined in Article 9 of the Uniform Commercial Code) of the Company constituting any right to the payment of money, including (but not limited to) all moneys due and to become due to the Company in respect of any loans or advances for the purchase price of Inventory or Equipment or other goods sold or leased or for services rendered, all moneys due and to become due to the Company under any guarantee (including a letter of credit) of the purchase price of Inventory or Equipment sold by the Company and all tax refunds (such accounts, general intangibles and moneys due and to become due being herein called collectively "Accounts");

(e) all instruments, chattel paper or letters of credit (each as defined in Article 9 of the Uniform Commercial Code) of the Company evidencing, representing, arising from or existing in respect of, relating to, securing or otherwise supporting the payment of, any of the Accounts, including (but not limited to) promissory notes, drafts, bills of exchange and trade acceptances (herein collectively called "Instruments");

(f) all inventory (as defined in the Uniform Commercial Code) of the Company and all goods obtained by the Company in exchange for such inventory (herein collectively called "Inventory");

(g) all Intellectual Property of the Company and all other accounts or general intangibles of the Company not constituting Intellectual Property or Accounts;

(h) all equipment (as defined in the Uniform Commercial Code) of the Company (herein collectively called "Equipment");

(i) each contract and other agreement of the Company including contracts relating to the sale or other disposition of Inventory or Equipment;

(j) all documents of title (as defined in the Uniform Commercial Code) or other receipts of the Company covering, evidencing or representing Inventory or Equipment (herein collectively called "Documents");

(k) all rights, claims and benefits of the Company against any Person arising out of, relating to or in connection with Inventory or Equipment purchased by the Company, including, without limitation, any such rights, claims or benefits against any Person storing or transporting such Inventory or Equipment;

(l) all estates of the Company in land together with all improvements and other structures now or hereafter situated thereon, together with all rights, privileges, tenements, hereditaments, appurtenances, easements, including, but not limited to, rights and easements for access and egress and utility connections, and other rights now or hereafter appurtenant thereto ("Real Estate");

(m) all minerals and as-extracted collateral (as defined in the UCC);

(n) all other tangible or intangible property of the Company, including, without limitation, all Proceeds, products and accessions of and to any of the property of the Company described in clauses (a) through (l) above in this Section 3 (including, without limitation, any proceeds of insurance thereon), and, to the extent related to any property described in said clauses or such Proceeds, products and accessions, all books, correspondence, credit files, records, invoices and other papers, including without limitation all tapes, cards, computer runs and other papers and documents in the possession or under the control of the Company or any computer bureau or service company from time to time acting for the Company.

Section 4. Covenants, Further Assurances; Remedies. In furtherance of the grant of the pledge and security interest pursuant to Section 3 hereof, the Company hereby agrees with the Agent as follows:

4.01 Delivery and Other Perfection. The Company shall:

(a) if any of the above-described Equity Interests, securities, monies or property required to be pledged by the Company under clauses (a), (b) and (c) of Section 3 hereof are received by the Company, forthwith either (x) deliver and pledge to the Agent such Equity Interests or securities so received by the Company (together with the certificates for any such Equity Interests and securities duly endorsed in blank or accompanied by undated transfer powers duly executed in blank) all of which thereafter shall be held by the Agent, pursuant to the terms of this Agreement, as part of the Collateral or (y) take such other action as the Agent shall deem necessary or appropriate to duly record the Lien created hereunder in such Equity Interests, securities, monies or property referred to in said clauses (a), (b) and (c) of Section 3;

(b) deliver and pledge to the Agent any and all Instruments, endorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Agent may request; provided, that so long as no Default or Event of Default shall have occurred and be continuing, the

Company may retain for collection in the ordinary course any Instruments received by it in the ordinary course of business;

(c) give, execute, deliver, file and/or record any financing statement, notice, instrument, document, agreement or other papers that may be necessary or desirable (in the judgment of the Agent) to create, preserve, perfect or validate any security interest granted pursuant hereto or to enable the Agent to exercise and enforce their rights hereunder with respect to such security interest, including, without limitation, causing any or all of the Stock Collateral to be re-registered as pledged into the name of the Agent or its nominee (and the Agent agrees that if any Stock Collateral is registered into its name or the name of its nominee for the benefit of the Company, the Agent will thereafter promptly give to the Company copies of any notices and communications received by it with respect to the Stock Collateral), provided that notices to account debtors in respect of any Accounts or Instruments shall be subject to the provisions of Section 4.12 below;

(d) upon the acquisition after the date hereof by the Company of any Equipment covered by a certificate of title or ownership cause the Agent to be listed as the lienholder on such certificate of title and within 15 days of the acquisition thereof deliver evidence of the same to the Agent;

(e) keep accurate books and records relating to the Collateral, and stamp or otherwise mark such books and records in such manner as the Agent may reasonably require in order to reflect the security interests granted by this Agreement;

(f) furnish to the Agent from time to time (but, unless a Default or Event of Default shall have occurred and be continuing, no more frequently than quarterly) statements and schedules further identifying and describing the Copyright Collateral that is subject of active copyright registrations or applications for copyright registration or that is otherwise material to the Company's business, the Patent Collateral that is subject of active issued patents or patent applications or that is otherwise material to the Company's business and the Trademark Collateral that is subject of active trademark registrations or applications for trademark application or that is otherwise material to the Company's business, respectively, and such other reports in connection with the Copyright Collateral, the Patent Collateral and the Trademark Collateral, as the Agent may reasonably request, all in reasonable detail;

(g) permit representatives of the Agent at any time during normal business hours to inspect and make abstracts from its books and records pertaining to the Collateral, and permit representatives of the Agent to be present at the Company's place of business to receive copies of all communications and remittances relating to the Collateral, and forward copies of any notices or communications by the Company with respect to the Collateral, all in such manner as the Agent may require; and

(h) upon request of the Agent, promptly notify each account debtor or obligor in respect of any Accounts, Instruments or that such Collateral has been assigned to the Agent hereunder, and that any payments due or to become due in respect of such Collateral are to be made directly to the Agent.

4.02 Other Financing Statements and Liens. Except with respect to Liens securing Permitted Indebtedness, without the prior written consent of the Agent, the Company shall not file or suffer to be on file, or authorize or permit to be filed or to be on file, in any jurisdiction, any financing statement or like instrument with respect to the Collateral in which the Agent is not named as the sole secured party.

4.03 Preservation of Rights. The Agent shall not be required to take steps necessary to preserve any rights against prior parties to any of the Collateral.

4.04 Location of Collateral. The Company shall ensure that the Collateral is and shall at all times remain in the Company's possession or control at the locations listed on Annex 4 attached hereto; provided that, without limiting the foregoing, if for any reason any Collateral is at any time kept or located at a location other than as listed on Annex 4 attached hereto, the Agent shall nevertheless have and retain a Lien on and security interest therein.

4.05 Maintenance of Perfected Lien. The Company shall maintain the Lien created by this Agreement as a first priority perfected Lien and shall defend such Lien against the claims and demands of all Persons whomsoever.

4.06 Changes in Locations, Name, etc. Without limiting obligations under the Purchase Agreement or the Guaranty and without at least 30 days' prior written notice to the Agent, the Company shall not (a) change its legal name, or the name under which it does business, from the name shown on the signature page hereto, (b) change its jurisdiction of organization or location for purposes of the UCC, (c) change its identity or type of organization, (d) change its Federal Taxpayer Identification Number or organizational identification number or (e) maintain any of its books or records with respect to the Collateral at any office or maintain its chief executive office or its principal place of business at any place, or permit any Inventory or Equipment to be located anywhere other than at one of the locations identified in Annex 4 hereto or in transit from one of such locations to another. The Company agrees promptly to provide the Agent and the Purchasers with certified organizational documents reflecting any of the changes described in the first sentence of this Section 4.06. The Company also agrees to promptly notify the Agent and the Purchasers if any material portion of the Collateral is damaged or destroyed.

4.07 Deposit Accounts. The Company shall promptly notify the Agent of any other Deposit Account opened or maintained by the Company after the date hereof, and shall submit to the Agent a supplement to Schedule VIII to reflect such additional accounts (provided the Company's failure to do so shall not impair the Agent's Lien therein).

4.08 Special Provisions Relating to Certain Collateral.

(a) Stock Collateral.

(1) The Company will cause the Stock Collateral to constitute at all times 100% of the total number of shares of each class of capital stock of each Issuer then outstanding that is owned directly or indirectly by the Company.

(2) So long as no Default or Event of Default shall have occurred and be continuing, the Company shall have the right to exercise all voting, consensual and other powers of ownership pertaining to the Stock Collateral for all purposes not inconsistent with the terms of this Agreement, any other Transaction Document or any other instrument or agreement referred to herein or therein, provided that the Company agrees that it will not vote the Stock Collateral in any manner that is inconsistent with the terms of this Agreement, any other Transaction Document or any such other instrument or agreement; and the Agent shall execute and deliver to the Company or cause to be executed and delivered to the Company all such proxies, powers of attorney, dividend and other orders, and all such instruments, without recourse, as the Company may reasonably request for the purpose of enabling the Company to exercise the rights and powers which it is entitled to exercise pursuant to this Section 4.08(a)(2).

(3) Unless and until a Default or Event of Default has occurred and is continuing, the Company shall be entitled to receive and retain any dividends on the Stock Collateral paid in cash out of earned surplus.

(4) If any Default or Event of Default shall have occurred, then so long as such Default or Event of Default shall continue, and whether or not the Agent exercises any available right to declare any Secured Obligations due and payable or seeks or pursues any other relief or remedy available to it under applicable law or under this Agreement, the Purchase Agreement, the Notes, any Transaction Document or any other agreement relating to such Secured Obligations, all dividends and other distributions on the Stock Collateral shall be paid directly to the Agent and retained by it as part of the Stock Collateral, subject to the terms of this Agreement, and, if the Agent shall so request in writing, the Company agrees to execute and deliver to the Agent appropriate additional dividend, distribution and other orders and documents to that end, provided that if such Default or Event of Default is cured, any such dividend or distribution theretofore paid to the Agent shall, upon request of the Company (except to the extent theretofore applied to the Secured Obligations) be returned by the Agent to the Company.

(b) Intellectual Property.

(1) For the purpose of enabling the Agent to exercise rights and remedies under Section 4.09 hereof at such time as the Agent shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, the Company hereby grants to the Agent, to the extent assignable, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Company) to use, assign, license or sublicense any of the Intellectual Property (other than the Trademark Collateral or goodwill associated therewith) now owned or hereafter acquired by the Company, wherever the same may be located, including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof.

(2) Notwithstanding anything contained herein to the contrary, so long as no Default or Event of Default shall have occurred and be continuing, the Company will be permitted to exploit, use, enjoy, protect, license, sublicense, assign, sell, dispose of or take other actions with respect to the Intellectual Property in the ordinary course of the business of the Company. In furtherance of the foregoing, unless a Default or Event of Default shall have occurred and is continuing, the Agent shall from time to time, upon the request of the Company, execute and deliver any instruments, certificates or other documents, in the form so requested, which the Company shall have certified are appropriate (in its judgment) to allow it to take any action permitted above (including relinquishment of the license provided pursuant to clause (1) immediately above as to any specific Intellectual Property). Further, upon the payment in full of all of the Secured Obligations or earlier expiration of this Agreement or release of the Collateral, the Agent shall grant back to the Company the license granted pursuant to clause (1) immediately above. The exercise of rights and remedies under Section 4.09 hereof by the Agent shall not terminate the rights of the holders of any licenses or sublicenses theretofore granted by the Company in accordance with the first sentence of this clause (2).

(c) Governmental Contracts. The Company will, at the request of the Agent, execute, or cause to be executed, any instruments and take, or cause to be taken, any steps required by the Agent so that all monies due and to become due under such Government Contracts shall be assigned to the Agent and notice thereof given to and acknowledged by the appropriate government agency or authority under the Assignment of Claims Act. The Company will immediately notify the Agent in writing of any audits of such contracts by the United States of America or any department, agency or instrumentality thereof as well as any assertions by the United States of America or any department, agency or instrumentality thereof any defaults under any such contract.

4.09 Events of Default, etc. During the period during which an Event of Default shall have occurred and be continuing:

(a) the Company shall, at the request of the Agent, assemble the Collateral owned by it at such place or places, reasonably convenient to both the Agent and the Company, designated in its request;

(b) the Agent may make any compromise or settlement deemed desirable with respect to any of the Collateral and may extend the time of payment, arrange for payment in instalments, or otherwise modify the terms of, any of the Collateral;

(c) the Agent shall have all of the rights and remedies with respect to the Collateral of a secured party under the Uniform Commercial Code (whether or not said Code is in effect in the jurisdiction where the rights and remedies are asserted) and such additional rights and remedies to which a secured party is entitled under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted, including, without limitation, the right, to the maximum extent permitted by law, to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Agent were the sole and absolute owner thereof (and the Company agrees to take all such action as may be appropriate to give effect to such right);

(d) the Agent in its discretion may, in its name or in the name of the Company or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for any of the Collateral, but shall be under no obligation to do so; and

(e) the Agent may upon 10 Business Days' prior written notice to the Company of the time and place, with respect to the Collateral or any part thereof which shall then be or shall thereafter come into the possession, custody or control of the Agent, or any of its respective agents, sell, lease, assign or otherwise dispose of all or any of such Collateral, at such place or places as the Agent deems best, and for cash or on credit or for future delivery (without thereby assuming any credit risk), at public or private sale, without demand of performance or notice of intention to effect any such disposition or of time or place thereof (except such notice as is required above or by applicable statute and cannot be waived) and the Agent or anyone else may be the purchaser, lessee, assignee or recipient of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by law, at any private sale), and thereafter hold the same absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of the Company, any such demand, notice or right and equity being hereby expressly waived and released. In the event of any sale, assignment, or other disposition of any of the Trademark Collateral, the goodwill of the Business connected with and symbolized by the Trademark Collateral subject to such disposition shall be included, and the Company shall supply to the Agent or its designee, for inclusion in such sale, assignment or other disposition, all Intellectual Property relating to such Trademark Collateral. The Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned.

The Proceeds of each collection, sale or other disposition under this Section 4.09, including by virtue of the exercise of the license granted to the Agent in Section 4.08(b)(1) hereof, shall be applied in accordance with Section 4.12 hereof.

The Company recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended, and applicable state securities laws, the Agent may be compelled, with respect to any sale of all or any part of the Collateral, to limit purchasers to those who will agree, among other things, to acquire the Collateral for their own account, for investment and not with a view to the distribution or resale thereof. The Company acknowledges that any such private sales to an unrelated third party in an arm's length transaction may be at prices and on terms less favourable to the Agent than those obtainable through a public sale without such restrictions, and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Agent shall have no obligation to engage in public sales and no obligation to delay the sale of any Collateral for the period of time necessary to permit the respective Issuer thereof to register it for public sale.

4.10 Deficiency. If the Proceeds of sale, collection or other realization of or upon the Collateral pursuant to Section 4.09 hereof are insufficient to cover the costs and expenses of such realization and the payment in full of the Secured Obligations, the Company shall remain liable for any deficiency.

4.11 Private Sale. The Agent shall incur no liability as a result of the sale of the Collateral, or any part thereof, at any private sale to an unrelated third party in an arm's length transaction pursuant to Section 4.09 hereof conducted in a commercially reasonable manner. The Company hereby waives any claims against the Agent arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Agent accepts the first offer received and does not offer the Collateral to more than one offeree.

4.12 Application of Proceeds. Except as otherwise herein or in the Purchase Agreement expressly provided, the Proceeds of any collection, sale or other realization of all or any part of the Collateral pursuant hereto, and any other cash at the time held by the Agent under this Section 4, shall be applied by the Agent:

First, to the payment of the costs and expenses of such collection, sale or other realization, including out-of-pocket costs and expenses of the Agent and the fees and expenses of its agents and counsel, and all expenses, and advances made or incurred by the Agent in connection therewith;

Next, to the payment in full of the Secured Obligations in each case equally and rateably in accordance with the respective amounts thereof then due and owing to the Agent; and

Finally, to the payment to the Company, or its successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining.

4.13 Attorney-in-Fact. Without limiting any rights or powers granted by this Agreement to the Agent while no Default or Event of Default has occurred and is continuing, upon the occurrence and during the continuance of any Default or Event of Default, the Agent is hereby appointed the attorney-in-fact of the Company for the purpose of carrying out the provisions of this Section 4 and taking any action and executing any instruments which the Agent may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, so long as the Agent shall be entitled under this Section 4 to make collections in respect of the Collateral, the Agent shall have the right and power to receive, endorse and collect all checks made payable to the order of the Company representing any dividend, payment, or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same.

4.14 Perfection. (i) Prior to or concurrently with the execution and delivery of this Agreement, the Company shall file or deliver to Agent for filing such financing statements and other documents in such offices as the Agent may request to perfect the security interests granted by Section 3 of this Agreement, and (ii) at any time requested by the Agent, the Company shall deliver to the Agent all certificates representing Equity Interests directly or indirectly owned by the Company in the entities identified in Annex 1 hereto, accompanied by undated stock powers duly executed in blank.

4.15 Termination. This Agreement may be terminated by (a) written agreement made between the Company and the Agent; or (b) notice in writing given by the Company to the Agent at any time when all of the Secured Obligations have been fully and indefeasibly satisfied and performed by the Company and the Purchase Agreement and the Notes have been terminated in accordance with their terms. Following such termination the Agent shall forthwith, at the expense of the Company, cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral and money received in respect thereof, to or on the order of the Company and to be released and cancelled all licenses and rights referred to in Section 4.08(b)(1) hereof. The Agent shall also execute and deliver to the Company upon such termination such Uniform Commercial Code termination statements, certificates for terminating the Liens on the Motor Vehicles and such other documentation as shall be reasonably requested by the Company to effect the termination and release of the Liens on the Collateral.

4.16 Expenses. The Company agrees to pay to the Agent all out-of-pocket expenses (including expenses for legal services of every kind) of, or incident to, the enforcement of any of the provisions of this Section 4, or performance by the Agent or the Purchasers of any obligations of the Company in respect of the Collateral which the Company has failed or refused to perform upon reasonable notice, or any actual or attempted sale, or any exchange, enforcement, collection, compromise or settlement in respect of any of the Collateral, and for the care of the Collateral and defending or asserting rights and claims of the Agent or the Purchasers in respect thereof, by litigation or otherwise, including expenses of insurance, and all such expenses shall be Secured Obligations secured under Section 3 hereof.

4.17 Further Assurances. The Company agrees that, from time to time upon the written request of the Agent, the Company will execute and deliver such further documents and do such other acts and things as the Agent may reasonably request in order fully to effect the purposes of this Agreement.

Section 5. Miscellaneous.

5.01 No Waiver. No failure on the part of the Agent or any of its agents to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by the Agent or any of its agents of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

5.02 Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York without regard to principles of conflicts of law (other than Section 5-1401 of the New York General Obligations Law).

5.03 Notices. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service or sent by telecopier as noted below. Notices sent by hand or overnight courier service shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient).

(a) Notices to the Agent shall be sent to the address or transmission number for notices as provided in Section 15.2 of the Purchase Agreement; and

(b) Notices to the Company shall be sent to its address or transmission number for notices set forth under its signature below.

5.04 Waivers, etc. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by the Company and the Agent. Any such amendment or waiver shall be binding upon the Agent and the Company.

5.05 Conflicts. In the event of a conflict or inconsistency between the provisions of this Agreement and the provisions of any other Transaction Document, the provisions giving the Agent or the Purchasers greater rights or remedies shall govern (to the maximum extent permitted by Applicable Law), it being understood that the purpose of this Agreement and all of the other Transaction Documents is to add to, and not detract from, the rights granted to the Agent or the Purchasers under the Transaction Documents. In the event of any other conflict or inconsistency between the terms of this Agreement and the Purchase Agreement, the applicable terms of the Purchase Agreement shall govern.

5.06 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Company and the Purchaser (provided, however, that the Company shall not assign or transfer its rights hereunder without the prior written consent of the Purchaser).

5.07 5.06 Counterparts. This Agreement may be executed in any number of counterparts, all of which together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

5.08 Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Agent in order to carry out the intentions of the parties hereto as nearly as may be possible and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.
SIGNATURE PAGES FOLLOW.]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed as of the day and year first above written.

COMPANY:

1220 Big Creek Road
Kellogg, ID 83837

UNITED MINE SERVICES, INC.

By: ____________________________________
Name: Greg Stewart
Title: President

AGENT:

HUSC, LLC, as agent

By ____________________________________
Name:
Title:

By ____________________________________
Name:
Title:

ANNEX 1

ENTITIES IN WHICH THE COMPANY IS PLEDGING ITS EQUITY INTERESTS

Entity	Number and Class of Equity Interest	Percentage of Outstanding Equity Interests
Syringa Exploration, Inc.	5,565,000 common shares	100%

ANNEX 2

EXCLUDED COLLATERAL

None -

Part 1: Copyrights

None

Part 2: Patents

None

Part 3: Trademarks

None

ANNEX 3
Part 4

EXCEPTIONS FOR COPYRIGHTS, PATENTS AND TRADEMARKS

The Company's software programs and accompanying user manuals, technical manuals for the Company's products, and the content used in the Company's websites, marketing materials and advertising are all covered by copyright protection, but, except to the extent such items are set forth on Part 1 of this Annex 3, are not registered with the U.S. Copyright Office.

The Company also uses the following trade names and trademarks that are subject to trade name and/or trademark protection, but that are not the subject to active trademark registrations or trademark applications.

None

The Company does have three Assumed Business Names ("doing business as" or "dba" names) registered with the Idaho Secretary of State, but they are not protected. They are Stewart Contracting, Mine Fabrication & Machine, and Castlegrade Fine Masonry.

The Company owns the following intent-to-use trademark applications pending at the U.S. Patent and Trademark Office:

None

ANNEX 4

LIST OF LOCATIONS

In addition to its corporate office at 1220 Big Creek Road, Kellogg, ID 83837, the Company has the following places of business:

- 202 S. Division Street, Pinehurst, Idaho, 83850, USA
- 51275 Silver Valley Road, Kellogg, Idaho, 83837, USA
- 2136 Big Creek Road, Kellogg, Idaho, 83837, USA
- 1498 Big Creek Road, Kellogg, Idaho, 83837, USA
- 100 Gold Run Gulch, Kellogg, Idaho 83837, USA

ANNEX 5

DEPOSIT ACCOUNTS

Bank	Address	Account No.	Type of Account
Mountain West Bank	101 Ironwood Drive Coeur d'Alene, ID 83816	Intentionally redacted	

SECURITY AGREEMENT

This SECURITY AGREEMENT, dated as of February ■, 2012 (the "Agreement") is by and among Syringa Exploration, Inc., a corporation duly organized and validly existing under the laws of the State of Idaho (the "Company"), and HUSC, LLC, as agent (in such capacity, together with its successors in such capacity, the "Agent").

United Silver Corp., a British Columbia corporation (the "Borrower"), the Agent and HUSC, LLC, as initial purchaser (the "Initial Purchaser") are parties to a Securities Purchase Agreement dated as of February ■, 2012 (as modified and supplemented and in effect from time to time, the "Purchase Agreement"), that provides, subject to the terms and conditions thereof, for the issuance and sale by the Borrower to the Initial Purchaser of Notes and Warrants as more fully described in the Purchase Agreement.

The Company's parent corporation, United Mine Services, Inc. ("**UMS**"), is a wholly owned subsidiary of the Borrower. The Company has guaranteed the Secured Obligations (as hereinafter defined) pursuant to a subsidiary guaranty (the "Guaranty") made by, *inter alia*, the Company and the Agent and dated the date hereof.

To induce the Agent and the Initial Purchaser to enter into the Purchase Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company has agreed to pledge and grant a security interest in the Collateral (as hereinafter defined) as security for the Secured Obligations (as hereinafter defined). Accordingly, the parties hereto agree as follows:

Section 1. Definitions. Each capitalized term used herein and not otherwise defined shall have the meaning assigned to such term in the Purchase Agreement. In addition, as used herein:

"Accounts" shall have the meaning ascribed thereto in Section 3(d) hereof.

"Business" shall mean the businesses from time to time, now or hereafter, conducted by the Company and its Subsidiaries.

"Collateral" shall have the meaning ascribed thereto in Section 3 hereof.

"Copyright Collateral" shall mean all Copyrights, whether now owned or hereafter acquired by the Company, that are associated with the Business, including without limitation those Copyrights identified on Part 1 of Annex 3 hereto.

"Copyrights" shall mean all copyrights, copyright registrations and applications for copyright registrations, including, without limitation, all renewals and extensions thereof, all income, royalties, damages and payments now or hereafter due and/or payable under and with respect thereto, the right to recover for all past, present and future infringements thereof, and all other rights of any kind whatsoever accruing thereunder or pertaining thereto.

"Deposit Accounts" shall mean, collectively, with respect to the Company (i) all "deposit accounts" as such term is defined in Article 9 of the UCC and in any event shall include all accounts and sub-accounts relating to any of the foregoing accounts and (ii) all cash, funds, checks, notes and instruments from time to time on deposit in any of the accounts or sub-accounts described in clause (i) of this definition.

"Documents" shall have the meaning ascribed thereto in Section 3(j) hereof.

"Equipment" shall have the meaning ascribed thereto in Section 3(h) hereof.

"Equity Interests" means shares of capital stock, partnership interests, limited liability company interests in a limited liability company, beneficial interests in a trust or other corresponding equity ownership interests in any other type of Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest, and also includes the status of the holder thereof as a partner, member, beneficiary or corresponding type of equity holder.

"Excluded Collateral" shall mean those assets of the Company, as listed on Annex 2 hereto, which both (i) have not been pledged or assigned to any other Person (including the holder(s) of Permitted Indebtedness) and (ii) cannot be assigned (but only to the extent such prohibition on assignment is enforceable under applicable law, including, without limitation, Sections 9-406 and 9-408 of the UCC).

"Instruments" shall have the meaning ascribed thereto in Section 3(e) hereof.

"Intellectual Property" shall mean, collectively, all Copyright Collateral, all Patent Collateral and all Trademark Collateral, together with (a) all inventions, processes, production methods, proprietary information, know-how and trade secrets used or useful in the Business; (b) all licenses or user or other agreements granted to the Company with respect to any of the foregoing, in each case whether now or hereafter owned or used including, without limitation, the licenses or other agreements with respect to the Copyright Collateral, the Patent Collateral or the Trademark Collateral; (c) all customer lists, identification of suppliers, data, plans, blueprints, specifications, designs, drawings, recorded knowledge, surveys, manuals, materials standards, processing standards, catalogs, computer and automatic machinery software and programs, and the like pertaining to the operation by the Company of the Business; (d) all sales data and other information relating to sales now or hereafter collected and/or maintained by the Company that pertain to the Business; (e) all accounting information which pertains to the Business and all media in which or on which any of the information or knowledge or data or records which pertain to the Business may be recorded or stored and all computer programs used for the compilation or printout of such information, knowledge, records or data; (f) all licenses, consents, permits, variances, certifications and approvals of governmental agencies now or hereafter held by the Company pertaining to the operation by the Company and its Subsidiaries of the Business; and (g) all causes of action, claims and warranties now or hereafter owned or acquired by the Company in respect of any of the items listed above.

"Inventory" shall have the meaning ascribed thereto in Section 3(f) hereof.

"Issuers" shall mean, collectively, the respective entities identified on Annex 1 hereto, and all other entities formed by the Company or entities in which the Company owns or acquires any capital stock or similar interest.

"Lien" shall mean any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Uniform Commercial Code or comparable law of any jurisdiction).

"Motor Vehicles" shall mean motor vehicles, tractors, trailers and other like property, whether or not the title thereto is governed by a certificate of title or ownership.

"Organizational Documents" means the Articles of Incorporation and By-laws of a corporation, the certificate of limited partnership and limited partnership agreement of a limited partnership, the certificate of organization and operating agreement of a limited liability company, and the corresponding documents of any other Person, in each case as the same may be amended from time to time.

"Patent Collateral" shall mean all Patents, whether now owned or hereafter acquired by the Company that are associated with the Business, including without limitation those Patents identified on Part 2 of Annex 3 hereto.

"Patents" shall mean all patents and patent applications, including, without limitation, the inventions and improvements described and claimed therein together with the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, all income, royalties, damages and payments now or hereafter due and/or payable under and with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, the right to sue for past, present and future infringements thereof, and all rights corresponding thereto throughout the world.

"Permitted Indebtedness" shall have the meaning ascribed thereto in the Purchase Agreement.

"Permitted Liens" shall have the meaning ascribed thereto in the Purchase Agreement and additionally, with respect to Pledged Stock, any restrictions on transfer arising under federal or state securities laws and regulations.

"Pledged Stock" shall have the meaning ascribed thereto in Section 3(a) hereof.

"Proceeds" shall mean all "proceeds" as such term is defined in Article 9 of the UCC and, in any event, shall include with respect to the Company, any consideration received from the sale, exchange, license, lease or other disposition of any asset or property that constitutes Collateral, any value received as a consequence of the possession of any Collateral and any payment received from any insurer or other Person or entity as a result of the destruction, loss, theft, damage or other involuntary conversion of whatever nature of any asset or property that constitutes Collateral, and shall include, without limitation, (a) all cash and negotiable instruments received by or held on behalf of the Agent or the Purchasers, (b) any claim of the Company against any third party for (and the right to sue and recover for and the rights to damages or profits due or accrued arising out of or in connection with) (i) past, present or future infringement of any Patent now or hereafter owned by the Company, or licensed under a Patent license, (ii) past, present or future infringement or dilution of any Trademark now or hereafter owned by the Company or licensed under a Trademark license or injury to the goodwill associated with or symbolized by any Trademark now or hereafter owned by the Company, (iii) past, present or future breach of any Patent, Trademark and/or Copyright license and (iv) past, present or future infringement of any copyright now or hereafter owned by the Company or licensed under a Copyright license and (c) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Real Estate" shall have the meaning ascribed thereto in Section 3(l) hereof.

"Secured Obligations" shall mean, collectively, (a) the principal of and interest on the Notes issued or issuable (as applicable) by the Borrower and held by the Purchasers and all other amounts from time to time owing to the Agent and such Purchasers by the Company under the Purchase Agreement, the Notes or any other Transaction Document (b) all amounts owed by the Company or any other subsidiary of the Borrower to the Agent or the Purchasers under the Guaranty, this Agreement or any other Transaction Document and (c) all obligations of the Company, the Borrower or any of its other subsidiaries to the Agent and the Purchasers thereunder.

"Stock Collateral" shall mean, collectively, the Collateral described in clauses (a) through (c) of Section 3 hereof and the Proceeds of and to any such property and, to the extent related to any such property or such Proceeds, all books, correspondence, credit files, records, invoices and other papers.

"Trademark Collateral" shall mean all Trademarks, whether now owned or hereafter acquired by the Company, that are associated with the Business. Notwithstanding the foregoing, the Trademark Collateral does not and shall not include any Trademark which would be rendered invalid, abandoned, void or unenforceable by reason of its being included as part of the Trademark Collateral, including without limitation those Trademarks identified on Part 3 of Annex 3 hereto.

"Trademarks" shall mean all trade names, trademarks and service marks, logos, trademark and service mark registrations, and applications for trademark and service mark registrations, including, without limitation, all renewals of trademark and service mark registrations, all income, royalties, damages and payments now or hereafter due and/or payable under and with respect thereto, all rights corresponding thereto throughout the world, the right to recover for all past, present and future infringements thereof, all other rights of any kind whatsoever accruing thereunder or pertaining thereto, together, in each case, with the product lines and goodwill of the business connected with the use of, and symbolized by, each such trade name, trademark and service mark.

"Uniform Commercial Code" or "UCC" shall mean the Uniform Commercial Code as in effect in the State of New York from time to time.

Section 2. Representations and Warranties. In addition to the representations and warranties set forth in the Guaranty, the Company represents and warrants to the Agent and the Purchasers that:

(a) the Company is the sole beneficial owner of the Collateral and no Lien exists or will exist upon any Collateral at any time (and, with respect to the Stock Collateral, no right or option to acquire the same exists in favour of any other Person), except for Permitted Liens and Liens in favour of the Agent created or provided for herein which Lien constitutes a first priority perfected pledge and security interest in and to all of the Collateral;

(b) the Pledged Stock directly or indirectly owned by the Company in the entities identified in Annex 1 hereto is, and all other Pledged Stock, whether issued now or in the future, will be, duly authorized, validly issued, fully paid and nonassessable (each, as applicable), free and clear of all Liens other than Permitted Liens and none of such Pledged Stock is or will be subject to any contractual restriction, pre-emptive and similar rights, or any restriction under the Organizational Documents of the respective Issuers of such Pledged Stock, upon the transfer of such Pledged Stock;

(c) the Pledged Stock directly or indirectly owned by the Company in the entities identified in Annex 1 hereto constitutes all of the issued and outstanding Equity Interests of any class of such Issuers beneficially owned by the Company on the date hereof (whether or not registered in the name of the Company), and said Annex 1 correctly identifies, as at the date hereof, the respective Issuers of such Pledged Stock;

(d) set forth on Part 1 of Annex 3 hereto is a true, complete and correct list of all Copyrights owned or used by the Company that are the subject of active copyright registrations or pending applications for copyright registration (the "Registered Copyrights"); except as set forth on Part 4 of Annex 3, none of the Copyrights owned or used by the Company that are not Registered Copyrights are material to the Company's business; set forth on Part 2 of Annex 3 hereto is a true, complete and correct list of all Patents owned or used by the Company that are the subject of active issued patents or pending patent applications (the "Registered Patents"); none of the Patents owned or used by the Company that are not Registered Patents are material to the Company's business; and set forth on Part 3 of Annex 3 hereto is a true, complete and correct list of all Trademarks owned or used by the Company that are the subject of active trademark registrations or applications for trademark registration (the "Registered Trademarks"); except as set forth on Part 4 of Annex 3, none of the Trademarks owned or used by the Company that are not Registered Trademarks are material to the Company's business;

(e) the Company owns and possesses the right to use, and except as may be set forth in Part 4 of Annex 3 hereto, has done nothing to authorize or enable any other Person to use, all of its Copyrights, Patents and Trademarks, and all registrations of its material Copyrights, Patents and Trademarks (other than licenses which are not material) are valid and in full force and effect. Except as may be set forth in Part 4 of Annex 3 hereto, the Company owns or possesses the right to use all material Copyrights, Patents and Trademarks, necessary for the operation of the Business;

(f) to the Company's knowledge, (i) except as set forth in Part 4 of Annex 3 hereto, there is no violation by others of any right of the Company with respect to any material Copyrights, Patents or Trademarks, respectively, and (ii) the Company is not, in connection with the Business, infringing in any respect upon any Copyrights, Patents or Trademarks of any other Person; and no proceedings have been instituted or are pending against the Company or, to the Company's knowledge, threatened, and no claim against the Company has been received by the Company, alleging any such violation, except as may be set forth in Part 4 of Annex 3 hereto; and

(g) except as set forth on Part 4 of Annex 3, the Company does not own any material Trademarks registered in the United States of America to which the last sentence of the definition of Trademark Collateral applies.

(h) All Deposit Accounts of the Company on the date hereof are listed and identified (by account number and depository institution) on Annex 5 attached hereto and made a part hereof.

(i) The Company's chief executive office and principal place of business is at, and the Company keeps and shall keep all of its books and records relating to Accounts only at 1220 Big Creek Road, Kellogg, ID 83837; and the Company has no other executive offices or places of business other than as set out on Annex 4.

Section 3. Collateral. As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, the Company hereby pledges, grants, assigns, hypothecates and transfers to the Agent, as hereinafter provided, a security interest in and Lien upon all of the Company's right, title and interest in, to and under all personal property and other assets of the Company, whether now owned or hereafter acquired by or arising in favor of the Company, whether now existing or hereafter coming into existence, whether owned or consigned by or to the Company, or leased from or to the Company and regardless of wherever located, except for the Excluded Collateral (all being collectively referred to herein as "Collateral") including:

(a) the Company's direct or indirect ownership interest in the respective Equity Interests of the Issuers and all other Equity Interests of whatever class of the Issuers, now or hereafter owned by the Company, together with in each case the certificates, if any, evidencing the same (collectively, the "Pledged Stock");

(b) all Equity Interests, securities, moneys or property representing a dividend on any of the Pledged Stock, or representing a distribution or return of capital upon or in respect of the Pledged Stock, or resulting from a split-up, revision, reclassification or other like change of the Pledged Stock or otherwise received in exchange therefor, and any subscription warrants, rights or options issued to the holders of, or otherwise in respect of, the Pledged Stock;

(c) without affecting the obligations of the Company under any provision prohibiting such action hereunder or under the Purchase Agreement, the Notes or any Transaction Documents, in the event of any consolidation or merger in which any Issuer is not the Person that survives same, all Equity Interests of each class of the successor (unless such successor is the Company itself) formed by or resulting from such consolidation or merger (the Pledged Stock, together with all other certificates, Equity Interests, securities, properties or moneys as may from time to time be pledged hereunder pursuant to clause (a) or (b) above and this clause (c) being herein collectively called the "Stock Collateral");

(d) all accounts and general intangibles (each as defined in Article 9 of the Uniform Commercial Code) of the Company constituting any right to the payment of money, including (but not limited to) all moneys due and to become due to the Company in respect of any loans or advances for the purchase price of Inventory or Equipment or other goods sold or leased or for services rendered, all moneys due and to become due to the Company under any guarantee (including a letter of credit) of the purchase price of Inventory or Equipment sold by the Company and all tax refunds (such accounts, general intangibles and moneys due and to become due being herein called collectively "Accounts");

(e) all instruments, chattel paper or letters of credit (each as defined in Article 9 of the Uniform Commercial Code) of the Company evidencing, representing, arising from or existing in respect of, relating to, securing or otherwise supporting the payment of, any of the Accounts, including (but not limited to) promissory notes, drafts, bills of exchange and trade acceptances (herein collectively called "Instruments");

(f) all inventory (as defined in the Uniform Commercial Code) of the Company and all goods obtained by the Company in exchange for such inventory (herein collectively called "Inventory");

(g) all Intellectual Property of the Company and all other accounts or general intangibles of the Company not constituting Intellectual Property or Accounts;

(h) all equipment (as defined in the Uniform Commercial Code) of the Company (herein collectively called "Equipment");

(i) each contract and other agreement of the Company including contracts relating to the sale or other disposition of Inventory or Equipment;

(j) all documents of title (as defined in the Uniform Commercial Code) or other receipts of the Company covering, evidencing or representing Inventory or Equipment (herein collectively called "Documents");

(k) all rights, claims and benefits of the Company against any Person arising out of, relating to or in connection with Inventory or Equipment purchased by the Company, including, without limitation, any such rights, claims or benefits against any Person storing or transporting such Inventory or Equipment;

(l) all estates of the Company in land together with all improvements and other structures now or hereafter situated thereon, together with all rights, privileges, tenements, hereditaments, appurtenances, easements, including, but not limited to, rights and easements for access and egress and utility connections, and other rights now or hereafter appurtenant thereto ("Real Estate");

(m) all minerals and as-extracted collateral (as defined in the UCC);

(n) all other tangible or intangible property of the Company, including, without limitation, all Proceeds, products and accessions of and to any of the property of the Company described in clauses (a) through (l) above in this Section 3 (including, without limitation, any proceeds of insurance thereon), and, to the extent related to any property described in said clauses or such Proceeds, products and accessions, all books, correspondence, credit files, records, invoices and other papers, including without limitation all tapes, cards, computer runs and other papers and documents in the possession or under the control of the Company or any computer bureau or service company from time to time acting for the Company.

Section 4. Covenants, Further Assurances; Remedies. In furtherance of the grant of the pledge and security interest pursuant to Section 3 hereof, the Company hereby agrees with the Agent as follows:

4.01 Delivery and Other Perfection. The Company shall:

(a) if any of the above-described Equity Interests, securities, monies or property required to be pledged by the Company under clauses (a), (b) and (c) of Section 3 hereof are received by the Company, forthwith either (x) deliver and pledge to the Agent such Equity Interests or securities so received by the Company (together with the certificates for any such Equity Interests and securities duly endorsed in blank or accompanied by undated transfer powers duly executed in blank) all of which thereafter shall be held by the Agent, pursuant to the terms of this Agreement, as part of the Collateral or (y) take such other action as the Agent shall deem necessary or appropriate to duly record the Lien created hereunder in such Equity Interests, securities, monies or property referred to in said clauses (a), (b) and (c) of Section 3;

(b) deliver and pledge to the Agent any and all Instruments, endorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Agent may request; provided, that so long as no Default or Event of Default shall have occurred and be continuing, the

Company may retain for collection in the ordinary course any Instruments received by it in the ordinary course of business;

(c) give, execute, deliver, file and/or record any financing statement, notice, instrument, document, agreement or other papers that may be necessary or desirable (in the judgment of the Agent) to create, preserve, perfect or validate any security interest granted pursuant hereto or to enable the Agent to exercise and enforce their rights hereunder with respect to such security interest, including, without limitation, causing any or all of the Stock Collateral to be re-registered as pledged into the name of the Agent or its nominee (and the Agent agrees that if any Stock Collateral is registered into its name or the name of its nominee for the benefit of the Company, the Agent will thereafter promptly give to the Company copies of any notices and communications received by it with respect to the Stock Collateral), provided that notices to account debtors in respect of any Accounts or Instruments shall be subject to the provisions of Section 4.12 below;

(d) upon the acquisition after the date hereof by the Company of any Equipment covered by a certificate of title or ownership cause the Agent to be listed as the lienholder on such certificate of title and within 15 days of the acquisition thereof deliver evidence of the same to the Agent;

(e) keep accurate books and records relating to the Collateral, and stamp or otherwise mark such books and records in such manner as the Agent may reasonably require in order to reflect the security interests granted by this Agreement;

(f) furnish to the Agent from time to time (but, unless a Default or Event of Default shall have occurred and be continuing, no more frequently than quarterly) statements and schedules further identifying and describing the Copyright Collateral that is subject of active copyright registrations or applications for copyright registration or that is otherwise material to the Company's business, the Patent Collateral that is subject of active issued patents or patent applications or that is otherwise material to the Company's business and the Trademark Collateral that is subject of active trademark registrations or applications for trademark application or that is otherwise material to the Company's business, respectively, and such other reports in connection with the Copyright Collateral, the Patent Collateral and the Trademark Collateral, as the Agent may reasonably request, all in reasonable detail;

(g) permit representatives of the Agent at any time during normal business hours to inspect and make abstracts from its books and records pertaining to the Collateral, and permit representatives of the Agent to be present at the Company's place of business to receive copies of all communications and remittances relating to the Collateral, and forward copies of any notices or communications by the Company with respect to the Collateral, all in such manner as the Agent may require; and

(h) upon request of the Agent, promptly notify each account debtor or obligor in respect of any Accounts, Instruments or that such Collateral has been assigned to the Agent hereunder, and that any payments due or to become due in respect of such Collateral are to be made directly to the Agent.

4.02 Other Financing Statements and Liens. Except with respect to Liens securing Permitted Indebtedness, without the prior written consent of the Agent, the Company shall not file or suffer to be on file, or authorize or permit to be filed or to be on file, in any jurisdiction, any financing statement or like instrument with respect to the Collateral in which the Agent is not named as the sole secured party.

4.03 Preservation of Rights. The Agent shall not be required to take steps necessary to preserve any rights against prior parties to any of the Collateral.

4.04 Location of Collateral. The Company shall ensure that the Collateral is and shall at all times remain in the Company's possession or control at the locations listed on Annex 4 attached hereto; provided that, without limiting the foregoing, if for any reason any Collateral is at any time kept or located at a location other than as listed on Annex 4 attached hereto, the Agent shall nevertheless have and retain a Lien on and security interest therein.

4.05 Maintenance of Perfected Lien. The Company shall maintain the Lien created by this Agreement as a first priority perfected Lien and shall defend such Lien against the claims and demands of all Persons whomsoever.

4.06 Changes in Locations, Name, etc. Without limiting obligations under the Purchase Agreement or the Guaranty and without at least 30 days' prior written notice to the Agent, the Company shall not (a) change its legal name, or the name under which it does business, from the name shown on the signature page hereto, (b) change its jurisdiction of organization or location for purposes of the UCC, (c) change its identity or type of organization, (d) change its Federal Taxpayer Identification Number or organizational identification number or (e) maintain any of its books or records with respect to the Collateral at any office or maintain its chief executive office or its principal place of business at any place, or permit any Inventory or Equipment to be located anywhere other than at one of the locations identified in Annex 4 hereto or in transit from one of such locations to another. The Company agrees promptly to provide the Agent and the Purchasers with certified organizational documents reflecting any of the changes described in the first sentence of this Section 4.06. The Company also agrees to promptly notify the Agent and the Purchasers if any material portion of the Collateral is damaged or destroyed.

4.07 Deposit Accounts. The Company shall promptly notify the Agent of any other Deposit Account opened or maintained by the Company after the date hereof, and shall submit to the Agent a supplement to Schedule VIII to reflect such additional accounts (provided the Company's failure to do so shall not impair the Agent's Lien therein).

4.08 Special Provisions Relating to Certain Collateral.

(a) Stock Collateral.

(1) The Company will cause the Stock Collateral to constitute at all times 100% of the total number of shares of each class of capital stock of each Issuer then outstanding that is owned directly or indirectly by the Company.

(2) So long as no Default or Event of Default shall have occurred and be continuing, the Company shall have the right to exercise all voting, consensual and other powers of ownership pertaining to the Stock Collateral for all purposes not inconsistent with the terms of this Agreement, any other Transaction Document or any other instrument or agreement referred to herein or therein, provided that the Company agrees that it will not vote the Stock Collateral in any manner that is inconsistent with the terms of this Agreement, any other Transaction Document or any such other instrument or agreement; and the Agent shall execute and deliver to the Company or cause to be executed and delivered to the Company all such proxies, powers of attorney, dividend and other orders, and all such instruments, without recourse, as the Company may reasonably request for the purpose of enabling the Company to exercise the rights and powers which it is entitled to exercise pursuant to this Section 4.08(a)(2).

(3) Unless and until a Default or Event of Default has occurred and is continuing, the Company shall be entitled to receive and retain any dividends on the Stock Collateral paid in cash out of earned surplus.

(4) If any Default or Event of Default shall have occurred, then so long as such Default or Event of Default shall continue, and whether or not the Agent exercises any available right to declare any Secured Obligations due and payable or seeks or pursues any other relief or remedy available to it under applicable law or under this Agreement, the Purchase Agreement, the Notes, any Transaction Document or any other agreement relating to such Secured Obligations, all dividends and other distributions on the Stock Collateral shall be paid directly to the Agent and retained by it as part of the Stock Collateral, subject to the terms of this Agreement, and, if the Agent shall so request in writing, the Company agrees to execute and deliver to the Agent appropriate additional dividend, distribution and other orders and documents to that end, provided that if such Default or Event of Default is cured, any such dividend or distribution theretofore paid to the Agent shall, upon request of the Company (except to the extent theretofore applied to the Secured Obligations) be returned by the Agent to the Company.

(b) Intellectual Property.

(1) For the purpose of enabling the Agent to exercise rights and remedies under Section 4.09 hereof at such time as the Agent shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, the Company hereby grants to the Agent, to the extent assignable, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Company) to use, assign, license or sublicense any of the Intellectual Property (other than the Trademark Collateral or goodwill associated therewith) now owned or hereafter acquired by the Company, wherever the same may be located, including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof.

(2) Notwithstanding anything contained herein to the contrary, so long as no Default or Event of Default shall have occurred and be continuing, the Company will be permitted to exploit, use, enjoy, protect, license, sublicense, assign, sell, dispose of or take other actions with respect to the Intellectual Property in the ordinary course of the business of the Company. In furtherance of the foregoing, unless a Default or Event of Default shall have occurred and is continuing, the Agent shall from time to time, upon the request of the Company, execute and deliver any instruments, certificates or other documents, in the form so requested, which the Company shall have certified are appropriate (in its judgment) to allow it to take any action permitted above (including relinquishment of the license provided pursuant to clause (1) immediately above as to any specific Intellectual Property). Further, upon the payment in full of all of the Secured Obligations or earlier expiration of this Agreement or release of the Collateral, the Agent shall grant back to the Company the license granted pursuant to clause (1) immediately above. The exercise of rights and remedies under Section 4.09 hereof by the Agent shall not terminate the rights of the holders of any licenses or sublicenses theretofore granted by the Company in accordance with the first sentence of this clause (2).

(c) Governmental Contracts. The Company will, at the request of the Agent, execute, or cause to be executed, any instruments and take, or cause to be taken, any steps required by the Agent so that all monies due and to become due under such Government Contracts shall be assigned to the Agent and notice thereof given to and acknowledged by the appropriate government agency or authority under the Assignment of Claims Act. The Company will immediately notify the Agent in writing of any audits of such contracts by the United States of America or any department, agency or instrumentality thereof as well as any assertions by the United States of America or any department, agency or instrumentality thereof any defaults under any such contract.

4.09 Events of Default, etc. During the period during which an Event of Default shall have occurred and be continuing:

(a) the Company shall, at the request of the Agent, assemble the Collateral owned by it at such place or places, reasonably convenient to both the Agent and the Company, designated in its request;

(b) the Agent may make any compromise or settlement deemed desirable with respect to any of the Collateral and may extend the time of payment, arrange for payment in instalments, or otherwise modify the terms of, any of the Collateral;

(c) the Agent shall have all of the rights and remedies with respect to the Collateral of a secured party under the Uniform Commercial Code (whether or not said Code is in effect in the jurisdiction where the rights and remedies are asserted) and such additional rights and remedies to which a secured party is entitled under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted, including, without limitation, the right, to the maximum extent permitted by law, to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Agent were the sole and absolute owner thereof (and the Company agrees to take all such action as may be appropriate to give effect to such right);

(d) the Agent in its discretion may, in its name or in the name of the Company or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for any of the Collateral, but shall be under no obligation to do so; and

(e) the Agent may upon 10 Business Days' prior written notice to the Company of the time and place, with respect to the Collateral or any part thereof which shall then be or shall thereafter come into the possession, custody or control of the Agent, or any of its respective agents, sell, lease, assign or otherwise dispose of all or any of such Collateral, at such place or places as the Agent deems best, and for cash or on credit or for future delivery (without thereby assuming any credit risk), at public or private sale, without demand of performance or notice of intention to effect any such disposition or of time or place thereof (except such notice as is required above or by applicable statute and cannot be waived) and the Agent or anyone else may be the purchaser, lessee, assignee or recipient of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by law, at any private sale), and thereafter hold the same absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of the Company, any such demand, notice or right and equity being hereby expressly waived and released. In the event of any sale, assignment, or other disposition of any of the Trademark Collateral, the goodwill of the Business connected with and symbolized by the Trademark Collateral subject to such disposition shall be included, and the Company shall supply to the Agent or its designee, for inclusion in such sale, assignment or other disposition, all Intellectual Property relating to such Trademark Collateral. The Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned.

The Proceeds of each collection, sale or other disposition under this Section 4.09, including by virtue of the exercise of the license granted to the Agent in Section 4.08(b)(1) hereof, shall be applied in accordance with Section 4.12 hereof.

The Company recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended, and applicable state securities laws, the Agent may be compelled, with respect to any sale of all or any part of the Collateral, to limit purchasers to those who will agree, among other things, to acquire the Collateral for their own account, for investment and not with a view to the distribution or resale thereof. The Company acknowledges that any such private sales to an unrelated third party in an arm's length transaction may be at prices and on terms less favourable to the Agent than those obtainable through a public sale without such restrictions, and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Agent shall have no obligation to engage in public sales and no obligation to delay the sale of any Collateral for the period of time necessary to permit the respective Issuer thereof to register it for public sale.

4.10 <u>Deficiency</u>. If the Proceeds of sale, collection or other realization of or upon the Collateral pursuant to Section 4.09 hereof are insufficient to cover the costs and expenses of such realization and the payment in full of the Secured Obligations, the Company shall remain liable for any deficiency.

4.11 <u>Private Sale</u>. The Agent shall incur no liability as a result of the sale of the Collateral, or any part thereof, at any private sale to an unrelated third party in an arm's length transaction pursuant to Section 4.09 hereof conducted in a commercially reasonable manner. The Company hereby waives any claims against the Agent arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Agent accepts the first offer received and does not offer the Collateral to more than one offeree.

4.12 <u>Application of Proceeds</u>. Except as otherwise herein or in the Purchase Agreement expressly provided, the Proceeds of any collection, sale or other realization of all or any part of the Collateral pursuant hereto, and any other cash at the time held by the Agent under this Section 4, shall be applied by the Agent:

<u>First</u>, to the payment of the costs and expenses of such collection, sale or other realization, including out-of-pocket costs and expenses of the Agent and the fees and expenses of its agents and counsel, and all expenses, and advances made or incurred by the Agent in connection therewith;

<u>Next</u>, to the payment in full of the Secured Obligations in each case equally and rateably in accordance with the respective amounts thereof then due and owing to the Agent; and

Finally, to the payment to the Company, or its successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining.

4.13 Attorney-in-Fact. Without limiting any rights or powers granted by this Agreement to the Agent while no Default or Event of Default has occurred and is continuing, upon the occurrence and during the continuance of any Default or Event of Default, the Agent is hereby appointed the attorney-in-fact of the Company for the purpose of carrying out the provisions of this Section 4 and taking any action and executing any instruments which the Agent may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, so long as the Agent shall be entitled under this Section 4 to make collections in respect of the Collateral, the Agent shall have the right and power to receive, endorse and collect all checks made payable to the order of the Company representing any dividend, payment, or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same.

4.14 Perfection. (i) Prior to or concurrently with the execution and delivery of this Agreement, the Company shall file or deliver to Agent for filing such financing statements and other documents in such offices as the Agent may request to perfect the security interests granted by Section 3 of this Agreement, and (ii) at any time requested by the Agent, the Company shall deliver to the Agent all certificates representing Equity Interests directly or indirectly owned by the Company in the entities identified in Annex 1 hereto, accompanied by undated stock powers duly executed in blank.

4.15 Termination. This Agreement may be terminated by (a) written agreement made between the Company and the Agent; or (b) notice in writing given by the Company to the Agent at any time when all of the Secured Obligations have been fully and indefeasibly satisfied and performed by the Company and the Purchase Agreement and the Notes have been terminated in accordance with their terms. Following such termination the Agent shall forthwith, at the expense of the Company, cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral and money received in respect thereof, to or on the order of the Company and to be released and cancelled all licenses and rights referred to in Section 4.08(b)(1) hereof. The Agent shall also execute and deliver to the Company upon such termination such Uniform Commercial Code termination statements, certificates for terminating the Liens on the Motor Vehicles and such other documentation as shall be reasonably requested by the Company to effect the termination and release of the Liens on the Collateral.

4.16 Expenses. The Company agrees to pay to the Agent all out-of-pocket expenses (including expenses for legal services of every kind) of, or incident to, the enforcement of any of the provisions of this Section 4, or performance by the Agent or the Purchasers of any obligations of the Company in respect of the Collateral which the Company has failed or refused to perform upon reasonable notice, or any actual or attempted sale, or any exchange, enforcement, collection, compromise or settlement in respect of any of the Collateral, and for the care of the Collateral and defending or asserting rights and claims of the Agent or the Purchasers in respect thereof, by litigation or otherwise, including expenses of insurance, and all such expenses shall be Secured Obligations secured under Section 3 hereof.

4.17 Further Assurances. The Company agrees that, from time to time upon the written request of the Agent, the Company will execute and deliver such further documents and do such other acts and things as the Agent may reasonably request in order fully to effect the purposes of this Agreement.

Section 5. Miscellaneous.

5.01 No Waiver. No failure on the part of the Agent or any of its agents to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by the Agent or any of its agents of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

5.02 Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York without regard to principles of conflicts of law (other than Section 5-1401 of the New York General Obligations Law).

5.03 Notices. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service or sent by telecopier as noted below. Notices sent by hand or overnight courier service shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient).

(a) Notices to the Agent shall be sent to the address or transmission number for notices as provided in Section 15.2 of the Purchase Agreement; and

(b) Notices to the Company shall be sent to its address or transmission number for notices set forth under its signature below.

5.04 Waivers, etc. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by the Company and the Agent. Any such amendment or waiver shall be binding upon the Agent and the Company.

5.05 Conflicts. In the event of a conflict or inconsistency between the provisions of this Agreement and the provisions of any other Transaction Document, the provisions giving the Agent or the Purchasers greater rights or remedies shall govern (to the maximum extent permitted by Applicable Law), it being understood that the purpose of this Agreement and all of the other Transaction Documents is to add to, and not detract from, the rights granted to the Agent or the Purchasers under the Transaction Documents. In the event of any other conflict or inconsistency between the terms of this Agreement and the Purchase Agreement, the applicable terms of the Purchase Agreement shall govern.

5.06 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the Company and the Purchaser (provided, however, that the Company shall not assign or transfer its rights hereunder without the prior written consent of the Purchaser).

5.07 5.06 Counterparts. This Agreement may be executed in any number of counterparts, all of which together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

5.08 Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Agent in order to carry out the intentions of the parties hereto as nearly as may be possible and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.
SIGNATURE PAGES FOLLOW.]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed as of the day and year first above written.

COMPANY:

1220 Big Creek Road
Kellogg, ID 83837

SYRINGA EXPLORATION, INC.

By: ______________________________
Name: Greg Stewart
Title: President

AGENT:

HUSC, LLC, as agent

By ______________________________
Name:
Title:

By ______________________________
Name:
Title:

ANNEX 1

ENTITIES IN WHICH THE COMPANY IS PLEDGING ITS EQUITY INTERESTS

<u>None</u>

ANNEX 2

EXCLUDED COLLATERAL

None

ANNEX 3
Part 1

Part 1: Copyrights

None

Part 2: Patents

None

Part 3: Trademarks

None

EXCEPTIONS FOR COPYRIGHTS, PATENTS AND TRADEMARKS

The Company's software programs and accompanying user manuals, technical manuals for the Company's products, and the content used in the Company's websites, marketing materials and advertising are all covered by copyright protection, but, except to the extent such items are set forth on Part 1 of this Annex 3, are not registered with the U.S. Copyright Office.

The Company also uses the following trade names and trademarks that are subject to trade name and/or trademark protection, but that are not the subject to active trademark registrations or trademark applications.

None

The Company owns the following intent-to-use trademark applications pending at the U.S. Patent and Trademark Office:

None

ANNEX 4

LIST OF LOCATIONS

1220 Big Creek Road, Kellogg, ID, 83837, USA

2136 Big Creek Road, Kellogg, Idaho, 83837, USA

ANNEX 5

DEPOSIT ACCOUNTS

None

EXHIBIT G

FORM OF WARRANT

TRANSFER OF THIS SECURITY IS RESTRICTED TO PERMITTED TRANSFERS PURSUANT TO A SECURITIES PURCHASE AGREEMENT BETWEEN THE ISSUER, THE HOLDER AND HUSC, LLC DATED FEBRUARY 1, 2012.

UNLESS PERMITTED UNDER CANADIAN SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITIES IN OR TO A PERSON IN CANADA BEFORE JUNE 2, 2012.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

THESE WARRANTS MAY NOT BE EXERCISED BY OR ON BEHALF OF A U.S. PERSON OR PERSON IN THE UNITED STATES UNLESS THE SECURITIES ISSUABLE UPON EXERCISE OF THESE WARRANTS HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") AND THE APPLICABLE SECURITIES LEGISLATION OF ANY SUCH STATE OR AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS IS AVAILABLE. "**UNITED STATES**" AND "**U.S. PERSON**" ARE AS DEFINED BY REGULATION S UNDER THE SECURITIES ACT.

UNITED SILVER CORP.

WARRANT

Warrant No. 1

CUSIP NO.: 911521136
ISIN NO.: CA 911521136

United Silver Corporation (the "**Company**"), a company incorporated under the laws of the Province of British Columbia, hereby certifies that, for value received, HUSC, LLC (the "**Holder**"), is entitled to purchase from the Company up to a total of 5,040,000 common shares (the "**Common Shares**") of the Company (each such share, a "**Warrant Share**" and all such shares, the "**Warrant Shares**") at an exercise price equal to US$0.42 per share (as adjusted from time to time as provided in Section 3, the "**Exercise Price**"), at any time and from time to time from and after the date hereof and through and including February 1, 2016 (the "**Expiration Date**"), and subject to the following terms and conditions. This warrant (the "**Warrant**") is issued pursuant to the securities purchase agreement (the "**Securities Purchase Agreement**") dated as of February 1, 2012 among the Company, the Holder and HUSC, LLC, as Agent.

ARTICLE 1
DEFINITIONS

1.1 Definitions

Capitalized terms used herein without definitions shall have the meanings ascribed to such terms in the Securities Purchase Agreement.

1.2 Currency

(a) All monetary amounts in this Warrant refer to US dollars unless otherwise specified. All amounts denominated in other currencies shall be converted to the US dollar equivalent amount at the Exchange Rate on the relevant date of calculation or determination.

(b) For purposes of this Section 1.2, "**Exchange Rate**" means, in relation to any amount of currency to be converted into US dollars pursuant to this Warrant, the exchange rate at which Royal Bank of Canada would sell Canadian dollars in exchange for US dollars at noon on the Business Day preceding the relevant date of calculation or determination.

(c) For greater certainty and without limiting any other provision contained herein, the Current Market Price, the Closing Prices and the Buy-in Price shall always be expressed in US dollars and shall be converted from Canadian dollars into the US dollar equivalent amount (if required) at the Exchange Rate on the relevant date of calculation or determination.

(d) For greater clarity and without limiting any other provision contained herein, for the purposes of calculating:

(i) the average Closing Prices in Section 2.1(a); and

(ii) the trading price in the definition of VWAP;

such price shall always be expressed in US dollars and shall be converted from Canadian dollars into the US dollar equivalent amount (if required) at the Exchange Rate on the relevant date of calculation or determination. For the purposes of determining the average Closing Prices referred to above such determination shall be made at the close of each relevant Trading Day.

ARTICLE 2
EXERCISE OF WARRANTS

2.1 Exercise and Duration of Warrants

(a) This Warrant shall be exercisable by the registered Holder at any time and from time to time on or after the date hereof to and including the Expiration Date. At 6:30 P.M. New York City time on the Expiration Date, the portion of this Warrant not exercised prior thereto shall be and become void and of no value; provided that, if the average of the Closing Prices for the five Trading Days immediately prior to (but not including) the Expiration Date exceeds the Exercise Price on the Expiration Date, then this Warrant shall be deemed to have been exercised in full (to the extent not previously exercised) on a "cashless exercise" basis at 6:30 P.M. New York City time on the Expiration Date.

(b) A Holder may exercise this Warrant by delivering to the Company (i) an exercise notice, in the form attached hereto (the "**Exercise Notice**"), appropriately completed and duly signed, and (ii) payment of the Exercise Price for the number of Warrant Shares as to which this Warrant is being exercised (which may take the form of a "cashless exercise" if so indicated in the Exercise Notice and if a "cashless exercise" may occur at such time pursuant to Section 3.8 below), and the date such items are delivered to the Company (as determined in accordance with the notice provisions hereof) is an "**Exercise Date**." The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder. Execution and delivery of the Exercise Notice shall have the same effect as cancellation of the original Warrant. The Holder shall deliver the original Warrant to the Company within 20 days after the full exercise of this Warrant, provided, that the Holder's failure to so deliver the original Warrant shall not affect the validity of such exercise or any of the Company's obligations under this Warrant and the Company's sole remedy for the Holder's failure to deliver the original Warrant shall be to obtain an affidavit of lost warrant from the Holder.

2.2 <u>Delivery of Warrant Shares</u>

(a) Subject to Section 2.2(c) below, the Company shall promptly (but in no event later than three Trading Days after the Exercise Date) (i) issue (or cause to be issued) and deliver (or cause to be delivered) to the Holder a certificate, bearing the restrictive legends set forth herein, if applicable, registered in the name of the Holder, for the number of Common Shares to which the Holder shall be entitled, or (ii) at all times after (x) the Company is eligible to deliver its Common Shares electronically through CDS Clearing and Depository Services Inc. ("**CDS**") in connection with a resale by the Holder of such Common Shares pursuant to Section 8.1 of the Securities Purchase Agreement and (y) the Holder has notified the Company that this clause (ii) shall apply, credit the number of Common Shares to which the Holder shall be entitled to the Holder's or its designee's balance account with CDS.

(b) Subject to Section 2.2(c) below, this Warrant is exercisable, either in its entirety or, from time to time, for a portion of the number of Warrant Shares. Upon surrender of this Warrant following one or more partial exercises, the Company shall issue or cause to be issued, at its expense, a new warrant to purchase Common Shares in substantially the form of this Warrant (any such new Warrant, a "**New Warrant**") evidencing the right to purchase the remaining number of Warrant Shares.

(c) In addition to any other rights available to the Holder, if the Company fails to deliver or cause to be delivered to the Holder a certificate representing the Warrant Shares by the third Trading Day after the date on which delivery of such certificate is required by this Warrant, and if after such third Trading Day the Holder purchases (in an open market transaction or otherwise) Common Shares to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving from the Company (a "**Buy-In**"), then the Company shall, within three Trading Days after the Holder's request and in the Holder's discretion, either (i) pay cash to the Holder in an amount equal to the Holder's total purchase price (including brokerage commissions, if any) for the Warrant Shares so purchased (the "**Buy-**

In Price"), at which point the Company's obligation to deliver such certificate (and to issue such Warrant Shares) shall terminate, or (ii) promptly honour its obligation to deliver to the Holder a certificate or certificates representing such Warrant Shares and pay cash to the Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number of Warrant Shares, times (B) the Closing Price on the date of the event giving rise to the Company's obligation to deliver such certificate.

(d) The Company's obligations to issue and deliver Warrant Shares in accordance with the terms and subject to the conditions hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any set-off, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of the Warrant Shares (other than such limitations contemplated by this Warrant). Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing Common Shares upon exercise of the Warrant as required pursuant to the terms hereof.

(e) Each certificate for the Warrant Shares shall bear the following U.S. restrictive legend:

> THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

and, if then applicable, the following Canadian restrictive legends:

> UNLESS PERMITTED UNDER CANADIAN SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITIES IN OR TO A PERSON IN CANADA BEFORE JUNE 1, 2012 .
>
> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE LISTED ON THE TORONTO STOCK EXCHANGE (THE "TSX"); HOWEVER, THE SAID SECURITIES CANNOT BE TRADED THROUGH THE FACILITIES OF TSX SINCE THEY ARE NOT FREELY TRANSFERABLE, AND

CONSEQUENTLY ANY CERTIFICATE REPRESENTING SUCH SECURITIES IS NOT "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON TSX."

(f) To the extent applicable, any certificate for the Warrant Shares issued at any time in exchange or substitution for any certificate bearing either of the above legends shall, to the extent and as provided in the Securities Purchase Agreement, also bear such legend or legends, as the case may be.

2.3 Registration of Transfers

Subject to the terms of the Securities Purchase Agreement, the Company shall register the transfer of any portion of this Warrant in the warrant register of the Company, provided the conditions set out in Section 13.2 of the Securities Purchase Agreement are satisfied. Upon any such transfer, a New Warrant evidencing the portion of this Warrant so transferred shall be issued to the transferee and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Holder in accordance with Section 13.2 of the Securities Purchase Agreement. The acceptance of the New Warrant by the transferee shall be deemed the acceptance by such Permitted Transferee of all of the rights and obligations of a holder of a Warrant.

2.4 Prospectus and Registration Exemptions Available

Notwithstanding anything to the contrary herein, no portion of this Warrant may be exercised into Common Shares unless (i) exemptions from the prospectus and registration requirements of the *Securities Act* (British Columbia) are available for the issuance of the Warrant Shares issuable upon such exercise, and (ii) the exercise of this Warrant and the issuance of the Warrant Shares upon such exercise shall not violate the U.S. Securities Act or any applicable state blue sky laws.

ARTICLE 3
CERTAIN ADJUSTMENTS TO EXERCISE PRICE

3.1 Certain Adjustments

The Exercise Price and number of Warrant Shares or other securities to be issued upon exercise of this Warrant is subject to adjustment from time to time upon the occurrence of certain events, as follows:

(a) Stock Splits, Combinations and Dividends. If at any time while this Warrant is outstanding, the Company shall:

(i) fix a record date for the issue of, or issue Common Shares, or securities exchangeable for or convertible into Common Shares, to the holders of all or substantially all of the outstanding Common Shares by way of a stock dividend;

(ii) fix a record date for the distribution to, or make a distribution to, the holders of all or substantially all of the outstanding Common Shares payable in Common Shares or securities exchangeable for or convertible into Common Shares;

(iii) subdivide, redivide or change the outstanding Common Shares into a greater number of Common Shares; or

(iv) consolidate, combine or reduce the outstanding Common Shares into a lesser number of Common Shares,

(any of such events in subclauses 3.1(a)(i), 3.1(a)(ii), 3.1(a)(iii) and 3.1(a)(iv) above being herein called a "**Common Share Reorganization**"), the Exercise Price shall be adjusted on the effective date of the Common Share Reorganization to the amount determined by multiplying the Exercise Price in effect immediately prior to such record date or effective date, as the case may be, by a fraction:

(A) the numerator of which shall be the number of Common Shares outstanding on such effective date before giving effect to such Common Share Reorganization; and

(B) the denominator of which shall be the total number of Common Shares which will be outstanding immediately after giving effect to such Common Share Reorganization (including in the case of a distribution of securities exchangeable for or convertible into Common Shares, the number of Common Shares that would have been outstanding had such securities been exchanged for or converted into Common Shares on such date). Such adjustment shall be made successively whenever any such Common Share Reorganization occurs. Any such issue of Common Shares by way of a stock dividend shall be deemed to have been made on the record date for such stock dividend for the purpose of calculating the number of outstanding Common Shares under Sections 3.1(a) and 3.1(b).

(b) Rights Offering. If at any time while this Warrant is outstanding, the Company shall fix a record date for the issue or distribution to the holders of all or substantially all of the outstanding Common Shares of rights, options or warrants pursuant to which such holders are entitled, during a period expiring prior to the record date for such issue (such period being the "**Rights Period**"), to subscribe for or purchase Common Shares or securities exchangeable for or convertible into Common Shares at a price per share to the holders (or in the case of securities exchangeable for or convertible into Common Shares, at an exchange or conversion price per share) at the date of issue of such securities of less than 95% of the Current Market Price of the Common Shares on such record date (any of such events being called a "**Rights Offering**"), the Exercise Price shall be adjusted effective immediately after the record date for such Rights Offering to the amount determined by multiplying the Exercise Price in effect on such record date by a fraction:

(i) the numerator of which shall be the aggregate of

(A) the total number of Common Shares outstanding on the record date for the Rights Offering, plus

(B) the quotient determined by dividing

(I) either (a) the product of the number of Common Shares offered during the Rights Period pursuant to the Rights Offering and the price at which such Common Shares are offered, or, (b) the product of the exchange, exercise or conversion price of the securities so offered and the number of Common Shares for or into which the securities offered pursuant to the Rights Offering were exchanged, exercised or converted, as the case may be, by

(II) the Current Market Price of the Common Shares as of the record date for the Rights Offering; and

(ii) the denominator of which shall be the aggregate of the total number of Common Shares outstanding on such record date plus the total number of Common Shares offered pursuant to the Rights Offering (including in the case of the issue or distribution of securities exchangeable or exercisable for or convertible into Common Shares the number of Common Shares for or into which such securities may be exchanged, exercised or converted).

If by the terms of the rights, options, or warrants referred to in this clause 3.1(b), there is more than one purchase, conversion or exchange price per Common Share, the aggregate price of the total number of additional Common Shares offered for subscription or purchase, or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered, shall be calculated for purposes of the adjustment on the basis of the lowest purchase, conversion or exchange price per Common Share, as the case may be. Any Common Shares owned by or held for the account of the Company shall be deemed not to be outstanding for the purpose of any such calculation. To the extent that any adjustment in the Exercise Price occurs pursuant to this clause 3.1(b) as a result of the fixing by the Company of a record date for the issue or distribution of rights, options or warrants referred to in this clause 3.1(b), the Exercise Price shall be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the Exercise Price which would then be in effect based upon the number of Common Shares actually issued and remaining issuable after such expiration and shall be further readjusted in such manner upon the expiration of any further such right.

(c) Pro Rata Distributions. If at any time while this Warrant is outstanding, the Company shall issue or distribute to the holders of all or substantially all of the Common Shares:

(i) a dividend;

(ii) shares of the Company or any other corporation of any class, other than Common Shares;

(iii) rights, options or warrants to acquire Common Shares or securities exchangeable or exercisable for or convertible into Common Shares, or property or other assets of the Company (other than a Rights Offering);

(iv) evidences of indebtedness of the Company; or

(v) cash, securities or other property or assets of the Company;

and if such issue or distribution does not constitute a dividend paid in the ordinary course or a Common Share Reorganization or a Rights Offering (any of such non-excluded events being herein called a "**Special Distribution**"), the Exercise Price shall be adjusted effective immediately after the record date for the Special Distribution to the amount determined by multiplying the Exercise Price in effect on the record date for the Special Distribution by a fraction:

(A) the numerator of which shall be the difference between

(I) the product of the total number of Common Shares outstanding on such record date multiplied by the Current Market Price of the Common Shares on such record date, minus

(II) the fair market value in US dollars (provided that if such amount is determined in Canadian dollars it shall be converted to the US dollar equivalent at the Exchange Rate on the date that such fair market value is set), subject to TSX acceptance, as determined by the directors of the Company, acting reasonably and in good faith, of such dividend, shares, rights, options, warrants, evidences of indebtedness or cash, securities or other property or assets to be paid, issued or distributed in the Special Distribution, and

(B) the denominator of which shall be the product obtained by multiplying the total number of Common Shares outstanding on such record date by the Current Market Price of the Common Shares on such record date.

Any Common Shares owned by or held for the account of the Company shall be deemed not to be outstanding for the purpose of such calculation. To the extent that any adjustment in the Exercise Price occurs pursuant to this clause 3.1(c) as a result of the fixing by the Company of a record date for a Special Distribution, the Exercise Price shall be readjusted immediately after the consummation of the Special Distribution to give effect to the actual fair market value of the Special Distribution and, to the extent of any distribution made pursuant to clause 3.1(c)(iii), after the expiration of any relevant exchange, exercise or conversion right to the amount which would then be in effect if the fair market value had been determined on the basis of the number of Common Shares issued and remaining issuable immediately after such expiration, and shall be further readjusted in such manner upon the expiration of any further such right.

(d) Issuer Bids. If at any time while this Warrant is outstanding, the Company shall make an issuer bid or a tender or exchange offer (other than an odd lot offer or a normal course issuer bid) to all or substantially all of the holders of Common Shares for all or any portion of the Common Shares where the cash and the value of any other consideration included in such payment per Common Share exceeds the Current Market Price on the Trading Day immediately preceding the commencement of the issuer bid or tender or exchange offer (any such issuer bid or tender or exchange offer being called an "**Issuer Bid**"), the Exercise Price shall be adjusted to a price determined by multiplying the applicable Exercise Price in effect on the date of the completion of such Issuer Bid by a fraction, the numerator of which shall be the product of (A) the number of Common Shares outstanding immediately prior to the completion of the Issuer Bid (without giving effect to any reduction in respect of any tendered or exchanged shares) and (B) the Current Market Price on the Trading Day immediately preceding the commencement of the Issuer Bid, and the denominator of which shall be the sum of (A) the fair market value in US dollars, provided that if such amount is determined in Canadian dollars it shall be converted to the US dollar equivalent at the Exchange Rate on the date that such fair market value is set (determined by the board of directors of the Company, acting reasonably and in good faith and subject, in each instance, to TSX approval) of the aggregate consideration paid by the Company to purchasers of Common Shares upon the completion of such Issuer Bid, and (B) the product of (i) the difference between the number of Common Shares outstanding immediately prior to the completion of the Issuer Bid (without giving effect to any reduction in respect of tendered or exchanged shares) and the number of Common Shares actually purchased by the Company pursuant to the Issuer Bid, and (ii) the Current Market Price on the Trading Day immediately preceding the commencement of the Issuer Bid.

(e) Reclassification, etc. If, at any time while this Warrant is outstanding, (i) the Company effects any amalgamation, consolidation, arrangement, merger or other form of business combination of the Company with or into another Person resulting in any reclassification of the outstanding Common Shares, any change of the Common Shares into other shares or securities or any other reorganization of the Company, (ii) the Company effects any sale, conveyance, lease, exchange or transfer of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation or entity, (iii) the Company effects any reclassification of or amendment to the outstanding Common Shares, any change of the Common Shares into other shares or securities or any other reorganization of the Company (other than as described in Section 3.1(a)) or any compulsory share exchange pursuant to which the Common Shares are effectively converted into or exchanged for other securities, cash or property (other than as a result of a subdivision or combination of Common Shares described in 3.1(a) above), or (iv) there is a Change of Control (each case in clauses (i) through (iv) above, a "**Fundamental Change**"), then upon any subsequent exercise of this Warrant, the Holder shall have the right to receive (except to the extent previously distributed to the Holder pursuant to 3.1(c) above), for each Warrant Share that would have been issuable upon such conversion absent such Fundamental Change, the same kind and amount of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Change if it had been, immediately prior to such Fundamental Change, the registered holder of the number of Common Shares to which such holder was theretofore entitled upon such exercise of Common Shares (the "**Alternate Consideration**"). If holders of Common Shares are given any choice as to the securities, cash or property to be received in a Fundamental Change, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Change. In the event of a Fundamental Change, the Company or the successor or purchasing Person, as the case may be, shall execute with the Holder a written agreement providing that:

(i) this Warrant shall thereafter entitle the Holder to purchase the Alternate Consideration;

(ii) in the case of any such successor or purchasing Person, upon such consolidation, amalgamation, statutory exchange, combination, sale or conveyance such successor or purchasing Person shall be jointly and severally liable with the Company for the performance of all of the Company's obligations under this Warrant and the other Transaction Documents; and

(iii) if registration or qualification is required under applicable Securities Laws or other Applicable Laws for the public resale by the Holder of shares of stock and other securities so issuable upon exercise of this Warrant, such registration or qualification shall be completed prior to such reclassification, change, consolidation, amalgamation, statutory exchange, combination or sale.

If, in the case of any Fundamental Change, the Alternate Consideration includes shares of stock, other securities, other property or assets of a Person other than the Company or any such successor or purchasing Person, as the case may be, in such Fundamental Change, then such written agreement shall also be executed by such other Person and shall contain such additional provisions to protect the interests of the Holder as the Holder shall reasonably consider necessary by reason of the foregoing. At the Holder's request, any successor to the Company or surviving Person in such Fundamental Change shall issue to the Holder a New Warrant consistent with the foregoing provisions and evidencing the Holder's right to purchase the Alternate Consideration for the aggregate Exercise Price upon exercise thereof. The terms of any agreement pursuant to which a Fundamental Change is effected shall include terms requiring any such successor or surviving Person to comply with the provisions of this Section 3 and ensuring that this Warrant (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Change.

In the event of any question or dispute arising with respect to the adjustments provided in this Section 3, such questions or dispute shall be conclusively determined by an independent national firm of chartered accountants appointed by the board of directors of the Company and consented to by the Agent, acting reasonably. The Company shall provide such accountants access to all necessary records of the Company and such determination shall be binding upon the Company and the Holder, absent manifest error.

3.2 Number of Warrant Shares

Simultaneously with any adjustment to the Exercise Price pursuant to Section 3.1(a), the number of Warrant Shares that may be purchased upon exercise of this Warrant shall be increased or decreased proportionately, so that after such adjustment the aggregate Exercise Price payable hereunder for the increased or decreased number of Warrant Shares shall be the same as the aggregate Exercise Price in effect immediately prior to such adjustment.

3.3 Calculations

All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as applicable. The number of Common Shares outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Shares.

3.4 Notice of Adjustments

Upon the occurrence of each adjustment pursuant to this Section 3, the Company at its expense will promptly compute such adjustment in accordance with the terms hereof and prepare and deliver to the Holder a certificate describing in reasonable detail such adjustment and the transactions giving rise thereto, including all facts upon which such adjustment is based.

3.5 Notice of Corporate Events

If the Company (a) declares a dividend, or any other distribution of cash, securities or other property in respect of its Common Shares, including without limitation any granting of rights or warrants to subscribe for or purchase any capital of the Company or any Subsidiary (other than incentives or pursuant to incentives), (b) authorizes or approves, enters into any agreement contemplating or solicits shareholder approval for a Fundamental Change or (c) authorizes the voluntary dissolution, liquidation or winding up of the affairs of the Company, then the Company shall deliver to the Holder a notice describing the material terms and conditions of such transaction, at least 20 Trading Days prior to the applicable record or effective date on which a Person would need to hold Common Shares in order to participate in or vote with respect to such transaction, and the Company will take all steps reasonably necessary in order to ensure that the Holder is given the practical opportunity to exercise this Warrant prior to such time so as to participate in or vote with respect to such transaction.

3.6 Corporate Action

As a condition precedent to the taking of any action which would require any adjustment to the Exercise Price, the Company shall take any corporate action which may be necessary in order that the Company or any successor to the Company or successor to the undertaking or assets of the Company have an unlimited amount of authorized capital or, where the amount of authorized capital is limited, such amount of unissued and reserved authorized capital as will enable it to validly and legally issue as fully paid and non-assessable all the shares or other securities which the Holder is entitled to receive on the full exercise thereof in accordance with the provisions hereof.

3.7 No Fractional Shares

The Company shall not be required to issue or cause to be issued fractional Warrant Shares on the exercise of this Warrant. If any fraction of a Warrant Share would, except for the provisions of this Section 3.7, be issuable upon exercise of this Warrant, the number of Warrant Shares to be issued will be rounded up to the nearest whole share or right to purchase the nearest whole share, as the case may be.

3.8 Payment of Exercise Price

The Holder, at its election, may either pay the Exercise Price in immediately available funds, or satisfy its obligation to pay the Exercise Price through a "cashless exercise," in which event the Company shall issue to the Holder the number of Warrant Shares determined as follows:

X = [Y multiplied by A] less (Y multiplied by B)/A

where:

X = the number of Warrant Shares to be issued to the Holder.

Y = the number of Warrant Shares with respect to which this Warrant is being exercised.

A = the Current Market Price (as of the date of such calculation) of one Common Share.

B = the Exercise Price (as adjusted to the date of such calculation).

For purposes of applicable Securities Laws, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued pursuant to the Securities Purchase Agreement.

ARTICLE 4
MISCELLANEOUS

4.1 Restriction on Issuances of Common Shares

So long as the Warrants remain outstanding and notwithstanding the termination of the Securities Purchase Agreement upon the repayment in full of all of the Notes, the Company covenants that it shall not authorize or issue (a) any Equity Securities (other than Common Shares) without the prior written consent of the Purchasers; or (b) any Common Shares at a price per Common Share less than or equal to the Exercise Price.

4.2 Terms and Conditions of the Securities Purchase Agreement

The Company acknowledges that it is bound by all of the terms and conditions contained in the Securities Purchase Agreement provided that, upon the indefeasible repayment in full of all amounts owing under or pursuant to the Transaction Documents (other than the Warrants), the covenants set out in Article 9 of the Securities Purchase Agreement and each Event of Default set out in Section 10.1 of the Securities Purchase Agreement shall not apply to the Company or any of its Subsidiaries and shall be of no further force and effect other than Sections 9.1 (b), (c), (e), (j), (p), (w), (x), (y), (z), (ee) and (gg) and Sections 9.2(a), (d), (e) and (x) of the Securities Purchase Agreement, which shall continue to apply until the earlier of (a) the date that all of the Warrants have been exercised, and (b) the Expiration Date.

4.3 Good Faith

The Company will not, by amendment of its constating documents or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder against impairment. Without limiting the generality of the foregoing, the Company (a) will take all such action as may be reasonably necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable Warrant Shares on the exercise of this Warrant, except that the Company shall not under any circumstances be required to register the Warrants or the Underlying Shares with the Commission, the Securities Commission of any State or pursuant to the Securities Act, and (b) will not close its stockholder books or records in any manner which interferes with the timely exercise of this Warrant.

4.4 Failure or Indulgence Not Waiver

No failure or delay on the part of the Holder hereof in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

4.5 Notices

Any notice herein required or permitted to be given shall be given in accordance with Section 15.2 of the Securities Purchase Agreement.

4.6 Amendment Provision

The term "Warrant" and all reference thereto, as used throughout this instrument, shall mean this instrument as originally executed, or if later amended or supplemented, then as so amended or supplemented, and any successor instrument issued pursuant to Section 2.2(a) hereof, as it may be amended or supplemented from time to time.

4.7 Assignability

This Warrant shall enure to the benefit of and shall be binding on and enforceable by and against the parties hereto and their respective successors and permitted assigns. This Warrant may only be assigned by the Holder in accordance with Section 15.5 of the Securities Purchase Agreement. This Warrant shall not be assigned by the Company without the prior written consent of all of the Purchasers.

4.8 Governing Law, Jurisdiction, etc.

(a) **Governing Law**. This Warrant shall be governed by, and construed in accordance with the laws of the State of New York.

(b) **Consent to Jurisdiction**. Each party irrevocably agrees that any legal suit, action or proceeding arising out of or based upon this Warrant or the transactions contemplated hereby ("**Related Proceedings**") may be instituted in the federal courts of the United States of America located in the City of New York or the courts of the State of New York in each case located in the Borough of Manhattan in the City of New York (collectively, the "**Specified Courts**"), and irrevocably submits to the non-exclusive jurisdiction of such courts in any such suit, action or proceeding. The parties further agree that any service of process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any lawsuit, action or other proceeding brought in any such court. The parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any lawsuit, action or other proceeding in the Specified Courts, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such lawsuit, action or other proceeding brought in any such court has been brought in an inconvenient forum. Nothing in this Warrant will affect the right of any party to this Warrant to serve process in any other manner permitted by Applicable Law.

4.9 Judgment Currency

(a) If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due to the Holder (each a "**Recipient**") in any currency (the "**Original Currency**") into another currency (the "**Other Currency**"), the parties agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which, in accordance with normal banking procedures, such Recipient could purchase the Original Currency with the Other Currency on the Business Day preceding the day on which final judgment is given or, if permitted by Applicable Law, on the day on which the judgment is paid or satisfied.

(b) The obligations of the Company in respect of any sum due in the Original Currency from it to any Recipient under this Warrant or any other Transaction Documents shall, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Business Day following receipt by the applicable Recipient of any sum adjudged to be so due in the Other Currency, such Recipient may, in accordance with normal banking procedures, purchase the Original Currency with such Other Currency. If the amount of the Original Currency so purchased is less than the sum originally due to such Recipient in the Original Currency, the Company agrees, as a separate obligation and notwithstanding the judgment, to indemnify each Recipient, against any loss, and, if the amount of the Original Currency so purchased exceeds the sum originally due to such Recipient in the Original Currency, such Recipient shall remit such excess to the Company.

4.10 Security Interest and Guarantee

The Agent for and on behalf of the Holder has been granted a security interest in certain assets of the Company and each of the Guarantors, as more fully described in the Transaction Documents. The obligations of the Company under this Warrant are guaranteed by each of the Guarantors pursuant to each of the Guarantees dated as of the date hereof.

4.11 Construction

Each party acknowledges that its legal counsel participated in the preparation of this Warrant and, therefore, stipulates that the rule of construction that ambiguities are to be resolved against the drafting party shall not be applied in the interpretation of this Warrant to favour any party against the other.

4.12 Severability

If any provision contained in this Warrant shall be invalid, illegal or unenforceable in any jurisdiction, the invalidity, illegality or unenforceability of that provision will not affect:

(a) the validity, legality or enforceability of the remaining provisions hereof or thereof; or

(b) the validity, legality or enforceability of that provision in any other jurisdiction.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK,
SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

UNITED SILVER CORP.

by ______________________________

Name:

Title:

FORM OF EXERCISE NOTICE

(To be executed by the Holder to exercise the right to purchase Common Shares under the foregoing Warrant)

To: UNITED SILVER CORP.

The undersigned is the Holder of Warrant No. _______ (the "**Warrant**") issued by UNITED SILVER CORP. (the "**Company**") a company incorporated under the laws of the Province of British Columbia. Capitalized terms used herein and not otherwise defined have the respective meanings set forth in the Warrant.

1. The Warrant is currently exercisable to purchase a total of ______________ Warrant Shares.

2. The undersigned Holder hereby exercises its right to purchase _________________ Warrant Shares pursuant to the Warrant.

3. The Holder intends that payment of the Exercise Price shall be made as (check one):

   ____ "Cash Exercise" under Section 3.8

   ____ "Cashless Exercise" under Section 3.8

4. If the Holder has elected a Cash Exercise, the Holder has tendered herewith the sum of $____________ to the Company in accordance with the terms of the Warrant.

5. Pursuant to this exercise, the Company shall deliver to the Holder _______________ Warrant Shares in accordance with the terms of the Warrant.

6. Following this exercise, the Warrant shall be exercisable to purchase a total of ______________ Warrant Shares.

If all or any portion of the exercise is a "Cash Exercise" under Section 3.8, the undersigned holder hereby represents, warrants and certifies as follows: (Please check the **ONE** box applicable):

A. The undersigned holder (i) at the time of exercise of the Warrants is not in the United States; (ii) is not a "U.S. person" as defined in Regulation S under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), (iii) is not exercising the Warrants on behalf of a "U.S. person"; and (iv) did not execute or deliver this subscription form in the United States.

B. The undersigned holder has delivered to the Company a completed and duly executed copy of the U.S. Accredited Investor Status Certificate attached hereto as Schedule "A" together with evidence that the exercise complies with all applicable state securities laws.

C. If the holder cannot check box (A) or box (B), the holder must contact the Company. If requested by the Company, the undersigned holder will deliver to the Company, in a form acceptable to the Company and its counsel acting reasonably, an opinion of counsel to the effect that an exemption from the registration requirements of the U.S. Securities Act for the exercise of the Warrants and the issuance of the Warrant Shares is available. For clarity, it will be reasonable, if deemed necessary by the Company, for the Company to obtain an independent legal opinion from its own counsel, at its own expense, to this effect.

The undersigned holder hereby directs that the Warrant Shares be issued as follows:

NAME(S) IN FULL	**ADDRESS(ES)**	**NUMBER OF WARRANT SHARES**

DATED this day of , 20_ .

NAME: ______________________________

Signature: ______________________________

Print name of individual whose signature appears above if different than the name printed above: ______________________________

______ Please check if the certificates representing the Warrant Shares are to be delivered at the Company's principal office where this Warrant Certificate is surrendered, failing which the certificates representing the Warrant Shares will be mailed to the address in the registration instructions set out above.

If any Warrants represented by this Warrant Certificate are not being exercised, a new Warrant Certificate representing the unexercised Warrants will be issued and delivered with the certificate representing the Warrant Shares.

Notes:

If all or any portion of the exercise is a "Cash Exercise" under Section 3.8, certificates will not be registered or delivered to an address in the United States unless Box B or Box C above is checked.

If Box C is to be checked, holders are encouraged to consult with the Company in advance to determine that the legal opinion tendered in connection with exercise will be reasonably satisfactory in form and substance to the Company and its counsel.

EXHIBIT A

ACCREDITED INVESTOR QUESTIONNAIRE

All capitalized terms herein, unless otherwise defined, have the meanings ascribed thereto in the Securities Purchase Agreement.

This Questionnaire is for use by each Subscriber who is a US person (as that term is defined Regulation S of the United States Securities Act of 1933 (the "**1933 Act**")) and has indicated an interest in purchasing Shares of United Silver Corp. (the "**Company**"). The purpose of this Questionnaire is to assure the Company that each Subscriber will meet the standards imposed by the 1933 Act and the appropriate exemptions of applicable state securities laws. The Company will rely on the information contained in this Questionnaire for the purposes of such determination. The Warrant Shares will not be registered under the 1933 Act in reliance upon the exemption from registration afforded by Section 3(b) and/or Section 4(2) and Regulation D of the 1933 Act. This Questionnaire is not an offer of the Warrant Shares or any other securities of the Company in any state other than those specifically authorized by the Company.

All information contained in this Questionnaire will be treated as confidential. However, by signing and returning this Questionnaire, each Subscriber agrees that, if necessary, this Questionnaire may be presented to such parties as the Company deems appropriate to establish the availability, under the 1933 Act or applicable state securities law, of exemption from registration in connection with the sale of the Shares hereunder.

The Undersigned covenants, represents and warrants to the Company that it satisfies one or more of the categories of "Accredited Investors", as defined by Regulation D promulgated under the 1933 Act, as indicated below: (Please initial in the space provide those categories, if any, of an "Accredited Investor" which the Holder satisfies.)

_______	Category 1	An organization described in Section 501(c)(3) of the United States Internal Revenue Code, a corporation, a Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the Shares, with total assets in excess of US $5,000,000.
_______	Category 2	A natural person whose individual net worth, or joint net worth with that person's spouse, on the date of purchase exceeds US $1,000,000 excluding the value of the primary residence of such person(s) and the related amount of indebtedness secured by the primary residence up to its fair market value but including the amount of any increase in such indebtedness incurred within the 60 days prior to the date of purchase unless related to the acquisition of the primary residence.
_______	Category 3	A natural person who had an individual income in excess of US $200,000 in each of the two most recent years or joint income with that person's spouse in excess of US $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.
_______	Category 4	A "bank" as defined under Section (3)(a)(2) of the 1933 Act or savings and loan association or other institution as defined in Section 3(a)(5)(A) of the 1933 Act acting in its individual or fiduciary capacity; a broker dealer registered pursuant to Section 15 of the *Securities Exchange Act of 1934* (United States); an insurance company as defined in Section 2(13) of the 1933 Act; an investment company registered under the *Investment Company Act of 1940* (United States) or a business development company as defined in Section 2(a)(48) of such Act; a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the *Small Business Investment Act of 1958* (United States); a plan with total assets in excess of $5,000,000 established and maintained by a state, a political subdivision thereof, or an agency or instrumentality of a state or a political subdivision thereof, for the benefit of its employees; an employee benefit plan within the meaning of the *Employee Retirement Income Security Act of 1974* (United States) whose investment decisions are made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000, or, if a self-directed plan, whose investment decisions are made solely by persons that are accredited investors.

________ Category 5 A private business development company as defined in Section 202(a)(22) of the *Investment Advisers Act of 1940* (United States).

________ Category 6 A director or executive officer of the Company.

________ Category 7 A trust with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the Shares, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the 1933 Act.

________ Category 8 An entity in which all of the equity owners satisfy the requirements of one or more of the foregoing categories.

Note that a Holder claiming to satisfy one of the above categories of Accredited Investor may be required to supply the Company with a balance sheet, prior years' federal income tax returns or other appropriate documentation to verify and substantiate the Holder's status as an Accredited Investor.

If the Holder is an entity which initialled Category 8 in reliance upon the Accredited Investor categories above, state the name, address, total personal income from all sources for the previous calendar year, and the net worth (exclusive of home, home furnishings and personal automobiles) for each equity owner of the said entity:

____

The Holder hereby certifies that the information contained in this Questionnaire is complete and accurate and the Subscriber will notify the Company promptly of any change in any such information. If this Questionnaire is being completed on behalf of a corporation, partnership, trust or estate, the person executing on behalf of the Subscriber represents that it has the authority to execute and deliver this Questionnaire on behalf of such entity.

IN WITNESS WHEREOF, the undersigned has executed this Questionnaire as of the ________ day of __________________, 2012.

If a Corporation, Partnership or Other Entity:	If an Individual:
______________________________	______________________________
Print of Type Name of Entity	Signature
______________________________	______________________________
Signature of Authorized Signatory	Print or Type Name
______________________________	______________________________
Type of Entity	Social Security/Tax I.D. No.