MINING OPTION AGREEMENT

THIS AGREEMENT is made as of December 20, 2012 and is

Between:

PRESTON MINERAL RESOURCES LTD., a British Columbia company having an address c/o Gavin Stuttard, Suite 900 – 1959 Upper Water Street, Halifax, Nova Scotia B3J 3N2, facsimile number: 902-420-1417

("PMR")

And:

HIGH NORTH RESOURCES LTD., a British Columbia company having an address at 2000 – 1177 West Hastings Street, Vancouver, British Columbia V6E 2K3, facsimile number: 604-602-1606

("HNR")

BACKGROUND

A. PMR is the registered and beneficial owner of a 100% interest in and to the three Exploration Licenses located in Nova Scotia described in Schedule A.

B. HNR is a public company whose shares trade on the TSX Venture Exchange.

C. PMR and HNR entered into a Mineral Claim Purchase Agreement (the "**Mineral Claim Purchase Agreement**") made as of November 15, 2012 providing for HNR to purchase the three Exploration Licenses from PMR.

D. PMR and HNR have now agreed that the Mineral Claim Purchase Agreement shall be terminated and that instead HNR will have an option to acquire an undivided 75% interest in the three Exploration Licenses on the terms and conditions hereinafter set forth.

In consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by each of the Parties) the Parties hereto covenant and agree each with the others as follows:

1. Interpretation

1.1. *Definitions.* In this Agreement:

(a) "**Acts**" means all legislation, as amended from time to time, of the jurisdiction in which the Property is located, applicable to the Property, including title to, and Mining Operations on, the Property.

(b) “**Affiliate**” has the meaning set out in the British Columbia *Business Corporations Act*, as amended from time to time.

(c) “**Agreement**” means this agreement, including the recitals and the Schedules, all as amended, supplemented or restated from time to time.

(d) **“Approval Date”** means the date which is the first Business Day after the date that the Exchange issues its final written acceptance of this Agreement and the transaction contemplated thereby.

(e) **“Assets”** means all tangible and intangible goods, chattels, improvements or other items including, but not limited to, land, buildings, and equipment but excluding the Property, acquired for or made to the Property under this Agreement in connection with the Mining Operations.

(f) “**Business Day**” means a day other than a Saturday, Sunday or statutory holiday in British Columbia.

(g) “**Encumbrances**” means security interests, liens, royalties, charges, mortgages, pledges, encumbrances, adverse claims or challenges of any nature or kind whatsoever, whether written or oral, or direct or indirect.

(h) “**Exchange**” means the TSX Venture Exchange.

(i) “**Expenditures**” means all costs, expenses and charges, direct or indirect, of or incidental to the Mining Operations incurred by HNR, which costs, expenses and charges shall be determined in accordance with HNR’s accounting practises applicable from time to time to the extent that those practises are consistent with Canadian generally accepted accounting principles.

(j) “**Government or Regulatory Authority**” means any federal, provincial, regional, municipal or other government, governmental department, regulatory authority, commission, board, bureau, agency or instrumentality and that have lawful authority to regulate or administer or govern an business or property or affairs of any person, and for the purposes of this Agreement also includes any corporation or other entity owned or controlled by any of the foregoing and any stock exchange on which shares of a party are listed for trading.

(k) “**Joint Venture**” has the meaning set out in Section 6.2.

(l) “**Joint Venture Agreement**” has the meaning set out in Section 6.2.

(m) “**Mineral Claim Purchase Agreement**” has the meaning set out in Background paragraph C.

(n) "**Minerals**" means the end products produced or derived from operating the Property as a mine.

(o) "**Mining Operations**" means every kind of work done on or in respect of the Property or the minerals, derived from the Property during the Option Period by or under the direction of HNR including, without limiting the generality of the foregoing, the work of assessment, geophysical, geochemical and geological surveys, studies and mapping, investigating, drilling, designing, examining, assaying, prospecting, equipping, improving, surveying, shaft-sinking, raising, cross-cutting and drifting, searching for, digging, trucking, sampling, working and procuring minerals, ores and metals, surveying and bringing any mining claims to lease or patent, reclaiming and all other work usually considered to be prospecting, exploration, development, mining and reclamation work; in paying wages and salaries of workers engaged in the work and in supplying food, lodging, transportation and other reasonable needs of the workers; in paying assessments or premiums for workers' compensation insurance, contributions for unemployment insurance or other pay allowances or benefits customarily paid in the district to those workers; in paying rentals, licence renewal fees, taxes and other governmental charges required to keep the Property in good standing; in purchasing or renting plant, buildings, machinery, tools, appliances, equipment or supplies and in installing, erecting, detaching and removing them; mining, milling, concentrating rehabilitation, reclamation, and environmental protections and in the management of any work which may be done on the Property or in any other respect necessary for the due carrying out of the prospecting, exploration and development work.

(p) "**Operator**" means HNR.

(q) "**Option**" has the meaning set out in Section 4.1 of this Agreement.

(r) "**Option Period**" means the period commencing on the Approval Date and ending on the second anniversary of the Approval Date unless terminated earlier by the exercise of the Option by HNR or the lapse or termination of the Option.

(s) "**Parties**" means the parties to this Agreement and their respective successors and permitted assigns which become parties pursuant to this Agreement and "**Party**" means any one of the Parties.

(t) "**Permitted Encumbrance**" means

(i) easements, rights of way, servitudes or other similar rights in land including, without limiting the generality of the foregoing, rights of way and servitudes for railways, sewers, drains, gas and oil pipelines, gas and water mains, electrical light, power, telephone, telegraph or cable television conduits, poles, wires and cables;

(ii) the right reserved to or vested in any government or other public authority by the terms of any or by any statutory provision, to terminate, revoke or forfeit any of the lease or mining claims or to require annual or other periodic payments as a condition of the continuance thereof;

(iii) rights reserved to or vested in any municipality or governmental, statutory or public authority to control or regulate in any manner, and all applicable laws, rules and orders of any governmental authority; and

(iv) the reservations, limitations, provisos and conditions in any original grants from the Crown or interests therein and statutory exceptions to title.

(u) "**Property**" means the three Exploration Licenses located in Nova Scotia described in Schedule A and the property subject to the Exploration Licenses, including any renewals, extensions or replacements thereof, together with all other rights and mineral interests appurtenant or incidental thereto.

1.2. *Headings.* The division of this Agreement into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and includes any variation or amendment hereto from time to time and any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

1.3. *Legislation.* Any reference to a provision in any legislation is a reference to that provision as now enacted, and as amended, re-enacted or replaced from time to time, and in the event of such amendment, re-enactment or replacement any reference to that provision shall be read as referring to such amended, re-enacted or replaced provision.

1.4. *Extended Meanings.* In this Agreement words importing the singular number only shall include the plural and *vice versa*, words importing the masculine gender shall include the feminine and neuter genders and *vice versa* and words importing persons shall include individuals, partnerships, associations, trusts, unincorporated organizations and corporations. All references to mineral claims shall include map designated units.

1.5. *Currency*. All references to currency herein are to lawful money of Canada, unless otherwise specified.

1.6. *Non-Merger*. The provisions contained in this Agreement shall survive the Effective Date and the completion of the transactions contemplated by this Agreement and shall not merge in any conveyance, transfer, assignment, novation agreement or other document or instrument delivered pursuant hereto or in connection herewith.

1.7. *Construction Clause.* This Agreement has been negotiated and approved by counsel on behalf of all Parties hereto and, notwithstanding any rule or maxim of construction to the contrary, any ambiguity or uncertainty will not be construed against any party hereto by reason of the authorship of any of the provisions hereof.

1.8. *No partnership.* Nothing contained in this Agreement shall be construed as creating a partnership of any kind or as imposing on any Party any partnership duty, obligation or liability to any other Party.

2. Representations, Warranties and Covenants

2.1. *Representations, Warranties and Covenants of PMR.* PMR represents, warrants and covenants to HNR that:

(a) PMR is a company duly incorporated, organized and subsisting under the laws of its jurisdiction of incorporation, amalgamation or continuation with the corporate power to own its assets and to carry on its business in the jurisdiction in which the Property is located;

(b) PMR has all necessary corporate power, authority and capacity to enter into this Agreement and to do all such acts and things as are required to be done, observed or performed by it, in accordance with the terms of this Agreement and PMR has taken all necessary action to authorize the execution, delivery and performance of this Agreement and to observe and perform the provisions thereof in accordance with its terms;

(c) there is no contract, option or any other right of another binding upon PMR to option, sell, transfer, assign, pledge, charge, mortgage, explore or in any other way option, dispose of or encumber all or part of the Property or any portion thereof or interest therein other than pursuant to the provisions of this Agreement;

(d) the execution, delivery and performance of this Agreement by PMR, and the consummation of the transactions herein contemplated will not (i) violate or conflict with any term or provision of any of the articles, by-laws or other constating documents of PMR; (ii) violate or conflict with any term or provision of any order of any court, Government or Regulatory Authority or any law or regulation of any jurisdiction in which

PMR's business is carried on; or (iii) conflict with, accelerate the performance required by or result in the breach of any agreement to which it is a party or by which it is currently bound;

(e) PMR is the legal and beneficial owner of a 100% undivided interest in and to the Property, free and clear of all Encumbrances except for Permitted Encumbrances;

(f) PMR is not a party to or bound by any contract or commitment to pay any royalty, licence fee or management fee pertaining to the Property or other interest whatsoever in production or profits from the Property or any portion thereof;

(g) PMR has not received any notice of, nor is PMR aware of, any non-compliance with any applicable environmental and hazardous substance laws with respect to the Property nor any actions, suits, or proceedings pending or threatened against or adversely affecting, or which could adversely affect, the property or the ownership thereof;

(h) the Property is properly and accurately described in Schedule A hereto and is in good standing under the laws of the jurisdiction in which the Property is located, up to and including at least the expiry dates set forth in Schedule A and no taxes, surcharges, levies, or other government fees or charges are due or payable with respect to the Property;

(i) PMR is not a non-resident for the purposes of Section 116 of the *Income Tax Act* (Canada);

(j) this Agreement has been duly authorized, executed and delivered by PMR and constitutes a valid and binding obligation of PMR enforceable against PMR in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought; and

(k) PMR shall, during the Option Period:

    (i) promptly provide HNR with any and all notices and correspondence from Government or Regulatory Authorities in respect of the Property;

    (ii) co-operate with HNR in obtaining any permits or licences required by authorities in the jurisdiction in which the Property is situate;

    (iii) not do or permit or suffer to be done any act or thing which would or might in any way adversely affect the rights of HNR hereunder; and

(iv) maintain its corporate existence.

2.2. *Representations, Warranties and Covenants of HNR.* HNR represents, warrants and covenants to PMR that:

(a) HNR is a corporation duly incorporated, organized and subsisting under the laws of British Columbia with the corporate power to own its assets and to carry on its business in the jurisdiction in which the Property is located;

(b) HNR has all necessary power and authority to own or lease its assets and carry on its business as presently carried on, to carry out its obligations herein and to enter into this Agreement and any agreement or instrument referred to in or contemplated by this Agreement and to do all such acts and things as are required to be done, observed or performed by it, in accordance with the terms of this Agreement and any agreement or instrument referred to in or contemplated by this Agreement;

(c) the execution, delivery and performance of this Agreement by HNR, and the consummation of the transactions herein contemplated will not (i) violate or conflict with any term or provision of any of the articles, by-laws or other constating documents of HNR; (ii) violate or conflict with any term or provision of any order of any court, Government or Regulatory Authority or any law or regulation of any jurisdiction in which HNR's business is carried on; or (iii) conflict with, accelerate the performance required by or result in the breach of any agreement to which it is a party or by which it is currently bound;

(d) this Agreement has been duly authorized, executed and delivered by HNR and constitutes a valid and binding obligation of HNR enforceable against HNR in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought;

(e) HNR shall, during the Option Period:

(i) promptly provide PMR with any and all notices and correspondence from Government or Regulatory Authorities in respect of the Property;

(ii) co-operate with PMR in obtaining any permits or licences required by authorities in the jurisdiction in which the Property is situate;

(iii) deliver to PMR, from time to time, copies of any and all geological reports and assay results that pertain to the Property, within 30 days of receipt of the aforementioned data;

(iv) not do or permit or suffer to be done any act or thing which would or might in any way adversely affect the rights of PMR hereunder; and

(v) maintain its corporate existence.

2.3. *Reliance and Survival*. The representations, warranties and acknowledgements set out in this Section 2 have been relied on by the Parties in entering into this Agreement. All representations and warranties made herein will survive the delivery of this Agreement to the Parties and the completion of the transactions contemplated hereby and, notwithstanding such completion, will continue in full force and effect for the benefit of the Parties to whom they are provided, as the case may be, indefinitely.

3. Termination of Mineral Claim Purchase Agreement

3.1. The parties agree that the Mineral Claim Purchase Agreement is hereby terminated and neither of them has any further obligation to the other of them thereunder.

4. Grant of Option

4.1. *Grant of Option*. PMR grants to HNR an exclusive option (the "**Option**") with respect to the Property, for the period commencing on the Approval Date and expiring on the second anniversary of the Approval Date, to acquire an undivided 75% interest in the Property. This right may be exercised in the manner referred to in Section 6.1.

4.2. *Consideration.* In consideration of the grant of the Option, HNR shall pay to PMR the sum of $80,000, as follows:

(a) $25,000 has been paid and PMR acknowledges receipt thereof; and

(b) $55,000 shall be paid on the Approval Date.

4.3. *Working Right*. During the Option Period, HNR shall be the Operator and shall have the exclusive working right to enter on and conduct the Mining Operations on the Property as HNR in its sole discretion may decide. HNR shall have quiet and exclusive possession during the Option Period provided it is in good standing, with full power and authority to HNR, its servants, agents, workers or contractors, to carry on Mining Operations in searching for minerals in such manner as HNR in its discretion may determine, including the right to erect, bring and install on the Property all buildings, plant, machinery, equipment, tools, appliances or supplies as HNR shall deem necessary and proper and the right to remove therefrom reasonable quantities of rocks, ores and minerals and to transport them for the purposes of sampling, metallurgical testing and assaying. HNR shall conduct all Mining Operations in a careful and miner-like manner and in compliance in all material respects with all Acts, regulations, by-laws, orders and judgments and all applicable directives, rules, consents, permits, orders guidelines and policies of any Government or Regulatory Authority with jurisdiction over the Property.

4.4. *Maintenance of Option*. In order to maintain in force the Option granted to it, and to exercise the Option, HNR must incur Expenditures in an aggregate amount of $700,000 as follows:

(a) $200,000 of Expenditures are to be incurred before the first anniversary of the Approval Date; and

(b) an additional $500,000 of Expenditures are to be incurred before the second anniversary of the Approval Date.

4.5. *Lapse or acceleration of Option.* HNR may let the working right and Option lapse by failing to incur any of the Expenditures referred to in Section 4.4, and if any of such Expenditures are not incurred by the dates specified in Section 4.4, the Option shall terminate on the date following such date by which such Expenditures were required to have been incurred. Any termination under this Section shall occur automatically, without any further action by PMR. HNR may accelerate any or all of these payments or Expenditures.

5. HNR Conduct

5.1. *Maintenance of Property.* During the Option Period, HNR shall keep the Property in good standing by paying all taxes, assessments and other charges and by doing all other acts and things that may be necessary in that regard. For greater certainty, such taxes, assessments and other charges shall be deemed to be Expenditures as defined herein. PMR shall transmit promptly to HNR any notices pertaining to the taxes, assessments and other charges.

5.2. *Abandonment.* HNR may at any time, during the Option Period, abandon any one or more of the Exploration Licenses which comprise the Property. HNR shall give PMR notice in writing of any abandonment. If any of the Exploration Licenses comprising the Property are abandoned (including the termination of this Option Agreement without HNR having exercised the Option), HNR will retransfer them to PMR (if they are then in the name of HNR), which shall be in good standing for a period of at least ninety days from the notice of abandonment.

5.3. *Assessment work.* HNR shall, during the Option Period and in consultation with PMR, file, in whole or in part, the assessment credits as may become available from Mining Operations conducted on the Property during the Option Period. If HNR and PMR do not agree on the assessment credits to be filed, HNR's decision shall prevail.

5.4. *Insurance*.

(a) Until the formation of the Joint Venture, HNR shall provide, maintain and pay for the following insurance which shall be placed with an insurance company or companies and in a form as may be acceptable to PMR:

(i) comprehensive general liability insurance protecting HNR and PMR and their respective employees, agents, contractors, invitees and licencees against damages arising from personal injury (including death) and from claims for property damage which may arise directly or indirectly out of the operations of HNR and PMR under this Agreement, including coverage for liability arising out of products, whether manufactured or supplied by HNR and PMR, completed operations, contingent employer's liability and contractual liability, and

(ii) automobile insurance on HNR's owned and non-owned vehicles, if any, protecting HNR and its employees, agents, contractors, invitees and licencees against damages arising from bodily injury (including death) and from claims for property damage arising out of the operations of HNR and PMR under this Agreement.

(b) Each policy of insurance contemplated in this Section shall:

(i) be in an amount acceptable to PMR and in any event not less than $1,000,000 inclusive of any one occurrence;

(ii) and the policy of insurance referred to in Section 5.4(a)(i) shall:

A. include a standard form of cross-liability clause;

B. contain a clause waiving the insurer's right of subrogation against PMR; and

C. indicate that the insurer will give PMR thirty days' prior written notice of cancellation or termination of the coverage.

(c) HNR shall provide PMR with such evidence of insurance as PMR may request.

5.5. *Access.* HNR shall, during the Option Period, submit to PMR periodic progress reports of Mining Operations completed on the Property, which reports shall be submitted not less than on an annual basis, and shall provide PMR with access to all records, data and information relating to the Property which is in the possession of HNR. PMR may, at its own risk and expense and at reasonable times agreed to by HNR, enter on the Property and examine the Mining Operations; provided, that PMR will not, in the opinion of HNR, interfere with it.

5.6. *Environmental Matters*. HNR shall:

(a) receive, handle, use, store, treat, ship and dispose of any and all environmental contaminants (as established from time to time by applicable legislation or regulation or by-law) in strict compliance with all applicable environmental, health or safety laws, regulations, order or approvals; and will remove prior to the lapse or termination of the Option, from and off the Property all environmental contaminants;

(b) not release into the environment, or deposit, discharge, place, or dispose of at, on or near the Property any hazardous or toxic materials, substances, pollutants, contaminants or wastes as a result of the mining operations conducted by it; and

(c) not use the Property, not permit any other person to use the Property as a landfill or waste disposal site.

5.7. Environmental assessment. Whenever requested by PMR, HNR shall provide PMR with access, during reasonable business hours and on reasonable prior notice, to the Property for the purpose of conducting an environmental assessment of the Property, provided that the assessment is conducted in a manner that will not unreasonably interfere with HNR's operations. The environmental assessment shall be at PMR's sole expense. If the environmental assessment conducted by PMR reveals any release of hazardous substances on or under the Property that, in the opinion of PMR, acting reasonably, occurred after the date hereof, then PMR may give written notice to HNR of remedial measures as PMR may, based on the results of the environmental assessment, consider necessary, which measures HNR shall, at its expense, promptly undertake. If HNR fails to undertake diligently the remedial measures specified by PMR within 60 days of the receipt of notice, PMR may immediately terminate the Option.

6. Formation of Joint Venture

6.1. *Option Exercise.* If HNR has made the payments referred to in Section 4.2 and incurred the Expenditures referred to in Section 4.4, all within the prescribed periods, then HNR has the right, by giving written notice to PMR on or before the second anniversary of the Approval Date, to become the owner of a 75% undivided interest in all or that part(s) of the Property as HNR may elect.

6.2. *Joint Venture.* If HNR exercises its right under Section 6.1, and becomes the owner of a 75% undivided interest in the Property, HNR and PMR shall be deemed conclusively without executing any further agreement, to have formed a joint venture (the "**Joint Venture**") for the purposes of further exploring the Property and, if deemed warranted, of developing, constructing and operating a mine on the Property or a part of it and marketing the Minerals derived therefrom all according to the terms and conditions contained in the form of HNR's customary joint venture agreement (the "**Joint Venture Agreement**"). The Joint

Venture Agreement shall govern the subsequent relationship of HNR and PMR in all subsequent Mining Operations on the Property. The Parties shall execute and deliver to each other, promptly upon HNR exercising its Option under Section 6.1, the Joint Venture Agreement.

6.3. *Initial interests and expenditures.* On the date of formation of the Joint Venture the Parties shall, for purposes of the Joint Venture Agreement, be deemed to have the following initial interest and to have incurred, as prior exploration costs, moneys under this Option Agreement in the amounts as follows:

	Undivided Interest	Deemed Expenditures
HNR	75%	$700,000
PMR	25%	$233,333

6.4. *Title to Property*. The title to the Property shall be recorded on the formation of the Joint Venture in each of the names of PMR and HNR as to their respective undivided interests.

7. Termination

7.1. *Termination*. PMR may terminate the Option and this Agreement effective upon giving notice of such termination if:

(a) HNR is in default in any material respect of any term or condition of this Agreement and fails to cure such default within 30 days of receiving notice from PMR specifying the particulars of such default;

(b) HNR fails to incur all of the Expenditures within the time periods set out herein;

(c) HNR fails to carry out the assessment work or pay the taxes, assessments and other charges described in Section 5.1 and fails to cure such default within 30 days of receiving notice from PMR specifying the particulars of such default; or

7.2. *Surrender of Rights*. Subject to Section 7.4, HNR may during the Option Period give PMR written notice of its intention to surrender all of its rights hereunder, whereupon the Option and this Agreement shall terminate and working right herein shall lapse.

7.3. *Obligations on Termination*. Notwithstanding any other provisions of this Agreement, in the event of lapse, termination or surrender of the Option and termination of this Agreement, HNR shall:

(a) ensure that any Exploration Licenses, claims or map designated units comprising the Property are in good standing for a period of at least 90 days from the lapse, termination or surrender of the Option and/or this Agreement, as the case may be;

(b) ensure that the Property is in at least the same state concerning environmental and hazardous conditions as the Property was on the date of this Agreement and that it is free and clear of all Encumbrances that may have been created by HNR;

(c) deliver to PMR any and all reports, maps, assessment reports and maps, samples, assay results, drill cores, data and other information of any kind whatsoever pertaining to the Property or related to Mining Operations which have not been previously delivered to PMR; and

(d) remove all of its materials, supplies and equipment from the Property; provided however, that PMR may retain ore and, at the cost of HNR, dispose of any such materials, supplies or equipment not removed from the Property within 90 days of termination of this Agreement.

7.4. *Survival of provisions.* HNR and PMR shall remain liable to one another for all matters, claims, demands and causes of action that relate in any way to the provisions of this Agreement, and in particular, without limiting the generality of the foregoing, the provisions of Section 8 of this Agreement shall survive any termination of this Agreement.

8. Indemnification

8.1. Indemnity.

(a) HNR shall and does hereby indemnify and save PMR harmless from and against all losses, liabilities, claims, demands, damages, expenses, suits, injury or death in any way referrable to Mining Operations conducted by or on behalf of HNR after the date hereof; provided, that PMR shall not be indemnified for any loss, liability, claim, demand, damage, expense, suit, injury or death resulting from the negligence or wilful misconduct of PMR or its employees, agents or contractors. For further clarity, the Parties intend that HNR shall be responsible for all liabilities, known or unknown, contingent or otherwise, which were incurred or arose during the Option Period, relating to or arising out of:

(i) the conduct of activities in, on or under the Property by HNR;

(ii) the environmental protection, clean-up, remediation, and reclamation of the Property including, but not limited to, the obligations and liabilities arising out of or related to:

A. the disturbance or contamination of land, water (above or below surface) or the environment by exploration, mining, processing or waste disposal activities;

B. any failure to comply with all past, current or future governmental or regulatory authorizations, licenses, permits, and orders and all non-governmental prohibitions, covenants, contracts and indemnities;

C. any act or omission causing or resulting in the spill, discharge, leak, emission, ejection, escape, dumping or release of hazardous or toxic substances, materials, or wastes as defined in any federal, provincial, or local law or regulation in connection with or emanating from the Property; and

D. the long-term reclamation and remediation of the Property and the care and monitoring of the Property, and the posting and maintaining of bonds or other financial assurances required in connection therewith.

(b) Each Party hereto shall indemnify and save harmless the other, as well as its officers, directors and shareholders, from and against any and all claims, losses, liabilities, damages, fees, fines, penalties, interests, deficiencies, costs and expenses, of any nature or kind whatsoever, arising by virtue or in respect of any breach of covenant contained herein or failure to comply with any provision herein, or any inaccuracy, misstatement, misrepresentation or omission made by such Party in connection with any matter set out herein, and any and all actions, suits, proceedings, demands, claims, costs, legal and other expenses related or incidental thereto.

(c) Notwithstanding any other provision of this Agreement and any termination of this Agreement, the indemnities provided herein shall remain in full force and effect until all possible liabilities of the persons indemnified thereby are extinguished by the operation of law and will not be limited to or affected by any other indemnity obtained by such indemnified persons from any other person.

(d) No investigation made by or on behalf of either of the Parties hereto at any time shall have the effect of waiving, diminishing the scope of or otherwise affecting any representation, warranty or covenant made by the other Party herein or pursuant hereto. No waiver by either of the Parties hereto of any condition herein, in whole or in part, shall operate as a waiver of any other condition herein.

9. Force majeure

9.1. *Force majeure.* Notwithstanding anything contained in this Agreement to the contrary, if any Party is prevented from or delayed in performing any obligation under this Agreement and failure is occasioned by any cause beyond its reasonable control, excluding only lack of finances then, subject to Section 9.2, the time for the observance of the condition or performance of the obligation in question shall be extended for a period equivalent to the total period the cause of the prevention or delay persists or remains in effect regardless of the length of the total period.

9.2. *Notice.* Any Party claiming suspension of its obligations shall promptly notify the other Party to that effect and shall take all reasonable steps to remove or remedy the cause and effect of the *force majeure* described in the notice in so far as it is reasonably able so to do and as soon as possible; provided, that the terms of settlement of any labour disturbance or dispute, strike or lock-out shall be wholly in the discretion of the Party claiming suspension of its obligations by reason thereof; and that Party shall not be required to accede to the demands of its opponents in any labour disturbance or dispute, strike or lock-out solely to remedy or remove the *force majeure* thereby constituted.

9.3. *Extension.* The extension of time for the observance of conditions or performance of obligations as a result of *force majeure* shall not relieve HNR from its obligations to keep the Property in good standing.

10. Notices & Payments

10.1. *Notice.* Any demand, notice or other communication (a “Communication”) to be made or given in connection with this Agreement shall be made or given in writing and may be made or given by personal delivery or facsimile addressed to the recipient at the addresses or facsimile numbers of the Parties provided on the first page of this Agreement or such other address or individual as may be designated by notice by any Party to the other. Any Communication made or given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof, and if made or given by facsimile, on the day, other than a day which is not a Business Day, following the day it was sent.

10.2. *Payments.* Payments hereunder shall be made addressed to the recipient at the addresses of the recipient Parties provided on the first page of this Agreement or such other address or individual as may be designated by notice by the recipient Party in accordance with Section 10.1. If any payment herein becomes due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day.

11. Public Announcements

11.1. *Public Announcements.* Neither Party shall, without the prior consent of the other, make any disclosure regarding the existence, purpose, scope, content, terms or conditions of this Agreement or other agreements relating thereto save to the extent such disclosure comprises information substantially already publicly available or unless it is necessary for such Party to make such disclosure in order to comply with a statutory obligation or the requirements of a competent government or statutory agency; provided that, where practicable, a copy of any proposed announcement or statement shall be furnished to the other in advance of the proposed date of publication, and the Party making the disclosure shall make every reasonable effort to incorporate the other Party's comments prior to dissemination.

12. General Provisions

12.1. *Approval by the Exchange*. This Agreement is subject to the approval of the Exchange and if the Approval Date is not on or before June 30, 2013 or such later date as the Parties may agree upon in writing, this Agreement shall terminate and shall be of no further force and effect.

12.2. *Entire Agreement*. This Agreement, including all the Schedules hereto, constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes any and all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties including, without limitation, the Mineral Claims Purchase Agreement which the Parties agree is hereby terminated and of no further force and effect, and there are no warranties, representations or other agreements between the Parties in connection with the subject matter hereof except as specifically set forth herein and therein. Each Party acknowledges that this Agreement is entered into after full investigation and that no Party is relying on any statement or representation made by any other which is not embodied in this agreement. Each Party acknowledges that it shall have no right to rely on any amendment, promise, modification, statement or representation made or occurring subsequent to the execution of this Agreement unless it is in writing and executed by each of the Parties.

12.3. *Assignment of Interest*. Either Party shall be permitted to assign this Agreement. Any assignment shall be subject to the assignee entering into an agreement, in form and substance satisfactory to counsel for the other Party, to be bound by this Agreement.

12.4. *Encumbrances.* During the Option Period, neither PMR or HNR shall grant an Encumbrance, other than a Permitted Encumbrance, in their respective interest in the Property or right under this Agreement.

12.5. *Confidentiality of Information.* All information and data concerning or derived from the Mining Operations shall be kept confidential and, except to the extent required by law, regulation or policy of any Securities Commission or Stock Exchange, or in connection with the filing of an annual information form or a prospectus by any Party or any of its Affiliates, shall not be disclosed to any person other than an Affiliate without the prior consent of all the other Party, which consent shall not unreasonably be withheld. Each Party shall, where practicable, use reasonable commercial efforts to cause the text of any news releases or other public statements which a Party desires to make with respect to the Property to be made available to the other Party prior to publication and the other Party shall have the right to make suggestions for changes therein.

12.6. *Waiver*. The failure of a Party in any one or more instances to insist upon strict performance of any of the terms of this Agreement or to exercise any right or privilege arising under it shall not preclude it from requiring by reasonable notice that any other Party duly perform its obligations or preclude it from exercising such a right or privilege under reasonable circumstances, nor shall waiver in any one instance of a breach be construed as an amendment of this Agreement or waiver of any later breach.

12.7. *Enurement*. This Agreement shall enure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns.

12.8. *Further Assurances*. The Parties hereto shall from time to time at the request of any of the other Parties hereto and without further consideration, execute and deliver all such other additional assignments, transfers, instruments, notices, releases and other documents and shall do all such other acts and things as may be necessary or desirable to assure more fully the consummation of the transactions contemplated hereby.

12.9. *Time*. Time shall be of the essence of this Agreement.

12.10. *Expenses*. Each Party shall be responsible for its own expense in connection with negotiating and settling this Agreement.

12.11. *Amendment*. This Agreement may be amended or varied only by agreement in writing signed by each of the Parties.

12.12. *Governing Law and Attornment.* This Agreement shall be governed by and interpreted in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein and the Parties hereby irrevocably attorn to the jurisdiction of the Courts of the Province of British Columbia.

12.13. *Counterparts*. This Agreement may be executed in as many counterparts as are necessary and may be delivered by facsimile or other electronic transmission, and shall be binding on each Party when each Party hereto has signed and delivered one such counterpart. When a counterpart of this Agreement has been executed by each Party, all counterparts together shall constitute one agreement.

THE PARTIES, intending to be contractually bound, have entered into this Agreement as of the date set out on the first page.

PRESTON MINERAL RESOURCES LTD.

By:

(signed) "*Brett Matich*"
Authorized Signatory

HIGH NORTH RESOURCES LTD.

By:

(signed) "*Kyle Stevenson*"
Authorized Signatory

SCHEDULE A

THE PROPERTY

Exploration License	Registered in the name of:	Expiry Date:
Nova Scotia Exploration License number: 09899 (Boisdale North)	Preston Mineral Resources Ltd.	September 20, 2013
Nova Scotia Exploration License number: 09900 (Boisdale South)	Preston Mineral Resources Ltd.	September 20, 2013
Nova Scotia Exploration License number: 09904 (Hare Brook)	Preston Mineral Resources Ltd.	September 20, 2013

all located in Cape Breton, Nova Scotia