

**KLONDIKE SILVER CORP.
(THE "COMPANY")**

**ADDENDUM TO
NOTICE OF MEETING
AND
INFORMATION CIRCULAR
DATED DECEMBER 6, 2019**

This addendum (the "**Addendum**") to the Company's notice of meeting dated November 22, 2019 (the "**Notice**") and accompanying information circular dated November 22, 2019 (the "**Information Circular**") is furnished in respect of the Company's annual general meeting of shareholders (the "**Shareholders**") originally scheduled for Monday, December 30, 2019 (the "**Meeting**") at 11:00 a.m. (Vancouver time) at Suite 804, 750 West Pender Street, Vancouver, British Columbia. **This Addendum is a supplement to, is incorporated by reference in and forms an integral part of, the Notice and Information Circular and should be read in conjunction with both the Notice and the Information Circular.** Capitalized terms used herein, but not otherwise defined, have the meanings ascribed to them in the Information Circular. Information contained in this Addendum is given as of December 6, 2019 unless otherwise specifically stated.

The purpose of this Addendum is to:

- (i) introduce a new item of special business, as more particularly described in this Addendum, for consideration and approval by Shareholders;
- (ii) clarify that the Meeting is now an annual general and special meeting; and
- (iii) change the date and time on which the Meeting will be convened to Tuesday, December 31, 2019 at 11:00 a.m. (Vancouver time).

Other than as described herein, all other matters and procedures (including, the record date of the Meeting and the location of the Meeting) described in the Notice and the Information Circular remain unchanged.

An amended form of proxy (the "**Amended Proxy**") referring to the new Meeting type, the new Meeting date and time and the ordinary resolution as set forth below in this Addendum will be mailed to Shareholders. Any proxy forms received to date by the Company's registrar and transfer agent, Computershare Investor Services Inc., will not be counted and Shareholders are encouraged to complete and deposit the Amended Proxy to ensure their votes are properly recorded. To be effective, the Amended Proxy must be deposited at the office of the Company's registrar and transfer agent, Computershare Investor Services Inc., 100 University Avenue, Toronto, Ontario, M5J 2Y1 FACSIMILE:: (within North America) 1-866-249-7775, (outside North America) 1-416-263-9524, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or adjournment thereof.

The persons named in the Amended Proxy filed in connection with this Addendum intend to vote FOR the ordinary resolution authorizing and approving the related party transaction between the Company and Munday – Maxwell & Gaylene – Association, as more particularly described in this Addendum, unless the Shareholder has specified in the Amended Proxy that the common shares represented by such Amended Proxy are to be voted against this resolution.

AMENDMENTS OF INFORMATION CIRCULAR

- I. All references to “Monday, December 30, 2019 at 11:00 a.m. (Vancouver time)” as the date and time of the Meeting are hereby deleted in their entirety and replaced with “Tuesday, December 31, 2019 at 11:00 a.m. (Vancouver time)”.
- II. The following section is hereby added to the Information Circular immediately following the section entitled “PARTICULARS OF OTHER MATTERS TO BE ACTED UPON – Re-Approval of Stock Option Plan”:

Approval of Related Party Transaction

Background

On June 22, 2018, Munday – Maxwell & Gaylene – Association (“**Munday Association**”), an incorporated society controlled by Maxwell Munday (“**Munday**”) - a control person of the Company - advanced to the Company cash in the amount of Cdn\$300,000. In exchange, the Company executed an unsecured promissory note (the “**First Promissory Note**”) in favour of Munday Association with an original principal amount of Cdn\$300,000 bearing interest at an annual rate of 10.0% on a simple interest basis. The original maturity date of the First Promissory Note was October 22, 2018. Pursuant to the terms of the First Promissory Note, if payment of the principal extends beyond October 22, 2018, the interest payments under the First Promissory Note will be compounded every four months. The Company used the cash advanced pursuant to the First Promissory Note: (i) to advance the exploration of the Company’s Sandon Zinc Silver Lead project (specifically, underground drifting); and (ii) for general working capital and administrative purposes.

On April 11, 2019, Munday Association advanced to the Company cash in the amount of Cdn\$350,000. In exchange, the Company executed an unsecured promissory note (the “**Second Promissory Note**”) in favour of Munday Association with an original principal amount of Cdn\$350,000 bearing interest at an annual rate of 10.0%, compounded every four months. The Second Promissory Note does not specify a maturity date. The Company used the cash advanced pursuant to the Second Promissory Note (i) to advance the exploration of the Company’s Sandon Zinc Silver Lead project, project (specifically, underground drilling); and (ii) for general working capital and administrative purposes.

On June 14, 2019, Munday Association advanced to the Company cash in the amount of Cdn\$250,000. In exchange, the Company executed an unsecured promissory note (the “**Third Promissory Note**”) in favour of Munday Association with an original principal amount of Cdn\$250,000 bearing interest at an annual rate of 10.0%, compounded every four months. The Third Promissory Note does not specify a maturity date. Pursuant to the terms of the Third Promissory Note, the Company agreed to issue a convertible debenture in favour of Munday Association, on terms satisfactory to both the Company and Munday Association, in satisfaction of the outstanding principal and accrued interest owing under the Promissory Notes. The Company used the cash advanced pursuant to the Third Promissory Note (i) to advance the exploration of the Company’s Sandon Zinc Silver Lead project, project (specifically, underground drilling); and (ii) for general working capital and administrative purposes.

On July 31, 2019, Munday Association advanced to the Company cash in the amount of Cdn\$250,000. In exchange, the Company executed an unsecured promissory note (the “**Fourth Promissory Note**”) in favour of Munday Association with an original principal amount of Cdn\$250,000 bearing interest at an annual rate of 10.0%, compounded every four months. The Fourth Promissory Note does not specify a maturity date. Pursuant to the terms of the Fourth Promissory Note, the Company agreed to issue a convertible debenture in favour of Munday Association, on terms satisfactory to both the Company and Munday Association, in satisfaction of the outstanding principal and accrued interest owing under the Promissory Notes. The Company used the cash advanced pursuant to the Fourth Promissory Note (i) to advance the exploration of the Company’s Sandon Zinc Silver Lead project, project (specifically, underground drilling); and (ii) for general working capital and administrative purposes.

On November 1, 2019, Munday Association advanced to the Company cash in the amount of Cdn\$120,000. In exchange, the Company executed an unsecured promissory note (the “**Fifth Promissory Note**”, and together with the First Promissory Note, the Second Promissory Note, the Third Promissory Note and the Fourth Promissory Note, the “**Promissory Notes**”) in favour of Munday Association with an original principal amount of Cdn\$120,000 bearing interest at an annual rate of 10.0%, compounded every four months. The Fifth Promissory Note does not specify a maturity date. Pursuant to the terms of the Fifth Promissory Note, the Company agreed to issue a convertible debenture in favour of Munday Association, on terms satisfactory to both the Company and Munday Association, in satisfaction of the outstanding principal and accrued interest owing under the Promissory Notes. The Company used the cash advanced pursuant to the Fifth Promissory Note (i) to advance the exploration of the Company’s Sandon Zinc Silver Lead project, project (specifically, underground drilling); and (ii) for general working capital and administrative purposes.

As of November 30, 2019, the aggregate amount of outstanding principal and accrued interest owing to Munday Association under the Promissory Notes is Cdn\$1,357,180.74.

The Proposed Convertible Debenture

As contemplated by the Third Promissory Note, the Fourth Promissory Note and the Fifth Promissory Note, the Company and Munday Association propose to enter into a secured convertible debenture (the “**Convertible Debenture**”) pursuant to which Munday Association, as lender, agrees to loan, in one or more advances, up to Cdn\$2,500,000 to the Company (the “**Related Party Transaction**”). The initial advance under the Convertible Debenture will be in the amount of \$1,457,180.74. The initial advance shall be used firstly to repay in full the aggregate amount of outstanding principal and accrued interest owing under the Promissory Notes, with the remaining proceeds of the initial advance and all other subsequent advances to be used by the Company to advance the exploration of the Company’s Sandon Zinc Silver Lead project (specifically, underground drilling) and for general working capital and administrative purposes.

The following chart below summarizes the principal terms of the proposed Convertible Debenture. The summary contained in this Addendum is not comprehensive, and is qualified in its entirety by reference to the full text of the Convertible Debenture, the form of which is attached hereto as Schedule “A”. A copy of the form of Convertible Debenture is also available for inspection by Shareholders at the Company’s registered and records office located at Suite 804, 750 West Pender Street, Vancouver, British Columbia, V6C 2T7 during regular business hours prior to the date of the Meeting.

<i>Transaction:</i>	Secured convertible debenture in the principal amount of up to Cdn\$2,500,000
<i>Issue Date:</i>	As soon as practicable after the requisite Shareholder and regulatory approvals have been obtained by the Company
<i>Principal Amount:</i>	Up to Cdn\$2,500,000. The initial advance under the Convertible Debenture will be in the amount of \$1,457,180.74. Upon written request by the Company, Munday Association may, in its discretion, make additional advances to the Company after the issue date of the Convertible Debenture, provided that the total of all advances, including the Initial Advance, shall not exceed Cdn\$2,500,000.
<i>Use of proceeds:</i>	The initial advance shall be used firstly to repay in full the aggregate amount of outstanding principal and accrued interest owing under the Promissory Notes, with the remaining proceeds of the initial advance and all other subsequent advances to be used by the Company to advance the exploration of the Company’s Sandon Zinc Silver Lead project (specifically, underground drilling) and for general working capital and administrative purposes.
<i>Maturity:</i>	On the earlier of (i) written demand made by Munday Association; and (ii) December 31, 2024.

Interest: Interest accrues daily on the outstanding principal amount of each advance from the date of each advance at a rate equal to 10% per annum, compounded monthly on the last day of each month.

Conversion Right: Munday Association, at its option, has the right, at any time up to and including the maturity date, to convert the outstanding principal amount of the Convertible Debenture (excluding accrued but unpaid interest), in whole or in part, into units (“**Units**”) of the Company at a conversion price of Cdn\$0.05 per Unit (the “**Conversion Price**”).

Each Unit will be comprised of one (1) common share and one (1) common share purchase warrant (each a, “**Warrant**”) of the Company. Each Warrant will be exercisable by the holder thereof into one (1) common share of the Company at a price of \$0.05 per share for a period of sixty (60) months from the issue date of the Convertible Debenture.

Security: As security for payment of the principal amount and interest thereon, and due performance of its obligations under the Convertible Debenture, the Company agrees to:

- a) mortgage and charge (by way of a first fixed and specific mortgage and charge) to and in favour of Munday Association, and grants to the Munday Association a security interest in, all of its present and after acquired real and immovable property (including, without limitation, the Undersurface Rights (as such term is defined in the Convertible Debenture)) and all of its present and after acquired buildings, erections, improvements, fixtures and plant and all appurtenances to any of the foregoing;
- b) grant to Munday Association a security interest in all of the Company’s right, title, estate and interest, present and future, in and to:
 - i. any and all existing or future leases, subleases, agreements to lease or sublease or other occupancy or tenancy agreements relating to the whole or any part or parts of the real and immovable property and all exiting or future licenses or concessions whereby any person is given the right (other than an easement or a right in the nature of an easement) to use or occupy the whole or any part or parts of the real and immovable property and all extensions, amendments, renewals or substitutions thereof or therefor which may hereafter be effected or entered into (collectively, the “**Tenancy Agreements**”);
 - ii. any and all rents, revenues, income, proceeds, profits and other monies now due and payable or hereafter to become due and payable under the Tenancy Agreements or any part thereof to which the Company may from time to time be entitled;
- c) mortgage and charge (by way of a first fixed and specific mortgage and charge) to and in favour of Munday Association, and grants to the Munday Association a security interest in, all its present and

after acquired goods (other than inventory);

- d) mortgage and charge to and in favour of Munday Association, and grants to the Munday Association a security interest in, all its present and after acquired inventory;
- e) grant to Munday Association a security interest in all its present and after acquired intangibles;
- f) mortgage and charge (by way of a floating charge) to and in favour of Munday Association, and grants to Munday Association a security interest in, its business and undertaking and all its present and after acquired real and personal property and assets, tangible and intangible, legal and equitable, moveable to immoveable, or whatsoever nature and kind; and
- g) assigns, mortgages and charges in favour of Munday Association, and grants to Munday Association a security interest in, the proceeds arising from any dealing with goods, investment property, instruments, documents of title, chattel paper, intangibles or money.

Prepayment:

Provided no event of default has occurred, the Company shall have the option to prepay all or any portion of the principal amount outstanding and accrued interest thereon.

Covenants:

The Company agrees that, while any principal amount remains outstanding under the Convertible Debenture, it shall, amongst other things: (i) duly and punctually pay all amounts due; (ii) perform all obligations on its part to be performed under the terms of the Convertible Debenture; (iii) maintain its corporate existence in good standing; (iv) maintain its status as a "reporting issuer" and not be in material default of any requirement of any applicable securities laws; (v) make all requisite filings under all applicable securities legislation and use its best efforts to maintain a listing of its common shares on a recognized stock exchange acceptable to Munday Association; (vi) carry on and conduct its business in the ordinary course in compliance with all applicable laws; (vii) provide Munday Association with prompt written notice of the occurrence of any event of default or any event or circumstance that, with the giving of notice or lapse of time or both, would constitute an event of default; (viii) reserve and keep available a sufficient number of common shares for the purpose of enabling it to satisfy its obligations to issue common shares upon the exercise of any conversion rights; (ix) cause the common shares and the certificates representing the common shares, from time to time acquired pursuant to the exercise of any conversion rights to be duly issued and delivered in accordance with the terms of the Convertible Debenture; (x) maintain the listing of its common shares on the TSXV; (xi) ensure that all common shares which shall be issued upon the exercise of any conversion rights be issued as fully paid and non-assessable; and (xii) ensure that all common shares otherwise issued hereunder be issued as fully-paid and non-assessable.

The Company agrees that it shall not, without having first obtained the prior written consent of Munday Association: (i) change in any material respect the nature of its business or operations as presently carried on; (ii) directly or indirectly sell, transfer, assign, abandon, surrender, exchange, lease,

sublease, convey or otherwise dispose of all, or substantially all, of its property, assets, and undertakings; and (iii) create or incur or suffer to be created or incurred any mortgage, pledge, hypothec, lien, charge, encumbrance, assignment, security interest or other security of any kind upon the collateral or any part thereof ranking or purporting to rank in priority to or *pari passu* with the Convertible Debenture or the charges created and secured.

Events of Default:

Each of the following events constitutes an “event of default” under the Convertible Debenture: (i) if the Company defaults in payment of the principal amount or any interest payment when the same becomes due and payable, and such default is not cured within 5 days written notice by the Company; (ii) if the securities regulatory authority of any jurisdiction issues an order ceasing trading in the securities of the Company that is not revoked within 30 days; (iii) if the securities of the Company are delisted from a stock exchange or if trading in any of the Company’s securities over a stock exchange are suspended for a period of 30 days or more; (iv) if there shall occur a change of control of the Company; (v) if the Company (I) makes a general assignment for the benefit of creditors, (II) institutes or has instituted against it any proceeding seeking to adjudicate it a bankrupt or insolvent, and in the case of any such proceeding instituted against it (but not instituted by it), either the proceeding remains undismissed or unstayed for a period of thirty (30) days, or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties and assets) occurs, or (III) takes any corporate action to authorize any of the above actions; (vi) if the Company ceases to carry on business; (vii) if there is material adverse qualification to the consolidated financial statements of the Company by its auditors; or (viii) if the Company shall breach or otherwise fail to perform or observe in a material manner any other covenant, term or condition contained in the Convertible Debenture or any related document or agreement, and the breach is not cured within thirty (30) days written notice.

Assignment / Transfer:

The Convertible Debenture is non-negotiable and Munday Association cannot transfer, sell, assign or pledge the Convertible Debenture, without the prior written consent of the Company, acting reasonably, provided that Munday Association may transfer the Convertible Debenture to an affiliate.

Effectiveness of the Convertible Debenture

Execution of the Convertible Debenture by the Company and Munday Association, and the effectiveness of the respective covenants, agreements and obligations of each party under the Convertible Debenture, are subject to certain conditions, including the Company obtaining TSX Venture Exchange (“**TSXV**”) acceptance of the Convertible Debenture and the requisite approval of the Related Party Transaction from Shareholders in accordance with the requirements of MI 61-101 (as defined herein). See the section entitled “*Shareholder Approval Pursuant Applicable Securities Law Requirements*” below. The Company anticipates executing the Convertible Debenture as soon as practicable after the requisite Shareholder and regulatory approvals have been obtained.

The initial advance under the Convertible Debenture will be in the amount of \$1,457,180.74. The initial advance shall be used firstly to repay in full the aggregate amount of outstanding principal and accrued interest

owing under the Promissory Notes, with the remaining proceeds of the initial advance and all other subsequent advances to be used by the Company to advance the exploration of the Company's Sandon Zinc Silver Lead project (specifically, underground drilling) and for general working capital and administrative purposes.

Board Review and Approval

The Related Party Transaction and the terms thereof were reviewed and unanimously approved by the Board by resolutions passed on December 6, 2019. The Board's approval of the Related Party Transactions and its recommendation to Shareholders regarding the approval of the Related Party Transaction were based upon careful consideration of, among other things:

- the Related Party Transaction is offered on reasonable commercial terms not less advantageous to the Company than if the Company obtained similar financing from a person dealing at arm's length with the Company;
- that the advances under the Convertible Debenture will enable the Company to:
 - repay in full the outstanding principal and accrued interest owing under the Promissory Notes;
 - advance the exploration of the Company's Sandon Zinc Silver Lead project, project (specifically, underground drilling); and
 - for general working capital and administrative purposes.
- Completion of the Related Party Transaction will enhance the Company's ability to continue as a going concern in the near term and provide the Company with financial flexibility to consider and explore different measures to secure additional capital.

In the course of evaluating the Related Party Transaction, the Board consulted with the Company's senior management, reviewed relevant information and considered a number of factors, including, among others, the following:

- the pressing financial needs of the Company;
- the dilution to existing Shareholders;
- the limited availability of alternative sources of capital for the Company; and
- all other matters deemed relevant by the Board.

Accordingly, after careful consideration, the Board has determined that the terms of the Related Party Transaction are fair and reasonable insofar as its Shareholders are concerned and the approval of the Related Party Transaction is in the best interest of the Company.

Shareholder Approval Pursuant to Applicable Securities Law Requirements

The Company is a reporting issuer in the provinces of British Columbia, Alberta and Québec and its common shares are listed on the TSXV under the symbol "KS". Accordingly, the Company is subject to applicable Canadian securities laws, including Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). MI 61-101 regulates insider bids, issuer bids, business combinations and related party transactions to ensure equality of treatment among securityholders, generally by requiring enhanced disclosure, minority securityholders approval, and, in

certain instances, independent valuations and approval and oversight of certain transactions by a special committee of independent directors.

Munday Association is a “related party” of the Company pursuant to MI 61-101 as Munday Association is an entity controlled by Munday who is a control person of the Company. The Related Party Transaction described above will constitute a “related party transaction” under MI 61-101 because it is a transaction in which the Company will: (i) borrow money from a related party; and (ii) issue a security to the related party.

Neither the Company nor any of its officers or directors, after reasonable inquiry, are aware of any prior valuations or bona fide offers that have been completed or received by the Company in the past 24 months in respect of the Company that relate to the subject matter of or are otherwise relevant to the Related Party Transaction.

Exemptions from Formal Valuation Requirements

With respect to the formal valuation requirement under MI 61-101, the Company is relying upon the exemption from the requirement set forth in Section 5.5(b) of MI 61-101 which is available if no securities of the issuer are listed or quoted on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc. This exemption is available to the Company as its common shares are listed only on the TSXV.

Minority Shareholder Approval

The Company is seeking minority shareholder approval of the Related Party Transaction pursuant to section 5.6 of MI 61-101. In determining minority approval for a related party transaction, the Company is required to exclude the votes attached to common shares that, to the knowledge of the Company or any “interested party” or their respective directors and senior officers, after reasonable inquiry, are beneficially owned or over which control or direction is exercised by “interested parties” and their “related parties” and “joint actors” (all as defined in MI 61-101). At the Meeting, the common shares held by (i) Munday and (ii) any of his related parties, associates or affiliates, and any joint actors of the foregoing (collectively, the “**Excluded Parties**”) will be excluded for the purposes of determining minority approval of the Related Party Transaction Resolution (as defined below). For the purposes of this Addendum, “disinterested shareholders” means all Shareholders, other than the Excluded Parties.

To the best of the Company’s knowledge, approximately 29,600,000 common shares, representing approximately 18.86% of the Company’s issued and outstanding common shares, are beneficially owned by Munday and his related parties, associates or affiliates as of the date hereof. Accordingly, the 29,600,000 votes attached to the common shares beneficially owned, or over which control or direction is exercised, by the Excluded Parties will be excluded from the vote.

The Units which are issuable to the Munday Association upon conversion of the Convertible Debenture, if approved, will not materially affect control of the Company. Assuming the full principal amount of the Convertible Debenture is converted into Units in accordance with the terms thereof, Munday and his related parties, associates or affiliates will hold 79,600,000 common shares, representing approximately 38.47% of the then issued and outstanding common shares on a non-diluted basis. If the Warrants underlying the Units are exercised in full, Munday and his related parties, associates or affiliates will hold 129,600,000 common shares, representing approximately 50.44% of the then issued and outstanding on a non-diluted basis.

At the Meeting, disinterested shareholders will be asked to consider and, if thought fit, to pass an ordinary resolution (the “**Related Party Transaction Resolution**”) to authorize and approve the Related Party Transactions. To be effective, the Related Party Transaction Resolution requires the approval of at least a simple majority of the votes cast by disinterested shareholders, represented in person or by proxy and entitled to vote at the Meeting.

The text of the Related Party Transaction Resolution is as follows:

“BE IT RESOLVED THAT:

1. the Related Party Transaction, as defined and more particularly described in the Addendum, is hereby authorized and approved;
2. any director or officer of the Company is hereby authorized, for and on behalf of the Company, to execute and deliver the Convertible Debenture, in the form attached to the Addendum, and to make or approve, prior to signing, any changes to the Convertible Debenture that such director or officer may deem necessary, proper or advisable, such determination to be conclusively evidenced by the execution and delivery of the Convertible Debenture;
3. any director or officer of the Company is hereby authorized, for and on behalf of the Company, to execute and, if appropriate, deliver all other agreements, documents and instruments and to do all other things as in the opinion of such director or officer may be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such agreement, document or instrument, and the taking of such action; and
4. notwithstanding that this resolution has been duly passed by the disinterested shareholders of the Company, the board of directors of the Company (the “**Board**”) is hereby authorized, at its sole discretion and without further approval of or notice to the shareholders of the Company, to determine not to proceed with any of the Related Party Transactions and revoke these resolutions before they are acted on in whole or in part.”

The Board recommends that disinterested shareholders vote in FAVOUR of the Related Party Transaction Resolution. In the absence of contrary instructions, the person named in the accompanying Amended Proxy intends to vote the common shares represented thereby FOR the Related Party Transaction Resolution.

AMENDMENTS OF NOTICE OF MEETING

- III. All references to “annual general meeting” in the Notice are hereby deleted and replaced with the words “annual general and special meeting”.
- IV. All references to “Monday, December 30, 2019 at 11:00 a.m. (Vancouver time)” as the date and time of the Meeting are hereby deleted in their entirety and replaced with “Tuesday, December 31, 2019 at 11:00 a.m. (Vancouver time).”
- V. A new Item 6 is hereby added to the Notice as follows:
 - “6. to consider, and if thought advisable, to pass an ordinary resolution of disinterested shareholders of the Company authorizing and approving the convertible debenture between the Company and Munday – Maxwell & Gaylene – Association, an entity controlled by Maxwell Munday (who is

a control of the Company), as more particularly described in the Addendum.”

Approval by the Company

The contents of this Addendum have been approved, and its mailing authorized, by the directors of the Company.

DATED at Vancouver, British Columbia this 6th day of December, 2019.

BY ORDER OF THE BOARD OF DIRECTORS OF KLONDIKE SILVER CORP.

Per: “Thomas Kennedy”
Thomas Kennedy, President & CEO

Schedule "A"

Form of Convertible Debenture

See attached.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE [●], 2019.

WITHOUT PRIOR WRITTEN APPROVAL OF TSX VENTURE EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL [●], 2019.

KLONDIKE SILVER CORP.

SECURED CONVERTIBLE DEBENTURE

Due: December 31, 2024

Principal Amount: \$2,500,000

Issue Date: [●], 2019

Certificate No. 1

WHEREAS Klondike Silver Corp., a corporation existing under the laws of the Province of British Columbia (the "**Company**"), is indebted to Munday - Maxwell & Gaylene – Association a society incorporated under the laws of the Province of British Columbia (together with its successors and permitted assigns, the "**Holder**") pursuant to the Promissory Notes (as hereinafter defined) in the aggregate principal amount of CDN\$1,020,000.00 plus accrued interest at the rate of 10% per annum compounded quarterly as provided therein;

WHEREAS the Company has requested that the Holder make loan advances to the Company of up to \$2,500,000 the proceeds of which will be used in part to fully pay the amounts outstanding under the Promissory Notes;

WHEREAS the Holder has agreed to make the Initial Advance (as hereinafter defined) and, in the Holder's discretion, additional loan advances to the Company of up to \$2,500,000 in the aggregate (including the Initial Advance), on condition that the Company grant this Secured Convertible Debenture (this "**Debenture**") to the Holder.

WHEREAS the Company has obtained the requisite prior approval of the Company's shareholders, and the conditional acceptance of the Exchange (as defined herein), for this Debenture and the transactions contemplated herein in accordance with the requirements of applicable securities laws and Exchange rules and policies.

FOR VALUE RECEIVED, the Company, acknowledges itself indebted to the Holder for the Outstanding Principal Amount (as hereinafter defined) of up to the Maximum Principal Amount (as hereinafter defined), and hereby promises that, subject to and in accordance with the terms hereof, the Company shall on the earlier of demand and the Maturity Date (as hereinafter defined) or on such earlier date as the principal monies payable hereunder may become payable in accordance with the conditions attached hereto, (i) pay to the Holder the Outstanding Principal Amount, and (ii) pay to the Holder interest on the Outstanding Principal Amount, all as specifically calculated and provided herein.

This Debenture is issued subject to and with the benefit of the conditions attached hereto, which form part of this Debenture.

NOW THEREFORE THIS DEBENTURE WITNESSES THAT:

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

In this Debenture, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the respective meanings set out below:

“this Debenture”, **“the Debenture”**, **“hereto”**, **“hereby”**, **“hereunder”**, **“hereof”**, **“herein”** and similar expressions refer to this Debenture and not to any particular Article, section, subsection, clause, paragraph, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto;

“Advance” means an advance by the Holder to the Company under this Debenture, including the Initial Advance, up to the Maximum Principal Amount;

“Affiliate” means a related entity of the Company within the meaning of National Instrument 45-106 – *Prospectus Exemptions*, as such instrument may be amended, supplemented or replaced from time to time;

“Applicable Law” means, in relation to any person, transaction or event (i) all applicable provisions of the common law and all laws, statutes, rules and regulations of any Governmental Authority in effect from time to time; and (ii) all judgments, orders, awards, decrees, official directives, policies or policy statements, writs and injunctions from time to time in effect of any Governmental Authority in an action, proceeding or matter in which the person is a party or by which it or its property is bound or having application to the transaction or event;

“Business Day” means any day other than Saturday, Sunday or any statutory holiday in the City of Vancouver, British Columbia;

“Change of Control” means:

- (a) a transaction whereby property constituting all or substantially all of the assets of the Company are sold, in one or more related transactions, to any Person or to a combination of Persons; or
- (b) an event or series of events (whether a share purchase, amalgamation, merger, reorganization, arrangement, consolidation or other business combination, formal bid or tender offer or otherwise), other than solely involving the Company and one or more of its Affiliates, by which any Person is or becomes the beneficial owner directly or indirectly of more than 20% or more of the combined voting rights of the then outstanding securities of the Company (for greater certainty, this shall not include a public offering or private placement out of treasury);

“Charge” means the security interests and charges created by or intended to be created by the Debenture;

“Collateral” has the meaning ascribed thereto in Section 4.1;

“Common Shares” means the common shares in the capital of the Company as such shares exist at the close of business on the date of execution of this Debenture; provided that in the event of a subdivision, redivision, reduction, combination or consolidation thereof, or successive such subdivisions, redivisions, reductions, combinations or consolidations, then subject to adjustments, if any, having been made in accordance with the provisions of Sections 3.3, **“Common Shares”** shall thereafter mean the common shares resulting from such subdivision, redivision, reduction, combination or consolidation;

“Company” means Klondike Silver Corp. and its successors and permitted assigns;

“Contaminant” includes, but is not limited to, any pollutants, noise, dangerous substances, liquid waste, industrial waste, hauled liquid waste, toxic substances, hazardous wastes, hazardous materials, hazardous substances or contaminants including any of the foregoing as defined in any Environmental Law now or hereafter effective;

“Conversion Date” has the meaning attributed to such term in Subsection 3.2(b) of this Debenture;

“Conversion Price” means the dollar amount for which each Unit may be issued upon the conversion of this Debenture in accordance with Section 3.1;

“Debenture” means this interest bearing secured debenture and any debenture issued in replacement, substitution or exchange, in whole or in part, of this Debenture;

“dollars” or **“\$”** shall mean dollars in the lawful currency of Canada;

“Environmental Activity” means any past, present or future activity, event or circumstance in respect of a Contaminant including, without limitation, its storage, use, holding, collection, purchase, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling or transportation, or its Release, escape, leaching, dispersal or migration into the natural environment, including the movement through or in the air, soil, surface water or groundwater;

“Environmental Law” means the common law and any and all applicable international, federal, provincial, municipal or local laws, statutes, regulations, treaties, orders, judgments, decrees, ordinances, official directives and all authorizations, relating to the environment, occupational health and safety, or any Environmental Activity;

“Event of Default” has the meaning ascribed to such term in Sections 6.1 of this Debenture;

“Exchange” means the TSX Venture Exchange or such other marketplace on which the Common Shares are principally traded;

“Governmental Authority” means any (i) multinational, federal, provincial, state, municipal, local or other government, governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the

foregoing, or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above;

“**Holder**” shall have the meaning ascribed to such term in the first paragraph of this Debenture and its successors and assigns;

“**Initial Advance**” means the initial advance made by the Holder under this debenture on the date hereof in the amount of \$1,457,180.74.

“**Interest**” shall have the meaning ascribed in Subsection 2.3(a) of this Debenture;

“**Lands**” means any fee simple interests in real property now or hereafter held by the Company, including, in each case, without limitation, all buildings, erections, improvements, fixtures and plants forming a part thereof and every incidental or attendant right, benefit, privilege, easement, right of way, license, undersurface rights and other interest benefiting or attaching to those lands or running with them and all appurtenances thereto, and every other thing referred to in Section 10 of the *Land Transfer Form Act* (British Columbia) now or hereafter existing or acquired, and, for greater certainty, except where the context or plain meaning may otherwise require, the term “Lands” shall include each or any portion of such Lands taken separately;

“**Maturity Date**” means December 31, 2024;

“**Maximum Principal Amount**” means \$2,500,000;

“**Mortgage Form**” means the form identified as “Form B” (Mortgage – Part 1) to which these Express Mortgage Terms are annexed;

“**Obligations**” means all present and future indebtedness and all performance obligations which may at any time be due and owing by the Company to the Holder under this Debenture and all other agreements, instruments and documents now or hereafter executed by or on behalf of the Company with respect to any of the foregoing, or any of the transactions contemplated thereby, whether now in existence or incurred hereafter, whether incurred directly or incurred by others and assumed by the Company, whether such indebtedness is absolute or contingent, matured or unmatured, direct or indirect, and whether the Company is liable for such indebtedness as principal, surety, endorser or otherwise, including all Advances up to the Maximum Principal Amount and interest thereon;

“**Outstanding Principal Amount**” means at any time and from time to time, the outstanding principal amount of the Advances;

“**Person**” means, unless specifically indicated otherwise, a corporation, incorporated organization, body corporate, partnership, trust or association or other entity or an individual;

“**PPSA**” means the *Personal Property Security Act* (British Columbia);

“**Promissory Notes**” means the promissory notes issued on June 22, 2018 in the principal amount of \$300,000; April 11, 2019 in the principal amount of \$350,000; June 14, 2019 in the principal amount of \$250,000; July 31, 2019 in the principal amount of \$250,000; and November 1, 2019 in the principal amount of \$120,000; payable to the Holder;

“Receiver” means any receiver, manager, or receiver and manager of the Collateral or any part thereof or the business and undertaking of the Company, or any part thereof, whether appointed by the Holder under the Debenture or by a court pursuant to Applicable Law and any nominee of the Holder or any other person that is appointed by the Holder to exercise all or any of the powers, rights, benefits and discretion of the Holder under the Debenture;

“Rents” as the meaning described thereto in Section 4.1;

“Security Interest” means a mortgage, encumbrance, pledge, deposit by way of security, charge, floating charge, hypothec, assignment by way of security, security interest, lien (whether statutory, equitable or at common law), title retention agreement, a right of set-off (if created for the purpose of directly or indirectly securing the repayment of money owed), and any other interest in property or assets, howsoever created or arising, that secures payment or performance of an obligation;

“Tax” means all present and future taxes, rates, levies, imposts, assessments, dues, government fees, stamp taxes, deductions, charges or withholdings, and all indebtedness with respect thereto, and any interest, additions to tax and penalties imposed with respect thereto, excluding, with respect to the Holder, taxes imposed on its income or capital and franchise taxes imposed on it by any taxation authority;

“Tenancy Agreement” as the meaning described thereto in Section 4.1;

“Unanticipated Event” has the meaning attributed to such term in Subsection 3.3(b) of this Debenture;

“Undersurface Rights” means all rights to minerals, precious and base, and other undersurface rights now or hereafter held by the Company including those registered against title to fee simple lands as “Undersurface Rights” described by registration number in Item 8 of the Mortgage Form as “Undersurface Rights” and all other undersurface rights, registered and unregistered described in Schedule “C” hereto and all attendant easements, rights-of-way, licences, Leases and other interests and appurtenances;

“Units” means units of the Company comprised of one Common Share and one Warrant;

“Warrant” means a whole Common Share purchase warrant of the Company exercisable at a price of \$0.05 for a period of sixty (60) months from the date hereof; and

“Warrant Certificate” means the certificate representing Warrants substantially in the form attached hereto as Schedule “B”.

1.2 Interpretation

Words importing the singular number only shall include the plural and vice versa, words importing the masculine gender shall include the feminine gender and words importing persons shall include firms and corporations and vice versa.

1.3 Meaning of “outstanding” for Certain Purposes

This Debenture shall be deemed to be outstanding until it shall be cancelled or delivered to the Company for cancellation, or a new Debenture shall be issued in substitution therefore under Section 8.4,

provided that where a new Debenture has been issued in substitution for a Debenture which has been lost, stolen or destroyed, only one such Debenture shall be counted for the purpose of determining the aggregate principal amount of Debenture outstanding.

1.4 Headings

The division of this Debenture into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Debenture.

1.5 Business Day

If the date upon which any principal or interest is payable by the Company, or upon which any other action is required to be taken by the Company hereunder, is not a business day, then such principal or interest shall be payable or such other action shall be taken on or by the next succeeding business day.

ARTICLE 2 **TERMS OF DEBENTURE**

2.1 Advances

The Company acknowledges itself indebted to the Holder as of the date hereof in the principal amount of the Initial Advance being \$1,457,180.74. Upon written request by the Company, the Holder may, in its discretion, make additional Advances to the Company after the date hereof provided that the total of all Advances, including the Initial Advance, shall not exceed the Maximum Principal Amount. The Initial Advance shall be used firstly to repay in full amounts outstanding under the Promissory Notes, with the remaining proceeds of the Initial Advance and all other Advances to be used by the Company to finance the Company's exploration project including underground drilling and for general working capital purposes.

2.2 Payment of Outstanding Principal Amount

Subject to earlier acceleration following an Event of Default, conversion by the Holder pursuant to Section 3.2 prior to the Maturity Date, or pre-payment of the Outstanding Principal Amount and Interest pursuant to Section 2.5 prior to the Maturity Date, the Outstanding Principal Amount together with all accrued and unpaid Interest (including compounded interest) thereon shall be due and payable in lawful money of Canada on the earlier of written demand made by the Holder and the Maturity Date to the order of the Holder against surrender of the Debenture by the Holder hereof at the principal office of the Company. Payment of the Outstanding Principal Amount and any accrued Interest thereon to the Holder by the Company under this Debenture shall be made by a certified cheque, bank draft or wire transfer.

2.3 Interest Bearing

- (a) Interest shall accrue daily on the Outstanding Principal Amount of each Advance from the date of each Advance at a rate equal to 10% per annum ("**Interest**"), compounded monthly on the last day of each month. In the event of conversion of the Outstanding Principal Amount prior to or on the Maturity Date of the entire Outstanding Principal Amount, any accrued but unpaid Interest owing hereunder to the Conversion Date on the Outstanding Principal Amount shall be payable by the Company in cash or certified cheque to the Holder within 30 days of the Conversion Date. On the earlier of written demand and the Maturity Date, the Outstanding Principal Amount (unless the Outstanding Principal Amount is converted pursuant to Section 3.2), Interest (including compounded interest) and other

amounts owing hereunder, shall become immediately due and payable by the Company to the Holder in full.

- (b) For the purposes of the *Interest Act* (Canada): (i) any amount of interest or fees calculated herein on the basis of a period comprising less than the actual number of days in the calendar year and expressed as an annual rate is equal to the said rate of interest or fees multiplied by the actual number of days comprised within the calendar year, divided by the number of days in the period concerned; and (ii) all interest will be calculated using the nominal rate method and not the effective rate method.
- (c) In the event that any provision of this Debenture would oblige the Company to make any payment of interest or any other payment which is construed by a court of competent jurisdiction to be interest in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by the Holder of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)), then notwithstanding such provision, such amount or rate shall be deemed to have been retroactively adjusted to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in a receipt by the holder of interest at a criminal rate.

2.4 Right to Prepayment

If no Event of Default has occurred, the Company shall have the option to prepay all or any portion of the Outstanding Principal Amount plus any accrued Interest. The Company shall notify the Holder in writing of its decision to exercise its prepayment option including particulars of the amount of the Outstanding Principal Amount the Company intends to prepay, and the Holder shall have 10 days from receipt of the notice to exercise the Holder's right of conversion of the Debenture (in whole or in part in respect of such Outstanding Principal Amount), or accept the prepayment.

2.5 Person Entitled to Payment

- (a) The Holder shall be deemed and regarded as the owner hereof for all purposes and payment of or on account of the Outstanding Principal Amount and Interest shall be made only to or upon the order in writing of the Holder, and such payment shall be a good and sufficient discharge to the Company for the amounts so paid.
- (b) The payment of the Outstanding Principal Amount and Interest by the Company to the Holder shall be a good discharge to the Company in respect of its obligations hereunder. The Company shall not be bound to enquire into the title of the Holder, save as ordered by a court of competent jurisdiction or as required by statute. The Company shall not be bound to see to execution of any trust affecting the ownership of this Debenture nor be affected by notice of any equity that may be subsisting in respect thereof.

2.6 Transfer of Debenture

This Debenture is non-negotiable and the Holder covenants and agrees that it cannot, and shall not, transfer, sell, assign or pledge this Debenture, without the prior written consent of the Company, acting reasonably, provided that the Holder may transfer this Debenture to an Affiliate in respect of which it is non arm's length. The Holder acknowledges and agrees that any transfer, sale, assignment or pledging of this Debenture by it shall comply with the provisions of Applicable Law and any Governmental Authority having jurisdiction, as well as the Articles of the Company.

2.7 Withholding Tax

Any and all payments by the Company to the order of the Holder under this Debenture shall be made free and clear of and without reduction or withholding for any Taxes, provided that if the Company shall be required by any applicable law to deduct any Taxes from such payments, then (a) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section), the Holder will receive an amount equal to the sum it would have received had no such deductions been made; (b) the Company shall make such deductions; and (c) the Company shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with Applicable Law.

ARTICLE 3 **CONVERSION OF DEBENTURE**

3.1 Conversion Right and Conversion Price

The Holder shall have the right, at its option, at any time up to and including the Maturity Date, to convert the Outstanding Principal Amount of this Debenture (excluding accrued but unpaid Interest), in whole or in part, into Units at a conversion price of \$0.05 per Unit (the "**Conversion Price**").

3.2 Manner of Exercise of Right to Convert

- (a) In order to convert the Outstanding Principal Amount in whole or in part into Units, the Holder shall surrender this Debenture to the Company at its principal offices in the City of Vancouver, together with the Form of Conversion Election Notice attached hereto as Schedules "A", duly executed by the Holder or its attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Company, exercising the Holder's right to convert the Outstanding Principal Amount, in whole or in part, in accordance with the provisions of this Section 3.2. Thereupon the Holder or, subject to payment of all applicable stamp or security transfer taxes or other governmental charges and compliance with all reasonable requirements of the Company, its nominee(s) or assignee(s), shall be entitled to be entered in the books of the Company as at the Conversion Date as the registered holder of the number of Units into which the Outstanding Principal Amount has been converted in accordance with the provisions of this Section 3.2 and, within five (5) Business Days, the Company shall deliver to the Holder or, subject as aforesaid, its nominee(s) or assignee(s), a certificate or certificates for such Units and, if applicable, a cheque for any amount due and payable under Section 3.5.
- (b) For the purposes of this Section 3.2, if this Debenture is surrendered for conversion, it shall be deemed to be surrendered on the date (the "**Conversion Date**") on which it is received by the Company. If this Debenture is surrendered for conversion on a day on which the register of Units is closed, the Person or Persons entitled to receive Units in respect thereof shall become the holder or holders of record of such Units as at the date on which such registers are next reopened.
- (c) Any part of the Outstanding Principal Amount may be converted as provided in this Section 3.2 and all references to conversion of the Debenture shall be deemed to include conversion of such part. If only a part of this Debenture is converted, the Company will cancel this Debenture and shall without charge forthwith certify and deliver to the Holder a

new Debenture in an aggregate principal amount equal to the unconverted part of the Outstanding Principal Amount.

- (d) The Company will from time to time promptly pay or make provision satisfactory to the Holder for the payment of any and all Taxes which may be imposed by applicable laws with respect to the issuance or delivery of the Units to the Holder upon conversion of the Debentures.

3.3 Capital Reorganizations or Change of Management

- (a) If and whenever at any time after the date hereof, and prior to the Maturity Date, the Company shall subdivide or re-divide its outstanding Common Shares, or reduce, combine or consolidate the outstanding Common Shares into a smaller number of Common Shares; the number of Units issuable upon conversion of the Debenture, immediately prior thereto shall be adjusted so that the Holder shall be entitled to receive the kind and number of Units which it would have owned or been entitled to receive after the happening of any of the events described in this Subsection 3.3(a), had such Debenture been converted immediately prior to the happening of such event or any record date with respect thereto. An adjustment made pursuant to this Subsection 3.3(a) shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.
- (b) On the occurrence of any event which is not addressed in Subsection 3.3(a) (the “**Unanticipated Event**”), the parties will, in good faith, make such further adjustments and changes and take all necessary actions so as to ensure that the Holder receives, upon the conversion of this Debenture occurring at any time after the date of occurrence of the Unanticipated Event, such shares, securities, rights or property that he would have received if, immediately prior to such date, it had been the registered holder of the number of Common Shares to which he would be entitled upon the conversion of this Debenture into Units.

3.4 Rules Regarding Calculation of Adjustment of Conversion Rights

For the purposes of Section 3.3:

- (a) The adjustments provided for in Sections 3.3(a) and 3.3(b) are cumulative and will be made successively whenever an event referred to therein occurs.
- (b) If at any time a dispute arises with respect to adjustments provided for in Sections 3.3(a) or 3.3(b), such dispute will be conclusively determined by the directors of the Company and any such determination will be binding upon the Company, the Holder and shareholders of the Company. If any such determination is made, the Company will deliver a certificate of the Company to the Holder describing such determination.

3.5 No Requirement to Issue Fractional Shares

The Company shall not be required to issue fractional Units upon the conversion of this Debenture pursuant to this Article 3. If any fractional interest in a Unit would, except for the provisions of this section, be deliverable upon the conversion the Company shall, in lieu of delivering any certificate of such fractional interest, satisfy such fractional interest by paying to the Holder an amount in lawful money of Canada equal

(computed to the nearest cent) to a value determined by multiplying the fractional interest by the Conversion Price. No such payment will be made if the amount so calculated is less than \$10.

3.6 Listing of Shares

The Company shall use its best efforts to ensure that the Common Shares issuable upon conversion of this Debenture shall be listed and posted for trading on a recognized stock exchange acceptable to the Holder.

3.7 Legended Certificates

Notwithstanding anything herein contained, Common Shares issuable upon conversion of this Debenture will only be issued in compliance with the Applicable Law of any applicable jurisdiction, and the certificates representing the Common Shares thereby issued will bear all applicable legends.

ARTICLE 4 **SECURITY**

4.1 Security

As security for payment of the Outstanding Principal Amount and interest thereon, and all other Obligations from time to time payable by the Company and as security for the due performance of its Obligations, the Company hereby:

- (a) mortgages and charges (subject to the exceptions as to leaseholds hereinafter contained) as and by way of a first fixed and specific mortgage and charge to and in favour of the Holder, and grants to the Holder a security interest in, all of its present and after acquired real and immovable property (including, without limitation the Undersurface Rights) and all of its present and after acquired buildings, erections, improvements, fixtures and plant (whether the same form part of the realty or not) and all appurtenances to any of the foregoing; in this Debenture, any reference to “**real and immovable property**” shall include any interest in, estate in or right of the Company with respect to any real and immovable property (to the extent constituting real property), and the Undersurface Rights;
- (b) assigns, transfers and sets to the Holder, and grants to the Holder a security interest in, all of the Company’s right, title, estate and interest, present and future, in and to:
 - (i) any and all existing or future leases, subleases, agreements to lease or sublease or other occupancy or tenancy agreements relating to the whole or any part or parts of the real and immovable property and all exiting or future licenses or concessions whereby any person is given the right (other than an easement or a right in the nature of an easement) to use or occupy the whole or any part or parts of the real and immovable property and all extensions, amendments, renewals or substitutions thereof or therefor which may hereafter be effected or entered into (collectively, the “**Tenancy Agreements**”), and all benefits, powers and advantages of the Company to be derived therefrom and all covenants, obligations and agreements of the tenants thereunder or in any agreement collateral thereto including, without limitation, the benefit of any right, option or obligation of any tenant or other person to acquire any of the real and immovable property or an interest therein, to renew or extend any Tenancy Agreement, to lease other space

and any other collateral advantage or benefit to be derived from the Tenancy Agreement or any of them;

- (ii) any and all rents, revenues, income, proceeds, profits and other monies now due and payable or hereafter to become due and payable under the Tenancy Agreements or any part thereof (collectively, the “**Rents**”) to which the Company may from time to time be entitled, and each guarantee of or indemnity in respect of the obligations of the tenants thereunder with full power to demand, sue for recovery, receive and give the receipts therefor, and otherwise to enforce the rights of the Company thereto in the name of the Company;
- (c) mortgages and charges to the Holder as and by way of a first fixed and specific mortgage and charge, and grants to the Holder a security interest in, all its present and after acquired goods (other than inventory), including all fixtures, plant, machinery, tools and furniture now or hereafter owned or acquired;
- (d) mortgages and charges to the Holder and grants to the Holder a security interest in, all its present and after acquired inventory, including all raw materials, goods in process, finished goods and packaging material and goods acquired or held for sale or furnished or to be furnished under contracts of rental or service;
- (e) assigns, transfers and sets over to the Holder and grants to the Holder a security interest in, all its present and after acquired intangibles, including all its present and after acquired book debts, accounts and other amounts receivable, contract rights and choses in action of every kind or nature and insurance rights arising from or out of the property referred to in subsection (a), (b), (c), (d) or (e) above, goodwill, chattel paper, instruments, documents of title, investments, money and investment property;
- (f) mortgages and charges in favour of the Holder as and by way of a floating charge, and grants to the Holder a security interest in, its business and undertaking and all its present and after acquired real and personal property and assets, tangible and intangible, legal and equitable, moveable to immoveable, or whatsoever nature and kind (other than the property and assets hereby validly assigned or subjected to a specific mortgage, charge or security interest by subsection (a), (b), (c), (d) or (e) above and the exceptions hereinafter contained); and
- (g) assigns, mortgages and charges in favour of the Holder and grants to the Holder a security interest in, the proceeds arising from any dealing with the property referred to in this Section 4.1 in the form of any of the following: goods, investment property, instruments, documents of title, chattel paper, intangibles or money.

For the purposes of this Debenture, the present and after acquired real and personal property, assets and undertaking of the Company referred to in this Section 4.1 and subject to the Charge is hereinafter collectively called the “**Collateral**”.

TO HAVE AND TO HOLD the Collateral and Charge and all rights hereby conferred unto the Holder, subject to the terms and conditions herein set forth.

4.2 Attachment

The Company acknowledges that the Company and the Holder intend the Charge in the Collateral to attach immediately upon the execution of this Debenture, except in the case of Collateral in which the Company subsequently acquires rights, in which case the Charge shall attach contemporaneously with the Company acquiring rights therein without the need for any further or other deed, act or consideration, provided however, and the Company shall from time to time at the request of the Holder and at the cost of the Company, execute and deliver all such agreements, supplemental debentures and other documents and instruments as may be reasonably requested by the Holder to confirm or perfect the Charge insofar as it relates to any such after acquired Collateral. The Charge shall be effective and shall attach as of the date of execution hereof whether the monies hereby secured or any part thereof shall become owing by the Company before or after or upon the date of execution of this Debenture. The Company acknowledges conclusively that value has been given.

4.3 Leases

The last day of any term reserved by any lease (including any mining lease), oral or written, or any agreement therefor, now held or hereafter acquired by the Company, is hereby excepted out of the Charge and does not and shall not form part of the Collateral, but the Company shall stand possessed of the reversion remaining in the Company of any leasehold premises for the time being demised as aforesaid upon trust to assign and dispose thereof as the Holder shall direct and upon any sale of the leasehold premises, or any part thereof, the Holder, for the purpose of vesting the aforesaid reversion of any such term or any renewal thereof in any purchaser or purchasers thereof, shall be entitled by deed or writing to appoint such purchaser or purchasers or any other person or persons as trustee or trustees of the aforesaid reversion of any such term or any renewal thereof in the place of the Company and to vest same accordingly in the new trustee or trustees so appointed and freed and discharged from any obligation respecting same.

4.4 Contractual Rights

In the event the validity and effectiveness of the Charge over any of the Collateral is dependent upon obtaining the consent, approval or waiver of a third person, the Charge over any such Collateral shall not be effective until the applicable consent, approval or waiver is obtained or is no longer necessary for the purposes of the validity and effectiveness of the Charge, whereupon the Charge shall immediately become effective over any such Collateral. Until such consent, approval or waiver is obtained, or the same is no longer necessary, the Company shall stand possessed of such Collateral in trust for the Holder, for the purposes and subject to the terms hereof to assign and dispose thereof as the Holder or any person acting as agent for the Holder may direct as and when the security constituted by this Debenture becomes enforceable.

4.5 Indebtedness Secured

The Charge shall take effect immediately upon the execution of this Debenture by the Company and shall secure payment and performance of any and all Obligations. If the proceeds realized by the Holder after enforcement of the Charge in the Collateral are not sufficient to satisfy all Obligations, then the Company acknowledges and agrees that the Company shall continue to be liable for any Obligations remaining outstanding and the Holder shall be entitled to pursue full payment of any such outstanding Obligations.

4.6 Possession and Use of Collateral

Until an Event of Default occurs, the Company shall be permitted to dispose of or deal with the Collateral in the ordinary course of its business and for the purposes of carrying on the same including without limitation to possess, manage, develop, operate and enjoy the Collateral, and freely to control the conduct of its business and to take and use any income, rents, issues and profits thereof.

4.7 Discharge

Upon the payment and satisfaction of the Obligations, the Company shall cancel and discharge the Charge and the Holder shall execute and deliver to the Company such deeds or other instruments as shall be requisite to discharge the Charge.

ARTICLE 5 COVENANTS OF THE COMPANY

5.1 Positive Covenants of the Company

The Company covenants with the Holder that while any Obligations remain outstanding under this Debenture it shall:

- (a) **Payment and Performance:** duly and punctually pay all amounts due by it hereunder, and shall perform all other obligations on its part to be performed under the terms of this Debenture at the times and places and in the manner provided for herein;
- (b) **Corporate Existence:** maintain its corporate existence in good standing under the laws of British Columbia;
- (c) **Reporting Issuer Status:** maintain its status as a “reporting issuer” and not be in material default of any requirement of any applicable securities laws;
- (d) **Applicable Filings:** prior to the Maturity Date, make all requisite filings under all applicable securities legislation including those necessary to remain a reporting issuer not in default in those jurisdictions where it is a reporting issuer and use its best efforts to maintain a listing of its Common Shares on a recognized stock exchange acceptable to the Holder; and
- (e) **Conduct of Business and Compliance With Applicable Laws:** carry on and conduct its business in the ordinary course in compliance with all applicable laws;
- (f) **Notice of an Event of Default:** provide the Holder with prompt written notice of the occurrence of any Event of Default or any event or circumstance that, with the giving of notice or lapse of time or both, would constitute an Event of Default.
- (g) **Share Capital:**
 - (i) reserve and keep available a sufficient number of Common Shares for the purpose of enabling it to satisfy its obligations to issue Common Shares upon the exercise of any conversion rights;

- (ii) cause the Common Shares and the certificates representing the Common Shares, from time to time acquired pursuant to the exercise of any conversion rights to be duly issued and delivered in accordance with the terms hereof;
- (iii) maintain the listing of its Common Shares on the Exchange;
- (iv) ensure that all Common Shares which shall be issued upon the exercise of any conversion rights be issued as fully paid and non-assessable; and
- (v) ensure that all Common Shares otherwise issued hereunder be issued as fully-paid and non-assessable.

5.2 Negative Covenants of the Company

The Company covenants with the Holder that it shall not without having first obtained the prior written consent of the Holder:

- (a) **Change of Business:** change in any material respect the nature of its business or operations as presently carried on; or
- (b) **Prohibited Disposition:** directly or indirectly sell, transfer, assign, abandon, surrender, exchange, lease, sublease, convey or otherwise dispose of all, or substantially all, of its property, assets, and undertakings.
- (c) **Negative Pledge:** (i) create or incur or suffer to be created or incurred any mortgage, pledge, hypothec, lien, charge, encumbrance, assignment, Security Interest or other security of any kind upon the Collateral or any part thereof ranking or purporting to rank in priority to or *pari passu* with this Debenture or the charges created and secured, or (ii) sell, assign, transfer or otherwise dispose of the Collateral except in the ordinary course of business of the Company.

5.3 Insurance Requirements

- (a) The Company shall, at all times during the currency of this Debenture and as long as the Company is indebted to the Holder under this Debenture or otherwise, insure and keep insured the insurable Collateral with reputable insurers in such amounts and against such hazards which would normally be insured against by a prudent operator in the industry or industries in which the Company is carrying on business, in the sum of the full insurable value thereof.
- (b) The Company shall, at all times during the currency of this Debenture, maintain public liability insurance with reputable insurers in amounts which would normally be obtained by a prudent operator in the industry or industries in which the Company is carrying on business.
- (c) It is agreed that loss under all policies of insurance on the Collateral shall be payable to the Holder and that all policies of insurance, including renewals, will provide that such insurance shall not be cancelled or changed in any way without the insurer providing the Holder at least 30 days prior written notice and will (if requested by the Holder) be lodged with the Holder. The Company shall at all times during the currency of this Debenture pay

all premiums for policies of insurance required pursuant to the terms of this Debenture as the same become due and payable in respect thereof.

- (d) If the insurance hereinbefore referred to is not effected or not kept duly renewed, the Holder may effect or renew such insurance and if default be made in payment of premiums or sums of money by the Company, the Holder may pay the same, and such sums of money shall be added to the Obligations hereby secured and shall bear interest at the highest rate provided herein from the date of such payment and shall be repayable forthwith upon demand made by the Holder.
- (e) In the event of loss, the Holder, at its option, may hold the insurance proceeds (or any of them) as security for the Obligations, apply any insurance proceeds received by it against the Obligations (or any of them) or release said proceeds to the Company to repair, replace or rebuild or partly the one and partly the other or others, and nothing done hereunder shall operate as payment or novation or in any way affect the security hereof or any other security for the amount hereby secured.

5.4 Environmental Indemnity

The Company hereby agrees on demand to indemnify and hold harmless the Holder and its officers, directors, employees and agents against and from any and all claims, suits, actions, debts, damages, costs, losses, obligations, judgments, charges and expenses (including legal fees on a solicitor and his own client basis), of any nature whatsoever suffered or incurred by the Holder and its officers, directors, employees or agents as a result of or in connection with the Holder holding this Debenture or in the enforcement or realization of this Debenture or on account of any Environmental Law, including the assertion of any claim, demand, cause of action or lien thereunder, with respect to:

- (a) the release of a Contaminant, the threat of the release of any Contaminant, or the presence of any Contaminant affecting the Collateral, whether or not the same originates or emanates from the Collateral or any contiguous real property, including any loss of value of property as a result of any of the foregoing;
- (b) any costs of removal or remedial action incurred by the Government of Canada or any provincial, municipal or local government or any costs incurred by any other person or damages from injury to, destruction of, or loss of natural resources or the environment in relation to the Collateral or any contiguous real property, including reasonable costs of assessing such injury, destruction or loss incurred pursuant to any Environmental Law;
- (c) liability for personal injury or property damage arising under any statutory or common law tort theory including, without limitation, third party, consequential, indirect damages and damages assessed for the maintenance of a public or private nuisance or for the carrying on of a dangerous activity at or near the Collateral;
- (d) any other environmental matter affecting the Collateral within the jurisdiction of any federal environmental agency, or any provincial, municipal or local environmental agency; and
- (e) all environmental, health, reclamation and clean up costs and obligations associated with or pertaining to the abandonment or reclamation of the Collateral or any wells, facilities, buildings, fixtures or equipment located thereon.

The Company's obligations under this clause shall arise upon the discovery of the presence of any Contaminant or upon the creation of an obligation to abandon, reclaim or clean up any of the Collateral, whether or not any federal agency or any provincial or local environmental agency has taken or threatened any action in connection with the presence of any Contaminant and, notwithstanding anything contained in this Debenture to the contrary, shall survive the full repayment of any and all monies hereby secured and the discharge, release or reconveyance of this Debenture to the Company.

ARTICLE 6
DEFAULT AND ENFORCEMENT

6.1 Events of Default

Each of the following events is hereinafter referred to as an "**Event of Default**":

- (a) if the Company defaults in payment of the Outstanding Principal Amount or any Interest when the same becomes due and payable under any provision hereof, and such default is not cured within 5 days written notice by the Holder to the Company;
- (b) if the securities regulatory authority of any jurisdiction issues an order ceasing trading in the securities of the Company that is not revoked within 30 days;
- (c) if the securities of the Company are delisted from a stock exchange or if trading in any of the Company's securities over a stock exchange are suspended for a period of 30 days or more;
- (d) if there shall occur a Change of Control of the Company;
- (e) if the Company (i) makes a general assignment for the benefit of creditors, (ii) institutes or has instituted against it any proceeding seeking to adjudicate it a bankrupt or insolvent, liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors including any plan of compromise or arrangement or other corporate proceeding involving its creditors, or the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its properties and assets, and in the case of any such proceeding instituted against it (but not instituted by it), either the proceeding remains undismissed or unstayed for a period of thirty (30) days, or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties and assets) occurs, or (iii) takes any corporate action to authorize any of the above actions;
- (f) if the Company ceases to carry on business;
- (g) if there is material adverse qualification to the consolidated financial statements of the Company by its auditors; or
- (h) if the Company shall breach or otherwise fail to perform or observe in a material manner any other covenant, term or condition contained in this Debenture, or the Subscription Agreement or any related document or agreement delivered pursuant hereto or thereto

and not otherwise referred to, and the breach is not cured within thirty (30) days written notice by the Holder to the Company.

6.2 Acceleration on Default

If any of the Event of Default has occurred, then and in each and in every such event the Holder may in its discretion by notice in writing to the Company declare the Outstanding Principal Amount then outstanding together with all accrued and unpaid Interest thereon and all other monies outstanding hereunder to be due and payable and the same shall forthwith become immediately due and payable, anything therein or herein to the contrary notwithstanding, the Company shall forthwith pay to the Holder the Outstanding Principal Amount together with all accrued and unpaid Interest thereon and such other monies from the date of the said declaration until payment is received by the Holder. Such payment when made shall be deemed to have been made in discharge of the Company's obligations hereunder.

6.3 Waiver of Default

If an Event of Default shall have occurred, the Holder may waive any Event of Default hereunder, provided that no delay or omission of the Holder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein and provided further that no act or omission of the Holder shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default hereunder or the rights resulting therefrom.

6.4 Remedies – General

Upon the occurrence and continuance of an Event of Default, the Holder may, in its absolute discretion, but in accordance with Applicable Law:

- (a) exercise such rights and remedies as are provided under Applicable Law against the Company or in respect of the Collateral (including without limitation the Lands and the Undersurface Rights) or any part thereof for the enforcement of full payment and performance of all the Obligations;
- (b) either with or without notice, enter into and upon and take possession of all or any part of the Collateral (including without limitation the Lands and the Undersurface Rights) with full power to exclude the Company and additionally shall have full power and authority:
 - (i) to carry on, manage and conduct the business operations of the Company respecting such Collateral (including without limitation the Lands and the Undersurface Rights) and the power to borrow money in its own name or advance its own money for the purpose of such business operations, the maintenance and preservation of such Collateral or any part thereof and the making of such replacements thereof and additions thereto as it shall deem desirable and the payment of taxes, wages and other charges ranking in priority to the Charge, and
 - (ii) to receive the revenues, incomes, issues and profits of such Collateral (including without limitation the Lands and the Undersurface Rights) and to pay therefrom the costs, charges and expenses of the Holder in carrying on the said business operations or otherwise, and all taxes, assessments and other charges against such Collateral ranking in priority to the Charge the payment of which may be

necessary to preserve such Collateral, and to apply the remainder of the monies so received in the same manner as if the same arose from a sale or realization of such Collateral;

- (c) either after entry as aforesaid or after other entries, or without any entry, sell or dispose of the Collateral (including without limitation the Lands and the Undersurface Rights), either as a whole or in separate parcels, by private contract, at public auction, by public tender, by lease or by deferred payment arrangement with such notice, advertisement or other formality as may be required by Applicable Law;
- (d) make any such sale or disposition of the Collateral (including without limitation the Lands and the Undersurface Rights) either for cash or upon credit and upon such reasonable conditions as to upset or reserve bid or price and terms of payment as it may deem proper; to rescind or vary any contract or sale that may have been entered into and re-sell with or under any of the powers conferred herein; to adjourn such sale from time to time; and to execute and deliver to the purchaser or purchasers of the Collateral or any part thereof, good and sufficient deed or deeds for the same, and any such sale or disposition made as aforesaid shall be a perpetual bar at law and in equity against the Company and all other persons claiming the Collateral or any part or parcel thereof, by, from, through, or under the Company. The Holder may become purchaser at any sale of the Collateral or any part thereof;
- (e) with or without entry or sale as aforesaid, in its discretion, proceed to protect and enforce its rights under this Debenture by sale under judgment order in any judicial proceeding or by foreclosure or a suit or suits in equity or at law or otherwise whether for the specific performance of any covenant or agreement contained in this Debenture or in aid of the execution of any power granted in this Debenture or in aid of the execution of this Debenture or for the filing of such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claim of the Holder lodged in any bankruptcy, winding-up or other judicial proceeding, or for the enforcement of any other legal or equitable remedy as the Holder shall deem most effective to protect and enforce any of the rights or duties of the Holder; or
- (f) in lieu of appointing a Receiver as provided in Section 6.8, apply to any court or courts of competent jurisdiction for the appointment of a Receiver, with such powers as the court or courts making such appointment or appointments shall confer.

6.5 Possession

The Company shall on demand by the Holder or any Receiver yield up possession of the Collateral (including without limitation the Lands and the Undersurface Rights) or any part thereof as demanded by the Holder or Receiver whenever the Holder or Receiver shall have a right to exercise any rights or remedies under Section 6.4 and put no obstacle in the way of, but facilitate by all legal means, the actions of the Holder or any Receiver and not interfere with the carrying out of the powers hereby granted to the Holder or any Receiver.

6.6 Judgment

The Company covenants and agrees with the Holder that, in the case of any judicial or other proceeding to enforce the Charge or any part thereof, judgment may be rendered against the Company in

favour of the Holder for any amount remaining due under this Debenture or for which the Company may be liable hereunder, after the application to the payment thereof of the proceeds of any sale of the Collateral or any part thereof. The covenant of the Company to pay interest at the rate provided in this Debenture shall not merge in any such judgment and such judgment shall bear interest at the rate set forth in this Debenture until such judgment and all interest thereon has been paid in full.

6.7 Account Debtors

- (a) All persons holding investment property on behalf of the Company, being a debtor on an intangible or chattel paper, an obligor on an instrument or any other person being obligated to pay any account receivable or other debt due, owing or accruing due to the Company (including operators or managers under any operating agreement, management agreement, lease, or otherwise and persons obligated to pay Rents) are entitled at all times to treat and regard the Holder as the assignee and transferee from the Company, entitled in the place and stead of the Company to receive such proceeds, accounts, investment property, intangibles and other debts. Upon the occurrence and during the continuance of an Event of Default the Holder may give notice to all or any of such persons of the Charge and to remit all such proceeds, accounts, investment property and other debts directly to the Holder, whether or not the Company was making collections on such Collateral prior to notification by the Holder; and all such persons shall be fully protected in so treating and regarding the Holder and shall be under no obligation to see to the application in any particular manner by the Holder of any such proceeds, accounts, investment property and other debts received by it.
- (b) Any money collected or received by the Holder pursuant to paragraph (a) above shall be applied in the manner as the Holder sees fit. The Holder shall not be liable or accountable for its failure to collect, realize, sell or obtain payment of investment property, accounts, chattel paper, instruments, intangibles, choses in action or rights to payment or any part thereof and shall not be bound to institute proceedings for the purpose of collecting, realizing or obtaining payment of the same or for the purpose of preserving any right to payment of the Holder, the Company or any other person in respect thereof.
- (c) All money collected or received by the Company in respect of Rents, accounts, investment property, chattel paper, instruments, documents of title, intangibles, choses in action, rights to payment or the proceeds of any sale of Collateral or other interests of the Company shall, after the occurrence and continuance of an Event of Default, be held by the Company in trust for the absolute use and benefit of the Holder and shall be paid or delivered over to the Holder upon demand in the identical form received and until demand shall be held by the Company separate and apart from any funds belonging to the Company or any other funds over which it has possession or control.

6.8 Receiver

Upon the occurrence and continuance of an Event of Default, the Holder may in its discretion appoint a Receiver of the Collateral (including without limitation the Mineral Tenures, the Lands, the Leasehold Property and the Undersurface Rights) or any part thereof and upon any such appointment by the Holder the following provisions shall apply:

- (a) such appointment shall be made in writing signed by the Holder and such writing shall be conclusive evidence for all purposes of such appointment; the Holder may from time to

time in the same manner remove any Receiver so appointed and appoint another in its stead; in making any such appointment the Holder shall be deemed to be acting as the attorney for the Company and the Company hereby consents to the appointment of a Receiver;

- (b) any such appointment may be limited to any part or parts of the Collateral or may extend to the whole thereof;
- (c) every Receiver may, in the discretion of the Holder, be vested with all or any of the powers, rights, benefits, discretions, protection and relief of the Holder hereunder and shall be vested with all of the powers and protections afforded to a Receiver under Applicable Law;
- (d) the Holder may from time to time fix the reasonable remuneration of the Receiver and direct the payment thereof, in priority to the other Obligations, out of the Collateral, the income therefrom or the proceeds thereof;
- (e) the Holder may from time to time require any Receiver to give security for the performance of its duties and may fix the nature and amount thereof, but the Holder shall not be bound to require such security;
- (f) every such Receiver may, with the consent in writing of the Holder, borrow money for the purpose of carrying on the business of the Company in respect of any part of the Collateral or for the maintenance, protection or preservation of the Collateral or any part thereof, and any Receiver may issue certificates (in this Section called "**Receiver's Certificates**"), for such sums as will in the opinion of the Holder be sufficient for carrying out the foregoing, and such Receiver's Certificates may be payable either to order or bearer and may be payable at such time or times as the Holder may consider expedient, and shall bear such interest as shall therein be declared and the Receiver may sell, pledge or otherwise dispose of the same in such manner as the Holder may consider advisable and may pay such commission on the sale thereof as the Holder may consider reasonable, and the amounts from time to time payable by virtue of such Receiver's Certificates shall at the option of the Holder form a charge upon the Collateral in priority to this Debenture;
- (g) every Receiver shall, regarding its acts or omissions, be deemed the agent of the Company, and in no event the agent of the Holder, and the Holder shall not, in making or consenting to such appointment, incur any liability to any Receiver for its remuneration or otherwise howsoever;
- (h) except as may be otherwise directed by the Holder, all monies from time to time received by any Receiver shall be paid over to the Holder at the place where this Debenture is payable; and
- (i) the Holder may pay over to any Receiver any monies constituting part of the Collateral to the extent that the same may be applied for the purposes hereof by such Receiver and the Holder may from time to time determine what funds any Receiver shall be at liberty to keep on hand with a view to the performance of its duties as such Receiver.

6.9 Remedies Not Exclusive

No right, power or remedy herein conferred upon or reserved to the Holder or any Receiver is intended to be exclusive of any other right, power or remedy or remedies, and each and every right, power and remedy shall, to the extent permitted by Applicable Law, be cumulative and shall be in addition to every other right, power or remedy given hereunder or now or hereafter existing at law, in equity or by statute. The Holder shall have the power to waive any default, provided no such waiver shall be effective unless made in writing and shall not constitute a waiver of any other or subsequent default. No delay or omission of the Holder in the exercise of any right, power or remedy accruing upon any default shall impair any such right, power or remedy or shall be construed to be a waiver of any such default or an acquiescence therein. Every right, power and remedy given to the Holder or to a Receiver by this Debenture or under Applicable Law may be exercised from time to time and as often as may be deemed expedient by the Holder or such Receiver, as applicable. In case the Holder shall have proceeded to enforce any right under this Debenture and the proceedings for the enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Holder, then and in every such case the Company and the Holder shall, without any further action hereunder, to the full extent permitted by Applicable Law, subject to any determination in such proceedings, severally and respectively, be restored to their former positions and rights hereunder and thereafter all rights, remedies and powers of the Holder shall continue as though no such proceeding had been taken.

6.10 Application of Proceeds

Except as herein otherwise expressly provided, the monies arising from any enforcement in whole or in part of the Charge, or from any sale or realization of the whole or any part of the Collateral, whether under sale by the Holder or by judicial process or otherwise, and all incomes, rents and profits of the Collateral, together with any other monies then in the hands of the Holder or any Receiver available for such purpose, shall at the option of the Holder be held by the Holder as security for the Obligations or be applied by the Holder on account of the Obligations as determined by the Holder, without prejudice to the claim of the Holder upon the Company for any deficiency.

6.11 Power of Attorney

The Company hereby irrevocably constitutes and appoints the Holder or any Receiver appointed by the Holder its true and lawful attorney and agent, with full power and authority in the Company's name, place and stead from time to time to do all acts and things and to deal with the Mineral Tenures, Real Property, Undersurface Rights and all other real and immovable property, and execute and deliver all share transfers, certificates, proxies, resolutions, consents, assignments, transfers, conveyances and agreements, in such form as the Holder considers necessary or desirable, to do all things which the Company is required to sign, execute and do hereunder if the Company has failed to sign, execute or do the same and generally to use the name of the Company, as applicable, in the exercise of all or any of the powers hereby conferred on the Holder, with full powers of substitution and revocation; provided that this power of attorney may not be exercised by the Holder until the occurrence and during the continuance of an Event of Default. Such appointment and power of attorney is hereby declared by the Company to be an irrevocable power coupled with an interest in favour of the Holder and shall remain in full force and effect until this Debenture is discharged.

6.12 Crystallization of Floating Charge

For the purposes of Section 203 of the Land Title Act (British Columbia), the floating charge created by this Debenture over real property shall become a fixed charge thereon upon the earliest of:

- (a) the occurrence of an Event of Default; or
- (b) the Holder taking any action to enforce or realize on the Charge created by this Debenture.

6.13 Immunity of Shareholders, Directors and Others

The Holder waives and releases any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future incorporator, shareholder, director, officer, employee or agent of the Company or of any successor company for the payment of the principal of this Debenture or on any covenant, agreement, representation or warranty by the Company contained herein, except to the extent that such right, cause of action or remedy is caused by the fraud, wilful misconduct or gross negligence of such past, present or future incorporator, shareholder, director, officer, employee or agent.

6.14 Limitation of Liability

None of the Holder or any Receiver shall (i) be responsible or liable for any debts contracted by it, for damages to persons or property, for salaries or for non-fulfillment of contracts during any period when the Holder or any Receiver shall manage or be in possession of the Collateral; (ii) be liable to account as mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any default or omission for which a mortgagee in possession may be liable; (iii) be bound to do, observe or perform or to see to the observance or performance by the Company of any obligations or covenants imposed upon the Company; or (iv) in the case of any chattel paper, investment property, security, instrument or any other intangible, be obligated to preserve rights against any other persons. The Company hereby waives any provision of Applicable Law permitted to be waived by it which imposes higher or greater obligations upon the Holder or any Receiver than aforesaid.

6.15 Expenses

If the Company fails to pay any amounts required to be paid by it under this Debenture or to observe or perform any of the covenants and obligations to be observed or performed by it set forth in this Debenture or in any other loan or security document provided by the Company to the Holder, the Holder and any Receiver may, but shall be under no obligation to, pay such amounts or do such acts or things as may be required to ensure such observance and performance, without waiving any of its rights under this Debenture or under such other loan or security document. No such payment, act or thing by the Holder or any Receiver shall relieve the Company from any default under this Debenture or any other loan or security document provided by the Company to the Holder or the consequences of such default. The expenses (including the cost of any insurance and payment of taxes or other charges and legal fees and expenses on a solicitor and his own client basis) paid by the Holder or any Receiver in respect of the care, custody, preservation, use or operation of the Collateral, shall be deemed advanced to the Company by the Holder or such Receiver, shall become part of the Obligations, and shall, from the time they are paid by the Holder or such Receiver until repaid by the Company, bear interest at the applicable rate hereunder. In addition, the Company shall pay all reasonable expenses (including legal fees and expenses on a solicitor and his own client basis) incurred by the Holder or any Receiver in connection with the preparation, perfection, execution, protection, enforcement of and advice with respect to this Debenture (including the realization, disposition, retention, protection or collection of the Collateral or any part thereof and the protection and

enforcement of the rights of the Holder and any Receiver hereunder together with all remuneration paid to a Receiver and all costs, charges and expenses of or incidental to any receivership) and such expenses shall become part of the Obligations, and shall, from the time they are paid by the Holder or such Receiver until paid by the Company, bear interest at the applicable rate hereunder.

6.16 Indemnity

The Company will and does hereby indemnify and save harmless the Holder, every Receiver and each of their respective officers, directors, employees and agents from and against any and all liabilities, actions, claims, judgments, obligations, costs, charges or expenses, including legal fees and expenses on a solicitor and his own client basis, made against or incurred by the Holder or any Receiver as a result of taking this Debenture; and the Holder and every Receiver shall have the right to defend against any such liabilities, actions, claims and charges and to claim from the Company all expenses incurred in connection therewith, together with all legal fees and expenses on a solicitor and his own client basis that may be paid in connection therewith. It is understood and agreed that the covenants and conditions of this Section 6.16 shall remain in full force and effect notwithstanding the payment or release, either partially or wholly, of the Charge or any foreclosure thereof.

ARTICLE 7
SATISFACTION AND DISCHARGE

7.1 Cancellation and Destruction

Upon maturity this Debenture shall forthwith after payment thereof be delivered to the Company and cancelled.

7.2 Non-Presentation of Debenture

If the Holder of this Debenture shall fail to present the same for payment on the date on which the principal thereof or represented thereby becomes payable, either at maturity or upon an Event of Default or the Holder shall not accept payment on account thereof and give such receipt therefor (if any) as the Company may require, the Company shall be entitled to set aside the principal moneys and interest thereon in trust to be paid to the Holder upon due presentation and surrender thereof in accordance with the provisions of this Debenture; and thereupon the principal moneys represented by this Debenture and interest thereon in respect whereof such moneys have been set aside shall be deemed to have been paid and thereafter this Debenture shall not be considered as outstanding and the Holder thereof shall thereafter have no right in respect thereof except that of receiving payment of the moneys so set aside by the Company (without interest thereon) upon due presentation and surrender thereof.

7.3 Discharge

Upon the principal due on this Debenture and interest thereon (including interest on amounts in default) having been paid or satisfied, the Holder shall, at the request and at the expense of the Company, execute and deliver to the Company such deeds or other instruments as shall be necessary to evidence the satisfaction and discharge of this Debenture and to release the Company from its covenants contained herein.

ARTICLE 8
MISCELLANEOUS

8.1 Amendments, Waivers, Etc.

This Debenture may not be amended or varied except by written instrument executed by each of the Company and the Holder. Any party may from time to time and at any time:

- (a) waive in whole or in part the benefit to it of any of the provisions of any section in this Debenture; and
- (b) waive in whole or in part its rights on any default by another party under any section in this Debenture which is to its benefit,

but any such waiver by any party of any such benefit or right on any occasion shall be deemed not to be a waiver of the benefit of or right under any such section thereafter or of any other section or of any subsequent default, as the case may be. Failure to exercise or delay in exercising on the part of the Holder any right, power or privilege under this Debenture shall not operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. No waiver by the Holder shall be effective unless it is in writing signed by the Holder. All rights and remedies of the Holder set out in this Debenture are cumulative and no right or remedy contained therein is intended to be exclusive but each is in addition to every other right or remedy contained therein or in any future agreement, or now or hereafter existing at law, in equity or by statute, or pursuant to any other agreement between the Company or a Subsidiary and the Holder that may be in effect from time to time.

8.2 Notice to Company

Any notice to the Company under the provisions of this Debenture shall be valid and effective if emailed to, if delivered personally to, or, if given by registered mail, postage prepaid, addressed to, the Company at Klondike Silver Corp., 804 – 750 West Pender Street, Vancouver, BC V6C 2T7, Attention: Thomas Kennedy (tomkennedy@shaw.ca), and shall be deemed to have been given on the next Business Day following the date of transmission, on the date of delivery or on the fifth Business Day after such notice has been mailed, as the case may be. The Company may from time to time notify the Holder of a change in address which thereafter, until changed by further notice, shall be the address of the Company for all purposes of this Debenture.

8.3 Notice to Holder

Any notice to the Holder under the provisions of this Debenture shall be valid and effective if emailed to, delivered personally to, or sent by first class mail, postage prepaid, addressed to the Holder at Munday - Maxwell and Gaylene - Association at 4 – 7257 Kingsway Street, Burnaby, BC V5E 1G5, Attention: Maxwell Munday (gaylene@redplug.com), and shall be deemed to have been given on the date of delivery or on the fifth Business Day after such notice has been mailed as the case may be. Any accidental error, omission or failure in giving or in delivering or mailing any such notice or the non-receipt of any such notice by the Holder shall not invalidate or otherwise prejudicially affect any action or proceeding founded thereon. The Holder may from time to time notify the Company of a change in address which thereafter, until changed by further notice, shall be the address of the Holder for all purposes of this Debenture.

8.4 Lost Debenture

If this Debenture is stolen or becomes lost, mutilated or destroyed, the Company shall issue and countersign a new Debenture in identical form and substance as this Debenture so stolen, lost, mutilated or destroyed, provided that the Holder or, if not an individual, an officer of the Holder certifies that the Holder has lost this Debenture or it has been stolen, mutilated or destroyed and provided further than the Company may require an indemnity in a form satisfactory to the Company.

8.5 Successors and Assigns

This Debenture shall enure to the benefit of and shall be binding on and enforceable by the parties and their respective successors and permitted assigns.

8.6 Invalidity of Provisions

Each of the provisions contained in this Debenture is distinct and severable and a declaration of invalidity or unenforceability of any such provision by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof or thereof.

8.7 Governing Law

This Debenture shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein and shall be treated in all respects as a British Columbia contract and the parties irrevocably attorn to the non-exclusive jurisdiction of the courts of British Columbia.

8.8 Independent Legal Advice

The Holder acknowledges that Dentons Canada LLP acts for the Company, not the Holder, and that the Holder has received independent legal advice with respect to this Debenture and all matters contemplated herein or chosen not to receive independent legal advice because the Holder is a sophisticated business person and understands the terms and conditions herein.

IN WITNESS WHEREOF the parties have executed this Agreement as of the day, month and year first above written.

KLONDIKE SILVER CORP.

By: _____
Name: Thomas Kennedy
Title: CEO

MUNDAY - MAXWELL AND GAYLENE - ASSOCIATION

By: _____
Name: Maxwell Munday
Title: Director

SCHEDULE "A"

Form of Conversion Election Notice

TO: KLONDIKE SILVER CORP. (the "Company")

The undersigned holder (the "**Holder**") of the attached Secured Convertible Debenture (the "**Debenture**") hereby irrevocably elects to convert \$_____ of the Outstanding Principal Amount thereof (the "**Conversion Amount**") into _____ Units in the capital of the Company in accordance with the terms of the Debenture at the Conversion Price and on the other terms specified in the Debenture. The Holder hereby acknowledges that, subject to any required approval of the Exchange, all accrued and unpaid Interest on the Conversion Amount will be satisfied by the issuance of the Units at the Conversion Price. The capitalized terms used but not otherwise defined herein have the meanings given in the Debenture.

The Holder irrevocably directs that such Units be issued and delivered to the undersigned.

DATED the _____ day of _____, 20__.

Per: _____
Signature

Name and Title of Signatory

B-1

SCHEDULE "B"

Form of Warrant Certificate

See attached.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE [●], 20[●].

[●] Warrants

Warrant Certificate No. [●]

KLONDIKE SILVER CORP.
(Incorporated under the laws of British Columbia)

This is to certify that, for value received, Munday – Maxwell & Gaylene Association, 4 – 7257 Kingsway Street, Burnaby, British Columbia, V5E 1G5 (the “**Holder**”) is the registered holder of the number of Warrants (individually, a “**Warrant**”) stated above and is entitled to acquire from Klondike Silver Corp. (hereinafter called the “**Company**”), at any time up to 5:00 p.m. (Pacific time) on December 31, 2024 (the “**Expiry Time**”), one fully paid and non-assessable Common Share for each Warrant represented hereby at an exercise price of Cdn. \$0.05 per Common Share (the “**Exercise Price**”) in the manner and subject to the restrictions and adjustments hereinafter set forth.

The Warrants shall be subject to the following terms and conditions:

1. For the purposes of this Warrant Certificate, the term “**Common Shares**” means common shares without nominal or par value in the capital of the Company as constituted on the date hereof; provided that in the event of a change, subdivision, redivision, reduction, combination or consolidation thereof or any other adjustment under clause 10 hereof, or successive such changes, subdivisions, redivisions, reductions, combinations, consolidations or other adjustments, then subject to the adjustments, if any, having been made in accordance with the provisions of this Warrant Certificate, “**Common Shares**” shall thereafter mean the shares, other securities or other property resulting from such change, subdivision, redivision, reduction, combination or consolidation or other adjustment.
2. All Warrant Certificates shall be signed by an officer of the Company holding office at the time of signing, or any successor or replacement person and notwithstanding any change in any of the persons holding said offices between the time of actual signing and the delivery of the Warrant Certificate and notwithstanding that such officer signing may not have held office at the date of the delivery of the Warrant Certificate, the Warrant Certificate so signed shall be valid and binding upon the Company.
3. Nothing herein contained shall confer any right upon the Holder to subscribe for or purchase any Common Shares at any time after the Expiry Time, and from and after the Expiry Time, the Warrants evidenced hereby shall be void and of no value.
4. The right to purchase Common Shares conferred hereby may be exercised in whole or in part. In the event that the Holder subscribes for and purchases any number of Common Shares which is less than the number of Common Shares referred to in this Warrant Certificate, prior to the Expiry Time, the Holder shall present the original of this Warrant Certificate to the Company and the Holder shall be entitled to receive a further Warrant Certificate in respect of the Common Shares referred to in this Warrant Certificate but not subscribed for.
5. Subject to the terms hereof and the terms set forth in the Transfer Form attached hereto, the Warrants may be transferred. No transfer of the Warrants will be effective unless this Warrant Certificate, accompanied by a duly executed Transfer Form or other instrument of transfer in such form as the Company may from time to time prescribe, together with such evidence of the genuineness of each endorsement, execution and authorization and of other matters as may reasonably be required by the Company, are delivered to the Company. No transfer of the Warrants will be made if in the opinion of counsel to the Company such transfer would result in the violation of any applicable securities laws.

6. The right to purchase Common Shares pursuant to the Warrants may only be exercised by the Holder at or before the Expiry Time by:

- (a) surrendering this Warrant Certificate and the duly completed and executed exercise form to the Company at Suite 804, 750 West Pender Street, Vancouver, British Columbia, V6C 2T7; and
- (b) paying the purchase price for the Common Shares subscribed for by certified cheque, bank draft or money order payable to the Company in an amount equal to the then applicable Exercise Price multiplied by the number of Common Shares subscribed for.

7. Upon such delivery and payment as aforesaid, the Company shall cause to be issued to the Holder the number of Common Shares of the Company to be issued and the Holder shall become a shareholder of the Company in respect of such Common Shares with effect from the date of such delivery and payment and shall be entitled to delivery of a certificate or certificates evidencing such shares. The Company shall cause such certificate or certificates to be mailed to the Holder at the address or addresses specified in such subscription form within five business days of such delivery and payment as herein provided.

8. The holding of a Warrant shall not constitute the Holder a shareholder of the Company nor entitle him to any right or interest in respect thereof except as herein expressly provided.

9. The Company covenants and agrees that until the Expiry Time, while any of the Warrants shall be outstanding, it shall reserve and there shall remain unissued out of its authorized capital a sufficient number of Common Shares to satisfy the right of purchase herein provided, as such right of purchase may be adjusted pursuant to clauses 10 and 11 hereof. All Common Shares which shall be issued upon the exercise of the right to purchase herein provided for, upon payment thereof of the amount at which such Common Shares may at the time be purchased pursuant to the provisions hereof, shall be issued as fully paid and non-assessable shares and the holders thereof shall not be liable to the Company or its creditors in respect thereof.

10. (a) If and whenever at any time after the date hereof and prior to the Expiry Time the Company shall (i) subdivide, redivide or change its then outstanding Common Shares into a greater number of Common Shares, (ii) reduce, combine or consolidate its then outstanding Common Shares into a lesser number of Common Shares, or (iii) issue Common Shares (or securities exchangeable for or convertible into Common Shares) to the holders of all or substantially all of its then outstanding Common Shares by way of a stock dividend or other distribution (any of such events herein called a “**Common Share Reorganization**”), then the Exercise Price shall be adjusted effective immediately after the effective date of any such event in (i) or (ii) above or the record date at which the holders of Common Shares are determined for the purpose of any such dividend or distribution in (iii) above, as the case may be, by multiplying the Exercise Price in effect on such effective date or record date, as the case may be, by a fraction, the numerator of which shall be the number of Common Shares outstanding on such effective date or record date, as the case may be, before giving effect to such Common Share Reorganization and the denominator of which shall be the number of Common Shares outstanding immediately after giving effect to such Common Share Reorganization including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would be outstanding if such securities were exchanged for or converted into Common Shares.

- (b) If and whenever at any time after the date hereof and prior to the Expiry Time there is a capital reorganization of the Company or a reclassification or other change in the Common Shares (other than a Common Share Reorganization) or a consolidation or merger or amalgamation or arrangement of the Company with or into any other corporation or other entity (other than a consolidation, merger or amalgamation which does not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other securities), or a transfer of all or substantially all of the Company’s undertaking and assets to another corporation or other entity in which the holders of Common Shares are entitled to receive shares, other securities or other property (any of such events being called a “**Capital**

Reorganization”), the Holder, where he has not exercised the right of subscription and purchase under this Warrant Certificate prior to the effective date of such Capital Reorganization, shall be entitled to receive and shall accept, upon the exercise of such right, on such date or any time thereafter, for the same aggregate consideration in lieu of the number of Common Shares to which he was theretofore entitled to subscribe for and purchase, the aggregate number of shares or other securities or property which the Holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, he had been the registered holder of the number of Common Shares to which he was theretofore entitled to subscribe for and purchase.

- (c) If and whenever at any time after the date hereof and prior to the Expiry Time, any of the events set out in clause 10(a) shall occur and the occurrence of such event results in an adjustment of the Exercise Price pursuant to the provisions of clause 10(a), then the number of Common Shares purchaseable pursuant to this Warrant shall be adjusted contemporaneously with the adjustment of the Exercise Price by multiplying the number of Common Shares then otherwise purchaseable on the exercise thereof by a fraction, the numerator of which shall be the Exercise Price in effect immediately prior to the adjustment and the denominator of which shall be the Exercise Price resulting from such adjustment.
- (d) If the Company takes any action affecting its Common Shares to which the foregoing provisions of this clause 10, in the opinion of the board of directors of the Company, acting in good faith, are not strictly applicable, or if strictly applicable would not fairly adjust the rights of the Holder against dilution in accordance with the intent and purposes hereof, or would otherwise materially affect the rights of the Holder of the Warrants hereunder, then the Company shall execute and deliver to the Holder an amendment hereto providing for an adjustment in the application of such provisions so as to adjust such rights as aforesaid in such manner as the board of directors of the Company may determine to be equitable in the circumstances, acting in good faith. The failure of the taking of action by the board of directors of the Company to so provide for any adjustment on or prior to the effective date of any action or occurrence giving rise to such state of facts will be conclusive evidence that the board of directors has determined that it is equitable to make no adjustment in the circumstances.

11. The following rules and procedures shall be applicable to the adjustments made pursuant to clause 10:

- (a) any Common Shares owned or held by or for the account of the Company shall be deemed not to be outstanding except that, for the purposes of clause 10, any Common Shares owned by a pension plan or profit sharing plan for employees of the Company or any of its subsidiaries shall not be considered to be owned or held by or for the account of the Company;
- (b) no adjustment in the Exercise Price shall be required unless a change of at least 1% of the prevailing Exercise Price would result, provided, however, that any adjustment which, except for the provisions of this clause 11(b), would otherwise have been required to be made, shall be carried forward and taken into account in any subsequent adjustment;
- (c) the adjustments provided for in clause 10 are cumulative and shall apply to successive subdivisions, consolidations, dividends, distributions and other events resulting in any adjustment under the provisions of such clause;
- (d) if the Company sets a record date to take any action and thereafter and before the taking of such action abandons its plan to take such action, then no adjustment to the Exercise Price will be required by reason of the setting of such record date;
- (e) forthwith after any adjustment to the Exercise Price or the number of Common Shares purchaseable pursuant to the Warrants, the Company shall provide to the Holder a certificate of an officer of the Company certifying as to the amount of such adjustment and, in reasonable detail, describing the event requiring and the manner of computing or determining such adjustment; and

- (f) any question that at any time or from time to time arises with respect to the amount of any adjustment to the Exercise Price or other adjustment pursuant to clause 10 shall be conclusively determined by a firm of independent chartered accountants (who may be the Company's auditors) and shall be binding upon the Company and the Holder.
12. At least 21 days prior to the effective date or record date, as the case may be, of any event referred to in clause 10, the Company shall notify the Holder of the particulars of such event and the estimated amount of any adjustment required as a result thereof.
13. On the happening of each and every such event set out in clause 10, the applicable provisions of this Warrant, including the Exercise Price, shall, *ipso facto*, be deemed to be amended accordingly and the Company shall take all necessary action so as to comply with such provisions as so amended.
14. The Company shall not be required to deliver certificates for Common Shares while the share transfer books of the Company are properly closed, having regard to the provisions of clauses 10 and 11 hereof, prior to any meeting of shareholders or for the payment of dividends or for any other purpose and in the event of the surrender of any Warrant in accordance with the provisions hereof and the making of any subscription and payment for the Common Shares called for thereby during any such period delivery of certificates for Common Shares may be postponed for not more than five days after the date of the re-opening of said share transfer books. Provided, however, that any such postponement of delivery of certificates shall be without prejudice to the right of the Holder so surrendering the same and making payment during such period to receive after the share transfer books shall have been re-opened such certificates for the Common Shares called for, as the same may be adjusted pursuant to clauses 10 and 11 hereof as a result of the completion of the event in respect of which the transfer books were closed.
15. Subject as hereinafter provided, all or any of the rights conferred upon the Holder by the terms hereof may be enforced by the Holder by appropriate legal proceedings. No recourse under or upon any obligation, covenant or agreement contained herein shall be had against any shareholder or officer of the Company either directly or through the Company, it being expressly agreed and declared that the obligations under the Warrants are solely corporate obligations and that no personal liability whatever shall attach to or be incurred by the shareholders, directors or officers of the Company or any of them in respect thereof, any and all rights and claims against every such shareholder, officer or director being hereby expressly waived as a condition of and as a consideration for the issue of the Warrants.
16. If any Warrant Certificate becomes stolen, lost, mutilated or destroyed, the Company shall, on such terms as it may in its discretion acting reasonably impose, issue and sign a new Warrant Certificate of like denomination, tenor and date as the Warrant Certificate so stolen, lost, mutilated or destroyed for delivery to the Holder. The applicant for the issue of a new Warrant Certificate pursuant to this clause 16 shall bear the cost of the issue thereof and in case of loss, destruction or theft shall, as a condition precedent to the issue thereof, furnish to the Company such evidence of ownership and of the loss, destruction or theft of the Warrant Certificate as shall be reasonably satisfactory to the Company and further, such applicant may be required to furnish an indemnity in amount and form satisfactory to the Company.
17. The Company may deem and treat the registered holder of any Warrant Certificate as the absolute owner of the Warrants represented thereby for all purposes, and neither the Company shall not be affected by any notice or knowledge to the contrary except where the Company is required to take notice by statute or by order of a court of competent jurisdiction. Receipt by a Holder of the Common Shares purchaseable pursuant to such Warrant shall be a good discharge to the Company for the same.
18. All notices to be sent hereunder shall be deemed to be validly given to the Holders of the Warrants if delivered personally or if sent by registered letter through the post addressed to such holders at their post office addresses appearing in the register of Warrant holders caused to be maintained by the Company and such notice

shall be deemed to have been given, if delivered personally when so delivered, and if sent by post on the fifth business day next following the posting thereof.

19. Compliance with the applicable securities legislation is the responsibility of the Warrant holder.

20. This Warrant shall be governed by the laws of the Province of British Columbia and the federal laws of Canada applicable herein.

IN WITNESS WHEREOF the Company has caused this Warrant Certificate to be signed by its duly authorized officer.

DATED the _____ day of _____, 20[●].

KLONDIKE SILVER CORP.

Per: _____

Name: Thomas Kennedy

Title: CEO

TO BE COMPLETED IF WARRANTS ARE TO BE EXERCISED:

TO: KLONDIKE SILVER CORP.

The undersigned hereby subscribes for _____ common shares. (the “**Common Shares**”) of Klondike Silver Corp. according to the terms and conditions set forth in the annexed warrant certificate at a price of Cdn. \$0.05 per Common Share (subject to adjustment) and encloses herewith in cash, certified cheque, bank draft or money order, payable to Klondike Silver Corp., being full payment of the subscription price for such Common Shares. The undersigned acknowledges and agrees that a legend may be placed on any certificates representing common shares subscribed for hereunder.

The undersigned hereby exercises the right to purchase shares and hereby subscribes for the undernoted number of the Common Shares referred to in this Warrant Certificate according to the conditions hereof and herewith makes payment of the purchase price in full for the said shares. In connection with the exercise of these Warrants, the undersigned represents as follows (Please check the **ONE** box applicable):

- The undersigned hereby certifies that the undersigned is the original purchaser of the Warrants, and that all of the representations and warranties made by the undersigned to the Company in connection with the undersigned’s purchase of such Warrants remain full, true and correct; **OR**
- The undersigned hereby certifies that (i) it is not a U.S. Person (as defined in Regulation S under the United States Securities Act of 1933), (ii) at the time of exercise it is not within the United States, and (iii) it is not exercising any of the Warrants represented by this Warrant Certificate by or on behalf of any U.S. Person or person within the United States; **OR**
- The undersigned is delivering a written opinion of U.S. Counsel, acceptable in form and substance to the Company, to the effect that the Common Shares to be delivered upon exercise hereof have been registered under the United States Securities Act of 1933 or are exempt from registration thereunder.

The undersigned hereby directs that the Common Shares be issued and delivered as follows (*please print information in full*):

Name(s)	Addresses	Number of Common Shares

Dated at _____, this _____ day of _____, 20__.

Witness

Holder’s Name

Signature guaranteed:

Authorized Signature

Title (if applicable)

Upon surrender of the Warrant Certificate and payment, the Company will issue to the person named in the subscription form the number of Common Shares subscribed for and shall deliver a certificate or certificates evidencing the Common Shares subscribed for on the dates and in the manner specified in the Warrant Certificate. If the Holder subscribes for a lesser number of Common Shares than the number of Common Shares referred to in the Warrant Certificate, the Holder will be entitled to receive a further Warrant Certificate in respect of the Common Shares referred to in this Warrant Certificate but not subscribed for.

TRANSFER FORM

For value received, the undersigned hereby sells, transfers and assigns

unto _____

(please print name of transferee)

of _____

(please print address of transferee)

_____ warrants of

(please insert number of warrants to be transferred)

Klondike Silver Corp. represented by the enclosed certificate.

DATED this ___ day of _____, 20__.

NOTICE: THE SIGNATURE TO THIS TRANSFER MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE WARRANT CERTIFICATE, IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE WHATEVER

Signature
guaranteed by: _____

NOTICE: THE SIGNATURE OF THE TRANSFEROR SHOULD BE GUARANTEED BY A BANK, FINANCIAL INSTITUTION OR STOCK BROKER WHOSE SIGNATURE IS ACCEPTABLE TO THE COMPANY.

* The signature of this transfer must correspond exactly with the name as written on the face page hereof.

Warrants shall only be transferable in accordance with applicable laws and the resale of warrants and shares issuable upon exercise of warrants may be subject to restrictions under such laws.

SCHEDULE "C"**Undersurface Rights**

<u>Charge(s)</u>	<u>PID</u>	<u>Legal Description</u>
Undersurface and Other Exc & Res No. LB565210	016-718-241	District Lot 1398 Kootenay District
Undersurface and Other Exc & Res No. LB565238	016-616-171	District Lot 14175 Kootenay District
Undersurface and Other Exc & Res No. LB565230	016-598-831	That part of District Lot 3364 Kootenay District, lying outside the boundaries of Sublot 20 District Lot 819 Kootenay District Plan X77
Undersurface and Other Exc & Res No. LB565232	016-599-195	That part of District Lot 3366 Kootenay District, lying outside the Boundaries of Sublot 20 District Lot 819 Kootenay District Plan X77
Undersurface and Other Exc & Res No. LB565213	013-499-521	Parcel A (A.F.B. 34/337/26405A) Sublot 20 District Lot 819 Kootenay District Plan X77
Undersurface and Other Exc & Res No. LB565222		
Undersurface and Other Exc & Res No. LB565226		
Undersurface and Other Exc & Res No. LB565227		
Undersurface and Other Exc & Res No. LB565229		
Undersurface and Other Exc & Res No. LB565230		
Undersurface and Other Exc & Res No. LB565231		
Undersurface and Other Exc & Res No. LB565232		
Undersurface and Other Exc & Res No. LB565233		
Undersurface and Other Exc & Res No. LB565236		
Undersurface and Other Exc & Res No. LB565237		
Undersurface and Other Exc & Res No. LB565242		
Undersurface and Other Exc & Res No. LB565243		
Undersurface and Other Exc & Res No. LB565245		
Undersurface and Other Exc & Res No. LB565248		
Undersurface Rights No. LB567264		
Undersurface Rights No. LB567267		
Undersurface Rights No. LB567269		
Undersurface and Other Exc & Res No. LB565239	016-616-332	District Lot 14422 Kootenay District
Undersurface and Other Exc & Res No. LB565211	016-718-259	District Lot 1399 Kootenay District

Charge(s)	PID	Legal Description
Undersurface and Other Exc & Res No. LB565215	024-384-518	Sublot 19 District Lot 819 Kootenay District Plan X77
Undersurface and Other Exc & Res No. LB565206	024-713-422	District Lot 976 Kootenay District known as the "Muldoon" Mineral Claim
Undersurface Rights No. LB90052	016-032-225	District Lot 720 Kootenay District
Undersurface and Other Exc & Res No. LB565235	016-616-065	District Lot 14174 Kootenay District
Undersurface and Other Exc & Res No. LB565207	013-499-530	District Lot 739 Kootenay District
Undersurface and Other Exc & Res No. LB565224	016-616-294	District Lot 14421 Kootenay District
Undersurface and Other Exc & Res No. LB565229	016-598-792	That part of District Lot 3363 Kootenay District, lying outside the Boundaries of Sublot 20 District Lot 819 Kootenay District Plan X77
Undersurface Rights No. LB90053	016-032-233	District Lot 1246 Kootenay District
Undersurface and Other Exc & Res No. LB565215	024-384-534	Those portions containing 206 acres and 41.84 acres more or less of Sublot 20 District Lot 819 Kootenay District Plan X77 which are shown colored red on Plan DD11406
Undersurface Rights No. LB567262		
Undersurface Rights No. LB567263		
Undersurface Rights No. LB567264		
Undersurface Rights No. LB567265		
Undersurface Rights No. LB567266		
Undersurface Rights No. LB567267		
Undersurface Rights No. LB567268		
Undersurface Rights No. LB567269		
Undersurface and Other Exc & Res No. LB565223	016-616-235	District Lot 14420 Kootenay District
Undersurface Rights No. LB90049	024-090-255	The surface of District Lot 3516 Kootenay District known as the "Last Chance" No. 4 Mineral Claim
Undersurface and Other Exc & Res No. LB565208	013-499-548	District Lot 740 Kootenay District
Undersurface and Other Exc & Res No. LB565212	016-718-267	District Lot 1400 Kootenay District
Undersurface Rights No. LB90051	016-032-217	District Lot 530 Kootenay District
Undersurface Rights No. LB90046	024-090-174	The surface of District Lot 1713 Kootenay District known as the "Jennie No. 3" Mineral Claim lying outside the boundaries of Sublot 10 District Lot 819 Kootenay District Plan X77
Undersurface and Other Exc & Res No. LB565225	016-616-464	District Lot 14425 Kootenay District
Undersurface and Other Exc & Res No. LB565209	013-499-556	District Lot 741 Kootenay District
Undersurface Rights No. LB90046	016-032-136	Sublot 10 District Lot 819 Kootenay District Plan X77
Undersurface and Other Exc & Res No. LB565221	013-499-467	Sublot 4 District Lot 819 Kootenay District Plan X77
Undersurface Rights No. LB90050	016-032-195	District Lot 452 Kootenay District

Charge(s)	PID	Legal Description
Undersurface Rights No. LB90055	016-417-453	District Lot 1303 Kootenay District
Undersurface and Other Exc & Res No. LB565241	016-616-421	District Lot 14424 Kootenay District
Undersurface Rights No. LB565289	028-556-844	District Lot 1808 Kootenay District known as the "Robertson" Mineral Claim
Undersurface Rights No. LB565289	028-537-378	District Lot 750 Kootenay District known as the "Adams" Mineral Claim
Undersurface and Other Exc & Res No. LB565243	016-616-626	That part of District Lot 14427 Kootenay District, lying outside the boundaries of Sublot 20 District Lot 819 Kootenay District Plan X77
Undersurface Rights No. LB565289	028-556-828	District Lot 1806 Kootenay District known as the "Jenny Lind" Mineral Claim
Undersurface Rights No. LB565289	028-651-031	District Lot 2849 Kootenay District known as the "Hilltop Fraction" Mineral Claim
Undersurface Rights No. LB565289	028-536-240	District Lot 699 Kootenay District known as the "Chamblet" Mineral Claim
Undersurface Rights No. LB565289	028-537-408	District Lot 751 Kootenay District known as the "Brandon" Mineral Claim
Undersurface and Other Exc & Res No. LB565242	016-616-537	That part of District Lot 14426 Kootenay District, lying outside the boundaries of Sublot 20 District Lot 819 Kootenay District Plan X77
Undersurface and Other Exc & Res No. LB565244	016-718-232	District Lot 1397 Kootenay District
Undersurface Rights No. LB565289	028-553-543	District Lot 1528 Kootenay District known as the "Cazabazua" Mineral Claim
Undersurface Rights No. LB565289	028-651-014	District Lot 2847 Kootenay District known as the "Sarah B." Mineral Claim
Undersurface Rights No. LB566875	028-541-839	District Lot 810 Kootenay District Except: (1) those portions included within District Lots 481, 842, 1722, 1723, 1724, 2029 and 2030 (2) Plans DD22876a, DF3770, DD4954, DD4311, DD14691, DD15425, DFP9873 and 609D (3) Part 1.96 acres on Plan 1157 (4) Parcel 1 (see Plan DD9752-I) (5) Parcel S (see Plan 26050-I) (6) Parcels 1, 2 and 3 (see Plans DD14896-I and F57)
Undersurface Rights No. LB565289		
Undersurface Rights No. LB566874		
Undersurface Rights No. LB565289	028-553-535	District Lot 1527 Kootenay District known as the "Wakefield" Mineral Claim
Undersurface Rights No. LB565289	028-651-022	District Lot 2848 Kootenay District known as the "Katie D." Mineral Claim
Undersurface and Other Exc & Res No. LB565240	016-616-375	District Lot 14423 Kootenay District
Undersurface Rights No. LB565289	028-536-231	District Lot 698 Kootenay District known as the "Britomarte" Mineral Claim
Undersurface Rights No. LB565289	028-556-810	District Lot 1805 Kootenay District known as the "Ottawa No. 2" Mineral Claim
Undersurface and Other Exc & Res No. LB565228	016-598-776	District Lot 3362 Kootenay District

Charge(s)	PID	Legal Description
Undersurface and Other Exc & Res No. LB565234	016-615-981	District Lot 14173 Kootenay District
Undersurface and Other Exc & Res No. LB565249	016-626-125	District Lot 14171 Kootenay District
Undersurface Rights No. LB90054	016-417-429	District Lot 451 Kootenay District