

CONDITIONS OF PURCHASE

1. This offer is subject to withdrawal at any time prior to communication of acceptance to Rio Grande Silver, Inc. ("RGS"). Upon such acceptance, the terms set forth on this purchase order shall constitute the entire agreement relating to the purchase of the goods ordered on the face hereof and shipment or delivery of said goods by Seller shall be deemed to be acceptance of said terms in their entirety. Seller is hereby notified of RGS's objection to any terms inconsistent herewith and to any additional terms proposed by Seller in accepting or acknowledging this order and such terms shall not become a part of this agreement unless accepted in writing by RGS. Neither RGS's subsequent lack of objection to any such terms, nor the acceptance of goods ordered hereby, shall constitute or be deemed an agreement by RGS to any such terms. Seller may not assign this order without RGS's prior written consent.

2. Seller shall suitably pack, mark and ship in accordance with any instructions from RGS and the requirements of common carriers to secure the lowest transportation costs. Seller shall be liable for any excess freight charges or damage to the materials by its failure to comply herewith. Seller will send RGS a "Notice of Shipment" giving the number of the order, kind and amount of materials, and route at or prior to time of shipment.

3. If the merchandise covered by this order is standard stock merchandise, Purchaser, at its option, may cancel at any time any unshipped portion of this order without further obligation hereunder, except to make payment, subject to other applicable terms hereof for the merchandise actually shipped prior to such cancellation. If this order covers merchandise manufactured or fabricated to Purchaser's specifications or specifications especially prepared by Seller for Purchase, then at any time prior to delivery of all merchandise covered hereby, Purchaser, at its option, may cancel this order, in whole or in part, by written or telegraphic notice to Seller, and in such event the following provisions shall govern and control:

- a) Upon the effective date of such cancellation Seller shall stop all work in connection with this order except as otherwise directed by Purchaser;
- b) Purchaser shall pay Seller's actual and direct out-of-pocket costs to the date of such cancellation, including Seller's expense in connection with cancellation of any subcontracts, all as approved by Purchaser, provided, however; that in no event shall the total amount to be paid upon such cancellation, plus payments previously made, exceed the lesser of (i) the total aggregate purchase price specified herein; or (ii) that proportion of the aggregate total purchase price specified herein that the work actually performed hereunder to the date of cancellation bears to the entire work to be performed hereunder;
- c) On such payment the materials or uncompleted portions of the work shall be the property of Purchaser and shall be subject to its disposition.

None of the above provisions of this paragraph 3 relating to payment upon cancellation shall apply in the event that at the time notice of cancellation is given, Seller is in default in delivery or otherwise or has breached any terms or conditions of this order. In the event of any such default or breach, Purchaser shall have the right to terminate this order in whole or in part, and Purchaser may procure elsewhere merchandise similar to the merchandise as to which this order is so terminated, and Seller shall be liable for any costs for such similar merchandise in excess of the price or prices specified herein, provided, however, that Seller shall continue the performance of this order to the extent not terminated by Purchaser. In addition to the rights provided above, Purchaser may exercise any other rights or remedies provided by law or under this order for any such default or breach by Seller.

4. If any sales, use, duty, excise or other similar tax or charge, for which RGS has not furnished or agreed to furnish an exemption certificate, is applicable to this order, it must be stated separately on the invoices.

5. RGS may return any materials, which are defective, unsatisfactory, or of inferior quality or workmanship, or fail to meet the specifications or other requirements of this order. Such materials shall, unless used by RGS, remain the property of the Seller and may be returned at Seller's risk and expense, and Seller shall reimburse RGS for all prior payments therefore and/or costs incurred in connection with delivery or return of such materials.

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6. Seller warrants the materials will conform to the description and applicable specifications, shall be of merchantable quality and fit for the known purpose for which sold, that the materials are free and clear of all liens and encumbrances, and that seller has a good and merchantable title. This is in addition to any warranty or service guarantee given by Seller to RGS or provided by law.

7. If Seller shall default in any respect, or become insolvent or if a petition in bankruptcy or insolvency is filed by or against Seller under any State or Federal law, RGS, in addition to other rights or remedies, may terminate or cancel this order or the undelivered part thereof. A waiver or breach of any provision shall not be a waiver of any other breach of such provision or of any other provisions. RGS shall not, in any event, be liable to Seller for special contingent or consequential damages.

8. Seller shall defend any suit or proceeding brought against RGS, its officers, agents and/or employees based on a claim that the manufacture or sale of RGS's intended use or resale of any of the materials covered by this order constitutes infringement of any United States Letters Patent, now or hereafter issued, or violates any other proprietary interest (including copyrights, trademarks and trade secrets), if notified promptly in writing and given authority, information, and assistance (at Seller's expense) for the defense of same; and Seller shall pay all damages and costs, including attorney's fees, awarded against RGS in such suit or proceeding. In the event RGS is enjoined from use and/or resale of any of the materials covered by this order as a result of said suit or proceeding, Seller shall (at its expense) expend all reasonable efforts to procure for RGS the right to use and/or resell said materials. If Seller cannot so procure the aforementioned right within a reasonable time, Seller shall then promptly (at Seller's expense); (1) modify said materials so as to avoid infringement of any patent or other proprietary interest, or (2) replace said materials with materials which do not infringe or violate said proprietary interest and reimburse RGS for any additional transportation and reinstallation costs in connection therewith or (3) remove said materials and refund the purchase price and reimburse RGS for the transportation and installation costs thereof. This paragraph shall constitute the sole agreement relating to liability for infringement or violation of proprietary rights unless expressly revised or revoked in writing.

9. If seller performs labor or services under this order on RGS's premises, workman's compensation and Liability Insurance Certificates must be submitted to and approved by RGS before such labor or services begin. Seller shall defend and indemnify RGS against and from all claims and expenses arising out of the negligent acts or omissions of Seller (or anyone acting on its behalf) in connection with said delivery or installation including any claim arising in connection with the use by Seller (or anyone acting on its behalf) of equipment or materials furnished or owned by RGS.

10. RGS reserves the right to place in Seller's plant, at RGS's expense, an inspector or inspectors who shall be permitted to inspect before shipment, or during the process of manufacture, any material on this order.

11. Seller agrees not to release any advertising copy mentioning RGS or quoting the opinion of any of RGS's employees unless such copy is approved by RGS before release.

12. RGS may at any time insist upon strict compliance with these terms and conditions, notwithstanding any previous custom practice, or course of dealing to the contrary.

13. It shall be understood that the cash discount period to RGS will date from the receipt of the invoice and not from the date of the invoice.

14. Time is of the essence of this order. RGS reserves the right to cancel this order or any portion hereof if delivery of performance is not made within the specified time.

15. RGS's remedies, in the event of default by Seller, shall be as provided by law, or as otherwise provided herein and shall, in no event, be limited by terms proposed by Seller.

16. This Purchase Order and the provision of materials or services hereunder shall be governed by the law of the state to which the goods are delivered.