



ANNUAL INFORMATION FORM

For the financial year ended December 31, 2011

Date: March 28, 2012

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ITEM 1: PRELIMINARY NOTES

Date of Information

All information in this Annual Information Form (“AIF”) is as of December 31, 2011 unless otherwise indicated.

Currency

All amounts are reported in United States dollars unless indicated with a “CDN” to represent a Canadian dollar denominated amount.

Forward-Looking Statements

This AIF and the documents incorporated or deemed to be incorporated by reference herein may contain or incorporate by reference “forward-looking information” and forward-looking statements within the meaning of applicable Canadian securities laws. Forward-looking information and forward-looking statements consist of information and statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “proposes”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. This AIF contains forward-looking information, which includes, but is not limited to, statements with respect to:

- prospective results of operations, including that the Company will have sufficient capital to fund its ongoing mine services operations, without the need to draw on its line of credit and that the Company’s operating divisions will be able to generate sufficient cash to service outstanding debt,
- the future price of silver,
- the estimation of mineral reserves and resources,
- capital and exploration expenditures,
- costs and timing of mine development,
- processing facility construction and the development of new deposits,
- requirements for additional capital, and
- the use of the proceeds raised from the Offering.

The forward-looking information reflects management’s current views, is based on certain assumptions and speaks only as of the date of this AIF. These assumptions, which include management’s current expectations, estimates and assumptions about certain projects and the markets the Company operates in, the global economic environment and interest rates, may prove to be incorrect.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and/or its current and proposed subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; the outcome of negotiations, conclusions of economic evaluations and studies; currency fluctuations; the ability to implement corporate strategies; the inability to agree with joint venture or other key partners on important items; labour shortages; failure to obtain additional capital at all or on commercially reasonable terms; the Company has a small customer base that it depends on for the majority of its revenues; insufficient investor interest in the Company's securities which may impact on the Company's ability to raise additional financing as required; the ability to retain key employees; changes in project parameters and returns as plans continue to be refined; future prices of precious metals; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability; insurrection or war; arbitrary changes in law; and delays in obtaining governmental approvals or financing or in the completion of development or construction activities. As a result, actual actions, events or results may differ materially from those described in forward-looking information and there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information due to the inherent uncertainty therein.

The forward-looking information contained in this AIF and the documents incorporated by reference herein is expressly qualified by this cautionary statement. Although the Company has attempted to identify factors that could cause actual actions, events or results to differ materially from those described in forward-looking information and statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Forward-looking information and statements are based upon the beliefs, estimates and opinions of the Company's management at the time they are made and the Company disclaims any duty to update any forward-looking statements after the date of this AIF to conform such statements to actual results or to changes in the Company's expectations, except as otherwise required by applicable law.

This AIF contains or incorporates by reference "forward-looking information" which means disclosure regarding possible events, conditions, acquisitions, or results of operations that are based on assumptions about future conditions and courses of action and includes future oriented financial information with respect to prospective results of operations, financial position or cash flows that is presented either as a forecast or a projection, and also includes, but is not limited to, statements with respect to the future financial and operating performance of the Company and its current and proposed mineral projects, the future price of precious metals, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, working capital requirements, capital and exploration expenditures, costs and timing of mine development, processing facility construction and the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, and limitations of insurance coverage. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "proposes", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Glossary of General Terms

In this AIF, unless there is something in the subject matter or context inconsistent therewith, the following capitalized words and terms have the following meanings:

BCBCA	<i>Business Corporations Act</i> (British Columbia).
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
CNSX	Canadian National Stock Exchange.
Company	Collectively, USC and its subsidiary UMS and its wholly-owned subsidiary, Syringa.
Crescent Mine Property	The properties covering all the mineral claims associated with the Crescent Silver Mine located in Shoshone County, Idaho.
Earn-In Agreement	An agreement entered into on December 30, 2009 among UMS and its wholly-owned subsidiary, Syringa, and Gold Finder and its wholly-owned subsidiary, Crescent Inc., whereby UMS and Syringa were granted the option to acquire up to an undivided 80% interest in and to the Property.
Gold Finder	Gold Finder Explorations Ltd. (formerly known as “SNS Silver Corporation” and “SNS Precious Metals Inc.”).
NI 43-101	National Instrument 43-101 <i>Standards of Disclosure for Mineral Projects</i> published by the Canadian Securities Administrators.
NJMC	New Jersey Mining Company
NJMC Agreement	Joint Venture Agreement dated January 7, 2011 between the Company and NJMC to secure milling capacity for the Crescent Mine Property.
Reporting Jurisdictions	The Canadian jurisdictions in which the Company is currently a reporting issuer under Securities Legislation, being British Columbia, Alberta and Ontario.
Reverse Takeover	The acquisition of UMS by UMG, in which the legal acquiree, UMS, is the accounting acquirer.
Securities Acts	The Securities Acts or the equivalent securities legislation of each of the provinces of Canada, as amended.
Securities Legislation	The Securities Acts and the equivalent securities legislation of the territories of Canada, and the <i>Securities and Exchange Act of 1934</i> and the <i>Securities Act of 1933</i> , each as now enacted or as amended and the applicable rules, regulations, rulings, orders, instruments and forms made or promulgated under such statutes, as well as the rules, regulations, by-laws and policies of the TSX.
SEDAR	System for Electronic Document Analysis and Retrieval.
Share Exchange Agreement	The agreement and plan of share exchange dated March 25, 2010 made between USC and UMS.
SRK Report	Amended and Restated Technical report entitled " <i>Amended NI 43-101 Technical Report on Resources, United Silver Corp., Crescent Mine, Kellogg, ID</i> ", dated September 30, 2011 (the “ Technical Report ”), prepared by SRK Consulting (U.S.), Inc. (“ SRK ”), previously filed with the British Columbia, Alberta and Ontario Securities Commissions via SEDAR.
Syringa	The Company’s wholly-owned subsidiary, Syringa Exploration, Inc.
TSX	Toronto Stock Exchange.
USC	United Silver Corp. (formerly known as “United Mining Group, Inc.”)
UMS	United Mine Services.

Glossary of Technical Terms

In this AIF, the following technical terms have the following meanings:

Term	Definition
Arsenopyrite	A silver-white, metallic, iron-arsenic-sulphide mineral, commonly associated with precious metal deposits.
Assay	The chemical analysis of mineral samples to determine the metal content.
Base metal	Any of more chemically active metals, including copper, lead, and zinc, which are the principal metals in an alloy.
Blank	A known rock sample that is barren of precious metals and/or base metals that is used to check analyses at commercial laboratories for sample contamination.
Composite	Combining more than one sample result to give an average result over a larger distance.
Concentrate	A metal-rich product resulting from a mineral enrichment process such as gravity concentration or flotation, in which most of the desired mineral has been separated from the waste material in the ore.
Core	Cylindrical section of rock recovered from a drill hole by a drill rig. The core is used for geologic examination and analysis. Core size may be of various diameters for specific purposes. Some diameter designations are listed below: NQ = 47.6 mm NTW = 56.0 mm HQ = 63.5 mm PQ = 85.0 mm
Cretaceous	Geologic Period referring to rocks 66.4 to 144 million years old.
Crushing	Initial process of reducing ore particle size to render it more amenable for further processing.
Cut-off Grade (CoG)	The grade of mineralized rock, which determines as to whether or not it is economic to recover its mineral content by further concentration.
Diorite	Coarse-grained granitic rock of intermediate composition commonly composed of dark minerals (especially hornblende), plagioclase and sometimes a small amount of quartz.
Dip	Angle of inclination of a geological feature/rock from the horizontal.
Epithermal	A hydrothermal mineral deposit formed within 1 km of the surface at temperatures of 50°-200°C, occurring mainly as veins.
Fault	The surface of a fracture along which movement has occurred.
Footwall	The underlying side of an ore body or stope.
Galena	A bright, metallic, lead-gray, lead-sulfide mineral commonly associated with base and precious metal deposits.
Gangue	Non-valuable components of the ore.
Grade	The measure of concentration of silver or gold within mineralized rock.
Hanging wall	The overlying side of an ore body or stope.
Haulage	A horizontal underground excavation, which is used to transport mined ore.
Igneous	Primary crystalline rock formed by the solidification of magma.
Level	Horizontal tunnel the primary purpose of which is the transportation of personnel and materials.
Lithological	Geological description pertaining to different rock types.

Term	Definition
Metallurgical tests	Tests to determine the amenability of an ore to commercial processing for metal recovery. Tests may also include environmental characterization.
Metamorphic rock	Pre-existing rock that has been physically changed by temperature, pressure, shearing stress, or chemical environment, generally at depth in the Earth's crust.
Milling	A general term used to describe the process in which the ore is crushed and ground and subjected to physical or chemical treatment to extract the valuable metals to a concentrate or finished product.
Mineral/Mining Lease	A lease area for which mineral rights are held.
Normal fault	A fault in which the hanging wall has moved downward. The angle of the fault is usually 45-90°.
Pulp	The pulverized and homogenized material derived from a rock sample that is used for laboratory analysis.
Pyrite	A pale brass yellow, metallic, iron-sulphide mineral, commonly associated with mineral deposits ("fool's gold).
Quartz vein	A fault or fracture filled with hydrothermal quartz and accessory minerals in a tabular or sheet-like form, often with associated replacement of the host rock walls. Veins can be narrow (>1ft) to very thick (ten's of feet).
Reject	That portion of a rock sample that remains ("rejected") after it has been split and reduced for final analysis using a much smaller amount of material yielding a pulp.
Sedimentary	Pertaining to rocks formed by the accumulation of sediments, formed by the erosion of other rocks.
Shaft	An opening cut downwards from the surface for transporting personnel, equipment, supplies, ore and waste.
Sphalerite	A resinous to sub-metallic, zinc-sulphide mineral commonly yellowish brown and commonly associated with base and precious metal deposits.
Stope	Underground void created by mining.
Stratigraphy	The study of stratified rocks in terms of time and space.
Strike	Direction of line formed by the intersection of strata surfaces with the horizontal plane, always perpendicular to the dip direction.
Sulfide	A sulfur bearing mineral.
Tailings	Finely ground waste rock from which valuable minerals or metals have been extracted.
Tertiary	Geologic Period referring to rocks ranging in age from 1.6 to 66.4 million years old
Thrust fault	A fault with a dip of 45° or less over much of its extent, on which the hanging wall appears to have moved upward relative to the footwall.
Variogram	A statistical representation of the characteristics (usually grade).

Cautionary Note to U.S. Investors Concerning Reserve and Resource Estimates

The terms “*mineral reserve*”, “*proven mineral reserve*” and “*probable mineral reserve*” are Canadian mining terms as defined in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum (“**CIM**”) - CIM Definition Standards on Mineral Resources and Mineral Reserves,

adopted by the CIM Council, as amended. These definitions differ from the definitions in the United States Securities and Exchange Commission (“SEC”) Industry Guide 7 (“**SEC Industry Guide 7**”) under the *Securities Act of 1933*. Under SEC Industry Guide 7 standards, a “*final*” or “*bankable*” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority. Under SEC Industry Guide 7 standards, mineralization may not be classified as a “*reserve*” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made.

In addition, the terms “*mineral resource*”, “*measured mineral resource*”, “*indicated mineral resource*” and “*inferred mineral resource*” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves or that they can be mined economically or legally. “*Inferred mineral resources*” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all, or any part, of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or that it can be economically or legally mined. Disclosure of “*contained ounces*” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “*reserves*” by SEC standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this AIF and the documents incorporated by reference herein contain descriptions of the Company’s mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

Units of Measure

In this AIF, a combination of Imperial and metric measures are used with respect to mineral properties located in Canada. Conversion rates from Imperial measure to metric and from metric to Imperial are provided below:

Imperial Measure = Metric Unit		Metric Measure = Imperial Unit	
2.47 acres	1 hectare	0.4047 hectares	1 acre
3.28 feet	1 metre	0.3048 metres	1 foot
0.62 miles	1 kilometre	1.609 kilometres	1 mile
0.032 ounces (troy)	1 gram	31.1 grams	1 ounce (troy)
1.102 tons (short)	1 tonne	0.907 tonnes	1 ton
0.029 ounces (troy)/ton	1 gram/tonne	34.28 grams/tonne	1 ounce (troy/ton)

ITEM 2: DOCUMENTS INCORPORATED BY REFERENCE

Specifically incorporated by reference and forming a part of this AIF are certain financial statements and accompanying reports including:

1. Management Information Circular dated March 25, 2010, previously filed with the British Columbia, Alberta and Ontario Securities Commissions via SEDAR;
2. the Company's audited financial statements, accompanying notes and the auditor's report thereon, together with the management's discussion & analysis ("MD&A") for the fiscal year ended December 31, 2011;
3. Amended and Restated Technical report entitled "*Amended NI 43-101 Technical Report on Resources, United Silver Corp., Crescent Mine, Kellogg, ID*", dated September 30, 2011 (the "**Technical Report**"), prepared by SRK Consulting (U.S.), Inc. ("**SRK**"), previously filed with the British Columbia, Alberta and Ontario Securities Commissions via SEDAR;
4. Securities Purchase Agreement dated February 1, 2012, between the Company and Hale Capital Partners, LP's subsidiary, HUSC, LLC as agent and as purchaser, as filed via SEDAR.

ITEM 3: CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated on November 6, 2007 pursuant to the BCBCA under the name "Scarlet Resources Ltd." Effective May 7, 2010, the Company changed its name to "United Mining Group, Inc." and on June 3, 2011, subsequently changed its name to "United Silver Corp". The head office of the Company is located at 1220 Big Creek Road, Kellogg, Idaho, 83837. The Company's registered and records office is situated at 885 West Georgia Street, Suite 800, Vancouver, British Columbia, Canada V6C 3H1.

The Company is a reporting issuer in Alberta, British Columbia and Ontario. The Company's common shares have been listed for trading on the TSX since September 9, 2010, currently trading under the symbol "USC". The Company's shares are also included for trading on the Frankfurt Stock Exchange under the symbol "UM8" and are quoted on the OTC under the stock symbol "USCZF". Prior to trading on the TSX, the Company's shares traded on the CNSX under the symbol "SCT" from June 1, 2009 to May 7, 2010.

Intercorporate Relationships

UMS, the Company's wholly-owned subsidiary, was incorporated on April 13, 2006 under the name of "Southern Africa Mineral Expeditions Corporation", pursuant to the laws of the State of Idaho. On December 14, 2006, UMS changed its name to Idaho Mining & Exploration Corporation and on June 18, 2007, changed its name to United Mine Services, Inc.

UMS has a wholly-owned subsidiary, Syringa Exploration, Inc., which was incorporated on February 20, 2007 under the laws of the State of Idaho.

The following is a diagram of our corporate structure:



ITEM 4: GENERAL DEVELOPMENT OF THE BUSINESS

The Company is engaged primarily in providing mining and contracting services and in the development of the Crescent Silver Mine.

In May 2010, the Company completed the Reverse Takeover, and changed its name to United Mining Group, Inc. This transaction is described in detail in the Management Information Circular filed March 31, 2010 on SEDAR. In the Share Exchange Agreement, 30,000,012 shares of USC were exchanged for 12,335,422, or 100%, of the shares of UMS. This AIF is based on the continuing operations of the accounting acquirer, UMS. Prior to the Reverse Takeover, USC completed a non-brokered private placement, raising gross proceeds of \$6,359,444.

Three-Year History

UMS

On March 31, 2009, UMS purchased all of the assets of Mine Fabrication & Machine, Inc. and established its Fabrication & Machine Services Division. The purchase price was \$2,485,000 and was financed as follows: a bank loan under the Small Business Administration program of \$1,500,000; a \$485,000 promissory note payable to seller in monthly installments over eight years; and a second promissory note to seller for \$500,000 with no monthly payments due and a balloon payment for principal and interest due on April 3, 2016. The two promissory notes to the seller are subordinate to the bank loan. The seller has the option of converting the second promissory note for 1,500,000 shares of the UMS' common stock, provided he does so within three months of the stock becoming publicly traded.

Net assets acquired at fair value are as follows:

Accounts receivable	\$	117,491
Inventories		235,000
Property and plant		1,000,000
Equipment		336,670
Covenant not to compete		50,000
Goodwill		745,839
Total consideration	\$	<u>2,485,000</u>

On September 1, 2009, UMS entered into an 18-month contract with U.S. Silver Corporation ("US Silver") at the Galena Mine located in Wallace, Idaho. Under the terms of the agreement UMS agreed to provide contract mining services at negotiated unit rates. On February 18, 2011, a new contract was

signed, extending services through August 2012. U.S. Silver exercised their right to terminate the contract early on March 16, 2012.

On December 31, 2009, UMS acquired all the outstanding common stock of Syringa. Under the terms of the share exchange, one common share of UMS was exchanged for every twelve shares of Syringa. UMS acquired all assets and liabilities of Syringa, including twenty registered lode claims near Council, Idaho, and the letter of intent Syringa had with Gold Finder to earn an ownership interest in the Crescent Mine Property. In the transaction, UMS issued 255,419 shares valued at \$0.25 per share, and assumed liabilities of \$31,484, for total consideration paid of \$95,339. Management determined the fair value of the mining claims was \$12,800, and the fair value of the Letter of Intent was \$82,539.

On December 30, 2009, UMS, along with Syringa, signed the Earn-In Agreement, a definitive agreement with Gold Finder to earn up to an 80% ownership interest in the Crescent Mine Property, located in Kellogg, Idaho. Under the terms of the agreement, UMS agreed to spend the following amounts to develop the Crescent Mine Property over the following three-year period: \$2,000,000 between May 7, 2010 and May 7, 2011, \$3,000,000 between May 7, 2011 and May 7, 2012, and \$4,000,000 between May 7, 2012 and May 7, 2013. UMS had the option to accelerate the development expenditures.

In May 2011, the Company had incurred an aggregate of \$9,000,000 in exploration and development expenditures on the Crescent Mine Property, thus completing the requirements of the Earn-In Agreement and entitling the Company to an 80% undivided ownership interest in the Crescent Mine Property. Pursuant to a deed of transfer dated June 18, 2011, Syringa was granted an undivided 80% interest in the Crescent Mine Property.

In October 2010, the Company entered into an agreement with The New Bunker Hill Mining Company to purchase 42 patented mining claims in North Idaho's Silver Valley for a purchase price of \$2,000,000 (which has been paid), which increased the Company's land holdings at the Crescent Mine Property from approximately 143 hectares (353 acres) to a total of 379 hectares (937 acres). The new claims lie adjacent to the Crescent Mine Property to the west and to the north, and the major silver-hosting structures, the Alhambra and South fault zones, strike westerly onto the acquisition. Historic exploration on the claims include approximately 12,000 feet (3.6 km) of cross cuts and development drifts, which identified mineralized structures at surface and mining of at least four small stopes along the Alhambra fault. The seller retains a net smelter return royalty of 1% on production from the property payable when the price of silver reaches \$20.00 per ounce for more than 30 consecutive days. The Company may purchase the royalty for \$1,000,000 at any time before December 22, 2014.

In accordance with the terms of the Earn-In Agreement with Gold Finder, the Company offered, and Gold Finder agreed, to include the Bunker Hill claims in the Crescent Mine Joint Venture under the same terms as the original Crescent Mine Property.

On January 7, 2011, the Company entered into the NJMC Agreement with NJMC to secure milling capacity for the Crescent Mine Property. Fred Brackebusch, a director of the Company is also the CEO and President of NJMC. NJMC owns a fully permitted mill and tailings facility located less than four miles from the Crescent Mine Property. Under the terms of the NJMC Agreement, the Company will pay an estimated \$2.6 million to increase the milling capacity from 100 tonnes per day to 350 tonnes per day. In return, the Company will be granted a one-third interest in the New Jersey Mill Joint Venture, which will own the milling assets. The Company will have an exclusive right to 7,000 tonnes per month capacity. As at the date of this AIF, Company has spent approximately \$2,498,836.

On December 13, 2011, the Company entered into a refining agreement with Formation Metals U.S. for the refining of concentrates produced from the New Jersey mill. Formation has a refining facility located less than three miles from the mill, which greatly reduces hauling costs. Under the terms of the agreement, Formation will buy the Company's concentrate for a period of two years, through December 31, 2013.

Changes to Directors and Officers

During the year ended December 31, 2011 and subsequent thereto, the following changes occurred to the directors and officers of the Company:

- In February 2011, Graham Clark was appointed Chairman of the Board, replacing Greg Stewart, who remained a director. Herrick Lau resigned as director and was replaced by Fred Brackebusch;
- Donna M. Moroney was appointed as Corporate Secretary on March 14, 2011;
- On June 19, 2011, Graham Clark was appointed as interim CEO in place of Charles Pitcher, who stepped down from his position as President and CEO;
- Ryan Ptolemy replaced Erik Panke as CFO as of August 2, 2011;
- Stan Bharti and Peter Tagliamonte were appointed to the Board of Directors as of August 16, 2011;
- Wade Black resigned as a director as of October 2, 2011;
- Charles Pitcher resigned as a director as of November 4, 2011;
- Effective January 10, 2012, Stan Bharti and Peter Tagliamonte resigned from the Board and Ryan Ptolemy resigned as CFO.

Financings

During the year ended December 31, 2011 and subsequent thereto, the Company carried out the following private placement financings:

- On January 7, 2011, the Company closed the second tranche of a non-brokered private placement of 1,132,889 units, raising gross proceeds of \$1,016,043. The units were issued at a price of CDN\$0.90 per unit, with each unit consisting of one common share and one-half share purchase warrant, with each full warrant entitling the holder thereof to purchase one additional common share at an exercise price of \$1.25 per share, exercisable on or before January 7x, 2013. As part of this second tranche of the private placement, the Company incurred share issuance costs of \$58,193. In the event that the common shares of the Company are traded on the TSX at a daily volume weighted average price of \$1.75 or more for 15 trading days out of any 20 consecutive trading days prior to the expiry date of the warrants (the “**Acceleration Event**”), the warrants will expire on the earlier of the expiry date and 4:30 p.m. (Pacific Time) on the date which is 30 calendar days after the Company provides notice to the holders of the warrants that the Acceleration Event has occurred, provided that such notice cannot be provided until the four month hold period has expired.
- In June and July 2011, under promissory notes, the Company received short-term unsecured loans of \$750,000. Participants included members of the Board of Directors for two promissory notes of \$350,000 and \$100,000, totaling \$450,000, and two promissory notes with unrelated parties in the amount of \$200,000 and \$100,000. The notes accrue interest at 5% per annum and are due on demand. On October 21, 2011, the Company repaid \$650,000 of the promissory notes. Including accrued interest, approximately US\$660,000 was paid. The Company also agreed to issue to these lenders, as compensation for payments agreed to be made at the time of the loans, a total of 866,000 warrants, with each warrant entitling the holder thereof to purchase one common share at a price of \$0.75 per share, exercisable on or before October 20, 2016.

- On July 21, 2011, the Company entered into a bridge loan agreement with Forbes & Manhattan, Inc. (“**Forbes**”) whereby Forbes provided the Company with a \$2,000,000 secured term loan facility (the “**Forbes Loan**”). The Forbes Loan was secured by the assets of the Company and interest accrued on the principal amount of the loan at a rate of 9% per annum. The loan and all interest accrued were repaid in full on December 22, 2011. A former director of the Company is also the Executive Chairman of Forbes.
- On August 2, 2011, the Company closed a brokered private placement offering of 7,843,137 units at a price of CDN\$0.51 per unit, for aggregate gross proceeds of \$4,161,520. Each unit consisted of one common share and one purchase warrant, entitling the holder thereof to purchase one additional common share at a price of CDN\$0.80 per share, exercisable for a period of 36 months from the closing date of the offering, being August 2, 2011. Union Securities Ltd. and Delano Capital Corp. acted as agents in connection with this private placement. As part of the private placement, the Company incurred share issuance costs of \$612,790, which included 542,020 agent’s warrants. The warrants were granted with an exercise price of CAN\$0.55 and expire August 2, 2014.
- On November 18, 2011, a term sheet was signed with Hale Capital Partners LP (“Hale”) with respect to the issuance of \$6,000,000 in secured convertible notes convertible into common shares of the Company at a per share price of CDN\$0.50 per share. The transaction closed on February 1, 2012 (see Convertible Note – Hale Capital Partners).

Change of Auditors

Effective March 25, 2011, PricewaterhouseCoopers LLP, Chartered Accountants, replaced DeCoria, Maichel, & Teague PS, as auditors for the Company.

Sprott Resource Lending Partnership

On May 18, 2011, the Company signed a term sheet with respect to entering into a secured standby loan facility agreement for up to \$10 million with Sprott Resource Lending Partnership (“**SLRP**”). Closing of the facility was subject to the satisfaction of terms and conditions standard for such transactions, including, among other things, completion of the definitive documentation and satisfactory due diligence. Closing did not occur as SRLP would not advance the loan on the terms the Company believed it had accepted. It is not expected that this loan facility will be advanced in the future.

On October 14, 2011, the Company was served with a statement of claim from SRLP seeking payment of fees totaling CDN\$718,177. The Company and its legal counsel are currently evaluating the perceived merits of this claim. While the Company believes the claim to be without merit, the potential exposure of the claim is not expected to have a materially adverse effect on the Company (see Item 12 – Legal Proceedings and Regulatory Actions).

Events Subsequent to December 31, 2011

Convertible Note – Hale Capital Partners

On February 1, 2012, the Company closed a financing with Hale Capital Partners (“**Hale**”). The Company issued to Hale a \$6,300,000 convertible note, evidencing a loan the proceeds of which were advanced by Hale pursuant to the convertible note and a securities purchase agreement (the “**Securities Purchase Agreement**”) entered into among Hale, as agent and initial purchaser, and the Company. Interest will accrue on the principal amount of the loan at a rate of the Wall Street Journal prime rate plus 5% per annum.

The principal amount of the loan shall be repayable in 18 equal monthly installments commencing 18 months from the closing date. The convertible note is convertible at any time into common shares of the Company at a price of CDN\$0.50 per share. Hale will have the right at any time to convert any or all of the accrued and unpaid interest that the Company has elected (provided that the Company has satisfied certain conditions set out in the Convertible Note) to add to the principal amount of the Convertible Note ("**PIK Interest**"). The conversion price with respect to PIK Interest will be an amount equal to the "market price" (as defined in the TSX Manual) on the applicable interest payment date, subject to the approval of the TSX in each instance.

Pursuant to the Securities Purchase Agreement, the Company also issued to Hale 5,040,000 common share purchase warrants. Each warrant will entitle the holder to acquire one common share at an exercise price of CDN\$0.38 per common share, exercisable for a period of four years from February 1, 2012.

If the principal amount of the Convertible Note is fully converted, Hale would hold 12,600,000 or 14.4% of the total number of issued and outstanding common shares of the Company. In the event that all of the warrants are exercised, Hale's holdings would increase to 17,640,000 common shares or 19% of the total number of issued and outstanding common shares of the Company.

Under the terms of the Securities Purchase Agreement, the Company is required to appoint to its Board a person mutually agreed upon with Hale and to permit an observer from Hale to attend the Company's Board meetings, subject to certain conditions.

Exploration and Development Plan

On February 28, 2012, the Company announced a phased, property-wide, \$23 Million, four-year plan to further explore and develop the Crescent Mine Property. The objectives of the plan are to further explore the existing silver resource, develop the existing resource, and explore for additional resources. The initial phase of the plan will be funded by a recently announced \$6.3 Million convertible debenture and by a contribution from 20% joint venture partner Gold Finder as its share of the program. Ongoing costs of the Company and Gold Finder for the exploration/development plan are projected to be funded by cash flow generated from the milling and refining of silver mineralization mined from known mineralized bodies defined by previous, detailed surface drilling and underground exploration programs.

Management considers the Crescent Mine Property to be a property with the potential for the delineation of a world-class silver-mineralized system. Factors on which this opinion is based include:

- The property sits between two world-class silver deposits (the Sunshine mine and the Bunker Hill mine) and adjoins them both;
- Silver-bearing veins strike from the Sunshine mine, across the large Crescent Mine Property land package, to the past-producing Bunker Hill mine;
- The Crescent Mine Property deposit is a past-producing silver deposit where only limited exploration has been carried out;
- Drilling at Crescent Mine Property has identified a near-surface resource while past mining at much greater depths indicates the potential for depth continuity;
- A small program of wide step-out, surface drilling has shown that silver mineralization continues well away from the known resource;
- Underground drilling has shown that known mineralization continues to depth and along strike and is open in both dimensions;
- Underground drifting has provided a platform for a much more extensive underground exploration program which has the possibility of identifying additional resources to depth and along strike.

In order to accomplish the goal of aggressively exploring the Crescent Mine property prospect and building a much larger silver resource, while minimizing the impact on diluting the Company's share

structure, management has agreed on an exploration plan using cash flow generated from test-mining production of South Vein-hosted, identified silver mineralization. Thus, exploration and development activities will be carried out in parallel.

Exploration activities will include:

- continuing the drifting from various underground levels accessed by the Countess decline, concurrent with the establishment of a secondary escapeway and sub-level development
- underground drilling to potentially augment the existing resource to greater depths and along strike, with priority given to continuing to drill, from underground, the down-rake continuation of the known, South Vein resource
- drilling the Alhambra structure from underground west of the historic Crescent Mine Property workings, as well as within a 1,200 foot “gap” between upper and lower historic workings where good potential exists for continuation of the mineralization
- continuing the surface drilling program to identify additional mineralization along the westward projection of the South Vein. An additional 2000 feet of South Vein strike potential exists on the Company’s property in addition to the initial 1,500 foot step-out drilling program already carried out.

The plan anticipates the completion of approximately 200,000 feet of diamond drilling, consisting of 80,000 feet from the surface and 134,000 feet from underground drill stations.

A spiral ramp system will be developed in the footwall of the South Vein resource area. Ramping down in spirals from the existing Countess decline will proceed, while concurrently a 10 foot by 13 foot incline ramp will be driven from the surface to connect with the Countess spiral. When complete, the second opening to the surface will allow ventilation and serve as a secondary escapeway. The ramp spirals will provide access for test drifting for grade and morphology of mineralization at multiple elevations within the South Vein resource area to determine the continuity, potential for enhancement, and parameters of the mineralization to guide further drilling and drifting.

A paste backfill plant will be constructed near the incline portal. Construction of the plant and completion of the secondary access are two major prerequisites to bringing the mine into production.

Ore that is currently stockpiled at the mill and ore generated from the test drifting will be processed under the terms of the milling agreement with NJMC and sold to Formation under the terms of the refining agreement. The Company expects that the ore from underground test drifting will provide cash flow to the Company, which will offset the cost of exploration development. Projected cash flow will cover the cost of expanding the Crescent Mine property deposit and avoid the need for further equity offerings during the period of the mine plan.

ITEM 5: DESCRIPTION OF THE BUSINESS

General

The Company’s business is separated into two broad divisions: exploration and development of the Crescent Mine Property and Mine Services. Mine Services is further broken down into three operating divisions or segments, which are described in more detail below.

Crescent Mine Property

The Crescent Mine Property is an advanced-stage, former-producing mine located in the Silver Valley of northern Idaho. This area, including the Crescent Mine Property, has produced more than 1.3 billion ounces of silver over the past 130 years. The Crescent Mine Property is not well explored and is flanked to the west by the Bunker Hill mine (158 million ounces of historic silver production) and to the east by

the Sunshine Mine (362 million ounces of silver produced since 1885). The Crescent Mine Property has historically produced 25 million ounces of silver at an average grade of 27.0 opt (Amended NI 43-101 Technical Report on Resources, United Mine Services, Inc., Crescent Mine, Kellogg, ID, dated September 30, 2011, prepared by SRK Consulting Engineers and Scientists).

Earn-In Agreement

In December 2009, United Silver signed an Earn-In Agreement with Gold Finder Explorations Ltd. (“**Gold Finder**”) (formerly SNS Silver Corp.), the owner of the Crescent Mine Property. The Company would earn an 80% ownership interest in the Crescent Mine Property by spending \$9 million in exploration and development on or before May 7, 2013. On June 1, 2011, the Company had incurred the required \$9 million in exploration and development expenditures and had earned the 80% ownership interest. Under the formal joint venture agreement with Gold Finder that is currently being drafted, the Company will fund 80% and Gold Finder will fund 20% of the development costs above and beyond the \$9 million earn-in amount (the “**Crescent Mine Joint Venture**”).

Additional Property Acquisition

In October 2010, the Company entered into an agreement with The New Bunker Hill Mining Company for the purchase of 42 patented mining claims, which increases the Company’s land holdings at the Crescent Mine Property from approximately 143 hectares (353 acres) to a total of 379 hectares (937 acres). The new claims lie adjacent to the Crescent Mine Property to the west and to the north, and the major silver-hosting structures, the Alhambra and South fault zones, strike westerly onto the acquisition. Historic exploration on the claims includes approximately 12,000 feet (3.6 km) of cross cuts and development drifts, which identified mineralized structures at surface and mining of at least four small stopes along the Alhambra fault. The purchase price was \$2,000,000. In addition, a 1% net smelter return royalty is payable to the seller, which the Company can buy out for \$1,000,000 at any time before December 22, 2014. In accordance with the terms of the Earn-In Agreement with Gold Finder, the Company offered, and Gold Finder agreed, to include the Bunker Hill claims in the Crescent Mine Joint Venture under the same terms as the original Crescent Mine Property.

Milling Agreement

In January 2011, the Company entered into a joint venture agreement with New Jersey Mining Company (“**NJMC**”) to secure milling capacity for Crescent Mine Property ore. NJMC owns a fully permitted mill, including tailings storage, with 100 tons per day milling capacity, located less than four miles by existing road from the Crescent Mine Property. The Company is paying for the expansion of the mill to 350 tons per day at an estimated cost of \$2.642 million and in return will acquire a one-third interest in the mill. United Silver will be guaranteed 250 tons per day capacity for the life of the mill, any excess capacity if available, and access to the tailings to use for backfill. As of December 31, 2011, the Company had spent \$2,270,116 and expects to incur the balance during the first quarter of 2012. Mill commissioning is expected to start in April 2012.

Refining Agreement

In December 2011, the Company entered into an agreement with Formation Metals U.S. (“**Formation**”) for the refining of concentrates produced from the New Jersey mill. Formation has a refining facility located less than three miles from the mill, which greatly reduces hauling costs. Under the terms of the agreement, Formation will buy the Company’s concentrate for a period of two years, through December 31, 2013.

Exploration and Development Results

Exploration activities carried out in 2007 and 2008 included 70 surface and 37 underground holes, which were completed for a total of 33,954 meters. Significant intersections were encountered, and the best result was 10 feet grading 56 ounces per ton silver. On the basis of these drill results, Gold Finder calculated an indicated mineral resource of 324,000 tons grading 18.7 opt silver (6.1 M ounces) and an inferred mineral resource of 211,000 tons grading 19.5 opt silver (4.1 M ounces) (NI 43-101 Technical Report on Resources, SNS Silver Corp., Crescent Mine, Kellogg, ID, dated April 22, 2009, prepared by SRK Consulting Engineers and Scientists). The deposit is wide open to depth, and drilling and drifting is planned with the objective of increasing the mineral resource.

During 2010, the Company began development at the Crescent Mine Property and achieved the following milestones: 1) repair and rehabilitation of approximately 6,000 feet of the Hooper Tunnel, which, at the 2725 foot level, is the main entrance into the mine, 2) extension of the Hooper Tunnel by 450 feet in the first phase of a program to extend the tunnel an additional 1,100 feet to allow access for underground drilling, 3) construction of the Countess Portal in the upper elevations of the property above the Hooper Tunnel, 4) construction of 1,337 feet of the Countess Decline ramp in the first phase of a program to drive 2,400 feet into the property to provide access to the Alhambra and South veins, and 5) start of test I-drifting on the Alhambra vein at the 4115 elevation from the Countess decline.

In January 2011, the Company completed the Hooper Tunnel extension. A drill station was established, and two holes totalling 1,449 feet of drilling were completed. These two holes gave encouraging results, indicating that the South Vein resource is open to depth and that further drilling is warranted. The two holes intersected silver mineralization as follows:

DDH	From (feet)	To (feet)	Feet Recovered	True Width (Feet)	Silver (opt)
H-6	720.20	724.0	3.40	3.11	25.6
Includes	721.40	722.40	0.90	0.82	96.40
H-7	727.00	729.70	2.70	2.21	3.60
Includes	727.00	727.65	0.65	0.50	8.80

A core loss of 6.5 feet between 718 and 728 feet in H-7 is adjacent to, or within the mineralized, faulted zone. The H-6 intersection is at an elevation of 130 feet below and 300 feet west of the lowest point of the limit of the calculated South Vein resource, and remains open to depth and along strike to the west, indicating good potential for quickly expanding the known resource by further drilling.

In 2011, 11,275 feet of surface drilling in nine holes was completed up to 1,500 feet west of the existing resource. Four diamond drill holes, varying between 714 feet and 970 feet in total depth, intersected the Alhambra fault in the vicinity of the historic Dawn adit. The Dawn adit is a shallow working located about 2,000' west of the identified Alhambra resource. Historic sampling of the Dawn adit reported an average silver grade of 12 ounces per ton silver over an average vein width of 2.6 feet for 53 feet along the fault. Management considers it encouraging that the four diamond drill holes are silver-bearing. The drill results corroborate the historic evidence that the silver-bearing hydrothermal process, including deposition within the Alhambra structure, was active in the area. The results of the first four Alhambra-targeted holes intersected 2.2 feet grading 4.8 opt silver, proving westward continuity of the mineralized system. All five holes drilled into the South Vein structure encountered siderite-quartz-pyrite veins, demonstrating continuity of this structure as well as opening a large area for exploration. The highest grade intercept of these five holes returned 2.9 feet grading 4.58 opt silver.

In March 2011, the Countess Decline Ramp was completed to 2,400 feet and now provides production access to the Alhambra and South veins and allows us to pursue further project exploration and growth potential. By June 2011, a total of 459 feet of strike length along the Alhambra vein had been exposed in test drifting, yielding an average grade of 3.8 opt silver over an average width of 7.3 feet. Test drifting along the South Vein structure at the 3945 foot elevation began in March 2011 and, as of January 2012, a continuous 755 feet of strike length along the drift within the South Vein body yielded 10.4 opt silver

over an average width of 9.2 feet. The most significant intervals intercepted by this drift sampling include:

Strike Length (feet)	Average Silver Grade (opt)	Average Width (feet)
246	14.0	7.3
210	15.6	8.3
88	15.6	9.0

The average grades above were calculated from chip samples collected across the test drift faces and weight-averaged by representative volume and specific gravity. Widths and lengths were measured in the horizontal plane perpendicular to each other. This test drift has yet to cross the entire mineralized body as identified in SRK's 43-101 model of the zone.

In April 2011, a 112-tonne bulk sample from the South vein test drifting was run at the NJMC mill. This sample was comprised of a mix of oxidized and unoxidized material expected to be generally representative of the mineralization in the resource area. From a feed grade of 362 grams Ag per tonne, a concentration ratio of 63:1 and a recovery of 89.5% of contained Ag was achieved. W. C. Rust, Consulting Metallurgist, of Mine Systems Design, Inc., reviewed the process parameters and written reports describing the results of the South vein bulk sample. Bucket samples from the South Vein test were sent to G & T Metallurgical Services Ltd. for confirmatory testing. In addition, bulk samples of concentrate were sent to Formation's refinery for testing. Approximately 3,400 tons of bulk sample ore is stockpiled at the mill and will be processed and sold to Formation once mill commissioning starts at the end of March 2012.

Mill Expansion

Mill expansion began in the first quarter of 2011 and is nearing completion. All major equipment components have been installed. Final engineering and testing is taking place now, and commissioning will begin in April 2012.

Mine Services

The Company has ongoing operations, providing mine owners and exploration companies with a one-stop shop of mine services, in all stages of the life cycle the project. This division accounted for 100% of the Company's revenue for the years ended December 31, 2011 and 2010. The scope of services provided includes surface and underground mine development, mine site construction, environmental reclamation, claim staking, machining and the fabrication of specialized mining equipment and tools. 100 pOur operational divisions are

Mine Services Division, providing the following services:

- Underground mine development
- Underground mine rehabilitation
- Contract mining
- Mine site civil construction & facility maintenance
- Excavation and road construction
- Property Reclamation
- Claim Staking
- Pond and dike construction
- Stream restoration
- Site preparation

Contracting Services Division, providing the following services:

- Excavation
- Property Remediation and Reclamation
- Stream Restoration
- Flood Plain and Bank Stabilization
- Site Preparation
- Site Development
- Demolition
- Road Construction
- Pond and Dike Construction
- Utility Installation

Fabrication & Machine Services Division, providing the following services:

- Machining
- Welding
- Fabrication
- CNC Milling & Machining
- Custom Manufacturing
- Powder Coating
- Equipment Repair & Modification
- Design & Engineering Services
- Local Distributors for Dywidag Resin (Bolts & Resin)

With respect to our Mine Services Division, we intend to focus on expanding our customer base in North Idaho's Silver Valley, the western U.S., and Canada. We do not intend to expand so rapidly that our work quality and reputation suffer. Experienced workers are hard to find, since a generation of potential miners was lost when the mining industry severely contracted during the 1980s, 1990s, and early 2000s. We plan to expand at a pace where we can continue to provide high quality service and productivity.

In February 2011, the Mine Services Division extended its agreement with U.S. Silver Corporation to provide contract underground mining services at the Galena Mine located in Silver Valley Idaho, in the Coeur d'Alene Mining District. The agreement was extended through August 2012; however, U.S. Silver elected to terminate the contract early, effective March 16, 2012. While the loss of this contract will have an impact on the Company's revenues for 2012, it will also enable to Company to accelerate exploration and development at the Crescent Mine Project.

In January 2012, the Company began work at the Kensington gold mine near Juneau, Alaska and is providing contract mining services for the mine owner. Revenue from the Kensington project is expected to replace some of the lost revenue from the termination of the Galena Mine contract.

With respect to our Contracting Services Division, we intend to focus on the environmental remediation work available in North Idaho's Silver Valley. In 2010, we were successful in winning the rebid of a multi-year property remediation program, which we have worked on since 2002. In February 2012, we agreed to the second of three one-year extensions to the program. A recent EPA settlement with ASARCO and Hecla Mining Company is expected to provide more than \$700 million in additional funds for cleanup of the Coeur d'Alene River Basin, and we are one of the main environmental remediation contractors in the region.

With respect to our Fabrication & Machine Services Division, we have successfully increased sales since the 2009 acquisition of Mine Fabrication & Machine Inc. We plan to expand this division's operations externally by continuing to work closely with a major mine supplier in the western U.S. and the local silver mines. This division will also expand internally by providing parts, fabrication, and equipment repairs to the Crescent Mine, which is only five miles from the fabrication and machine shop.

Customers

The Company's customers have primarily been the independent mining companies located in Idaho and governmental agencies. The Company's customer base is small and a majority of its sales come from three main customers:

1. State of Idaho Department of Environmental Quality
2. U.S. Silver-Idaho, Inc.
3. F&H Mine Supply

The loss of any of those three customers could have a material effect on the Mine Services Division's operations and revenues. The decision by U.S. Silver-Idaho, Inc. to terminate the Company's Galena Mine services contract could materially affect the Company's revenues in 2012.

Competition

The Company operates in competitive areas of the mine services industry. Revenue and earnings can be cyclical and are affected by the following factors:

- changes in competitive prices;
- precious metal prices and industry perceptions of future prices;
- fluctuations in the level of activity by mining companies;
- the ability of mining companies to generate capital;
- general economic conditions; and
- governmental regulation

The Company's operations may be adversely affected if its current competitors or new market entrants introduce new products or services with better features, performance, prices or other characteristics than its products and services, or if they would offer to pay more for mature mining properties. Competitive pressures or other factors also may result in significant price competition that could reduce its operating cash flow and earnings. In addition, competition among mining service and equipment providers is affected by each provider's reputation for safety and quality. Although the Company believes that its reputation for safety and quality service is good, it cannot assure that it will be able to maintain its competitive position.

Potential Liabilities and Insurance

The Company's operations involve a high degree of operational risk, particularly of personal injury, damage or loss of equipment and environmental accidents. Failure or loss of its equipment could result in property damages, personal injury, environmental pollution and other damages for which it could be liable. Litigation arising from fire or explosion may result in large claims for damages in the future. The Company maintains insurance against risks that it believes is consistent in types and amounts with industry standards and is required by its customers. Changes in the insurance industry in the past few years have led to higher insurance costs and deductibles as well as lower coverage limits. The availability of insurance covering risks the Company and its competitors typically insure against may continue to decrease, forcing the Company to self-insure against business risks. As a result, the insurance that the Company is able to obtain may have higher deductibles, higher premiums, lower limits and more restrictive policy terms.

Health, Safety and Environmental Assurance

The Company has established health, safety and environmental performance as a corporate priority. Its goal is to be an industry leader in this area by focusing on the belief that all safety and environmental incidents are preventable, and an injury-free workplace is achievable by emphasizing correct behaviour. The Company has made a company-wide effort to enhance its behavioural safety process and training program and make safety a constant focus of awareness through open communication with all of its employees. In addition, it investigates all incidents with a priority of identifying and implementing the corrective measures necessary to reduce the chance of reoccurrence.

Government Regulation

The Company's business is significantly affected by the following:

- Federal and state laws and other regulations relating to the mining industry;
- changes in such laws and regulations; and
- the level of enforcement thereof.

The Company cannot predict the level of enforcement of existing laws and regulations or how such laws and regulations may be interpreted by enforcement agencies or court rulings in the future. An increase in the level of industry compliance with or enforcement of these laws and regulations in the future may adversely affect the demand for its services. The Company also cannot predict whether additional laws and regulations will be adopted, or the effect such changes may have on it, its businesses or its financial condition. The demand for its services from the mining industry would be affected by changes in applicable laws and regulations. The adoption of new laws and regulations curtailing mineral exploration in the Company's operating areas for economic, environmental or other policy reasons could also adversely affect its operations by limiting demand for its services.

Regulation of the Mining Industry

The Company's activities are subject to various laws and regulations governing prospecting, taxes, labour standards, occupational safety and health, waste disposal, protection and reclamation of the environment, protection of endangered and protected species, toxic substances and other matters. The Company may be subject to future cleanup liability under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and other federal and state rules that establish cleanup liability for the release of hazardous substances. It may also be subject to environmental and employment regulations at the state level. The Company does not expect to incur a material expense in complying with state requirements

Environmental Regulations

General

The Company's operations are subject to extensive federal, state and local laws and regulations relating to the generation, storage, handling, emission, transportation and discharge of materials into the environment. Governmental authorities enforce compliance with their regulations through administrative or civil penalties, corrective action orders, injunctions or criminal prosecution. Although the Company believes that compliance with environmental regulations will not have a material adverse effect on it, risks of substantial costs and liabilities related to environmental compliance issues are part of mining and construction operations. No assurance can be given that significant costs and liabilities will not be incurred. Also, it is possible that other developments, such as stricter environmental laws and regulations, and claims for damages to property or persons resulting from mining and construction activities could result in substantial costs and liabilities to the Company. Federal laws and regulations applicable to the Company's operations include those controlling the discharge of materials into the environment, requiring removal and cleanup of materials that may harm the environment, or otherwise relating to the protection of the environment. The Company's insurance policies provide liability coverage for sudden and accidental occurrences of pollution or clean-up and containment in amounts that it believes are comparable to policy limits

carried by others in its industry.

Solid and Hazardous Waste

Federal and state laws applicable to mining properties continue to be stricter over time. Under these increasingly stringent requirements, the Company could be required to remove or remediate previously disposed wastes (including wastes disposed or released by prior owners and operators) or clean up property contamination (including groundwater contamination by prior owners or operators) or to perform plugging operations to prevent future contamination. The company generates some hazardous wastes that are already subject to the Federal Resource Conservation and Recovery Act (“RCRA”), and comparable state statutes. The Environmental Protection Agency (“EPA”), has limited the disposal options for certain hazardous wastes. It is possible that certain wastes currently exempt from treatment as hazardous wastes may in the future be designated as hazardous wastes under RCRA or other applicable statutes. The Company could, therefore, be subject to more rigorous and costly disposal requirements in the future than it encounters today.

Superfund

The Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”), also known as the “Superfund” law, imposes liability, without regard to fault or the legality of the original conduct, on certain persons with respect to the release of hazardous substances into the environment. These persons include the owner and operator of a site and any party that disposed of or arranged for the disposal of hazardous substances found at a site. CERCLA also authorizes the EPA, and in some cases, private parties, to undertake actions to clean up such hazardous substances, or to recover the costs of such actions from the responsible parties. In the course of business, the Company has generated and will continue to generate wastes that may fall within CERCLA’s definition of hazardous substances. The Company may also be an owner or operator of sites on which hazardous substances have been released. As a result, the Company may be responsible under CERCLA for all or part of the costs to clean up sites where such wastes have been disposed.

Clean Water Act

The Federal Water Pollution Control Act, or Clean Water Act, and resulting regulations, which are implemented through a system of permits, also govern the discharge of certain contaminants into waters of the United States. Sanctions for failure to comply strictly with the Clean Water Act are generally resolved by payment of fines and correction of any identified deficiencies. The Company believes that it substantially complies with the Clean Water Act and related federal and state regulations.

Clean Air Act

The Company’s operations are subject to local, state and federal laws and regulations to control emissions from sources of air pollution. Payment of fines and correction of any identified deficiencies generally resolve penalties for failure to comply strictly with air regulations or permits. The Company believes that it substantially complies with the emission standards under local, state, and federal laws and regulations.

Employees

As of the date of this AIF, the Company had approximately 60 full time employees and 50 seasonal employees. None of its employees are represented by a union or covered by a collective bargaining agreement. The Company believes that its relationship with its employees is good.

Facilities

The Company’s corporate and operations headquarters are located at 1220 Big Creek Road, Kellogg, ID 83837, USA.

Description of Mineral Properties

Crescent Mine Property, Idaho, USA

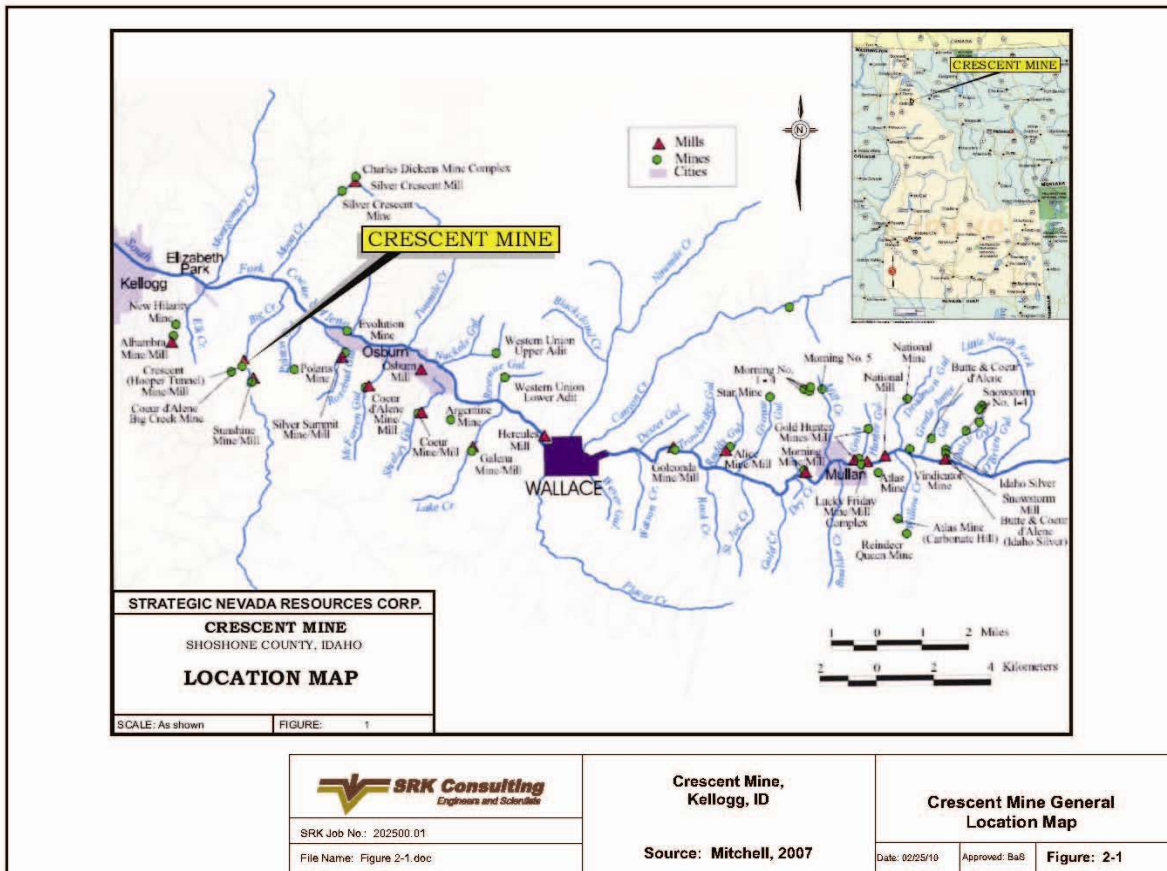
The following information has been extracted from a report entitled "Amended Technical Report on Resources, United Mine Services, Inc., Crescent Mine, Kellogg, ID", dated September 30, 2011 (the "Technical Report"), authored by SRK Consulting (U.S.), Inc. ("SRK"). The Technical Report was filed on October 4, 2011 under the Company's profile on the SEDAR website at www.sedar.com. The author of the SRK Report, Bart Stryhas, PhD, CPG is a "qualified person" within the meaning of NI 43-101 and is independent of the Company. The Crescent Mine Property is referred to throughout the Technical Report as the "Project".

Project Description and Location

Property Location

The Project property is located in the panhandle of northern Idaho, approximately 4mi SE of Kellogg, Idaho, USA and approximately 75mi from Spokane, Washington, USA (Figure 2-1). The drive from Spokane to the Project is approximately 1.25 hours, and from Kellogg, 10 minutes.

Figure 2-1: General Location Map



Mineral Titles

On December 12, 2006, SNS (Strategic Nevada Resources, later renamed SNS Silver Corp.) acquired the right to purchase the Project from Shoshone County, Idaho for \$650,000. The transaction was

completed on January 2, 2007. On July 13, 2007, two claim fractions named Queen Lode, lying within section 16 were purchased from The New Bunker Hill Company. These were fractions lying within the otherwise contiguous property boundaries. The property is currently composed of 25 patented mining claims totaling 346.190 acres, and surface rights totaling 40.631 acres. The claims and surface rights parcels are listed in Table 2.2.1.

Table 2.2.1: SNS Patented Mining Claims and Surface Ownership

Parcel Number	Patent Number	Claim Names	Title Record	Ownership Type
48NO3E-16-9000	MS 2129	Hiawatha	Book 54, pg 10	Surface (40.631ac)
	MS 3185	Diana	Book 63 pg 167	
MC 0265	MS 3475	A1, A2 and A3	Instrument # 167295	Mineral Interest (346.190ac)
MC 0274	MS 2129	Hiawatha, Rebel, Redeemer, Ruby and Skyline	Book 54, Pg 10	
	MS 2204	Grant and McArthur	Book 39, pg 408	
	MS 2207	Blue Jay, Crescent, Empire, Jackson and Monte Christo	Book 39 pg 83	
	MS 2274	Homestake, Jupiter, Old Sol and Yellow Jacket	Book 43, pg 36	
	MS 3013	Countess	Book 57, pg 485	
	MS 3014	King	Book 58, pg 98	
	MS 3185	Diana and Sumner	Book 63, pg 167	
	MS 3217	Duke	Book 64, pg 221	
	MS 3015	Queen	Book 64, pg 221	

Location of Mineralization

The known mineralization is located within the Kellogg East and Polaris Peak, Idaho 7.5 minute topographic sheets in Shoshone County, Idaho. This area lies within the Coeur d’Alene mining district.

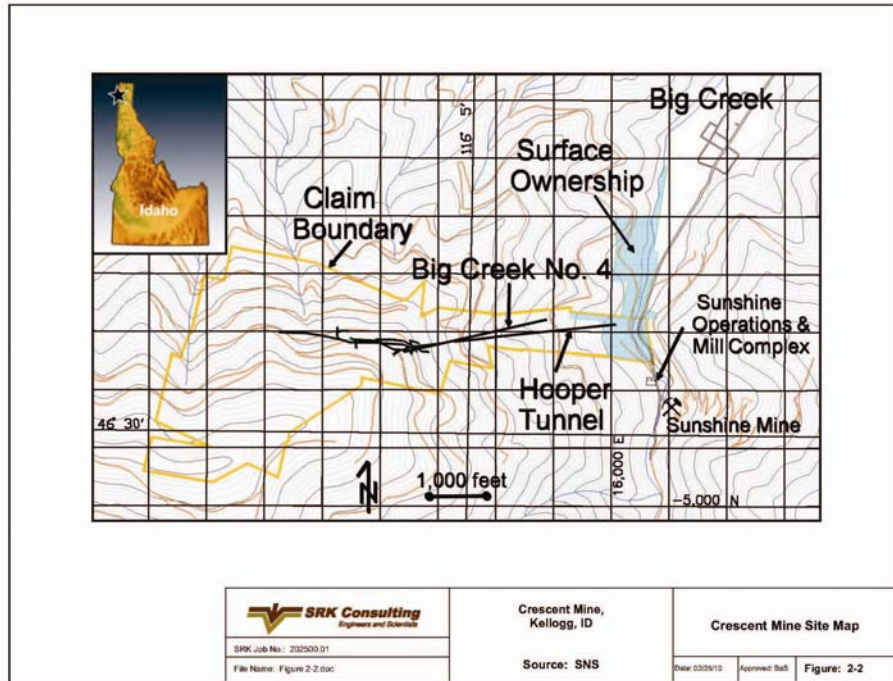
The major zones of mineralization are the Alhambra, South and East Footwall-Hook-BJ veins. The silver-bearing veins strike predominantly east-west and dip steeply to the south. All drill tested mineralization comprising the Mineral Resource estimation of this report is located within the patented mineral claims held by SNS.

The Project facilities include several miles of underground workings on the Alhambra, South, East Footwall, Hook, Steep Lead, and Gray Copper vein structures. Several small mine dumps derived from mining the upper levels of the mine can be found on the property. The North American dump is located on the northeastern part of the Project property. The dump has been used by SNS for waste rock from exploration drifting. Other inactive dumps that occur on the property are near the portals

of the Big Creek #1, Big Creek #2, Big Creek #3, and Big Creek #4 tunnels. The current Project surface facilities are located on top of the mine dump adjacent to the Hooper Tunnel.

There are currently no known ore stockpiles on the property.

Figure 2-2: Site Map



Royalties, Agreements and Encumbrances

There are two underlying agreement issues made by The Bunker Hill Company, former owner of the Project at the time of the agreements, with owners of adjoining properties. The rights conferred by these agreements are believed to have been transferred with the ownerships, and to still be in effect as noted in a legal opinion dated May 14, 2007 written by Michael E. Regan, Coeur d'Alene, Idaho (Stoel Rives LLP 2007).

The first issue concerns three, 1958 agreements that define boundaries between Project and adjoining properties. These agreements define inclined boundaries to the Project property such that the mineralization within the Alhambra, East Footwall, Hook and BJ veins below the 1,500ft elevation are owned by the Project holders. These agreements also convey extra lateral rights for other veins, not important to the Project, to adjoining properties.

The second issue concerns a 1973 mine water discharge agreement. The discharge line from the Project flows into the neighboring Sunshine discharge line. There is an agreement dated April 16, 1973 that effluent up to 150gpm from the Project will be transported for a period of fifty (50) years through Sunshine's discharge lines to Sunshine mine's tailings impoundment area, and treated by Sunshine. The terms of this agreement have been followed by SNS and Sterling Mining Co. (lessees of the Sunshine Mine), since SNS initiated exploration activities on the property.

On December 31, 2009, UMS and SE entered into an exploration earn-in agreement with SNS. Under the terms of this agreement, UMS and SE will spend US\$9 million over three years on continued exploration and development of the Project in order to earn up to an 80% interest in the Project. This agreement was accepted by the TSX Venture Exchange on February 1, 2010, upon which

UMS and SE completed a cash payment to SNS of US\$120,000, and issued 500,000 common shares of UMS to SNS. An additional US\$100,000 is to be paid to SNS once UMS has completed a contemplated listing on a recognized Canadian stock exchange or quotation system by way of reverse takeover or qualifying transaction by May 31, 2010. If UMS does not complete the contemplated listing by May 31, 2010, UMS will issue 100,000 shares of its common stock to SNS.

In detail, the earn-in agreement stipulates exploration and exploration expenditures of:

- US\$2,000,000 by September 30, 2011;
- An additional US\$3,000,000 by September 30, 2012; and
- An additional US\$4,000,000 by September 30, 2013.

UMS and SE can earn their interest in stages as follows:

- 50% when cumulative exploration expenditures reach \$5,000,000;
- 60% when cumulative exploration expenditures reach \$6,000,000;
- 70% when cumulative exploration expenditures reach \$7,000,000; and
- 80% when cumulative exploration expenditures reach \$9,000,000.

UMS and SE are private companies incorporated in Idaho, and SE is a wholly-owned subsidiary of UMS. On February 5, 2010, Scarlet agreed to acquire 100% of the shares of common stock of UMS. Scarlet is a Vancouver-based company listed on the CNSX.

Environmental Liabilities and Permitting

A Modified Phase I Environmental Assessment Report dated February 9, 2007 was prepared for by LFR, Inc. of Liberty Lake, Washington (LFR Inc 2007). LFR notes five “Recognized Environmental Conditions” as follows:

1. Location within a Superfund-Designated Area.
2. Listing within the EPA “remedial investigation/feasibility study” for the presence of adit drainage, upland waste rock, and surface disturbance with potential for erosion.
3. Surface Water Discharge Contaminant Contributions and NPDES Permitting.
4. Upland Soil and Waste Rock Contamination.
5. Underground Contaminant Sources and Ground Water Impacts.

The consensus of this evaluation is that the Project owners face the possibility of being required to remediate features related to historic mining activity on the property. The two significant issues are treatment of the water from the underground workings, and control of erosion and runoff from mine dumps and other areas of surface disturbance. The Project is currently operating under the NPDES discharge permit for the Sunshine Mine as a result of the 1973 agreement.

Required Permits and Status

Exploration work conducted to date was conducted on patented lands where no exploration permits are required. Water acquired from small surface creeks on the property for this work does require a water use permit. Temporary Approval of Water Appropriation Permit #TP-94-63 from the State of Idaho Department of Water Resources has permitted this activity, and this approval is currently in effect.

The Project is currently operating under the NPDES discharge permit for the Sunshine Mine because of the 1973 agreement described above.

Compliance Evaluation

There have been no complaints of noncompliance reported for the work on the Project by SNS.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Topography, Elevation and Vegetation

The property topography is characterized as foothills of rugged mountains cut by the narrow valley of the Big Creek drainage. The property elevations range from 2,500 to 5,600 ft above sea level.

Outcrop on the property is limited because of extensive vegetation and the development of a soil horizon, but the Alhambra vein has been identified in surface exposure. This outcrop is principally within road cuts made for the purposes of mining access and logging.

Most of the property is covered with a mixed conifer forest including hemlock and Douglas fir, with moderate to thick underbrush where most recently logged.

The elevation at the portal of the Hooper Tunnel, the main haulage level of the Project property, is 2,690ft (McGrath, 2002).

Climate and Length of Operating Season

The property is located in the northern Rockies and has average summer high temperatures of 82° F and average winter low temperatures of 22° F. The average rainfall in Kellogg, Idaho is about 31in/yr and the mean average snowfall is 54in/yr (WRCC, 2009). Surface drilling has been conducted from May through November. The historical operation of the Project was year-round.

Physiography

The physiography of the Project property is moderately steep. The property is located on the west side of Big Creek, which flows into the South Fork of the Coeur d'Alene River. The South Fork of the Coeur d'Alene River and Big Creek are both perennial streams. Elk Creek, located on the property, flows from the spring runoff until about the end of July.

The Project has sufficient sites suitable to accommodate mining roads and mining waste dumps, but not processing facilities. Toll milling at one of the five nearby mills would accommodate processing needs or alternatively, private lands could be obtained in the nearby areas of Kellogg to site a processing facility and tailings disposal area.

Access to Property

Access from Spokane, Washington follows Interstate 90 east for 75mi to the Big Creek exit #54, and then proceeds south upgrade Big Creek road for 2mi to the Sunshine Mill. Here, a sharp right turn enters the private driveway of the Project. A network of four-wheel drive drill roads in good condition accesses the surface exploration area. The underground is accessed via two development levels, namely the Hooper Tunnel and the Big Creek #4 Portal.

Surface Rights

The surface rights owned by SNS comprise a contiguous, irregularly shaped parcel of ground totaling 40.631 acres (Figure 2-2). This parcel consists of the Hiawatha claim (11.331ac), Diana Claim (3.61ac), and parts of sections 15 (10.6ac) and 16 (15.09ac).

The remaining surface rights on the patented mineral claims that comprise the Project belong mainly to Stimson Lumber Co. with a very small portion that belongs to Silver Mountain Ventures. These surface rights extend 100ft vertically below the current topography.

Local Resources and Infrastructure

Spokane, Washington, located 75mi from the project, is a city of nearly 200,000 with an international airport. It is the major services center for a broad region of western Washington and northern Idaho. Two other intermediate sized population centers are located very close to the Project. Kellogg, Idaho (pop. 2,395) is located 4 mi to the northwest. The county seat, Wallace, Idaho (pop 960) is located 8 mi to the east. These towns have services, which include restaurants, hotels, hardware stores, grocery stores, schools, and other facilities. A community hospital with emergency care is located in Kellogg, Idaho.

The Coeur d'Alene mining district has enjoyed continuous mine production for the past 130 years; and supports local businesses that cater to the mining industry, including fabricators, suppliers, contractors and technical services.

Access Road and Transportation

The Project is accessed from Interstate 90 and for 2mi south on Big Creek Road, a paved county highway.

Power Supply

SNS built a 2,000kVA substation in 2007 near the portal of the main haulage level. This substation capacity is sufficient for all surface and underground activities, both current and future.

Communications

Landline telephones and cable internet services are currently available and established at the mine. Cellular phone service is unavailable due to the steep topography. A pager telephone system is in place for communication between the underground and the surface.

Water Supply

The Project currently receives potable water from the Central Shoshone County Water District, through a water line from the main South Fork valley upgrade along the Big Creek drainage. Future water needs for mining could be met from water currently stored in the historic Project site underground workings.

Port

The nearest port is Seattle, Washington, which is 360 mi away by Federal interstate highway.

Buildings and Ancillary Facilities

Six heated, metal-sided buildings comprise the surface facilities, located on the Hooper Tunnel dump. These include; a combined mine office/dry, a technical services office, a four room building that houses the electrical shop, machine shop, compressor, and “battery barn”, and three large storage buildings that house equipment and drill core.

Camp Site

There is no camp site on the Crescent Mine Property. All current personnel live in nearby communities and there is adequate housing available to accommodate all future personnel.

Underground Workings

The underground workings are currently accessible from two tunnels located on the Big Creek drainage on the east side of the property. The main haulage level is the Hooper Tunnel portal, located adjacent to the surface buildings at an elevation of 2,690ft. Above this, the Big Creek No. 4 Tunnel portal is located at an elevation of 3,220ft. On the west side of the property, the historic Alhambra Tunnel portal is located at 3,265ft elevation within the Elk Creek drainage. The Alhambra Tunnel is currently caved at one or more points, cutting off air circulation to the western end. To the east, the Big Creek No. 4 tunnel is connected to the Alhambra Tunnel by a short ramp as the two tunnels differ in elevation by about 30ft, where the two tunnels meet. The Alhambra and Hooper Levels are connected by the Alhambra raise. This is caved, but permits ventilation between the two levels.

The lower part of the mine was accessed by the Ellis Shaft, a vertical shaft sunk from the Hooper Level to the 3200 Level. Access for historic production from below the 3100 Level was via other internal shafts, and the lowest level in the mine, the 4300 Level, was developed by a decline with rubber-tired equipment from the 4100 Level. The Yreka-United crosscut, connects the Bunker Hill Mine, approximately 2mi west, to the 3100 Level of the Project.

Historic stoping occurred in two main areas of the Project. The earliest were on and near the Alhambra vein from the Hooper Level to the surface in the early 1900's. The later were on the Alhambra, East Footwall, BJ and Hook veins located between 2500 and 4300 Levels in the 1950's to 1970's. Currently, all of the historic workings are flooded below the 700 Level (700ft below the Hooper Tunnel).

Potential Plan Sites

A small concentrator operated on site prior to 1940, and was dismantled shortly thereafter. SNS does not plan to build a mill on site. The steep hillsides and limited surface ownership would make it very difficult. Currently, there are four operating mills, and one on standby, within 15mi of the property. These all have excess milling capacity and represent toll milling opportunities. At present, it is considered more advantageous for SNS to negotiate an agreement to use some of that excess capacity than to build their own processing facility.

Tailings Storage Area

There are no tailing storage areas on site and no potential locations for tailings disposal within the current surface ownership. If the proposed toll milling arrangement is realized, the tailings would be disposed at the toll milling facility.

Waste Disposal Area

The mine currently has a waste dump, referred as the North American dump. Waste from exploration drifting by Gold Finder has been placed on the dump. There is ample capacity at this dump to accommodate near term underground development production.

Manpower

The Silver Valley is an established mining community with three producing mines at present. A sufficient workforce of experienced underground miners is locally available.

History

Ownership

Three historic claim groups located sometime prior to 1908 underlie the current Project claims. These include the Alhambra group, the Crescent group, and the Big Creek group.

The Big Creek group was located near the turn of the 20th Century, and was subject to a property dispute in 1908 between Big Creek Mining Company and North American Mining Company. This dispute was resolved in 1911 with Big Creek holding ownership.

"During the period prior to 1922, the claims were owned by the Big Creek Mining Co. Ltd. In 1922, the mine workings from Big Creek No. 3 level to surface were leased to George Kinmouth and Associates...In the 1920's the Big Creek Mining Company went into receivership and the Bunker Hill and Sullivan Mining Company purchased the property at Sheriff's auction." (Radford 1985)

Bunker Hill purchased the Crescent group in 1926 and the Alhambra group in 1937, thus consolidating the three historic claim groups under the Project ownership (Baldry 1981).

In November 1982, the Bunker Hill Limited Partnership purchased the three claim groups underlying the Project from the Bunker Hill Company. The upper workings from the Bud Level to surface were leased from 1984 to 1990 to Intermountain Mineral Engineers, Inc. During this time, Bunker Hill Limited Partnership used the Crescent and Big Creek claim groups as collateral for outstanding debts to Fausett International, Inc. The partnership eventually defaulted on their debt and Fausett took possession of the two claim groups now constituting the modified Project property in June 1992. The Project was leased for a period (c. 1995) to Royal Silver Mines, Inc. In September 2001, Shoshone County took possession of the mine from Fausett in lieu of payment of back taxes.

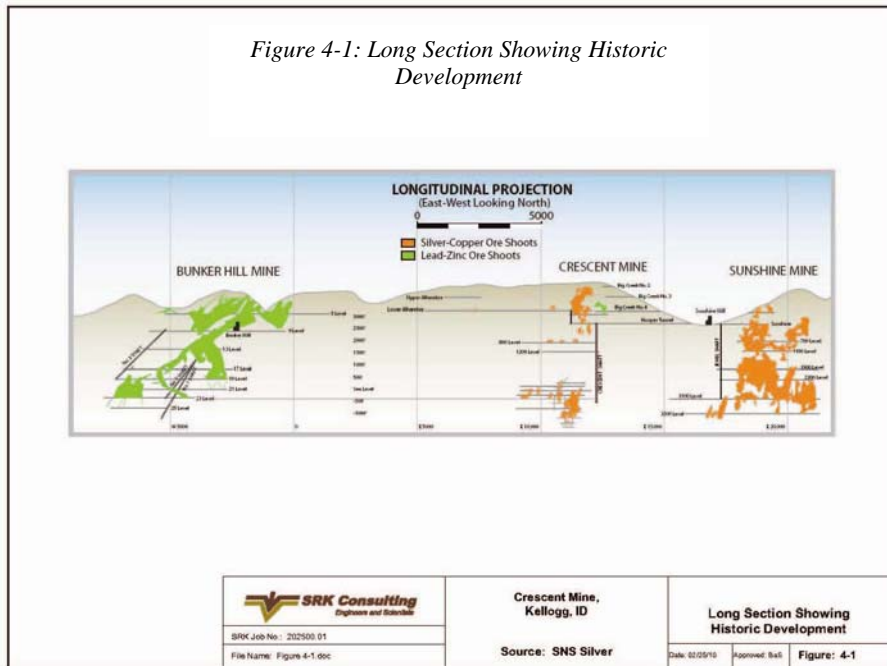
Past Exploration and Development

Julihn and Horton (1936) reported that "Development work was begun on the Alhambra claim group by 1893". This group was explored by several workings from the Elk Creek drainage, including upper and lower Alhambra tunnels. The lower tunnel drifted east on the Alhambra fault to the property line with the Crescent group sometime prior to 1913.

Development on the Big Creek group began in about 1916 by four main tunnels from the Big Creek drainage. By 1922, ore was being produced from these tunnels, known as the "Anderson Mine". The (lower) Alhambra tunnel was connected to the Big Creek No. 4 tunnel prior to 1928.

Bunker Hill embarked on major development projects after acquisition of the Crescent and Big Creek claims in 1926. Between January 1929 and February 1930, the 5,000ft long Hooper tunnel was run from surface on the Big Creek drainage to, and along, the Alhambra fault. By the time the mine temporarily closed in 1943, the Ellis Shaft had been sunk from the Hooper level to the 1200 Level, and the Alhambra raise was driven from the Hooper level to the Alhambra tunnel level 550ft above.

When the mine reopened in 1951, the Ellis shaft was deepened to the 3100 Level. The Yreka United crosscut was run a distance over 2mi between the Bunker Hill Mine and the Project on the 3100 Level. A vertical shaft, the Crescent No. 2 shaft, was sunk from the 3100 Level to below the 4100 Level. The 4300 Level, the lowest in the mine, was developed by a decline with rubber-tired equipment from the 4100 Level. Figure 4-1 below is a long section showing the development within the Crescent Mine Property with respect to the nearby Bunker Hill and Sunshine Mines.



Historic Mineral Resource and Mineral Reserve Estimates

Bunker Hill calculated reserves on an annual basis, using industry-accepted standards of the period. Between 1982 and 1985 under the Limited Partnership ownership, reserves were not calculated regularly, but a formal reserve estimation was completed in 1983, and an “informal review” was done in 1986 (Dalton 1986). This latter document states a “proven and probable” reserve of 112,756t at 25.3oz/t Ag, and was authored by technical staff that calculated the Bunker Hill reserves. This historical reserve is located primarily in the lower levels of the mine, which are currently flooded. SNS has no intentions at this time to dewater these levels and establish access to these areas. ***This is a historic reserve estimate made prior to implementation of NI 43-101 standards, and should not be relied upon. It is presented here only for suggesting the potential magnitude of exploration targets on the property.***

Historic Production

None of the historic production areas are located within the areas of the current resource estimation of this report. Production in the Big Creek, or “Anderson” Mine, appears to have been from several veins, one along the Alhambra fault (the "fault vein"), and two in the hanging wall of the Alhambra. A 1922 internal memo refers to on-going production from two stopes, the "silver stope", and the "lead stope". This document notes that 1,199t of material containing 33,488 pounds of lead and 128,078oz silver (1.4% Pb and 107oz/t Ag) was produced from above the No. 3 tunnel level (Anderson, 1922). A series of "Crescent Mine" memos from H. M Childs to Stanley Easton, dated 1928 and 1929, reports progress on stoping and drifting, including the East Bud, West Bud, and Brooks stopes. These reports also mention the "Old Taylor Stope”.

Most of the documented production occurred in the period 1951 to 1981 under the ownership of Bunker Hill Mining Co.

A 1982, Bunker Hill Compilation Report states that the Project produced a total of 25,139,655oz of Ag from 978,750t of material at an average grade of 27.0oz/t Ag between the period 1917 and 1981. Approximately 700,000t of this material was mined from the lower part of the mine.

In 1980, Bunker Hill excavated 42,564t from the Big Creek No.3, No.4 and North American dumps. This material averaged 2.05oz/t Ag, and yielded 67,767oz of Ag (Radford, personal communication; Radford, 1983, Bunker Hill annual report 1980).

Very limited production occurred from 1983 to 1985. None of the areas of historic production are located within the areas of the current resource estimation of this report.

Historic Metallurgy

A 120t/d concentrator operated on the Crescent Mine Property prior to 1940. A typical concentrate analysis from an average feed grade of 25oz/t Ag is as follows:

- 250oz/t Ag;
- 29% Fe;
- 32% S;
- 6% Pb;
- 0.002% Bi;
- 4.5% As;
- 4% Sb;
- 8% Cu;
- 0% Zn; and
- 4% insoluble

“The sulphide ores from the Crescent are well-adapted to flotation; a recovery of 95 percent of the silver is made when sulphides alone are treated, but with mixed sulphides and oxides the recovery ranges from 80 to 85 percent. As the recovery in milling oxidized ores is relatively poor, high-grade ore from the oxidized zone, averaging 100 ounces silver per ton, is sorted out in the stopes and shipped directly to the Bunker Hill and Sullivan smelter.” (Julihn and Horton 1936).

Geological Setting

Regional Geology

The regional geology is dominated by Precambrian sedimentary rocks of the Belt Supergroup ("Belt"), which have been strongly deformed during the Cretaceous age Sevier Orogeny. This regional deformation has resulted in large-scale folds cut by numerous west to-northwest striking faults and veins.

During the Middle Proterozoic, the area was dominated by a large intra-cratonic basin that was subsiding along syn-sedimentary faults. The basin sediments range in age from about 1,470Ma to 1,400Ma and are composed of medium to fine-grained clastic and carbonate bearing clastic rocks. The oldest consist of the Lower Belt sequence, Prichard Formation, a deep water argillite/siltite unit up to 12,000ft thick. The Ravalli Group, consisting of quartzites and siltites up to 8,000ft thick and deposited in a shallow water environment, overlies this. These are overlain by the Middle Belt Carbonate, comprised of shallow water dolomitic quartzites and arenaceous dolomites up to 6,500ft thick. The youngest sediments are the Missoula Group, a shallow water sequence of inter-bedded quartzite and argillite up to 1,500ft thick.

These sediments are believed to have remained relatively stable until approximately 1,350Ma when portions of the basin were affected by compressional tectonics of the East Kootenay Orogeny. This orogeny was followed by rifting of the basin during the late Proterozoic-early Paleozoic when large portions of the sediments were transported away and the western margin of North America was developed.

The next major tectonic event occurred during the Cretaceous Sevier Orogeny. Early compressional tectonics dominated the area forming large-scale folds, reverse and thrust faults. Many of these structures were focused along the west-northwest trending Lewis and Clark Line. This is a regional, deep seated, lineament believed to represent an intra-plate boundary which has been recurrently active since the Proterozoic. During the late Cretaceous, the Bitterroot Lobe of the Idaho Batholith was emplaced to the south, accompanied by dike emplacement in this area and normal movement along earlier reverse faults. The major mineralization event is believed to have occurred during the compressional phase of the Sevier Orogeny. The most recent tectonic activity is believed to have occurred during the Tertiary when the Lewis and Clark lineament was reactivated along the Osburn Fault. This event resulted in 16 miles of right lateral, strike slip movement that has dissected and displaced many of the ore deposits in the region (Hobbs et al. 1965; Lewis et al., 2002).

Local Geology

The Coeur d'Alene mining district lies within a broad area of lightly metamorphosed, Middle Proterozoic fine-grained sediments termed the Belt Super Group. These sediments locally accumulated to a thickness of 55,000ft or more.

The Prichard Formation is the lowermost exposed unit and is sub-divided into two parts; the Lower and the Upper. The Lower part is composed of thin to thick bedded, medium gray argillite and quartzose argillite, laminated in part with some discontinuous quartzite zones. Pyrite is abundant. The Upper part is comprised of inter-bedded medium-gray argillite and quartzose argillite and light gray impure to pure quartzite. The base of the Prichard is not exposed.

Above the Prichard lie the Ravalli Group rocks. These are subdivided into the Burke, Revett, and St. Regis Formations. The Burke and Revett are characterized by thick-bedded quartzites interbedded with siltite-argillites, while the St. Regis is composed of siltite-argillite. The St. Regis is characterized by abundant mud cracks and mud chips, and by its purple color.

The Wallace Formation is the lowermost unit of the Middle Belt Carbonate in the district; it overlies the Ravalli Group and is sub-divided into an Upper and Lower part. The Lower Wallace is composed of gray and greenish gray siltite-argillites and argillites. The Wallace is distinguished from the St. Regis by the presence of dolomitic silt and the lack of purple color, as well as by more subtle differences in bedforms. The Upper Wallace is medium to greenish-gray finely laminated argillite. It contains some arenaceous dolomite and impure quartzite and minor gray dolomite and limestone.

The Missoula Group is locally represented by the Striped Peak Formation. This unit includes interbedded quartzite and argillite with some arenaceous quartzite. The Striped Peak Formation is not exposed at the Project area.

Regional igneous rocks are represented by large granitic batholiths of Cretaceous age. The Bitterroot Lobe of the Idaho Batholith is located to the south, and the Kaniksu Batholith is located to the northwest. Within the district, a series of small monzonitic stocks were intruded coeval to batholith development. Igneous dikes of many compositions including lamprophyre, diabase, and diorite, occur in insignificant volumes. Some of the dikes are associated with the monzonitic stocks, but most are of unknown age (Hobbs et al 1965).

Alteration

Wall rock alteration associated with veining consists of changes in carbonate mineralogy plus sulfidation and silicification. Ankerite is the typical disseminated carbonate phase found in unaltered wall rock. Zoning is discernible with siderite adjacent to the vein, grading outward to a zone of mixed calcite and ankerite +/- siderite, to distal ankerite, only. The siderite alteration may be found for tens to hundreds of feet from the veins.

Pyritization of wall rocks is locally strong, and takes the form of fine-grained disseminated grains, and streaks of coarse grains. Silicification occurs as silica-flooding and veining. Pyritization and silicification are favorable indications of higher grade mineralization but not necessarily correlative.

Bleaching halos occur around veins that cut purple sediments as a result of destruction of the hematite by hydrothermal fluids penetrating the wall rock adjoining the veins. The St. Regis is characterized by purple and maroon colors that result from finely disseminated earthy hematite. Subordinate volumes of the Revett are colored by hematite as well. The bleaching is not evident in rocks that were originally green, but a line of euhedral pyrite is often found at the bleaching front no matter what the original rock color was. The bleaching front in purple rocks is often "peppered" by very fine octahedral magnetite (White, 1998b; Strand, 2002).

Both the Alhambra and South Veins are partly oxidized. The Alhambra fault and vein zone displays a normal oxidation pattern from surface to a depth of 250 to 300ft below surface. The South Vein has a 200 to 400ft wide zone of oxidation plunging down dip, parallel to the mineralization. The oxidation fluids appear to be following the mineralized portion of the structure, or may be an indication of an intersecting fault.

Structure

The Coeur d'Alene district hosts structural deformation features related to compressional, extensional and trans-current movement. The district is located at the intersection of two predominant linear belts of deformation. The Lewis and Clark Line ("LCL") is a 30 mile-wide zone of tectonism that extends more than 200mi from western Idaho into western Montana. This regional tectonic zone trends west to northwest and is a deep-seated lineament believed to represent an intra-plate boundary, which has been recurrently active since the Proterozoic era. The Noxon Line is a north to northwest trending structural high that is partly defined by thinning of Belt stratigraphy. This feature extends from southern British Columbia south to the LCL.

White (1994) identified five deformation events within the district listed in chronologic order as:

1. Folds trending west-northwest.
2. Folds trending north.
3. Reverse faulting.
4. Normal faulting along earlier reverse faults.
5. Right lateral strike slip faulting mainly represented by the Osburn Fault.

The west to northwest trending folds are interpreted to be related to deformation along the LCL. A younger and separate tectonic event is responsible for the north trending folds. These are generally more pronounced north of the district within the Noxon Line. The structural deformation within the Coeur d' Alene Mining District is dominated by the tectonic fabric of the LCL. The reverse movement is seen predominantly along west-northwest striking faults. White (1998b) postulated that the faults and veins developed along metamorphic shear fabric related to west northwest-trending reverse faults. These same fabrics appear to have been re-activated during an extensional event producing normal movement. The final deformation was right lateral displacement along the Osburn Fault, which displaces the mineralization. This displacement is the only transcurrent movement well-documented in the district and resulted in approximately 16 miles of offset (White 1998b).

Project Geology

The predominant fault at the Project is the Alhambra reverse fault. This structure displaces the stratigraphy of the mine area by approximately 3,000ft such that the St. Regis units in the hanging wall are in fault contact with Wallace Formation in the foot wall and Revett within the hanging wall lies adjacent to St. Regis in the foot wall.

The Project has been historically explored along five main mineralized structures. These are the Alhambra, South Vein, East Footwall, Hook and BJ. The current resource estimation includes only mineralization above the 2,450ft elevation within the Alhambra and South Veins. The Alhambra vein is located in the immediate hanging wall of the Alhambra reverse fault above the 1,500ft elevation, and in the immediate footwall below that elevation. The South Vein is located 800-1,000ft into the hanging wall of the Alhambra Fault. The East Footwall, Hook, and BJ veins are all located in the footwall of the Alhambra Fault.

Deposit Type

Precious metal deposits like those found at the Project generally have formed as a result of hydrothermal processes but differ as to whether the deposit was formed within a predominantly mesothermal or epithermal environment. Waldemar Lindgren first subdivided the genetic processes of hydrothermal mineralization in 1933 as epithermal, mesothermal and hypothermal. This classification was used primarily to describe the depth of formation and the source of mineralizing fluids.

Epithermal deposits are generally believed to have developed by ascending fluids of igneous emanations. They typically are formed at depths less than 3,300ft under low confining pressures with temperatures up to 300°C. Veins are the most common host, but disseminated mineralization also occurs. Gold and silver are the most common ore minerals with silver typically more abundant than gold. The gangue mineralogy is typically quartz and calcite, at depth adularia can occur. Hydrothermal alteration is pronounced, with abundant silicification flanked by clay alteration (Panteleyev 1988).

Mesothermal deposits are generally believed to have developed deeper than epithermal deposits, generally between 4,000 to 12,000ft below surface under higher pressures and at temperatures between 175 to 300°C. The source of fluids is believed to be prograde metamorphism and dewatering of deep crustal material. They are characterized by gold greater than silver with associated base metals. Gangue mineralogy consists of crystalline white quartz commonly with ankerite. Fuchsite alteration is also common especially within more basic host units. Pyrite and or pyrrhotite can also be present.

Geological Model

There is a general consensus among district geologists that the mineralization within the Coeur d'Alene mining district has formed as a result of mesothermal processes. The mineralization is characterized by steep, narrow veins that contain economic concentrations of sphalerite, tetrahedrite, and galena, introduced as discrete pulses within the same hydrothermal event. The mines are loosely subdivided into silver rich and lead/zinc rich. The silver mines generally host tetrahedrite as the principal silver bearing mineral. Silver within galena is subordinate. The lead/zinc mines generally host galena and sphalerite.

Fleck et al (2002) have documented that mineralization in the district was related to a complex metamorphic/hydrothermal event and that the source of metals was likely from scavenging within the Belt sediments. Wavra et al (1994) demonstrated that silver mineralization in the Sunshine Mine occurred during a compressional, reverse slip tectonic/metamorphic event with higher grade shoots plunging steeply southwest. White (1998b) supports this observation and postulates that the faults and veins developed within zones of intensified shearing where mechanically generated heat caused dynamic metamorphism. There is general agreement among all modern researchers that this mineralizing event occurred in the Late Cretaceous after major folding.

The district has a regional zonation defined by base and precious metals. All mines located to the north of the Osburn Fault, and those located in the southwestern part of the district are typically dominated by galena and/or sphalerite mineralization and producing lead/zinc. The mines in the southeastern part of the district are known as the "Silver Belt" and are dominated by tetrahedrite mineralization.

The Project is the westernmost of the Silver Belt mines, which, from east to west, include the Galena, the Coeur, the Coeur d'Alene, the Silver Summit, the Polaris and the Sunshine Mines. These mines are typified by siderite-tetrahedrite veins, with local galena zones.

By removing the post mineralization displacement along the Osburn Fault and reconstructing the district, a coherent zoning pattern is seen. This shows distinct zoning of siderite-tetrahedrite mineralization in the east, changing to galena and sphalerite mineralization in the west. To date, there is no plausible explanation as to why this zoning occurs.

Mineralization

Minerology

The "Silver Belt" veins are composed of siderite, quartz, and various sulfides including pyrite, tetrahedrite, chalcopyrite, and galena. Most of the silver is found within the tetrahedrite, which is argentiferous (silver bearing) throughout the district. It generally contains between 2% and 6% silver by weight. Substantial amounts of silver are also recovered from galena. In some silver mines of the District, chalcopyrite contributes recoverable copper.

Hershey (1916) believed supergene processes have enhanced the silver grades of some of the oxidized ore. Secondary oxide minerals that have been noted historically include cerargyrite, native silver, cerrusite, malachite, cuprite, argentite, chalcocite, and pyromorphite.

Primary hydrothermal zoning within veins has not been demonstrated in the district, with the exception of two veins in which the iron content of the sphalerite varied with depth. In one vein, the iron content increased with depth, and in the other, it decreased with depth (Fryklund, 1964).

Mineral zoning has been described in historical reports. This observation was later explained by the superimposition of mineral concentrations formed by several mineralizing pulses, rather than the result of a single hydrothermal fluid evolving in composition as it traveled upward.

Mineralized Zones

The Project has been historically explored and/or exploited along five mineralized structures. These include the Alhambra and associated hanging wall veins, South Vein, East Footwall, Hook and BJ. The current resource estimation includes only mineralization above the 2,450ft elevation within the Alhambra and South Veins. The Alhambra vein is located in the immediate hanging wall of the Alhambra reverse fault above the 1,500ft elevation, and in the immediate footwall below that elevation. The South Vein is located within the hanging wall of the Alhambra Fault. The East Footwall, Hook, and BJ veins are all located in the footwall of the Alhambra Fault.

Surrounding Rock Types

The Precambrian age Belt Supergroup rocks host all of the mineralized veins at the Project. The three Belt units present include; Wallace, St. Regis and Revett Formations. Detailed lithologic mapping has not yet been completed to know exactly where the formation boundaries lie with respect to the mineralized veins.

Relevant Geological Controls

The west-northwest striking, steeply south dipping veins are the principal geologic control on mineralization. Many of these show disseminated sulfides in the adjacent wall rocks and for years a lively debate was carried on as to whether mineralization within the veins formed from local mobilization of metals from the immediate wall rocks. Recently, the favored hypothesis is that the metals were mobilized from Belt sediments at depth and then transported by metamorphic/hydrothermal fluids to the veins (White 1998b, Fleck et al 2002).

The Prichard Formation regionally carries anomalous metal values, leading some observers to compare it to the Kupferschiefer of Europe. This unit is not however an important host for Coeur d'Alene-type veins. Most of the production from the district has been from veins hosted within the overlying Ravalli Group rocks. A district wide compilation by Farmin (1975) attributes 75% of all metal production to veins hosted within the Revett and St. Regis Formations.

Historically, district style exploration consisted of tracing major faults and shear zones, and exploring them where they cut favorable stratigraphy. Past geologists at the Project have considered the quartzites of the Revett Formation to be the most favorable vein host, while geologists at the neighboring Sunshine Mine have considered the St. Regis Formation to be the most favorable vein host (Colson, 1958). At the nearby Bunker Hill lead/zinc Mine, a systematic geologic research program in the 1970's identified the thick, clean quartzite of the Upper Revett Formation as the most favorable vein host (White, 1977a; Juras, 1977). At present, SNS geologists at the Project consider both St. Regis and Revett to be favorable lithologies to host silver bearing veins.

Approximately 98% of the Silver Belt production has been from veins hosted within the St. Regis and Revett Formations. Defining the split between these two units is problematic for two reasons. First, lithologic labels have evolved through time. Older mapping, prior to the 1970's, described all of the rocks of both formations as "quartzites", distinguishing them as "thick-bedded" or "thin-bedded". Second, the location of the Revett/St. Regis boundary, as determined by modern mapping, does not always agree with that identified in historic mapping. Much of the discrepancy in correlation is due to rapid facies changes particularly the rapid pinching out of individual quartzite beds. White and Winston (1977) point out that historically, all siltite-argillites were assumed to be St. Regis Formation; however, the quartzite dominated Revett Formation does contain significant amounts of siltite-argillite which may be misinterpreted.

Determining the exact formation name of a given interval is of less importance than identifying the lithologic character of the rock. Examples of stratigraphic control to vein development are observed throughout the district. Next door in the Sunshine Mine, these relations suggest that larger, higher grade veins favor either quartzite-dominant intervals or siltite-argillite-dominant intervals, but not intermixed intervals of both lithologies. Two other examples of stratigraphic control of vein development are found in the Lucky Friday Mine. The Lucky Friday Vein contains argentiferous galena and sphalerite over 5,000ft of vertical extent. The vein is thickest and richest in the quartzites of the Upper and Lower Revett, but thins where it cuts the intervening siltite-argillite dominated Middle Revett. The nearby Silver Vein contains siderite and tetrahedrite, and cuts a similar stratigraphic interval, but displays opposite characteristics. It is thicker in the siltite-argillite and thinner in the quartzite. These observations suggests that rheological properties of the rocks may have varied during the differing pulses of mineralization.

Type, Character and Distribution of Mineralization

The Silver Belt can be described as a corridor of structural preparation parallel to the LCL and south of the Osburn Fault. The mineralization of economic value here is confined to discrete veins and veinlets of siderite, quartz and tetrahedrite. The tetrahedrite typically fills a fine fracture pattern within siderite and very rarely occurs as disseminated grains in wall rock.

Galena occurs within the siderite and quartz veins as isolated grains or fine- to coarse-grained streaks. It also occurs as disseminated zones in quartzose wall rocks described locally as "blue rock" which may contain up to a few percent lead. Most of the galena mineralization exhibits crosscutting relations that dates it later than the siderite-tetrahedrite veining. District wide, the galena contains a baseline content of 0.12% silver present as a coupled substitution with antimony in the galena structure.

Mineralized zones in the district generally have more vertical than lateral extent. Historic stoping in the Project suggests that the higher grade mineralization has vertical:lateral ratios of between 2.5:1 to 4:1. The mineralized zones plunge down dip, parallel to the shear lineation developed during the same deformation that brackets the mineralization.

The large productive veins of the Silver Belt strike west-northwest and dip steeply to the south. They occur along major faults or as "links" between these. A less common style of veining is splay structures that occur at fault bends in the hanging wall or footwall. These zones are typically short in strike length, but very high grade.

In the Project, silver mineralization has been mined on the Alhambra Fault from near surface to 1,500ft below mean sea level, a vertical distance of about 5,000ft. In the upper workings of the mine, above the 1,500ft elevation, the higher-grade mineralization occurs on the immediate hanging wall of the fault (Julihn and Horton, 1936), where the vein cuts Revett and St. Regis Formations. The zones mined between mean sea level down to -1,500ft elevation occur on the immediate footwall in the Revett Formation. The other significant production from the mine has been from a set of veins found

within the footwall of the Alhambra Fault. These include the East Footwall, the Hook, and the BJ veins.

Exploration

Surveys and Investigations

SNS has completed two years of diamond drilling at the Project targeting two principal areas of mineralization. The first is the Alhambra Fault zone located west of the historic Brooks stope and above the Alhambra tunnel. This area had been largely ignored since the mine's first closure in 1943. SNS considered the area prospective because of the low-grade mineralization encountered along the fault on the Alhambra Level, and the presence of favorable stratigraphy on the hanging wall of the fault. Surface drilling was necessary since the only underground development was located on the target structure.

The second target is the up dip projection of the South Vein identified in the lower mine approximately 800ft into the hanging wall of the Alhambra Fault. Several historic drill intercepts in the deeper levels prompted Bunker Hill to crosscut to it on the -500ft elevation and drift along the structure for about 600ft. SNS targeted the projection of this structure at the upper mine levels where it cuts Revett and St. Regis Formations. The drilling utilized underground platforms located on the Alhambra Fault at the Hooper Level and surface locations.

Rehabilitation of the Hooper Tunnel began shortly after the property was acquired in January 2007, and was completed in December 2007. The tunnel was then extended 1,000ft further west along the Alhambra Fault. Muck sampling of the new drift showed that the fault zone was weakly mineralized. A 200t bulk sample was stockpiled and later processed as a bulk metallurgy test at the Sunshine mill in April of 2008. Between April and August 2008, a second underground drill station was cut at the western end of the Hooper Tunnel Level and two additional crosscuts were driven into the hanging wall for drill stations. Rehabilitation of the Big Creek No. 4 adit began in April 2007, and proceeded through the connection with the Alhambra Level to the top of the Alhambra raise by August 2008.

During 2007 and 2008, SNS drilled a total of 103,215ft in 30 underground and 70 surface diamond drillholes targeting the Alhambra Fault and South Vein. Figure 8-1 shows the distribution of the SNS drilling with respect to the historical underground development. The important drill intercepts are listed in Tables 8.1.1 and 8.1.2. Several days of surface and underground mapping were also carried out during this time.

Table 8.1.1: South Vein Drillhole Intercepts

Drillhole	From (ft)	To (ft)	True thickness	Ag (oz/t)
H-301	1437.8	1450.0	6.1	5.4
H-304	1305.0	1318.2	7.8	11.0
SNS-305A	888.7	895.5	4.8	42.1
SNS-306A	824.2	824.5	0.2	1.7
SNS-307	890.7	897.9	5.1	21.6
SNS-403	1584.0	1594.0	0.9	56.3
SNS-601	702.0	706.0	2.3	7.3
SNS-1001	927.0	936.0	5.8	11.2
SNS-1002	934.0	943.4	7.0	17.6
SNS-1003	1235.0	1239.0	2.4	5.8
SNS-1005	775.5	784.0	5.9	15.8
SNS-1006	1188.2	1199.4	6.3	21.1

Table 8.1.2: Alhambra Drillhole Intercepts

DDH	From (ft)	To (ft)	True Thickness	Ag (oz/t)
SNS-705	905.0	912.4	5.0	16.2
SNS-705	925.5	925.0	6.0	11.4
SNS-205a	509.7	516.5	4.9	13.0
SNS-301	640.7	642.0	1.1	6.0
SNS-302	655.5	657.0	0.9	11.0
SNS-502	640.3	650.3	5.0	43.0
SNS-704a	876.2	882.0	4.8	13.8
SNS-706a	960.9	962.0	0.8	6.6
SNS-603	766.6	773.2	5.4	9.4
SNS-604	798.4	805.5	6.2	16.4
SNS-901	665.0	670.2	3.0	27.4
SNS-904	991.2	998.0	4.2	8.2
SNS-905	647.1	650.6	2.3	6.8
C-1	783.3	785.5	1.6	4.8
C-2	900.0	901.5	1.1	2.2
C-3	652.7	654.7	1.3	4.5
C-4	629.5	631.5	1.4	1.1

Interpretation

The exploration work conducted by SNS meets current industry standards. The drilling program as described below, is of appropriate type, it was well planned and carried out in a prudent and careful manner. All drill core logging and sampling has been done by trained and professional personnel. SNS has made a concerted effort to ensure good sample quality and has maintained a careful chain of custody and ensured sample security from the drill rig to the assay laboratory.

Significant exploration potential also exists in the lower levels of the mine, but SNS chose to explore first the near surface targets that would be accessible from surface or the Hooper Tunnel Level, and would not require dewatering the lower mine.

Drilling

Type and Extent of Drilling

One hundred diamond drillholes have been completed by SNS from surface and underground locations during 2007 and 2008. A fan type-drilling pattern was used from most drill stations targeting the Alhambra Fault and South Veins on nominal 200ft spacing.

During the summer of 2007, Atlas Fausett Contracting and Kettle Drilling, Inc. completed a surface drilling program. A total of 41,081ft was drilled in 39 NQ diameter holes from 7 drill pads. Between December 2007 and July 2008, Kettle Drilling Inc. completed an underground drilling program. A total of 35,018 ft was drilled in 29 NQ diameter holes and 1 HQ diameter hole from 3 drill stations. These were all located within the Hooper Tunnel at an elevation of approximately 2,715ft targeting the South Vein. In the summer of 2008, Kettle Drilling Inc. completed another surface program. A total of 27,026 ft in 31 NQ diameter holes were completed from four drill pads.

Most of the holes were between 500 ft and 2,000 ft in length targeting one of two structures, either the Alhambra Fault or the South Vein. The holes targeting the Alhambra Fault tested an area about 3,500ft along strike, from the surface down dip approximately 2,300ft. The holes targeting the South Vein tested an area about 3,500ft along strike from surface down dip approximately 2,500 ft.

Procedures

The summer 2007 diamond drilling began with a single contractor, Atlas Fausett Contracting, Diamond Drilling (Atlas). They began with a Longyear 38 (L-38) and the general progress was very slow. Before long, it was decided that more drills were required. Kettle Drilling Inc. (Kettle) was also hired. They mobilized a Hagby-1500 on June 20, 2007 and started drilling two days later. Atlas mobilized a second machine, a Hagby-1000 and it began work by July 1, 2007.

After nearly two months of slow progress by Atlas, SNS decided to terminate the drilling contract. Although they had less favorable ground conditions, they typically achieved no more than half the daily footage rate than Kettle. The biggest problem appeared to be that the L-38 broke down frequently, and Atlas had trouble making timely repairs. The Atlas, Hagby-1000 demobilized in late July after completing 1,600ft and the L-38 demobilized in early August after drilling 3,453ft.

In mid July, Kettle mobilized a second drill, a U8-04 and started drilling both day and night shifts. In late July, they brought in a third drill, a U8-03. The three Kettle rigs finished out the season and were demobilized by the end of October.

Down hole surveys were performed on all of the completed holes except drillhole SNS-706a, using a Flexit Multishot[®] survey tool. SNS-706A was surveyed only with a single shot at 1,000ft.

Drill collars were originally laid out with a handheld GPS unit during the program. The following year, most of the collars were resurveyed by Silver Valley Engineering, a registered land survey firm.

Underground Drill Program

Kettle Drilling was used for the underground program, which ran from December 2007 to July 2008. A U-8 drill was used to drill 30 holes totaling 35,108ft from three drill stations on the Hooper Level. Down hole surveys were performed on all of the completed holes except H-102, using a Flexit Multishot[®] survey tool. The underground drillhole collars were all surveyed by Mark Kochler, a professional mining engineer.

2008 Surface Program

Kettle Drilling was used again for the 2008 surface drilling program. From June to August 2008, up to three drill rigs were running around the clock in order to take advantage of water supplied by seasonal runoff.

A lightweight, Zinex A-5 drill began drilling on Alhambra Fault targets in June and completed its program in July. The total footage from this machine was 13,713ft in 12 holes. Two of these were not completed to the target depth. A second lightweight, Longyear LF-70 began drilling South Vein targets in June and completed its program in August. The total footage from this machine was 7,754ft in six holes. A Hagby 1000 began drilling Alhambra vein targets in June and completed its program in July. The total footage from this machine was 5,559ft in nine holes. One of the holes was not completed to the target depth. The U-8 drill was moved from underground onto the surface in August. This rig completed 3,717ft in four holes during a one month period.

Downhole surveys were performed on all of the completed holes using the Flexit Multishot[®] survey tool. At the completion of the program, Silver Valley Engineering surveyed the drill collars and reported the coordinates in local mine grid. They also used a high-precision GPS unit to tie the mine grid into the UTM-NAD 83 coordinates.

Core Handling and Chain of Custody

During the drilling operation, the core is retrieved from the core barrel and laid sequentially into cardboard core boxes. Interval blocks are placed at all run breaks. Once the box contains approximately 10ft of core, the ends and sides are labeled with drillhole identification, from and to intervals and the sequential box number. The box is then covered by a cardboard lid and stacked at the rig to assure that the core is not exposed to any potential contamination or mix-ups. At the end of each drilling shift, the boxes of core are transported by the drilling contractor in a pickup truck or underground cart to the SNS core shed on site. The drill contractors delivered core, at the end of each shift, to the core shed if geology staff were present. If geology staff were not present, the core was placed in a locked annex building. At this point, the core became the custody of SNS.

Results

A total of 100 drillholes totaling 103,215ft have been drilled by SNS from June 2007 through August 2008. The important drilling results are summarized in Tables 8.1.1 and 8.1.2. These holes confirm the presence of two steeply dipping mineralized structures, the Alhambra Fault and the South Vein, in the upper levels of the historic mine. Along the Alhambra Fault, mineralization has been identified west of the historic workings from surface down dip to a maximum of 2,000ft. On the South Vein, mineralization has been identified from surface to approximately 1,200ft below the surface. Both structures are confined along strike in the elevations tested. The Alhambra Vein is also confined at depth, but the South Vein remains open in some areas. The drillholes are oriented in a wide array of bearings and dips. Few, if any, of the drillholes intercepted the vein at true right angles, and therefore the drill intercepts generally do not represent the true thickness of mineralization.

Sampling Method and Approach

Sample Methods and Chain of Custody

Upon receipt from the drilling contractor, SNS arranges the core sequentially from top to bottom. It is then processed to identify obvious zones of alteration and scanned by a hand held XRF analysis unit. Core processing is the initial examination and photographing of the core upon its arrival at the core shed. The purpose of the processing is to identify any mineralized intercepts, to spot potential errors in labeling or handling of core, and to photograph the core providing a record of its original character. Core processing is utilized whenever the volume of core being produced exceeds the rate at which geologists can thoroughly log it, as was the case with the 2008 program. The boxes containing identified mineralization were marked and set aside; the remaining boxes were stacked on pallets and stored within one of two locked buildings, to be logged later when staff time allowed.

Geologic logging is done on paper log forms with primary emphasis on the alteration and character of the veins. The log form contains columns which record: from-to, core recovery, carbonate alteration, sulphide alteration, vein intensity, lithology, hardness and color. After logging the zones of alteration, the sample intervals were determined and marked on the core and the core boxes. The vein lithologies were sampled at nominal 1.2ft intervals and generally did not exceed 2.5ft. The immediate wall rock lithologies were sampled at nominal 2.5ft intervals and did not exceed 5.0ft intervals. Intervals were chosen on the basis of visual and XRF determinations of grade in an attempt to break out separate sample material that varied from adjacent material by orders of magnitude. The sample intervals are recorded in three places; the sample log sheet, the sample tag booklets and on cards or flagging placed at each interval in the boxes. A brief description of the sample was usually noted on a sample sheet inserted into the drill log. Geotechnical logging

includes core recovery and some rock quality determination of the vein zones. The specific gravity of the core samples was measured using a pan balance as described in Section 16.

Competent samples were generally sawn, though a few samples early in the program were split with a hydraulic splitter. Incompetent material was split by hand using a putty knife. Half of the cut core is then placed into a pre-labeled canvas bag. The bag also contains a sample identification tag with a blind sample number. Each bag is immediately tied closed. A master list is maintained, which records the drillhole identification and from-to intervals of all sample tags. The remaining half of the core is returned to the box for archive. The archive boxes of half core are then stacked in one of the two locked core buildings. The core is sorted by drillhole and sequential box number and a master inventory list is maintained.

The individual canvas sample bags containing the core samples are accumulated into 5-gallon plastic buckets stored within the locked core building. Once a bucket is full its lid is snapped closed and taped shut so that no tampering can occur. A sample transmittal list is then compiled. The buckets of samples were transported by Federal Express or United Parcel Service to ALS Chemex in Reno, Nevada by standard transport truck.

Factors Impacting Accuracy of Results

The 2007-2008 drilling program was conducted by professional geologists and drillers who undoubtedly performed to the standards of the mining industry. The core recovery as recorded on the drill logs, shows that nearly all of the mineralized intervals produce core recovery in excess of 90%. All of the potentially mineralized material was sampled as well as most of the adjacent wall rocks. Such thorough sampling ensures that both mineralized and un-mineralized material is adequately characterized. Based on the core recovery and thorough sampling methods, factors impacting accuracy of results are very positive.

Sample Quality

The core handling, logging and sampling procedures described above combined with excellent core recovery ensure that sample quality of the Project drilling is very good. The sample length is appropriate to characterize accurately the mineralization and to distinguish any zones internal to the mineralization, which may have anomalously high or low grades.

Relevant Samples

The relevant samples are from the veins and from stringer zones located within the adjacent wall rock.

Sample Preparation, Analyses and Security

Sample Preparation and Assaying Methods

During the 2007 to 2008 drill programs, SNS collected 1,465 drill core samples, and shipped them to a primary laboratory and three secondary laboratories. A multi-element ICP analysis was first run and then all samples testing above ICP threshold for silver samples were re-analyzed by fire assay.

All of the half core samples were delivered to the primary lab for sample preparation and analysis. Upon arrival, the samples are unpacked and arranged in order; which are then logged into the system by sample identification number. Each sample bag is emptied into a clean metal sample tray and place into a drying oven at 60°C for approximately four hours. The samples are then run through a primary jaw crusher and then a secondary cone crusher to produce a product with

specifications of 70% less than 2mm in size. The sample is then blended and run through a Jones riffle splitter to produce a 250g subsample. The reject material is returned to the original sample bag and archived. The 250g subsample is next run through a ring pulverizer to produce a product with specification of 85% less than 200 mesh. The crushers, splitter and pulverizers are blown clean with an air hose after every sample and the sample preparation room is equipped with a dust collection system. The blind sample tag accompanies the sample at each stage of preparation.

The samples were analyzed by the primary lab using Inductively Coupled Plasma Atomic Emission Spectrometry (ICP-AES) for a suite of 35 elements. A 0.2g portion of the pulp sample is first placed into a test tube and dissolved using an aqua regia digestion.

A typical atomic absorption spectrometer consists of an appropriate light source (usually a hollow cathode lamp containing the element to be measured), an absorption path (usually a flame, but occasionally an absorption cell), a monochromator (to isolate the light of appropriate wavelength) and a detector. The most common form of atomic absorption spectroscopy is called flame atomic absorption. In this technique, a solution of the element of interest is drawn through a flame in order to generate the element in its atomic form. At the same time, light from a hollow cathode lamp is passed through the flame and atomic absorption occurs. The flame temperature can be varied by using different fuel and oxidant combinations; for example, a hotter flame is required for those elements, which resist atomisation by tending to form refractory oxides. (ALS Chemex 2009)

The primary limitation of ICP-AES is that all measurements are made following chemical dissolution of the element of interest. Therefore, the measurement can only be as good as the quality of the sample digestion. A second limitation is that occasionally, interferences from other elements or chemical species can impact atomic emission and depress absorbance, thereby reducing sensitivity. For these reasons, most reputable laboratories (ALS Chemex included) recommend that ICP-AES not be used for reserve estimations or bankable feasibility studies.

In general, an aqua regia digestion of relatively high silver-grade samples in the presence of lead can result in precipitation of silver chloride complexes which results in a solution under-reporting true silver content. Additionally, the ICP-AES instrument is designed for very low detection limits and solutions must be highly diluted to accurately measure higher concentrations of metals. This can also have negative impact on the accuracy of the results.

SNS has made an effort to overcome this limitation by ensuring that all samples with silver mineralization in excess of 1,500ppm were re-analyzed by standard fire assay methods and they have conducted numerous duplicate fire assay analysis of samples originally analyzed by ICP. Any samples returning over the maximum detection limit for Ag, 100ppm, were then analyzed by "ore grade" ICP, and any samples returning over the ore grade maximum detection limit for Ag, 1,500ppm, were analyzed by fire assay. The maximum detection limit for fire assay is 10,000ppm Ag; only one sample in the data set exceeded this 1% limit. The fire assay technique used a 30g charge with a gravimetric finish. This fire assay method is appropriate for the silver grades defining the anomalous mineralization.

In the opinion of the author, the analytical methods used to determine the silver content of the Project samples, combined with the QA/QC program described below, has produced results appropriate to support the current resource estimation and classification. It is recommended that all samples with silver grades in excess of 1.0oz/t should be fire assayed.

Testing Laboratories

SNS began to generate core and chip samples in July 2007. These early samples were submitted to two local labs for analysis, American Analytical in Osburn, Idaho, and Chris Christopherson in

Smeltonville, Idaho. Following SRK's recommendation, in April of 2008 SNS began sending their samples only to accredited labs. One batch of samples was sent to American Assay of Sparks, Nevada and from May 2008 on, all samples were sent to ALS Chemex. All samples sent to ALS Chemex were prepared at the Sparks, Nevada facility and then analyzed at the North Vancouver Laboratory. ALS Chemex located at 212 Brooksbank Ave in North Vancouver Canada is certified under ISO 9001:2000 for the provision of assay and geochemical services according to QMI Management Systems Registration.

Quality Controls and Quality Assurance

Following SRK's recommendations, SNS began to use standard reference material, blank samples and duplicate samples in April 2008 to ensure reliable assay data was being obtained.

Standards and Blanks

Commercial, standard reference material samples were inserted into the sample stream at 1 in 20 intervals, and were considered to have "failed" if the lab returned an assay outside 3-standard deviations of the certified value. The initial failure rate of standards in the ALS Chemex analyses was 13% but this did improve over time. Failed standards were handled by rerunning the entire sample batch containing the failure. In most cases, the rerun standard passed and the rerun data was used in the final database. The failures and subsequent corrective action have been individually documented by SNS. The sample failures typically consisted of values a few percent outside the tolerance range, but there were two instances of obvious sample switching. In one case, Chemex confirmed the switch, and the data was corrected. In another case, a rerun was made from the coarse rejects, and the rerun showed additional switched samples. This data was rejected, and not replaced.

Commercial blank samples were also inserted into the sample stream at 1 in 20 intervals, and were considered to have "failed" if the lab returned an assay greater than 5ppm. Only one failure occurred in 80 blanks, apparently because of a switched sample. Because the commercial blanks are pulverized material, and the blanks do not act as a check of possible contamination in the pulverizing stage, a small number of "field blanks" comprised of barren core were also inserted in the sample stream. There were no failures of field blanks.

Duplicate Samples

Three types of duplicate analysis were run by SNS. These include: 1) coarse rejects prepared and analyzed at the primary lab and then shipped to a second lab where they were split, pulverized and analyzed; 2) pulps prepared and analyzed at the primary lab and then shipped to a second lab and analyzed; and 3) field duplicates created from ¼ core samples of the original ½ core intervals.

A total of 112 coarse reject duplicate samples were analyzed. These consisted of 58 samples from the non-accredited labs and 54 samples from ALS Chemex. All of these were re-analyzed by ALS Chemex. The results of the 58 samples from the non-accredited lab show good correlation to the duplicate analysis generated by ALS Chemex. The ALS Chemex duplicates also showed very good correlation.

Thirty-five pulp samples prepared and analyzed by ALS Chemex were sent to SGS Mineral Services of Lakefield, Ontario, and analyzed by fire assay. The samples were predominantly chosen from the higher-grade samples because of their significance in the resource estimation. The SGS results agree reasonably well with the Chemex data. The SGS numbers range from 42% higher to 20% lower, and average 4% lower than the Chemex results. While the SGS numbers are all fire assays, the Chemex numbers are a combination of both fire assay and ICP.

Thirty-six field duplicate samples were collected to provide a further check on the 2007 analytical data. These were generated by ¼ core samples taken from previously sampled vein intervals. The field duplicates were all prepared and analyzed by ALS Chemex. These re-samples were also selected from higher-grade intervals that would figure prominently in the resource estimation and were chosen to replicate the intervals of the earlier sampling. This was sometimes difficult, as the original intervals from the early sampling were not always well preserved in the core boxes.

Interpretation

The sampling techniques and analytical procedures employed by SNS are adequate for the current level of study. Core drilling is an excellent method to obtain high-quality geologic data and the high core recoveries realized here also produce an excellent sample for analysis. Half core sampling is a standard procedure and SNS has ensured that an accountable chain of custody tracked all samples. The ICP-AES combined with fire assay and a good QA/QC program is an acceptable method of analysis for silver analysis. Although some of the original samples were analyzed, at non-certified laboratories, the check samples run at ALS Chemex and SGS have produced verifiable results within the level of accuracy expected. The QA/QC procedures employed by SNS meet CIM guidelines for resource estimation. It is recommended that approximately 50 samples above a 2.0oz/t silver grade threshold should be re-analyzed using a fire assay technique to check for analysis bias.

Data Verification

Quality Control Measures and Procedures

The electronic database used for the resource estimate was constructed by SNS and verified to the original source data by SRK. The electronic database was constructed in three main divisions; drillhole locations with orientations, lithological characteristics and analytical results. The collar locations, orientations, down hole deviations, assay sample intervals and lithological types were all accumulated onto an MS Excel® spreadsheet. These were transmitted to SRK along with scanned copies of all source data. The electronic assay database was verified to the original signed, Adobe®.pdf copies of the assay certificates. This was achieved by manually comparing 10% of the data, selected at spot intervals throughout the entire electronic database. No errors were found. The underground drillhole collars were all surveyed by Mark Kochler, a professional mining engineer. The surface drillhole collars were all surveyed by Silver Valley Engineering. They surveyed the drill collars and reported the coordinates in local mine grid. All collar coordinates in the electronic database were manually verified to the source data provided by the surveyors described above and no errors were found. Downhole deviation surveys were collected using a Flexit Multishot® survey tool. The electronic downhole deviation surveys were verified to the Multishot source data by manually comparing 10% of the data at spot intervals throughout the database and no errors were found.

The accuracy and precision of the testing laboratories was verified using an industry standard QA/QC program including; certified standards, blanks and laboratory duplicate samples. Commercial, standard reference material samples were inserted into the sample stream at 1 in 20 intervals, and were considered to have “failed” if the lab returned an assay outside 3-standard deviations of the certified value. The initial failure rate of standards in the ALS Chemex analyses was 13% but this did improve over time. Failed standards were handled by rerunning the entire sample batch containing the failure. In most cases, the rerun standard passed and the rerun data was used in the final database. The failures and subsequent corrective action have been individually documented by SNS. The sample failures typically consisted of values a few percent outside the tolerance range, but there were two instances of obvious sample switching. In one case, Chemex confirmed the switch, and the data was corrected. In another case, a rerun was made from the coarse rejects, and the rerun showed additional switched samples. This data was rejected, and not replaced.

Commercial blank samples were also inserted into the sample stream at 1 in 20 intervals, and were considered to have “failed” if the lab returned an assay greater than 5ppm. Only one failure occurred in 80 blanks, apparently because of a switched sample. Because the commercial blanks are pulverized material, and the blanks do not act as a check of possible contamination in the pulverizing stage, a small number of "field blanks" comprised of barren core were also inserted in the sample stream. There were no failures of field blanks.

Three types of duplicate analysis were run by SNS. These include: 1) coarse rejects prepared and analyzed at the primary lab and then shipped to a second lab where they were split, pulverized and analyzed; 2) pulps prepared and analyzed at the primary lab and then shipped to a second lab and analyzed; and 3) field duplicates created from ¼ core samples of the original ½ core intervals.

A total of 112 coarse reject duplicate samples were analyzed. These consisted of 58 samples from the non-accredited labs and 54 samples from ALS Chemex. All of these were re-analyzed by ALS Chemex. The results of the 58 samples from the non-accredited lab show good correlation to the duplicate analysis generated by ALS Chemex. The ALS Chemex duplicates also showed very good correlation.

Thirty-five pulp samples prepared and analyzed by ALS Chemex were sent to SGS Mineral Services of Lakefield, Ontario, and analyzed by fire assay. The samples were predominantly chosen from the higher-grade samples because of their significance in the resource estimation. The SGS results agree reasonably well with the Chemex data. The SGS numbers range from 42% higher to 20% lower, and average 4% lower than the Chemex results. While the SGS numbers are all fire assays, the Chemex numbers are a combination of both fire assay and ICP.

Thirty-six field duplicate samples were collected to provide a further check on the 2007 analytical data. These were generated by ¼ core samples taken from previously sampled vein intervals. The field duplicates were all prepared and analyzed by ALS Chemex. These re-samples were also selected from higher-grade intervals that would figure prominently in the resource estimation and were chosen to replicate the intervals of the earlier sampling. This was sometimes difficult, as the original intervals from the early sampling were not always well preserved in the core boxes.

Limitations

SRK was not limited in its access to any of the supporting data used for the resource estimation or describing the geology and mineralization in this Technical Report.

The database verification is limited to the procedures described above. All mineral resource data relies on the industry professionalism and integrity of those who collected and handled it. SRK is of the opinion that appropriate scientific methods and best professional judgment were utilized in the collection and interpretation of the data used in this report. However, users of this report are cautioned that the evaluation methods employed herein are subject to inherent uncertainties.

Mineral Processing and Metallurgical Testing

Mineral Processing/Metallurgical Testing Analysis

A 200t bulk sample of very low-grade material was tested at Sterling Mining Company’s Sunshine Mill in April 2008. This sample is not representative of the mineralization expected to be mined but does provide a general indication of the materials amenability to grinding and floatation milling.

Procedures

The material for the bulk test came from the drifting on the Alhambra Fault on the west Hooper Level that was completed in April 2008. A portable XRF unit was used to assess the grade on a round by round basis, and muck grading at least 5oz/t Ag was stockpiled in a separate area on the waste dump. This material was then trucked the 0.5mi to the Sunshine Mill for processing. All of the material was un-oxidized. At the mill, the material was batched through the crushing, grinding and floatation circuits using the same general procedures as for ore from the Sunshine Mine.

Results

An 86% recovery was achieved from 203t with a feed grade of 3.28oz/t Ag. Sterling's chief metallurgist believes that recoveries of 95% could be expected with additional testing and refinement of the milling process.

SNS Specific Gravity Testing

SNS determined specific gravity for a representative set of lithologic types using two techniques. One was the direct, weigh-in-air/weigh-in-water method; the other was to calculate the density based on chemical analysis.

The direct measurement set-up consisted of a 2,600g capacity triple-beam balance set at the edge of a table so that samples could be weighed by hanging underneath the balance pan. Specific gravity was computed from the formula:

$$SG = Wt._{air} / (Wt._{air} - Wt._{water})$$

The specific gravity measurements were made on fragments of core generally weighing more than 50g, or in cases where an interval was more finely fragmented, up to six or so fragments would be aggregated and measured at once.

Oxidized samples represent a special case, as they can contain visible void spaces. These samples tend to produce bubbles over the time necessary to immerse the sample for the weight in water measurement.

The measured density of wall rock is generally about 2.7g/cm³. The veins have measured densities of about 3.0g/cm³ with ranges up to 4.0g/cm³. There is not a good correlation between Ag content and density.

A limited number of measurements on oxidized wall rock material returned densities of between 2.3g/cm³ and 3.0g/cm³, with an average of 2.6g/cm³. Measurements of 12 sample intervals in oxidized vein material from five drillholes produce an average density of 2.89g/cm³, from a range of 2.66g/cm³ to 3.05g/cm³.

SNS also calculated specific gravity from chemical analysis. The samples sent to ALS Chemex were routinely analyzed under a 35-element ICP-AES package. Because the mineralogy of the deposit is fairly simple, a first pass at calculating a specific gravity for each sample was made by:

1. Assigning all the S to pyrite (density of 5.02g/cm³).
2. Assigning any remaining Fe to siderite (density of 3.97g/cm³).
3. Using a background wall rock density of 2.7g/cm³ for the remainder of the sample.

This worked well for the un-oxidized samples as shown by a comparison of the calculated results with samples on which direct measurements were made. Eighty-seven percent of the un-oxidized samples (n=46) are within 10% of the values obtained by direct measurement. In addition, the calculated number could be a better representation because the chemical analyses consider the entire sample, while the direct measurements could only be made on the larger fragments of core. Refining of this calculation to account for other sulfides known to be present, such as arsenopyrite, chalcopyrite, tetrahedrite and galena, was deemed unnecessary; since they appear to be gravimetrically insignificant.

The oxidized samples are not amenable to this method because variable oxidation has resulted in variable development of void spaces. The specific gravities of the oxidized samples calculated by this method were significantly higher than the measured values, and thus these materials require direct measurement of their specific gravities.

The densities of un-oxidized materials are predicted with reasonable accuracy by simple calculations based on the chemical analysis. The calculated densities cannot, however, be used for the oxidized materials.

Thirteen samples were sent to SGS Mineral Services in Lakefield, Ontario for density determination. The numbers are within a maximum tolerance of 6% of SNS's direct measurements, and average less than 1% different. The dataset validates SNS's methodology for measuring specific gravity.

Mineral Resource and Mineral Reserve Estimates

Drillhole Database

The drillhole database was compiled by SNS and is determined to be of high quality. The database consists of three, MS Excel[®] spreadsheets containing collar locations surveyed in Bunker Hill Mine coordinates, drillhole orientations with down hole deviation surveys, and assay intervals with elemental analyses and material types. The appropriate codes for missing samples and no recovery were used during the modeling procedures.

The database contains information from 100 drillholes totaling 103,215ft of drilling. The maximum drillhole depth is 1,964ft and the average is 1,030ft. All holes were drilled inclined both to the north and south in order to intersect the veins at high angles to the strike and dip of the mineralization and maintain a nominal 200ft spacing on the vein. Down hole deviations surveys were made on most of the holes using a Flexit Multishot[®] instrument.

Resource Classification

The Mineral Resources are classified under the categories of Indicated and Inferred Mineral Resources according to CIM guidelines. Classification of the resources reflects the relative confidence of the grade estimates. This classification is based on several factors including; sample spacing relative to geological and geo-statistical observations regarding the continuity of mineralization, data verification to original sources, specific gravity determinations, accuracy of drill collar locations, accuracy of topographic surface, quality of the assay data and many other factors, which influence the confidence of the mineral estimation. No single factor controls the resource classification rather each factor influences the result. Generally, most of the factors influencing the resource classification in the Project are positive. The resources have been classified as Indicated and Inferred based primarily on sample spacing as indicated by drilling density. For the resource classification, a solid shape was constructed around the parts of the veins where most drillholes are spaced approximately 150 to 200ft apart. All blocks located within these areas were classified as indicated resource. All blocks located outside of these areas, about the periphery of the drilling were classified as Inferred resource.

Mineral Resource Statement

The Project mineral resource statement is presented in Table 15.11.1. An 11.0oz/t cut-off grade was chosen for resource reporting based on cost data and cut-off grade being used at the nearby Sunshine Mine. The results reported in the resource statement have been rounded to reflect the approximation of grade and quantity, which can be achieved at this level of resource estimation.

Table 15.11.1: Crescent Mine Mineral Resource Statement

Resource Category	Ag oz/t Cut-off	Total Tons (kt)	Ag oz/t Average Grade	Contained Ag (Moz)
Indicated	11	324	18.7	6.1
Inferred	11	211	19.5	4.1

Cautionary Note to Investors Concerning Estimates of Inferred Resources

The above table uses the term "inferred resources". The Company advises that while this term is recognized and required by Canadian securities regulations (under NI 43-101), the U.S. Securities and Exchange Commission does not recognize it. "Inferred resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or preliminary feasibility studies, except in rare cases. **Investors are cautioned not to assume that any part or all of an inferred resource exists, or is economically or legally mineable.**

Reserve Estimation

A prefeasibility study is required to demonstrate the economic merit of mineral resources in order for their conversion to reserve. At this time, no such study has been completed, and therefore the Project currently has no reserves.

Material Effects on Mineral Reserves

The mineral resources described above, constitute contained metal in the ground and have not been included in any formal plan of exploitation. There are no known material issues related to environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant issues which may affect the mineral resources. Additionally, there are no known material issues related to mining, metallurgy, infrastructure and other relevant issues, which may affect the mineral resources.

Other Relevant Data and Information

The lower Project underground workings are partially flooded at present. This water level is controlled by the water maintained in the Bunker Hill Mine by the interconnected underground workings. At present, Bunker Hill pumps to keep the water level at about the 2,000ft elevation, which is about 700ft below the Hooper Tunnel in the Project. If Bunker Hill discontinues pumping, the water level will rise to no more than the daylight elevation of the Kellogg Tunnel at 2,350ft elevation, which corresponds to 350ft below the Hooper Tunnel in the Project. All the resources reported in this report are located above the Hooper Tunnel elevation.

Zones of low-grade uranium mineralization are present within the veins of the Project. The recent drilling encountered uranium mineralization grading as high as 2ft of 245ppm U. Nine

samples out of about 1,200 analyses returned 80 to 245ppm U; the remainder returned no greater than 40ppm U. Elevated radon readings were noted by previous operators in a crosscut near the Ellis Shaft on the Hooper Level. Proper mine ventilation should alleviate the buildup of any radon gasses.

Interpretation and Conclusions

Field Surveys

During the 2007 and 2008 field seasons, SNS conducted surface and underground diamond drilling on the Project. Two mineralized veins were drill tested by 100 diamond core drillholes. These were carefully logged and 1,465 samples were taken and tested with 35-element ICP-AES analysis, all samples with Ag values in excess of 1,500ppm (43.8oz/t) were fire assayed. The exploration work conducted by SNS meets current industry standards. The exploration drilling program was well planned and carried out in a prudent and careful manner. All drill core logging and sampling has been done by trained and professional personnel. SNS has made a concerted effort to ensure good sample quality and has maintained a careful chain of custody and ensured sample security from the drill rig to the assay laboratory.

Analytical and Testing Data

SRK is of the opinion that the analytical work performed by ALS Chemex and the non-certified labs on the Project mineralization was good, and suitable for use in resource estimation. The ICP-AES combined with fire assay and a good QA/QC program is an acceptable method of analysis for silver analysis. Although some of the original samples were analyzed at non-certified laboratories the check samples run at ALS Chemex and SGS have produced verifiable results within the level of accuracy expected. It is recommended that all samples above a 1.0oz/t Ag threshold should be re-analyzed using a fire assay technique.

SNS has conducted a modern QA/QC program including standard reference material, blanks and duplicate check assays on drill core from the 2007 and 2008 drilling programs. This QA/QC program meets current CIM guidelines. The results of the QA/QC program indicate that the reported analytical results meet the standards of precision and accuracy required to support the current resource estimation.

Exploration Conclusions

The exploration work conducted by SNS meets current industry standards. The drilling program is of appropriate type, it was well planned and carried out in a prudent and careful manner. All drill core logging and sampling has been done by trained and professional personnel. SNS has made a concerted effort to ensure good sample quality and has maintained a careful chain of custody and ensured sample security from the drill rig to the assay laboratory.

The 2007-2008 diamond drilling program targeted two mineralized veins. The drilling was laid out for nominal 200ft drillhole spacing along the veins and adequately defines the zone of silver mineralization. Both structures are confined along strike in the elevations tested. The Alhambra Vein is also confined at depth, but the South Vein remains open in some areas.

Significant exploration potential also exists in the lower levels of the mine, but SNS chose to explore first the near surface targets that would be accessible from surface or the Hooper Level, and would not require dewatering the lower mine.

Resource Estimation

The Project resource estimation is based on information from 100 drillholes totaling 103,215ft. The drillhole database was compiled by SNS, verified by SRK and is determined to be of high quality. Wire frame solids of the vein geometries were constructed based on a minimum grade threshold of 1.5oz/t Ag. These solids were used to sub-cell each vein in the block model. The blocking was done using a parent block size of a 100ft cube with sub-blocks down to a minimum of a 2ft cube. The grade estimate was completed using the inverse distance squared weighting algorithm, conducted in two passes. The first required a minimum of 6 and maximum of 12 samples which were less than 250ft from the block centroids. The second pass only considered un-estimated blocks and required a minimum of 2 and maximum of 12 composites which were less than 500ft away from the block centroids.

The results of the estimation provided a CIM classified Indicated Mineral Resource of 324kt of material with 18.7oz/t Ag and an Inferred Mineral Resource of 211kt of material with 19.5oz/t Ag, both based on an 11.0oz/t Ag cut-off grade. The quality of the Project drilling and data is very good and the Mineral Resource was classified mainly according to the general drillhole spacing.

Recommended Work Programs

SRK recommends that UMS conduct five stages of work culminating in a Preliminary Assessment of the project. Stage one would be to complete fire assays on approximately 50 samples with reported ICP-AES silver grades over 2.0oz/t. If the results show substantially different average silver grades then the remaining samples should be fire assayed and the results incorporated into a revised resource estimation. Stage two would be to extend the Hooper Tunnel approximately 1,000ft and set up a drilling station. Stage three would be to complete approximately 5,000ft of drilling into the down dip extension of the South Vein. Stage four would be to complete bench scale metallurgical test work sufficient to support a Preliminary Assessment. Stage five would be to revise the resource estimation and incorporate the result into a Preliminary Assessment.

Proposed Budget

The following budget outlined in Table 18.1.1.1 provides approximate cost for the fire assay program, resource revision and a typical cost for a scoping level economic evaluation.

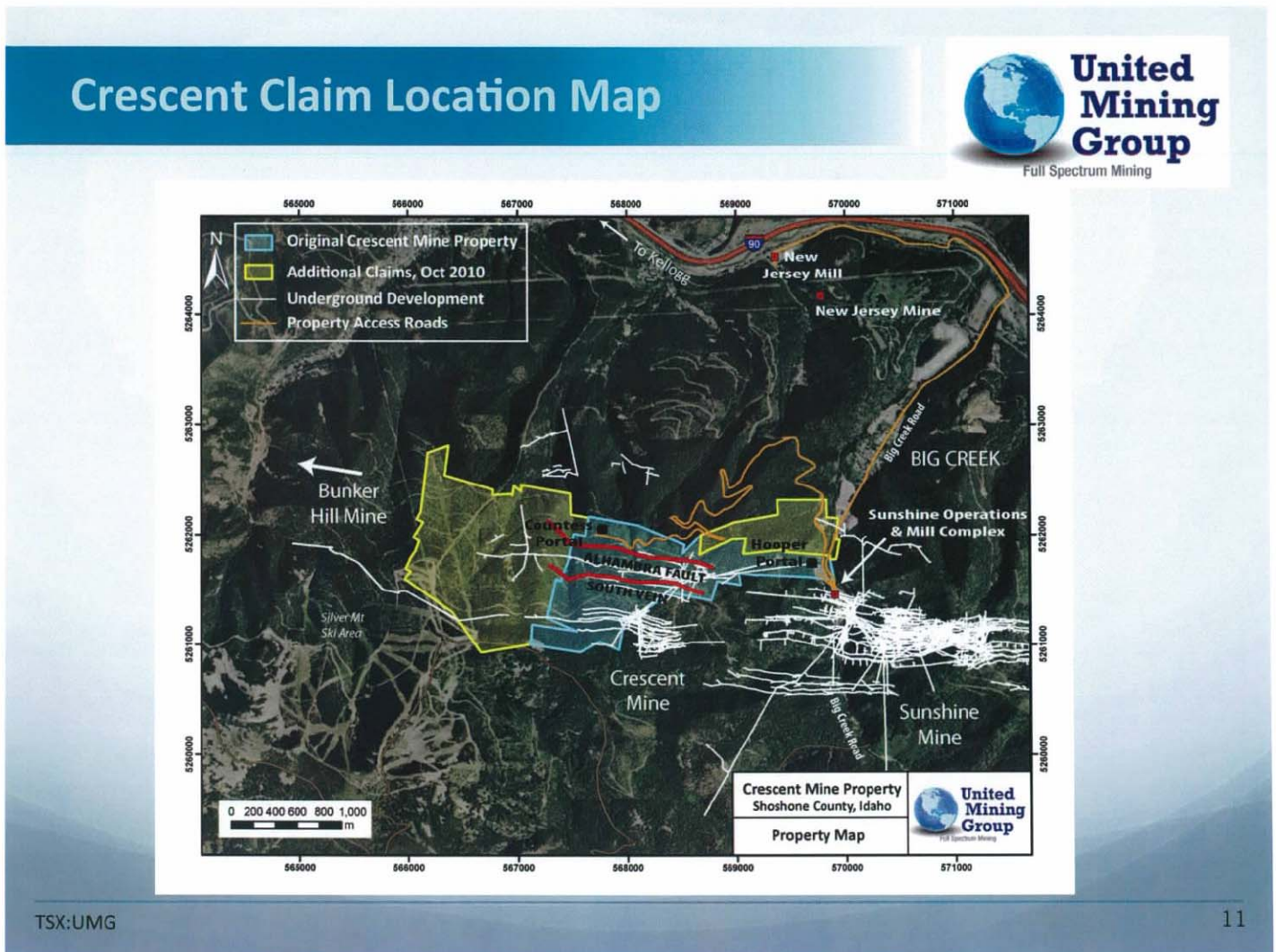
Table 18.1.1.1: Summary of Proposed Activities and Approximate Costs (US\$)

Activity – Phase I	Duration	Approximate
Advance Hooper Tunnel and Drill South Vein	Five months	\$850,000
Fire Assay, Metallurgical Test Work, Preliminary Assessment	Seven months	\$202,000
Grand Total – Phase I	Ten to Twelve Months	\$1,052,00

Description of Mineral Properties – Property Acquisition

In October 2010, the Company entered into an agreement with The New Bunker Hill Mining Company for the purchase of 42 patented mining claims, which increases the Company's land holdings at the Crescent Mine Property from approximately 143 hectares (353 acres) to a total of 379 hectares (937 acres). The new claims lie adjacent to the Crescent Mine Property to the west and to the north, and the major silver-hosting structures, the Alhambra and South fault zones, strike westerly onto the acquisition. Historic exploration on the claims includes approximately 12,000 feet (3.6 km) of cross cuts and development drifts, which identified mineralized structures at surface and mining of at least four small stopes along the Alhambra fault.

The figure below shows the location of the 42 patented mining claims purchased in October 2010 relative to the original 25 claims making up the Crescent Mine Property.



TSX:UMG

Risk Factors

The Company's securities are highly speculative and subject to a number of risks. You should not consider an investment in the Company's securities unless you are capable of sustaining an economic loss of the entire investment. The risks associated with the Company's business include:

The profitability of the Company's operations is dependent on commodity prices.

The profitability of the Company's operations will be dependent upon the market price of base metals such as silver. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, global and regional consumption patterns, the world supply of and demand for mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The effect of

these factors cannot be accurately predicted. The price of mineral commodities has fluctuated widely in recent years and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business and financial condition.

In addition to adversely affecting the Company's mineral resource estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

The profitability of the Company's mineral properties will also be dependent on the costs of consumables used in its operations. Profitability will be impacted by the cost of such consumables including fuel, energy, steel and other products required to be used in future operations. In recent years, significant increases in the cost of these materials impacted profitability and further increases in the future may further impact future profitability of mineral properties.

Exploration and development is highly speculative and requires a significant capital investment.

Resource exploration is a highly-speculative business, involves a high degree of risk and is frequently unsuccessful. There is no certainty that the expenditures to be made by the Company in the exploration of its properties or otherwise will result in discoveries of commercial quantities of minerals. The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Although the discovery of an ore body may result in substantial rewards, few properties explored are ultimately developed into producing mines. Significant expenditures may be required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the Company's current exploration programs will result in a profitable commercial-mining operation.

Significant capital investment is required to achieve commercial production from successful exploration efforts. The commercial viability of a mineral deposit is dependent upon a number of factors. These include: (i) deposit attributes such as size, grade and proximity to infrastructure; (ii) current and future metal prices (which can be cyclical); and (iii) government regulations, including those relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and necessary supplies and environmental protection. The complete effect of these factors, either alone or in combination, cannot be entirely predicted, and their impact may result in the Company not receiving an adequate return on invested capital.

Any figures for mineral resources contained or incorporated by reference in this AIF are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Market fluctuations and the prices of metals may render resources uneconomic. Moreover, short-term operating factors relating to the mineral deposits, such as the need for orderly development of the deposits or the processing of new or different grades of ore, may cause a mining operation to be unprofitable in any particular accounting period.

Recent events have caused stress in the global financial system.

Recent events have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, events seemingly unrelated to the Company or to its industry may adversely affect the Company over the course of time. Reduction in credit, combined with reduced economic activity and the fluctuations in the US dollar, may adversely affect businesses and industries that purchase commodities, affecting commodity prices in more significant and unpredictable ways than the normal risks associated with commodity prices. The availability of services such as drilling

contractors and geological service companies and/or the terms on which these services are provided may be adversely affected by the economic impact on the service providers. The adverse effects on the capital markets generally make the raising of capital by equity or debt financing much more difficult and the Company is dependent upon the capital markets to raise financing. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on the Company's business, operating results, and financial condition.

From time to time the Company will be involved in litigation and the Company is currently faced with a statement of claim with respect to the SRLP Facility.

From time to time, the Company may be involved in certain legal actions. The outcomes of any such legal actions may have a material adverse effect on the financial results of the Company on an individual or aggregate basis. On October 14, 2011, the Company was served with a statement of claim from SRLP seeking payment of certain fees and expenses totaling CDN\$718,177 with respect to a term sheet entered into in May 2011 by the Company with SRLP for a secured standby loan facility of up to \$10 million. Closing did not occur as SRLP would not advance the loan on terms the Company believed it had accepted. The Company and its legal counsel are currently evaluating the perceived merits of this claim. While the Company believes the claim to be without merit, the potential exposure of the claim is not expected to have a materially adverse effect on the Company.

Mining operations and exploration activities are subject to regulations and mining laws and governmental regulation.

Mining operations and exploration activities are subject to extensive federal, state and local laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, protection and remediation of the environment, reclamation, mine safety, toxic substances and other matters. Compliance with such laws and regulations increases the costs of planning, designing, developing, constructing, operating and closing mines and other facilities. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that Company would not proceed with, or would postpone, the development and operation of a mine or mines.

Exploration, development and mining of properties in which the Company has an interest will be affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law; (iii) restrictions on production, price controls and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulations, if any, will not adversely affect the Company's operations.

Government approvals and permits are required in connection with the exploration activities proposed for the properties in which the Company has an interest. To the extent such approvals are required and not obtained, the Company's planned exploration, development and production activities may be delayed, curtailed or cancelled entirely.

Failure to comply with applicable laws, regulations and requirements may result in enforcement action against the Company, including orders calling for the curtailment or termination of operations on the properties, or calling for corrective or remedial measures requiring considerable capital investment. Parties engaged in mineral exploration and mining activities may be subject to civil and criminal liability as a result of failure to comply with applicable laws and regulations.

Amendments to current laws, regulations and permitting requirements affecting mineral exploration and mining activities could have a material adverse impact on the Company's operations and prospects.

The Company will require permits and licenses from time to time with respect to its operations.

The Company's operations may sometimes require licenses and permits from various governmental authorities. It is believed that the Company will be able to obtain in the future all necessary licenses and permits to carry on the activities which it intends to conduct, and intend to comply in all material respects with the terms of such licenses and permits. There can be no guarantee, however, that the Company will be able to obtain and maintain, at all times, all necessary licenses and permits required to undertake the proposed exploration and development or to place our properties into commercial production and to operate mining facilities thereon. In the event of commercial production, the cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or preclude the economic development of a particular property.

The Company's business depends on domestic mining activity and spending by the mining industry in the United States. The Company's business may be adversely affected by industry conditions that are beyond its control.

The Company depends on its customers' willingness to make expenditures to explore for and to develop and produce mineralized material in the United States. The Company's customers' willingness to undertake these activities depends largely upon prevailing industry conditions that are influenced by numerous factors over which management has no control, such as:

- the supply of and demand for mineralized material;
- long lead times associated with acquiring equipment and shortages of qualified personnel;
- the level of prices, and expectations about future prices, of minerals;
- the cost of exploring for, developing, producing and delivering mineralized material;
- the expected rates of declining current production;
- the discovery rates of mineralized material;
- weather conditions; and
- domestic and worldwide economic conditions

The level of mining and production activity is volatile. Expected trends in mining activities may not continue, and demand for the Company's services may not reflect the level of activity then existing in the industry. Any prolonged substantial reduction in gold and silver prices would likely affect mining activity and, therefore, affect demand for the services the Company provides. A material decline in price of gold and silver could have a material adverse effect on the Company's business, financial condition, results of operations and cash flow.

Competition within the mining service industry may adversely affect the Company's ability to market its services.

The mining service industry is competitive and fragmented and includes numerous small companies capable of competing in the Company's markets on a local basis as well as several large companies that possess substantially greater financial and other resources than the Company. The Company's larger competitors' greater resources could allow them to compete more effectively than the Company. Barriers to entry in many of the Company's areas of operation are minimal, and its competitors may offer products and services at a relatively low cost. The Company believes that the principal competitive factors in the market areas that it serves are quality of product and service, price, availability and technical proficiency. The Company's operations may be adversely affected if its current competitors or new market entrants introduce new products or services with better features, performance, prices or other characteristics, or that better address environmental concerns, than its products and services. Competitive pressures, excess capacity in its industry or other factors also may result in significant price competition that could have a material adverse effect on the Company's results of operations and financial condition. Finally, competition among mining service and equipment providers is also affected by each provider's reputation for safety and quality. If the Company's safety record or the quality of its service declines or it is unable

to compete effectively, the Company may not be able to maintain its competitive position.

The Company may not be able to manage future growth successfully, to grow successfully through future acquisitions, or to integrate the businesses it does acquire effectively.

The Company's business strategy has included, and will continue to include, growth through the acquisition of other businesses. Competition for acquisition opportunities is substantial and may escalate, increasing the Company's cost of making future acquisitions or causing it to refrain from making acquisitions. The Company may be required to incur substantial indebtedness to finance future acquisitions. Such additional debt service requirements may impose a significant burden on its results of operations and financial condition. In addition, the Company may not be successful in integrating its current or future acquisitions into its existing operations, which may result in unforeseen operational difficulties, diminished financial performance or the inability to report financial results and may require a disproportionate amount of management's attention. For example, if the Company is unable to effectively apply systems and controls to acquired businesses, including internal controls, the availability or timeliness of financial reports could be materially reduced.

The Company is vulnerable to the potential difficulties associated with rapid growth and expansion as a result of integrating recently acquired companies with diverse operations into an already expanding business.

The Company has grown rapidly over the last several years through organic growth and acquisitions of other companies. The Company believes that its future success depends on its ability to manage the rapid growth that it has experienced and the demands from increased responsibility on management personnel. The following factors could present difficulties to the Company:

- lack of sufficient executive-level personnel;
- increased administrative burden;
- increased compliance and oversight costs associated with being a public reporting company;
- increased organizational challenges common to large, expansive operations; and
- long lead times associated with acquiring equipment

The Company's operating results could be adversely affected if it does not successfully manage these potential difficulties.

The Company's operating history may not be sufficient for investors to evaluate its business and prospects.

The historical financial information incorporated herein is not necessarily indicative of the results that would have been achieved had the Company operated on a fully integrated basis or the results that may be realized in the future. The Company has a short operating history. In addition, the Company has grown significantly over the last few years through acquisitions. This may make it more difficult for investors to evaluate the Company's business and prospects and to forecast its future operating results. The Company's future results will depend on its ability to efficiently manage its integrated operations and execute its business strategy.

The Company may require additional capital in the future, which may not be available to it.

The Company's acquisition strategy requires significant capital. In addition, its business is capital intensive, requiring specialized equipment and trained personnel to provide its services. It may need to raise additional funds through public or private debt or equity financings. Adequate funds may not be available when needed or may not be available on favourable terms. If funding is insufficient at any time in the future, the Company may be unable to service its equipment, fund acquisitions, take advantage of business opportunities or respond to competitive pressures, any of which could harm its business. The

Company's future capital requirements primarily depend on the frequency, timing, size and success of its acquisitions.

The Company depends on a few customers for the majority of its revenue.

The Company derives a significant amount of its revenue from mining companies who are active in its markets. The Company derives its revenues primarily from a few customers. The loss of any one of these customers will have a material adverse affect upon the Company's operations and revenues. One of the Company's principal customers is the Idaho Department of Environmental Quality ("DEQ"). The Company's contract with the DEQ is for a one-year period, with three additional one-year options, and there is no assurance the options will be exercised.

The Company's success depends on key members of its management, the loss of any of whom could disrupt its business operations.

The Company depends to a large extent on the services of some of its key employees and directors. The loss of the services of the Company's executive officers, directors, or other key personnel could disrupt and adversely affect its operations.

The Company's industry has experienced a high rate of employee turnover. Any difficulty the Company experiences replacing or adding personnel could adversely affect its business.

The Company may not be able to find enough skilled labour to meet its needs, which could limit its growth. The mining business has been cyclical in the past and is heavily influenced by the price of gold, silver, zinc, platinum, copper and lead. The Company's services require skilled workers who can perform physically demanding work. As a result of the Company's industry volatility and the demanding nature of the work, workers may choose to pursue employment in fields that offer a more desirable work environment at wage rates that are competitive with the Company's. The Company believes that its success is dependent upon its ability to continue to employ, train and retain skilled personnel. The demand for skilled workers is high, and the supply is limited, particularly in the western United States, which is the Company's key region. It is possible that the Company will have to raise wage rates to attract workers from other fields and to retain or expand its current work force. If the Company is not able to increase its service rates sufficiently to compensate for wage rate increases, its operating results may be adversely affected. The Company's inability to employ, train or retain skilled personnel generally could have a material adverse effect on its results of operations.

The Company's operations are subject to hazards inherent in the mining and construction industries.

Through the Company's services, it operates heavy equipment. The operation of heavy equipment and related assets may result in accidents, which can cause personal injury, loss of life, suspension of operations, damage to facilities and damage to or destruction of property. These and other operational risks inherent in the Company's industry could expose it to substantial liability for personal injury, wrongful death, property damage, pollution and other environmental damages. The frequency and severity of such incidents will affect the Company's operating costs, insurability and relationships with customers, employees and regulators. In particular, the Company's customers may elect not to purchase its services if they view its safety record as unacceptable, which could cause it to lose customers and substantial revenue.

The Company does not have insurance against all foreseeable risks, either because insurance is not available or because of the high premium costs.

The occurrence of an event not fully insured against, or the failure of an insurer to meet its insurance obligations, could result in substantial losses. In addition, the Company may not be able to maintain

adequate insurance in the future at rates it considers reasonable, and there can be no assurance that insurance will be available to cover any or all of these risks, or, even if available, that it will be adequate or that insurance premiums or other costs will not rise significantly in the future, so as to make such insurance costs prohibitive. In addition, the Company's insurance is subject to coverage limits, and some policies exclude coverage for damages resulting from environmental contamination.

The Company is subject to federal, state and local regulation regarding issues of health, safety and protection of the environment. Under these regulations, it may become liable for penalties, damages or costs of remediation. Any changes in laws and government regulations could increase its costs of doing business.

The Company's operations are subject to federal, state and local laws and regulations relating to protection of natural resources and the environment, health and safety, waste management, and transportation of waste and other materials. Liability under these laws and regulations could result in fines and penalties, expenditures for remediation and liability for property damages and personal injuries. Sanctions for noncompliance with applicable environmental laws and regulations also may include assessment of administrative, civil and criminal penalties, revocation of permits and issuance of corrective action orders. As part of the Company's business, it generates and disposes of hazardous waste. The generation, handling, transportation, and disposal of these substances and waste are regulated by a number of laws, including the Resource Recovery and Conservation Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Clean Water Act, the Safe Drinking Water Act, and analogous state laws.

Laws protecting the environment generally have become more stringent over time and are expected to continue to do so, which could lead to material increases in costs for future environmental compliance and remediation.

Some environmental laws and regulations may impose strict liability, which means that in some situations the Company could be exposed to liability as a result of its conduct that was lawful at the time it occurred as a result of conduct of, or conditions caused by, prior operators or other third parties. Clean-up costs and other damages arising as a result of environmental laws, and costs associated with changes in environmental laws and regulations could be substantial and could have a material adverse effect on the Company's financial condition. The occurrence of a significant event not fully insured or indemnified against could have a materially adverse effect on the Company's financial condition.

The Company has operations located on lands that are regulated by the Bureau of Land Management of the United States Department of Interior and the U.S. Forest Service, and these operations may be subject to long periods of interruption or suspension.

The Bureau of Land Management (the "BLM") and U.S. Forest Service (the "USFS") enforces regulations that protect certain animals, such as deer, sage grouse and raptors that inhabit lands in the western United States, where the Company has operations. The Company provides services in these locations. The Company is affected by this enforcement in the following ways: (1) the BLM or USFS may deny or delay the granting of permits to the Company or its customers necessary to conduct operations in these lands, and (2) the BLM or USFS may restrict access to or seek the Company's relocation from these lands for a period of time. As a result of this enforcement, its operations on these lands have been and may be interrupted or suspended for long periods of time. If these regulations become more stringent and, as a result, the Company's operations are interrupted or suspended for long periods of time, the Company could lose revenue. The loss of revenue that could occur could have a material impact on the Company's financial condition and results of its operations.

Delays in obtaining permits by the Company's customers for their operations or by the Company for its operations could impair its business.

The Company's customers and its business operations require permits from various governmental agencies, including the BLM, the USFS and numerous state agencies. The ease of obtaining the necessary permits depends on the type of operation and the state in which the operation will take place. As with all governmental permit processes, permits may not be issued in a timely fashion, at all, or in a form consistent with the Company's plan of operations. As a result, the Company's operations may be interrupted or suspended for long periods of time, which could cause it to lose revenue and have a material adverse effect on the Company's results of operations.

If the Company fails to develop or maintain an effective system of internal controls, it may not be able to accurately report its financial results or prevent fraud. As a result, the Company's business and the trading price of its common stock could be affected as potential shareholders lose confidence in its financial reporting.

Management is responsible under securities laws for establishing and maintaining adequate internal controls over financial reporting. Effective internal controls are necessary for the Company to provide reliable financial reports, effectively prevent fraud and operate successfully as a public company. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be harmed. The Company cannot be certain that its efforts to develop and maintain its internal controls will be successful or that it will be able to maintain adequate controls over its financial processes and reporting in the future. Any failure to develop or maintain effective controls, or difficulties encountered in their implementation or other effective improvement of the Company's internal controls could harm its operating results or cause it to fail to meet its reporting obligations. Ineffective internal controls could also cause investors to lose confidence in the Company's reported financial information, which would likely have a negative effect on the trading price of its common stock.

The contract period during which the Company provides services to its customers is relatively short, which exposes the Company to volatility in prices and equipment utilization levels. This volatility may have a material adverse effect on its business.

A significant portion of the Company's revenue is derived by charging its customers for the actual period of time during which it provide services to them. The period of time for a typical contract is usually relatively short, ranging from a few days to several months. The short term of these arrangements exposes the Company to the risks of a rapid reduction in market prices and equipment utilization and volatility in its revenue. These reductions and volatility may have a material adverse effect on the Company's business. The Company does not maintain significant backlog and is generally dependent on replacement contracts to sustain and build revenue as jobs are completed.

Because the Company has no plans to pay dividends on its common stock, investors must look solely to stock appreciation for a return on their investment in the Company.

The Company does not anticipate paying any cash dividends on its common stock in the foreseeable future. The Company currently intends to retain all future earnings to fund the development and growth of its business. Any payment of future dividends will be at the discretion of the board of directors and will depend on, among other things, the Company's earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that the board of directors deems relevant. Investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize a return on their investment.

ITEM 6: DIVIDENDS AND DISTRIBUTIONS

To date, the Company has not paid any dividends on its common shares and has no dividend policy with respect to the payment of dividends.

ITEM 7: DESCRIPTION OF CAPITAL STRUCTURE

General Description of Capital Structure

The Company is authorized to issue an unlimited number of common shares without par value. As of the date of this AIF, 75,163,309 common shares were issued and outstanding. In addition, there are outstanding 3,900,000 stock options at various exercise prices (see notes to consolidated financial statements for more detail). There are 24,937,702 share purchase warrants outstanding, as follows:

Number of Warrants	Exercise Price (CDN\$)	Issuance Date	Expiration Date
5,909,220	0.75	May 4, 2010	May 4, 2012
1,253,500	1.25	Dec. 21, 2010	Dec. 21, 2012
175,490	0.92	Dec. 21, 2010	Dec. 21, 2012
2,741,889	1.25	Dec. 23, 2010	Dec. 23, 2012
566,446	1.25	Jan. 7, 2011	Jan. 7 2013
7,843,137	0.80	Aug. 2, 2011	Aug. 2, 2014
542,020	0.55	Aug. 2, 2011	Aug. 2, 2014
866,000	0.75	Oct. 19, 2011	Oct. 19, 2016
5,040,000	0.38	Feb. 1, 2012	Feb. 1, 2016
<u>24,937,702</u>			

The warrants expiring on May 4, 2012 contain an expiry clause whereby they will expire 30 days after notice is given following the Company's common shares trading above \$1.00 for 15 consecutive trading days. The Company has the option whether or not to exercise the acceleration provision and, as of the date of this AIF, has elected not to.

The warrants expiring on December 21 and 23, 2012 contain an expiry clause whereby they will expire 30 days after notice is given following the Company's common shares trading at a daily volume weighted average price of \$1.75 or more for 15 trading days out of any 20 consecutive trading days. The Company has the option whether or not to exercise the acceleration provision.

Holders of common shares are entitled to notice of, to attend, and vote at any meeting of the shareholders of the Company, and to one vote per share on a ballot. Shareholders will be entitled to receive dividends as and when declared by the Board of Directors of the Company as a class, subject to prior satisfaction of all preferential rights to dividends attached to other classes of shares ranking in priority to the common shares in respect of dividends. Shareholders shall be entitled in the event of any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets among its shareholder for the purpose of winding-up its affairs, and subject to prior satisfaction of all preferential rights to return of capital upon dissolution attached to all shares of other classes of shares ranking in priority to common shares in respect of return of capital on dissolution, to share rateably, together with the holders of shares of any class of shares ranking equally in respect of return of capital, in such assets of the Company as are available for distribution.

ITEM 8: MARKET FOR SECURITIES

Trading Price and Volume

The following table sets out the market price and trading volume of the Company's common shares. The shares have been traded on the TSX since September 9, 2010 under the symbol "UMG" and, effective June 8, 2011, under the symbol "USC".

Period	Exchange	High (CDN\$)	Low (CDN\$)	Volume
January 2011	TSX	1.30	0.97	2,987,524
February 2011	TSX	1.13	1.01	1,865,651
March 2011	TSX	1.12	0.71	2,278,964
April 2011	TSX	1.17	0.89	3,314,398
May 2011	TSX	0.92	0.77	1,551,843
June 2011	TSX	0.82	0.54	2,364,017
July 2011	TSX	0.73	0.48	4,616,836
August 2011	TSX	0.63	0.48	1,908,342
September 2011	TSX	0.55	0.41	2,304,923
October 2011	TSX	0.475	0.34	1,903,216
November 2011	TSX	0.47	0.26	1,349,034
December 2011	TSX	0.33	0.26	1,167,008

ITEM 9: ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As at the date of this AIF, there were no common shares held that are subject to contractual restrictions except as shown in the following table:

Designation of Class	Number of Shares Held in Escrow or that are subject to a Contractual Restriction on Transfer	Percentage of Class
Common – IPO Escrow	444,300	0.59%
Common – Voluntary Pooling Agreement	13,500,006	17.96%

A balance of 444,300 shares are held in escrow with respect to the IPO, all of which shares will be released on June 1, 2012. The second block of 13,500,006 shares is held by former UMS shareholders and is subject to a voluntary pooling agreement, whereby the shares will be released in equal amounts of 4,500,002 shares, with the next instalment to be released on September 7, 2012 and the balance every six months thereafter.

ITEM 10: DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The name, municipality of residence and position with the Company of each director and officer of the Company, and the principal business or occupation in which each director and officer has been engaged during the immediately preceding five years, and the period during which each director has served as director is set out in the table below.

Each director will hold office until the next annual general meeting of the Company unless his office is earlier vacated in accordance with the BCBCA and the Articles of the Company.

Name, municipality of residence and position	Principal Occupation During the Past Five Years	Appointment as Director and/or Officer	Holdings in Voting Securities of the Company
Graham Clark ^(1, 4,5) <i>Scottsdale, Arizona USA</i> Chairman, Interim CEO and Director	Interim CEO of the Company since June 19, 2011; CEO of Golden Fame Resources Corp. since March 2011; Attorney at Renaud Cook Drury Mesaros, of Phoenix, Arizona from January 2006 to February 2010.	September 23, 2010	Nil
Greg Stewart ^(4,5) <i>Pinehurst, Idaho USA</i> President and Director	Director of the Company since May 2010; Director and executive officer of UMS from June 2007 to present. Sole owner of Stewart Contracting, Inc. from 1992 to June 2007.	May 7, 2010	⁽⁶⁾ 12,318,507
Lawrence Dick ^(1,2,3) <i>North Vancouver, British Columbia Canada</i> Director	Professional Geologist; CEO, President, CEO and Director of Confederation Minerals Ltd. since November 2006.	November 6, 2007	⁽⁷⁾ 800,000
Fred Brackebusch ^(2, 3) <i>Kellogg, Idaho USA</i> Director	President of New Jersey Mining Company since July 1997	February 21, 2011	Nil
Donna M. Moroney <i>Vancouver, British Columbia Canada</i> Corporate Secretary	President of Equity Corporate Services Inc. since December 31, 2008. President of Affari Management Services Inc. from April 2005 to December 2010	March 14, 2011	Nil

(1) Member of the Audit Committee

(2) Member of the Nominating and Governance Committee

(3) Member of the Compensation Committee

(4) Member of the Environmental and Safety Committee

(5) Member of the Strategic Planning Committee

(6) 5,588,329 of Mr. Stewart's shares are subject to the Voluntary Pooling Agreement whereby the shares are released in equal instalments every six months, with the next instalment being September 7, 2012

(7) 105,000 of Mr. Dick's shares are subject to the Escrow Agreement whereby the shares are released in equal instalments every six months, with the next and final instalment being June 1, 2012

Collectively, directors and officers hold 13,118,507 shares, or 17.45% of the Company's outstanding common stock. 105,000 of those shares are subject to the IPO Escrow Agreement, and 5,588,329 shares are subject to the Voluntary Pooling Agreement disclosed in *Item 9: Escrowed Securities*.

There are no fixed term limits for directors. The Nominating and Governance Committee reviews each director's continuation on the Board at least annually.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

During the ten years preceding the date of this AIF, no director or officer of the Company or a security holder who holds a sufficient number of securities of the Company to affect materially the control of the Company, has, to the knowledge of the Company, been a director, officer or promoter of any person or company that, while such individual was acting in that capacity:

1. was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days;
2. was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or
3. within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

During the ten year period preceding the date of this AIF, no director or officer of the Company or a security holder who holds a sufficient number of securities of the Company to affect materially the control of the Company has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

Conflicts of Interest

To the best of the Company's knowledge, and other than as disclosed in this AIF, there are no known existing or potential conflicts of interest between the Company and any director or officer of the Company, except that certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development, and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting in any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the BCA and other applicable laws.

The Company has adopted a 'Code of Conduct' which sets out conflict of interest guidelines for directors and officers including disclosure requirements.

Audit Committee Information

Audit Committee Charter

The Audit Committee is responsible for monitoring our systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents and monitoring the performance and independence of our external auditors. The Audit Committee is also responsible for reviewing our annual audited financial statements, unaudited quarterly financial statements and management's discussion and analysis of financial results of operations for both annual and interim financial statements and review of related operations prior to their approval by the Board of Directors.

The charter of our Audit Committee is attached hereto as Schedule “A”. The Audit Committee reviews and assesses the adequacy of its Charter annually and submits any proposed revisions to the Board for approval.

Composition of the Audit Committee

The Audit Committee consists of Graham Clark and Lawrence Dick. Mr. Dick meets the requirements of “*financial literacy*” and “*independence*” set forth in National Instrument 52-110 – *Audit Committees*.

Relevant Education and Experience

In addition to each member's general business experience, the education and experience of each audit committee member that is relevant to the performance of his/her responsibilities as a committee member is as follows:

Graham (Chip) Clark, Jr., LLB, is a senior member of the mining community. He has been involved in the major mining trends of the last 35 years. He has deep expertise in the acquisition, finance and provision of security for mineral properties in the U.S. and in foreign jurisdictions. Mr. Clark has conceived and executed joint operating agreements for hundreds of millions of dollars. He was a key player in the settlement of Superfund clean-up actions and Clean Air violations. He has been involved in the acquisition of publicly and privately held companies for cash and/or stock, issuance of common stock and secured debt. Mr. Clark was at Newmont Mining Corporation for 13 years, spending 5 years as General Counsel and Senior Vice President. His experience with junior resource companies was as President of Gold Discovery Company for five years. He is presently Of Counsel practising in Phoenix, Arizona, and is President, CEO and a director (since March 2011) of Golden Fame Resources Corp. (TSXV: GFA). Mr. Clark is a graduate of Yale College and the Yale School of Law.

Dr. Lawrence Dick has been a director of Pinnacle Mines Ltd. (TSXV: PNL) since September 2008, a director of Canfe Ventures Ltd. (TSXV: FEY.P) since January 2008, a director of Copper One Inc. (formerly Continent Resources Inc.) (CNSX: CUO) since January 2008, a director of Osia Ventures Ltd. (TSXV: OSA) since October 2009, President, CEO and a director of Confederation Minerals Inc. (TSXV: CFM) since November 2006, and a director of other companies such as Great Bear Uranium Corp. (CNSX: GBR) since January 2008 and Timmins Gold Corp. (TSXV: TMM) since September 2005. Dr. Dick received his Ph.D. in Economic Geology from Queen’s University.

Audit Committee Oversight

At no time since the commencement of the Company’s most recent completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Company’s board of directors.

Reliance on Certain Exemptions

At no time since the commencement of the Company’s most recently completed financial year has the Company relied on the exemption in section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees

The aggregate fees billed by the Company’s external auditors in each of the last two financial years for audit fees are as follows:

Category	Fiscal year ended December 31, 2011	Fiscal year ended December 31, 2010
Audit Fees	\$ 91,808	\$ 56,005
Audit - Related Fees ⁽¹⁾	-	12,761
Tax Fees ⁽²⁾	12,821	4,896
All Other Fees ⁽³⁾	1,138	8,850

¹ Fees charged for assurance and related services reasonably related to the performance of an audit, and not included under “Audit Fees”.

² Fees charged for tax compliance, tax advice and tax planning services.

³ Fees for services other than disclosed in any other column.

ITEM 11: PROMOTERS

Except as set forth below, there is no person who is, or has been within the previous two years, a promoter of the Company within the meaning of Securities Legislation applicable to the Company as of December 31, 2011.

Greg Stewart, a director of the Company, may be considered a promoter of the Company in that he participated in substantially organizing the Company. Mr. Stewart beneficially owns, or controls or directs, directly or indirectly, 12,318,507 common shares of the Company or approximately 16.39% of the outstanding shares as at December 31, 2011. Mr. Stewart sold all of his right, title and interest in and to Stewart Contracting Inc. to UMS in June 2007, in consideration of which he received 12,160,108 common shares of UMS valued at \$0.103 per share (equivalent to 5,000,000 shares at \$0.25 per share prior to the Reverse Takeover); a note payable in the amount of \$1,250,000 and an account payable in the amount of \$297,887. As of the date of this AIF, all of the shares have been issued, and there is an unpaid balance on the note of \$67,337.

ITEM 12: LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as set out below, neither the Company, nor its subsidiaries, nor any of its properties, are not nor have ever been a subject or party to any legal proceedings, and the Company does not currently contemplate being a party to any legal proceedings in the future.

Galena Mine Fatality

On June 18, 2010, an employee of the Company was fatally injured in an accident at the Galena Mine in Wallace, Idaho, where the Company is providing contract mining services. In the course of its investigation, the Mine Safety and Health Administration (MSHA) issued three citations under Section 104(d)(2) of the *Federal Mine Safety & Health Act of 1977* to the Company and proposed assessments of \$70,000 per citation. The Company strongly disagrees with MSHA’s findings and has disputed the assessments. The Company estimates the range of its potential liability to be \$1,000 to \$70,000 per citation and accrued \$25,000 for each, as it believes this amount is the best estimate within the range.

Sprott Resource Lending Partnership

On October 14, 2011, the Company was served with a statement of claim from SRLP seeking payment of certain fees and expenses totaling CDN\$718,177 with respect to a term sheet entered into in May 2011 by the Company with SRLP for a secured standby loan facility of up to \$10 million. Closing did not occurred as SRLP would not advance the loan on terms the Company believed it had accepted. The Company and

its legal counsel are currently evaluating the perceived merits of this claim. While the Company believes the claim to be without merit, the potential exposure of the claim is not expected to have a materially adverse effect on the Company.

ITEM 13: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described below and elsewhere in this AIF, since inception of the Company, no director, executive officer or 10% shareholder of the Company or any associate or affiliate of any such person or company, has or had any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the Company or any of its subsidiaries.

On June 30, 2007, the Company acquired Stewart Contracting, Inc., an Idaho corporation incorporated in 1998. Stewart Contracting, Inc. was engaged in the business of providing services relating to construction contracting, property remediation, mine site development, and environmental remediation and became the Company's Contracting Services Division. The Company entered into an agreement with Greg S. Stewart and Jenny L. Stewart to acquire all of their shares of common stock of Stewart Contracting Inc. in consideration of \$2,797,887, payable as follows: 12,160,108 shares of the Company's common stock valued at \$0.103 per share (equivalent to 5,000,000 shares at \$0.25 per share prior to the reverse takeover); a note payable in the amount of \$1,250,000 and an account payable in the amount of \$297,887. As of the date of this AIF, the shares have been issued, and there is an unpaid balance on the note of \$67,337. Greg S. Stewart is a director of the Company.

ITEM 14: TRANSFER AGENTS AND REGISTRARS

The Registrar and Transfer Agent for the Company is:

Olympia Trust Company
1003 – 750 West Pender
Vancouver, BC
V6C 2T8

ITEM 15: MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by the Company since the beginning of the last financial year ending before the date of this AIF or before the beginning of the last financial year ending before the date of this AIF for any material contract that is still in effect:

1. Effective January 15, 2011, the Company entered into a lease agreement for an existing (the former Sunshine Mining Co. administration) building located less than one mile from the mine site. The building is approximately 10,000 square feet and is being utilized to house geological, engineering, safety, accounting and corporate staff of the Company. The lease has an initial term of one year, with an option to renew for one additional year. In January 2012, the Company exercised the option to extend the lease for an additional year. The monthly lease payment is \$4,000. Pursuant to the lease agreement the Company has an option to purchase the property. At any time during the term of the lease, the Company may exercise the purchase option at a purchase price of \$275,000, less one-half of any lease payments made to the date of exercise.
2. New Jersey Mill Joint Venture Agreement dated January 7, 2011 between the Company and New Jersey Mining Company to secure milling capacity for the Crescent Silver Mine, described under *Item 4, General Development of Business*.
3. Refining agreement dated December 13, 2011 between the Company and Formation Metals U.S. to secure refining capacity for the Crescent Silver Mine, described under *Item 4, General Development of Business*.

4. Securities Purchase Agreement between the Company and HUSC, LC, as agent and as purchaser, dated as of February 1, 2012, described under *Item 4. General Development of Business, Events subsequent to December 31, 2011.*

Copies of all such material contracts may be inspected during normal business hours at the Company's office at 1220 Big Creek Road, Kellogg, Idaho, 83837, USA.

ITEM 16: INTERESTS OF EXPERTS

The following persons or companies whose profession or business gives authority to a report, valuation, statement or opinion made by the person or company are named in this AIF as having prepared or certified that report, valuation, statement or opinion described in this AIF:

1. Bart A. Stryhas, PhD, CPG # 11034 of SRK Consulting (U.S.), Inc., is the author and "qualified person" (within the meaning of NI 43-101) responsible for the preparation of the Technical Report;
2. Decoria, Maichel and Teague, PS, Certified Public Accountants, registered with the Canadian Public Accountability Board, issued the auditors' report on the annual financial statements of the Company for the years ended December 31, 2010 and 2009;
3. PricewaterhouseCoopers LLP, Chartered Accountants, registered with the Canadian Public Accountability Board, issued the auditors' report on the financial statements of the Company for the years ended December 31, 2011 and 2010.

Based on information provided by the relevant persons in paragraphs 1 to 3 above, none of such persons or companies has received or will receive any beneficial interests, direct or indirect, in any securities or other property of the Company or any of its associates or affiliates or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any of its associates or affiliates.

ITEM 17: ADDITIONAL INFORMATION

Additional information concerning the Company is available through the Internet on SEDAR which may be accessed at www.sedar.com. Copies of such information may also be obtained on the Company's website at www.unitedsilvercorp.com or on request without charge from the Company, located at 1220 Big Creek Road, Kellogg, Idaho, 83837. Additional financial information is provided in the Company's financial statements and the MD&A for the year ended December 31, 2011. Copies of such documents may be obtained in the manner set forth above.

APPENDIX 6

AUDIT COMMITTEE CHARTER

1. Mission

Senior management, as overseen by the board of directors, has primary responsibility for the Company's financial reporting, accounting systems and internal controls. The Audit Committee is a standing committee of the board of directors established to assist the board of directors in fulfilling its responsibilities in this regard.

2. Responsibilities

The Audit Committee shall:

(a) Financial Information

- i. review the annual financial statements and related matters and recommend their approval to the board of directors, after discussing matters such as the selection of accounting policies, major accounting judgments, accruals and estimates with management;
- ii. review the Annual Information Forms or Annual Reports, if applicable;
- iii. be responsible for reviewing the results of the external audit, including:
 - the auditor's engagement letter;
 - the reasonableness of the estimated audit fees;
 - the scope of the audit, including materiality, locations to be visited, audit reports required, areas of audit risk, timetable, deadlines and coordination with internal audit;
 - the post-audit management letter together with management's response;
 - the form of the audit report;
 - any other related audit engagements (e.g. audit of the company pension plan);
 - non-audit services performed by the auditor;
 - assessing the auditor's performance;
 - recommending the auditor for appointment by the Board; and
 - meeting with the auditors to discuss pertinent matters, including the audit planning and the quality of accounting personnel;
- iv. ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements (except for disclosure required to be reviewed by the audit committee), and periodically assess the adequacy of those procedures;
- v. establish procedures for:

- the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
 - the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- vi. review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company

(b) Interim Financial Statements

- i. obtain reasonable assurance on the process for preparing reliable quarterly interim financial statements from discussions with management and, where appropriate, reports from the external and internal auditors;
- ii. review, or engage the external auditors to review, the quarterly interim financial statements if not reviewed by the board of directors;
- iii. obtain reasonable assurance from management about the process for ensuring the reliability of other public disclosure documents that contain audited and unaudited financial information;

(c) Accounting System and Internal Controls

- i. obtain reasonable assurance from discussions with and(or) reports from management, and reports from external and internal auditors that the Company's accounting systems are reliable and that the prescribed internal controls are operating effectively;
- ii. direct the auditors' examinations to particular areas;
- iii. request the auditors to undertake special examinations (e.g., review compliance with conflict of interest policies);
- iv. review control weaknesses identified by the external and internal auditors, together with management's response;
- v. review the appointments of the CFO and key financial executives;
- vi. review accounting and financial human resources and succession planning within the Company;

(d) Reporting

- i. report to the board of directors following each meeting on the major discussions and decisions made by the audit committee; and
- ii. review the audit committee's terms of reference periodically and propose recommended changes to the board of directors.

3. Composition and Regulations

- (a) The Audit Committee shall be composed of at least three independent directors. The members and the chairperson of the Audit Committee shall be appointed by the Board for a one year term and may serve any number of consecutive terms.
- (b) The chairperson of the Audit Committee shall, in consultation with management and the auditors, establish the agenda for the meetings and ensure that properly prepared agenda materials are circulated to members with sufficient time for study prior to the meeting.
- (c) The Audit Committee shall have the power, authority and discretion delegated to it by the board of directors which shall not include the power to change the membership of or fill vacancies in the Audit Committee.
- (d) The Audit Committee shall conform to the regulations which may from time to time be imposed upon it by the Board. The Board shall have the power at any time to revoke or override the authority given to or acts done by the audit committee except as to acts done before such revocation or act of overriding and to terminate the appointment or change the membership of the audit committee or fill vacancies in it as it shall see fit.
- (e) The Audit Committee may meet and adjourn, as it thinks proper. A majority of the members of the audit committee shall constitute a quorum thereof. Questions arising shall be determined by a majority of votes of the members of the Audit Committee present, and in the case of an equality of votes, the chairperson shall not have a second or casting vote.
- (f) A resolution approved in writing by all of the members of the Audit Committee shall be valid and effective as if it had been passed at a duly called meeting. Such resolution shall be filed with the minutes of the proceedings of the audit committee and shall be effective on the date stated thereon or on the latest date stated in any counterpart.
- (g) The Audit Committee shall keep regular minutes of its meetings and record all material matters and shall cause such minutes to be recorded in the books kept for that purpose and shall distribute such minutes to the board of directors.
- (h) The Audit Committee shall have unrestricted and unfettered access to all Company personnel and documents and shall be provided with the resources necessary to carry out its responsibilities.

Composition of the Audit Committee

The following are the members of the audit committee:

Graham Clark	Not Independent ⁽¹⁾	Financially literate ⁽²⁾
Lawrence Dick	Independent ⁽¹⁾	Financially literate ⁽²⁾

(1) As defined in NI 52-110 Section 1.4

(2) As defined in NI 52-110. Section 1.6

Relevant Education and Experience

In addition to each member's general business experience, the education and experience of each audit committee member that is relevant to the performance of his/her responsibilities as a committee member is as follows:

Graham (Chip) Clark, Jr., LLB, is a senior member of the mining community. He has been involved in the major mining trends of the last 35 years. He has deep expertise in the acquisition, finance and provision of security for mineral properties in the U.S. and in foreign jurisdictions. Mr. Clark has conceived and executed joint operating agreements for hundreds of millions of dollars. He was a key player in the settlement of Superfund clean-up actions and Clean Air violations. He has been involved in the acquisition of publicly and privately held companies for cash and/or stock, issuance of common stock and secured debt. Mr. Clark was at Newmont Mining Corporation for 13 years, spending 5 years as General Counsel and Senior Vice President. His experience with junior resource companies was as President of Gold Discovery Company for five years. He is presently Of Counsel practising in Phoenix, Arizona, and is President, CEO and a director (since March 2011) of Golden Fame Resources Corp. (TSXV: GFA). Mr. Clark is a graduate of Yale College and the Yale School of Law.

Dr. Lawrence Dick has been a director of Pinnacle Mines Ltd. (TSXV: PNL) since September 2008, a director of Canfe Ventures Ltd. (TSXV: FEY.P) since January 2008, a director of Copper One Inc. (formerly Continent Resources Inc.) (CNSX: CUO) since January 2008, a director of Osia Ventures Ltd. (TSXV: OSA) since October 2009, President, CEO and a director of Confederation Minerals Inc. (TSXV: CFM) since November 2006, and a director of other companies such as Great Bear Uranium Corp. (CNSX: GBR) since January 2008 and Timmins Gold Corp. (TSXV: TMM) since September 2005. Dr. Dick received his Ph.D. in Economic Geology from Queen's University.