

OPTION AGREEMENT

THIS OPTION AGREEMENT dated effective as of the 17 day of June, 2022 (the "Effective Date")

BETWEEN:

Boreal Gold INC.
a corporation duly incorporated under the laws of the
Province of Saskatchewan.

(the "Optionee")

OF THE FIRST PART

- and -

4058667 MB LTD.
a corporation duly incorporated under the laws of the
Province of Manitoba.

(the "Optionor")

OF THE SECOND PART

WHEREAS the Optionor is the legal and beneficial owner of a 100% undivided interest in the Optioned Property (as hereinafter defined) and seeks to grant the Option and the Optionee is interested in acquiring the Option, all on and subject to the terms and conditions hereinafter set forth;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants, conditions and premises herein contained, the sum of ONE HUNDRED DOLLARS (\$100) now paid by each of the Parties (as hereinafter defined) to the other and for other good and valuable consideration (the receipt and sufficiency whereof being hereby acknowledged), the Parties do hereby covenant and agree as follows:

1. DEFINITIONS

- 1.1 **Definitions.** In this Agreement, including the preamble hereto, unless the context otherwise requires, the following expressions shall have the meanings assigned to them, namely:

"**this Agreement**", "**herein**", "**hereby**", "**hereof**", "**hereunder**" and similar expressions shall mean or refer to this Agreement and any and all agreements or instruments supplemental or ancillary hereto and the expression "**section**" followed by a number means and refers to the specified section of this Agreement.

"**Affiliate**" shall mean any person, partnership, joint venture, corporation or other form of enterprise which directly or indirectly Controls, is controlled by or is under common Control with a Party.

"**Fay Lake Property**" means the Mineral Dispositions described in Schedule "A" attached hereto under the heading Fay Lake Property.

"**Agents**" shall mean servants, employees, agents, workmen and contractors.

"**Commencement of Commercial Production**" means, following the exercise of the Option, as applicable, the date upon which the Optionee declares commercial production at the Optioned Property as required pursuant to International Financial Reporting Standards.

"**Consideration Shares**" shall have the meaning ascribed thereto in section 5.1.

"**Control**" shall mean possession, directly or indirectly, of the power to direct or cause direction of management and policies through ownership of voting securities, contract, voting trust or otherwise.

"**CSE**" means the Canadian Securities Exchange.

"**Effective Date**" shall mean the date first referenced above, or such other date as may be agreed to by the parties hereto in writing.

"**Encumbrances**" shall mean any and all mortgages, pledges, security interests, liens, charges, encumbrances, contractual obligations and claims of others, recorded and unrecorded, registered and unregistered.

"**Environmental Liabilities**" means any and all environmental damage, contamination or other environmental problem arising out of, resulting from, attributable to or connected with operations relating to the Optioned Property, whether or not caused by a breach of applicable Laws, including, without limitation, any matters related to surface, underground, air, groundwater or surface water contamination, the abandonment or plugging of any drill sites, the restoration or reclamation of any part of the Optioned Property, or the removal of or failure to remove any materials, substances, foundations, structures or equipment from the Optioned Property;

"Exchange" shall mean any recognized stock exchange in Canada and includes, without limitation the CSE, the TSX Venture Exchange and the Toronto Stock Exchange.

"Exercise Date" shall mean the date the Option, or any portion thereof, is exercised by the Optionee.

"Laws" means collectively, all federal, provincial, territorial, municipal or local statutes, regulations and by-laws applicable to the Parties or the Optioned Property, or to any activities thereon, including without limitation, all orders, notices, rules, decrees, decisions, codes, guidelines, policies, directions, permits, approvals, licenses and similar authorizations issued, rendered or imposed by any level of government including any ministry, department or administrative or regulatory agency or authority.

"Listing Date" shall mean the date the common shares of the Optionee are listed for trading on an Exchange.

"Losses" shall mean actual losses, liabilities, damages, injuries, costs or expenses.

"Mineral Dispositions" means any lease, licences, permits, concessions and other documents of title by virtue of which the holder thereof is entitled to explore, develop and exploit Minerals within, upon or under and includes all renewals and extensions of such documents and all documents issued in substitution therefore.

"Minerals" means all ores, concentrates, minerals or other mineral resources, or any of them, the right to explore for which, or an interest in which, is granted pursuant to the Mineral Dispositions.

"Net Smelter Royalty" or **"NSR"** shall mean the net smelter return royalty granted by the Optionor in favour of the Optionee as set forth in Schedule "B" attached hereto.

"Option" shall have the meaning set forth in Section 4.1.

"Optioned Property" means Fay Lake Property.

"Optionee" has the meaning set forth above.

"Optionor" has the meaning set forth above.

"Option Period" shall have the meaning set forth in Section 4.1.

"Parties" shall mean collectively, the Optionor and the Optionee.

"Party" shall mean either the Optionor or the Optionee.

"Payments" shall have the meaning set forth in section 5.1.

"Person" shall mean any individual, partnership, company, corporation, unincorporated association, person, government or governmental agency, authority or entity howsoever designated or constituted.

"Termination Notice" shall have the meaning set forth in section 9.2.

"Transfer" when used as a verb, shall mean to sell, grant, assign, encumber, pledge or otherwise commit or dispose of, directly or indirectly, including through mergers, consolidations or asset purchases. When used as noun, "Transfer" shall mean a sale, grant, assignment, pledge or disposal or the commitment to do any of the foregoing, directly or indirectly, including through mergers, consolidations or asset purchases.

"Underlying Royalties" shall mean the up to _____ net smelter royalty (granted by the Optionor in favour of those persons set forth in Schedule "C" attached hereto.

2. SCHEDULES, GENDER AND CANADIAN DOLLARS

2.1 **Schedules and Preamble.** The following are the exhibits attached to and, together with the preamble hereto, are incorporated in this Agreement by reference and deemed to be a part hereof:

Schedule "A" – Description of Optioned Property

Schedule "B" – Net Smelter Return

Schedule "C" – Underlying Royalty Holders

2.2 **Gender and Extended Meanings.** In this Agreement all words and personal pronouns relating thereto shall be read and construed as the number and gender of the party or parties referred to in each case require and the verb shall be construed as agreeing with the required word and pronoun. In this Agreement words importing the singular number include the plural and vice versa.

2.3 **Canadian Dollars.** All dollar amounts or "\$" referred to in this Agreement are in Canadian funds.

2.4 **Business Days.** All references in this Agreement to business days are to days excluding Saturdays, Sundays and banking holidays in Manitoba.

2.5 **Period of Time.** When calculating the period of time within which or following which any act is to be done or step is to be taken pursuant to this Agreement, the date which is the reference date in calculating such period shall be excluded. If the last day of

such period is a non-business day, the period in question shall end on the next business day.

2.6 **Section Headings.** The section and other headings contained in this Agreement or in the Exhibit are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

2.7 **Conflicts.** If there is any conflict or inconsistency between a provision of the body of this Agreement and that of a Schedule, the provision of the body of this Agreement shall prevail. If any term or condition of this Agreement conflicts with any Laws this Agreement shall be deemed to be amended to the extent required to eliminate any such conflict.

3. REPRESENTATIONS AND WARRANTIES

3.1 **Representation and Warranties of the Optionor.** The Optionor hereby represents and warrants to the Optionee as follows and acknowledges that the Optionee is relying on such representations and warranties in entering into this Agreement and acknowledges and agrees that such representations and warranties shall be true and correct on the Effective Date as well as on the applicable Exercise Date with the same force and effect as if made on and as of such date:

- a) **Due Incorporation.** It is a company duly incorporated under the laws of the jurisdiction of its incorporation and it is duly organized and validly subsisting under such laws and is duly licensed and qualified as necessary to carry on its business as currently conducted or as proposed to be conducted.
- b) **Corporate Power.** It has full power and authority to carry on its business and to enter into this Agreement and any agreement or instrument referred to or contemplated by this Agreement and to carry out and perform all of its obligations and duties hereunder.
- c) **Corporate Approvals.** It has duly obtained all corporate and, subject to obtaining the approval of the CSE, all regulatory authorizations for the execution, delivery and performance of this Agreement and such execution, delivery and performance and the consummation of the transactions herein contemplated, will not conflict with or result in a breach of any covenants or agreements contained in or constitute a default under or result in the creation of any Encumbrance under the provisions of its constating documents or any shareholders' or directors' resolution or any indenture, agreement or other instrument whatsoever to which it is a party or by which it is bound and does not contravene any applicable Laws.
- d) **Due Execution and Delivery.** This Agreement has been duly executed and delivered by it and is valid, binding and enforceable against it in accordance with its terms.

- e) **No Acts of Bankruptcy.** It has not committed an act of bankruptcy, is not insolvent, has not proposed a compromising arrangement to its creditors generally, has not had any petition for a receiving order in bankruptcy filed against it, has not made a voluntary assignment in bankruptcy, has not taken any proceedings with respect to a compromise or arrangement, has not taken any proceeding to have itself declared bankrupt or wound-up, has not taken any proceeding to have a receiver appointed of any part of its assets, has not had any encumbrancer take possession of any of its property and has not had any execution or distress become enforceable or become levied upon any of its property.
- f) **Brokerage or Finder's Fee.** There is no Person acting or purporting to act at their request who is entitled to any brokerage or finder's fee in connection with the transactions contemplated herein.
- g) **Interest.** The Optionor is the legal and beneficial owner of a 100% undivided interest in the Optioned Property, free and clear of any and all Encumbrances other than the Underlying Royalties. The Optionor has the full power to hold their interest in the Optioned Property and hold recorded or registered title to the Optioned Property. The Optioned Property is duly recorded in the name of the Optionor and is in good standing pursuant to all applicable Laws.
- h) **Optioned Property in Good Standing.** The mining claims forming part of the Optioned Property are in good standing and no event, condition or occurrence exists that, after notice or lapse of time or both, would constitute a default under such mining claims.
- i) **Abutting Claims.** All of the mining claims and Mineral Leases comprising the Optioned Property re contiguous.
- j) **Property Staked.** Each mining claim forming part of the Optioned Property has been properly staked, tagged, located and recorded in accordance with applicable law.
- k) **Taxes, Charges and Assessments.** All taxes and charges with respect to the Optioned Property have been paid in full as of the date hereof. All requisite minimum assessment work has been performed and reported on the Optioned Property pursuant to the provisions of applicable Laws. No Person has any proprietary or possessory interest in the Optioned Property. Save and except for the Underlying Royalties and any fees, taxes or royalties payable to a governmental authority, no Person is entitled to any royalty or other payment in the nature of rent or royalty on any minerals, metals or concentrates or any other such products removed or produced from the Optioned Property.
- l) **Adverse Claims.** There are no existing, pending or threatened adverse claims or challenges against or to the ownership of, possession, operation, control, management or title to the Optioned Property or substances thereon or therefrom nor, to the best knowledge of the Optionor, is there any basis therefor.

- m) **Compliance with Laws.** The Optionor has fully complied with all Laws with respect to the Optioned Property and has not received notice of any breach, violation or default with respect to the Optioned Property. Conditions on and relating to the Optioned Property are in compliance with all applicable Laws.
- n) **Litigation.** There is no legal, administrative, arbitration or other proceeding, claim or action of any nature or investigation pending or, to the knowledge of the Optionor, threatened against or involving the Optioned Property or which questions or challenges the validity of this Agreement, or any action taken or to be taken by the Optionor pursuant to this Agreement or any other agreement or instrument to be executed and delivered by the Optionor in connection with the transactions contemplated hereby and the Optionor does not know or have any reason to know of any valid basis for any such legal, administrative, arbitration or other proceeding, claim, action of any nature or investigation. The Optionor is not subject to any judgment, order or decree entered in any lawsuit or proceeding which has had or may be expected to have an adverse effect on the Optioned Property.
- o) **Non-Resident.** The Optionor is not a non-resident of Canada for the purposes of section 116 of the *Income Tax Act* (Canada) as amended.
- p) **All Material Information.** The Optionor will make available to the Optionee all material information in their possession or control relating to the Optioned Property and throughout the Option Period.
- q) **No Additional Information.** The Optionor does not have any information or knowledge of any facts pertaining to the Optioned Property or substances thereon or therefrom not disclosed in writing to the Optionee, if known to the Optionee might reasonably be expected to deter the Optionee from completing the transactions contemplated hereby.
- r) **Reporting Issuer.** The Optionor is not in default of any requirement of applicable Laws and no material change relating to the Optionor has occurred with respect to which the requisite material change report has not been filed and no such disclosure has been made on a confidential basis.
- s) **No Cease Trading Order.** No securities commission or similar regulatory authority has issued any order preventing or suspending trading in any securities of the Optionor and to the knowledge of the Optionor, no such proceedings for such purposes are pending or threatened.
- t) **Environmental Matters.** Environmental Matters: There are no Environmental Liabilities and there are not: (i) any orders or directives pursuant to the Regulations which relate to environmental matters and which require any work, repairs, construction or capital expenditures with respect to the Assets, where such orders or directives have not been complied with in all material respects; or (ii) any demand or notice issued pursuant to the Regulations with respect to the breach of any environmental, health or safety law applicable to the Assets, including, without

limitation, any Regulations respecting the use, storage, treatment, transportation or disposition of environmental contaminants, which demand or notice remains outstanding as of the date hereof.

3.2 **Representations and Warranties of the Optionee.** The Optionee hereby represents and warrant to the Optionor as follows and acknowledges that the Optionor are relying on such representations and warranties in entering into this Agreement and acknowledges and agrees that such representations and warranties shall be true and correct as of the Effective Date with the same force and effect as if made on and as of such date:

- (a) **Due Incorporation.** It is a company duly incorporated under the laws of the jurisdiction of its incorporation and it is duly organized and validly subsisting under such laws and is duly licensed and qualified as necessary to carry on its business as currently conducted or as proposed to be conducted.
- (b) **Corporate Power.** It has full power and authority to carry on its business and to enter into this Agreement and any agreement or instrument referred to or contemplated by this Agreement and to carry out and perform all of its obligations and duties hereunder, including without limitation, the issuance of the Consideration Shares.
- (c) **Corporate Approvals.** It has duly obtained all corporate all authorizations for the execution, delivery and performance of this Agreement and such execution, delivery and performance and the consummation of the transactions herein contemplated, including without limitation, the issuance of the Consideration Shares, will not conflict with or result in a breach of any covenants or agreements contained in or constitute a default under or result in the creation of any Encumbrance under the provisions of its constating documents or any shareholders' or directors' resolution or any indenture, agreement or other instrument whatsoever to which it is a party or by which it is bound and does not contravene any applicable Laws.
- (d) **Due Execution and Delivery.** This Agreement has been duly executed and delivered by it and is valid, binding and enforceable against it in accordance with its terms.
- (e) **No Acts of Bankruptcy.** It has not committed an act of bankruptcy, is not insolvent, has not proposed a compromising arrangement to its creditors generally, has not had any petition for a receiving order in bankruptcy filed against it, has not made a voluntary assignment in bankruptcy, has not taken any proceedings with respect to a compromise or arrangement, has not taken any proceeding to have itself declared bankrupt or wound-up, has not taken any proceeding to have a receiver appointed of any part of its assets, has not had any encumbrancer take possession of any of its

property and has not had any execution or distress become enforceable or become levied upon any of its property.

- (f) **Brokerage or Finder's Fee.** There is no Person acting or purporting to act at its request who is entitled to any brokerage or finder's fee in connection with the transactions contemplated herein.
- (h) **No Cease Trading Order.** No securities commission or similar regulatory authority has issued any order preventing or suspending trading in any securities of the Optionee and to the knowledge of the Optionee, no such proceeding for such purposes are pending or threatened.
- (i) **Consideration Shares.** Upon issuance, the Consideration Shares shall be fully paid and non-assessable shares.
- (j) **Litigation.** There is no legal, administrative or other proceeding, claim or action of any nature or investigation pending or, to the knowledge of the Optionee, threatened against or involving the Optionee or which questions or challenges the validity of this Agreement, or any action taken or to be taken by the Optionee pursuant to this Agreement or any other agreement or instrument to be executed and delivered by the Optionee in connection with the transactions contemplated hereby and the Optionee does not know or have any reason to know of any valid basis for any such legal, administrative, arbitration or other proceeding, claim, action of any nature or investigation.
- (k) **Non-Resident.** The Optionee is not a non-resident of Canada for the purposes of section 116 of the *Income Tax Act* (Canada) as amended.

3.3 **Representations and Warranties as Conditions.** Each Party:

- (a) **Condition.** Acknowledges and agrees that the other Party is entering into this Agreement relying upon the representations and warranties made by it herein and the correctness of each such representation and warranty is a condition upon which such other Party is relying upon entering into this Agreement, each of which conditions may be waived in whole or in part solely by such other Party in writing and all such representations and warranties shall survive the execution, delivery and termination of this Agreement and the completion of the transactions contemplated hereby notwithstanding any independent investigations either Party may make.
- (b) **Indemnification.** Agrees to indemnify and hold harmless the other Party from all Losses actually incurred by such other Party in connection with a breach of any representation or warranty made by it and contained herein, provided that such representations and warranties shall only have a survival period that terminates two years following: (i) the exercise of the Option; or (ii) the termination of the Option.

4. GRANT OF OPTION AND LISTING

4.1 **Grant.** In consideration of the covenants and agreements of the Optionee and Optionor, the Optionor does hereby give and grant to the Optionee, the sole, immediate, exclusive, continuing and irrevocable option to acquire a 100% undivided interest in the Optioned Property, free and clear of any and all Encumbrances, other than the Net Smelter Royalty and the Underlying Royalties, by satisfying within the time limits therefor, those obligations set forth in Article 5 (the "**Option**"). The Option shall commence on the Effective Date and shall terminate on the date that is 30 days after the sixth anniversary of the Effective Date, unless otherwise agreed to in writing by the Parties hereto (the "**Option Period**").

4.2 **Listing.** The Parties hereto acknowledge and agree that it is the intention of the Optionee to list its common shares on an Exchange, the Optionee covenants and agrees to use its reasonable efforts to list its common shares for trading on an Exchange as soon as reasonably practicable after it is able to meet minimum Exchange listing requirements.

5. OPTION PAYMENTS

5.1 **Payments.** To maintain the Option in full force during the Option Period, the Optionee shall make the following cash payments, works commitments and royalty grants (collectively the "**Payments**") and shall deliver to the Optionor the following common shares in the capital stock of the Optionee (collectively, the "**Consideration Shares**"), all within the times frames and as set forth in the tables below:

PROPERTY – Fay Lake Property			
Time of Commitment	Cash or Royalty Payment	Consideration Shares	Dollar value of Work Commitment
Within 10 days of completion of crowd funding	\$20,000		
On or before the first anniversary of the Effective Date	\$20,000	10,000	\$100,000
On or before the second anniversary of the Effective Date	\$20,000	10,000	\$150,000
On or before the third anniversary of the Effective Date	\$20,000	10,000	\$200,000

PROPERTY – Fay Lake Property			
Time of Commitment	Cash or Royalty Payment	Consideration Shares	Dollar value of Work Commitment
On or before the fourth anniversary of the Effective Date	\$20,000	200,000	\$200,000
On or before the fifth anniversary of the Effective Date	\$20,000	200,000	\$200,000
On or before the sixth anniversary of the Effective Date	\$30,000	1,000,000	\$250,000
Total	\$150,000	1,430,000	\$1,100,000
Optionor to retain a 2% NSR			

5.2 **Acknowledgement by Optionor.** The Optionor acknowledges that the Consideration Shares, as and when the same are issued, may be subject to a statutory hold period pursuant to applicable securities laws as well as any hold period that may be imposed by the applicable Exchange.

5.3 **Royalty.** Provided the Optionee has exercised the Option to acquire the Fay Lake Property, the Optionor Maintain an aggregate 2% NSR on the Fay Lake Property inclusive of all existing NSR.

For greater certainty the parties acknowledge and agree that the aggregate maximum NSR payable by the Optionee to the Optionor hereunder will not exceed 2% on any Option Property inclusive of any prior existing NSR but exclusive of any Underlying Royalty. Such NSR shall only be payable upon Commencement of Commercial Production.

The Optionee acknowledges and agrees that the Royalties apply at the Commencement of Commercial Production on the Optioned Property and on any Mineral Dispositions currently comprising the Optioned Property that are replaced, re-staked, renamed, or converted to some other property or mining right (a "**Replacement Claim**") and the definition of Optioned Property shall be amended to include any Replacement Claim.

6. EXERCISE OF OPTION

6.1 **Option Exercise.** The Parties acknowledge and agree that the Option to acquire the Fay Lake Property. The Optionee may exercise the Option to acquire the Phantom Lake Property; if the Optionee has duly made the Payments, completed the work commitment, and has duly delivered the Consideration Shares to the Optionor, all in accordance with the provisions of section 5.1, the Optionee shall have duly exercised the Option as at such date and shall have earned a 100% undivided interest in the Optioned Property, as applicable, free and clear of any and all Encumbrances, other than the NSR and any Underlying Royalties.

6.2 **No Partial Interest.** If the Optionee fails to exercise the Option within the time-period provided in subsection 5.1, the Optionee shall not be entitled to any partial interest in the applicable Optioned Property

7. TRANSFER OF DATA AND PROPERTY

7.1 **Data and Core Samples.** The Optionor hereby agrees to forthwith deliver and/or grant access to the Optionee photocopies of all maps, reports, results of surveys and drilling, core samples and any other reports of information the Optionor may have prepared or may have caused to be prepared or may have in their possession or under their control with respect to the Optioned Property. The cost of reproduction will be reasonable and at the cost of the Optionee.

7.2 **Title to Optioned Property.** During the Option Period, Mineral Dispositions for the Optioned Property shall remain in the name of the Optionor. Upon the exercise of the Option by the Optionee pursuant to subsection 6.1 and pending registration of the Mineral Dispositions in the name of the Optionee, the Optionor will hold the Optionee's interest in the Optioned Property in trust for the sole benefit of the Optionee. The Optionor hereby irrevocably appoints the Chief Executive Officer of the Optionee as its attorney-in fact and authorizes the Chief Executive Officer of the Optionee to sign all deeds, transfer forms or other documents to register title in the name of the Optionee on exercise of the Option. The Optionee shall have the right to register its interest pursuant to this Agreement against the Mineral Dispositions for the Optioned Property and the Optionor shall provide such assistance, documentation or consents as the Optionee may reasonably request to effect such registration and filing of work. The Optionor shall grant the President of the Optionee and/or his Exploration Manager, as an agent of the Optionor, the right to file assessment work on the claims as the work is completed and this will be put on record with the Manitoba Mines Branch.

7.3 **Transfer of Optionor.** During the Option Period, the Optionor shall not transfer or release all or part of its legal or beneficial interest in the Optioned Property and/or this Agreement other than to the Optionee as provided herein.

7.3 **Release of Property by Optionor.** Optionor shall provide written notification to the Optionee of its desire to release its interest in all or part of the Optioned Property. At

the request of the Optionee the Optionor will use its reasonable best efforts to transfer the subject interest in the Optioned Property to the Optionee. The Optionor will not release all or any part of its interest in the Optioned Property during the Option Period unless compliant with this section, or as may otherwise be agreed to in writing by the Optionee.

8. OPERATOR OF THE OPTIONED PROPERTY

8.1 **Appointment of Operator.** The Optionee and/or its Affiliates shall act as operator of the Optioned Property during the Option Period and as operator, the Optionee shall be responsible in its sole discretion for carrying out and administering exploration, development and mining work on the Optioned Property. As operator, the Optionee and/or its Affiliates shall have the sole, exclusive and immediate right to enter upon, explore, develop and mine the Optioned Property and to have quiet and exclusive possession of the Optioned Property with sole power and authority to the Optionee and/or its Affiliates and their respective Agents to sample, extract, diamond drill, prospect, explore, develop and mine the Optioned Property in such manner as the Optionee and/or its Affiliates in their sole discretion may determine, including without limitation, the right to erect, bring and install thereon all buildings, machinery, equipment and supplies as the Optionee and/or its Affiliates shall deem necessary and proper and to remove therefrom reasonable quantities of ores, minerals or metals for assay and testing purposes.

8.2 **Maintenance of Optioned Property.** During the Option Period, the Optionor will apply all excess work credits set forth in Schedule "A" (the "**Work Credits**") solely to satisfy all taxes, fees and rents on the Mineral Dispositions comprising the Optioned Property in order to maintain the Optioned Property in good standing. If the Work Credits are insufficient to maintain the Optioned Property in good standing, the Optionor shall provide the Optionee with 60 days written notice of such fact prior to the expiry date of such claims on the Optioned Property or put cash in lieu 60 days prior to expiry to remedy the failure to complete required assessment work. The Optionor shall co-operate with the Optionee and/or its Affiliates as reasonably necessary in facilitating the making of payments and providing information, including without limitation, the forwarding of all notices received by the Optionor with respect to assessment work, taxes, fees and rents. During the Option Period, no Work Credits may be assigned to other Mineral Dispositions adjoining the Optioned Property unless otherwise agreed to by the Optionee in writing. All work completed on the Option Property shall be filed for assessment within a year of completion.

8.3 **Option Regarding Commercial Production.** The Optionee and/or its Affiliates as operator shall be under no obligation whatsoever to place the Optioned Property into commercial production and if the Optioned Property is placed into commercial production, the Optionee and/or its Affiliates shall have the right at any time to curtail or suspend such commercial production as the Optionee and/or its Affiliates in their absolute discretion deem advisable.

8.4 **No Further Obligations.** Nothing herein contained nor any act done nor payment made hereunder shall obligate the Optionee to do any further or other act or acts or to

make any payment or payments and in no event shall this Agreement or any act done or payment made be construed as an obligation of the Optionee to do or perform anything on or with respect to the Optioned Property.

8.5 **Access to Optioned Property.** During the Option Period, upon the written request of the Optionor, the Optionee shall provide the Optionor with access to the Optioned Property at a convenient time and day for the Optionee or its Affiliates in order to observe the conduct of the operations or to view drill cores and samples. Such access shall be at the Optionor's sole cost, expense and risk and must not obstruct or interfere with the operation or activities conducted by the Optionee and/or its Affiliates.

8.6 **Standard of Care.** The prospecting work, processes, undertaking and other operations carried on or conducted by or on behalf of the Optionee and/or its Affiliates in respect of the Optioned Property shall be carried on or conducted in a sound and workmanlike manner and in compliance with sound geological and geophysical exploration and mining engineering and metallurgical practices. All such work, processes, undertaking and other operations shall be in compliance with all federal and provincial Laws.

8.7 **Indemnification.** The Optionee hereby covenants and agrees to indemnify and hold harmless the Optionor from and against any and all Losses actually incurred by the Optionor in connection with any breach of Laws, accidents, labour law violations or any other claims or actions arising out of the prospecting work, processes, undertaking and other operations carried on or conducted by or on behalf of the Optionee and/or its Affiliates in respect of the Optioned Property during the Option Period. This indemnity shall survive the termination of this Agreement.

9. **TERMINATION OF OPTION**

9.1 **Termination of Option by the Optionee.** The Optionee shall have the right, at its sole discretion, to terminate the Option to acquire the Fay Lake Property at any time and thereafter and the Optionee shall have no further or other rights and obligations under this Agreement, save and except as provided in sections 9.3, 9.4.

9.2 **Termination of Option by the Optionor.** The Optionor shall have the right to terminate the Option as a result of a breach of sections 5.1, on prior written notice to the Optionee (the "**Termination Notice**"), if within 90 days after receipt of the Termination Notice, the Optionee shall fail to make any of the Payments, or deliver any of the Consideration Shares as provided in section 5.1.

9.3 **Delivery of Data.** At the end of the Option Period the Optionee shall return all applicable maps, reports, results of surveys and drilling and all other reports of information provided to the Optionee by the Optionor for any portion of the Optioned Property not acquired by the Optionee, unless duplicates or copies are already in the Optionees possession. Additionally, the Optionee shall provide copies of any assay plans, diamond drill records, information, maps and other pertinent exploration reports produced by the

Optionee and/or its Affiliates and/or its Agents for any portion of the Optioned Property not acquired by the Optionee. Within 60 days of each anniversary during the term of this Agreement, the Optionee shall deliver a report summarizing the work completed on and expenditures incurred on the Optioned Property.

9.4 **Removal of Buildings.** Upon termination of the Option and applicable only to Optioned Property not otherwise acquired by the Optionee pursuant to the terms of this Agreement, all buildings, plant, equipment, machinery, tools, appliances and supplies which may have been brought upon the Optioned Property by or on behalf of the Optionee as operator shall be removed by the Optionee and/or its Affiliates at any time not later than 12 months after termination unless arrangements on terms satisfactory to the Optionor are made between the Optionor and the Optionee and if not so removed, such buildings, plant, equipment, machinery, tools, appliances and supplies shall become the property of the Optionor.

10. **FORCE MAJEURE - GENERAL**

10.1 **Force Majeure.** Time shall be of the essence of this Agreement, provided however that notwithstanding anything to the contrary contained herein, if a Party should at any time or times during the currency of this Agreement be delayed in or prevented from complying with this Agreement by reason of wars, acts of God, strike, lockouts or other industrial disputes, inability to access its place of business, acts of the public enemy, riots, fire, storm, flood, explosion, government restriction, failure to obtain any approvals required from regulatory authorities including environmental protection agencies, unavailability of equipment or qualified personnel, delays of transportation, breakdown of machinery, interference of persons primarily concerned about environmental issues or native rights pressure groups or other causes whether of the kind enumerated above or otherwise which are not reasonably within the control of the applicable Party (excluding for greater certainty and without limitation, unavailability of funds), the period of all such delays resulting from such causes or any of them, shall be excluded in computing the time within which anything required or permitted by the applicable Party to be done, is to be done hereunder, it being understood that the time within which anything is to be done hereunder shall be extended by the total period of all such delays. Nothing contained in this Article shall require the applicable Party to settle any industrial dispute or to test the constitutionality of any enacted Law.

11. **RELATIONSHIP AND OTHER OPPORTUNITIES - GENERAL**

11.1 **Relationship of Parties.** The rights, privileges, duties, obligations and liabilities, as between the Parties, shall be separate and not joint or collective and nothing herein contained shall be construed as creating a partnership, an association, agency or subject as herein specifically provided, a trust of any kind or as imposing upon either of the Parties any partnership duty, obligation or liability. No Party is liable for the acts, covenants and agreements of any other Party, except as herein specifically provided.

11.2 **Other Opportunities**. Each of the Parties shall have the free and unrestricted right independently to engage in and receive the full benefits of any and all business endeavours of any sort whatsoever whether or not competitive with the endeavours contemplated herein without consulting the other Party or inviting or allowing the other Party to participate therein. No Party shall be under any fiduciary or other duty to any other Party which shall prevent it from engaging in or enjoying the benefits of competing endeavours within the general scope of endeavours contemplated by this Agreement. The legal doctrine of "**corporate opportunity**" sometimes applied to persons engaged in a joint venture or having fiduciary status shall not apply in the case of a Party.

12. **CONFIDENTIALITY**

12.1 **Confidentiality**. No disclosure or announcement, public or otherwise, in respect of this Agreement, the transaction, the Optioned Property or the results of the Optioned Property shall be made by the Optionor without the prior written consent of the Optionee.

13. **AREA OF INTEREST**

13.1 **Area of Interest**. If either party or any of its Affiliate's stakes, acquires or acquires an interest, by option or joint venture, in a mineral claim or any other form of mineral tenure (the "**AOI Tenure**") located wholly or partly in an area within three kilometres from any portion of the Optioned Property as it exists at the date of execution of this Agreement, the acquiring party shall forthwith give notice to the other party of such staking or acquisition and the known mineralization thereon. Upon delivery of such notice, the other party may elect by notice to the acquiring party to require that such AOI Tenure be included in and thereafter form part of the Optioned Property. Notwithstanding the foregoing, this section 13.1 will not apply to any mineral claims or other form of mineral tenure that is owned or optioned by either party as of the date of this Agreement.

14. **NOTICE - GENERAL**

14.1 **Notices**. All notices, requests, demands or other communications which by the terms hereof are permitted to be given by a Party to the other Parties shall be given in writing by personal delivery, email or fax, addressed to such other Parties or delivered to such other Parties as follows:

(i) to the Optionee at:

Boreal Gold Inc.
Box 306, 12 Mitchell Rd,
Flin Flon, MB
R8A 1N1

Attention: Stephen L. Masson
Email: more@mymts.net

(ii) 4058667 MB Ltd. at
Box 306, 12 Mitchell Rd,
Flin Flon, MB
R8A 1N1

Attention: Stephen Masson
Email: more@mymts.net

or at such other addresses and to such other Person that may be given by any of them to the others in writing from time to time on ten days' prior written notice and such notices, requests, demands or other communications shall be deemed to have been received when delivered.

15. MISCELLANEOUS - GENERAL

15.1 **Acts in Good Faith.** Each Party shall at all times during the currency of this Agreement and after the termination of the Option, act in good faith with respect to the other Party and shall do or cause to be done all things within their respective powers which may be necessary or desirable to give full effect to the provisions hereof.

15.2 **Severability.** Any provision of this Agreement which is invalid or unenforceable shall not effect any other provision and shall be deemed to be severable here from.

15.3 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Manitoba and the federal laws of Canada applicable therein.

15.4 **Further Assurances.** The Parties shall sign such further and other documents and do such further acts or things as may be necessary or desirable in order to give full force and effect to this Agreement and every part hereof, including for greater certainty and without limitation, any and all powers of attorney and documents as counsel for the Optionee shall deem necessary to deal with ongoing title and operational matters with respect to the Optioned Property during the Option Period and any and all public deeds and documents as counsel for the Optionee shall deem necessary to effect a registration of a short form notice of this Agreement against the Optioned Property to constitute notice to third Persons.

15.5 **Amendment.** This Agreement may not be amended or modified in any respect except by written instrument signed by the Parties.

15.6 **Entire Agreement.** This Agreement constitutes the entire agreement among the Parties with respect to the subject matter hereof. The execution of this Agreement has not been induced by nor do the Parties rely upon or regard as material, any covenants, representations or warranties whatsoever not incorporated herein and made a part hereof.

15.7 **Enurement.** This Agreement shall enure to the benefit of and be binding upon the Parties and each of their respective heirs, executors, administrators, legal representatives, successors and permitted assigns, but no other Person.

15.9 **Counterparts.** This Agreement may be executed in several counterparts by original, email or facsimile signature, each of which so executed shall be deemed to be an original and such counterparts together shall constitute one and the same document.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first written above.

BOREAL GOLD INC.

Per: Richard Masson
Name:
Title: Director

Per: Will A
Name:
Title: Director

4058667 MB LTD

Per: Stephen Masson
Name: Stephen Masson
Title

SCHEDULE "A"

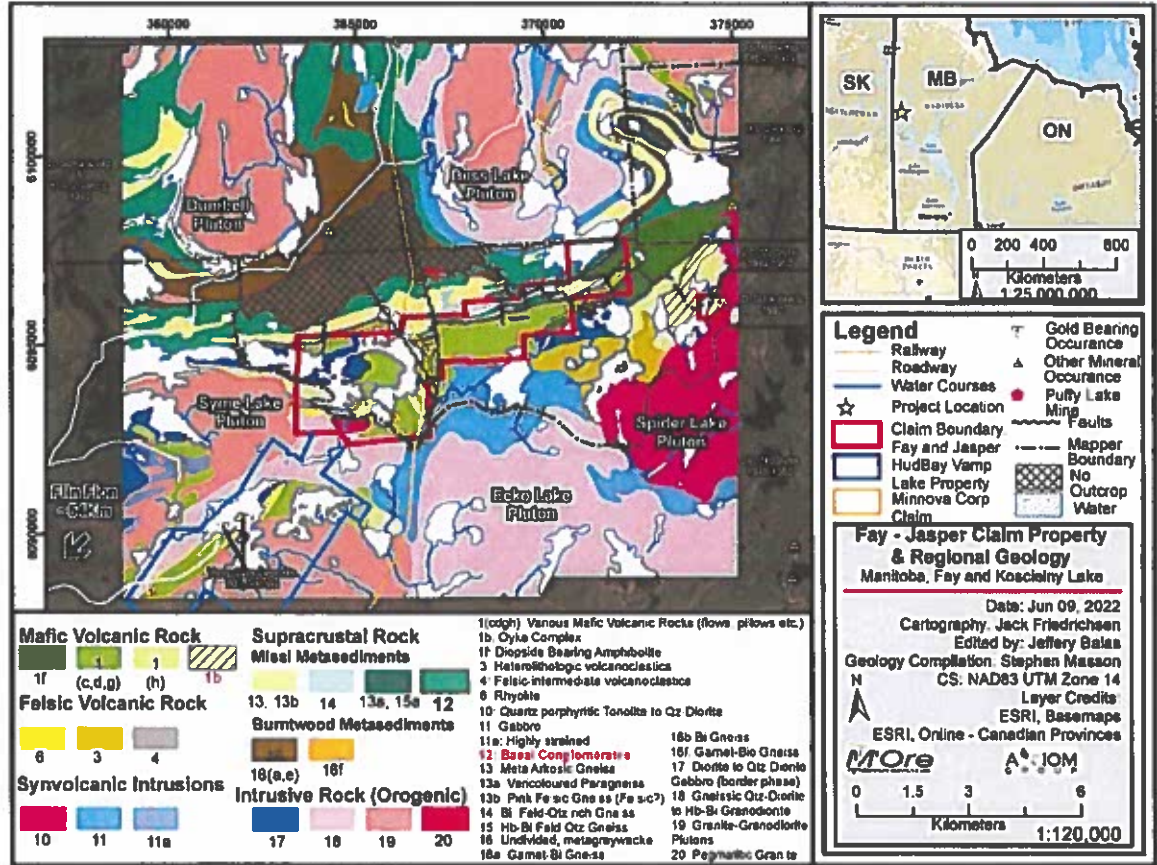
SCHEDULE A

FAY LAKE PROPERTY

Table: Claim Status for the Fay Lake Property

Claim Name	Claim Number	Area (ha)	Owner
Mine	MB13728	117	4058667 Manitoba Ltd.
Bruce	MB12992	177	4058667 Manitoba Ltd.
Fay	MB12812	194	4058667 Manitoba Ltd.
Meeka	MB12995	38	4058667 Manitoba Ltd.
Rita	MB12994	69	4058667 Manitoba Ltd.
Red	MB12991	248	4058667 Manitoba Ltd.
Win 1	MB12990	211	4058667 Manitoba Ltd.
Win 2	MB12993	76	4058667 Manitoba Ltd.
Fay 1	MB12981	248	4058667 Manitoba Ltd.
Fay 2	MB12982	245	4058667 Manitoba Ltd.
Fay 3	MB12983	248	4058667 Manitoba Ltd.
Jasper	MB12811	36	4058667 Manitoba Ltd.
Total		1907	

MAP



SCHEDULE "B"

Net Smelter Return Royalty

1. For the purposes of this Agreement, Net Smelter Royalty means the gross proceeds received from the sale of ores or concentrates (the "Productions") extracted from the Optioned Property less the following costs, charges and expenses paid or incurred by the Optionee with respect to such Products:
 - (a) all charges for treatment of the Products in the smelting and refining process (including handling, processing, and provisional settlement fees, sampling, assaying and representation costs, penalties and other processor deductions, and interest) provided that if such treatment is carried out in facilities owned or controlled, in whole or in part, by the Optionee, then the foregoing charges will be equal to the amount the Optionee would have incurred if such treatment were carried out at facilities not owned or controlled by the Optionee or one of its Affiliates, then offering comparable services for comparable Products on terms then prevailing in the area;
 - (b) the actual costs of transportation (including freight, insurance, security, transaction taxes, handling, port, demurrage, delay and forwarding expenses incurred by reason of or in the course of such transportation) of Products from the Optioned Property to the place of refining, beneficiation or treatment and then to the place or sale;
 - (c) use, gross receipts, severance, export, and ad valorem taxes and any other tax or government royalty or levy payable by the Optionee and based directly upon and actually assessed against the value or quality of Products sold or otherwise disposed or deemed disposed of, but excluding any and all taxes:
 - (A) based upon the net or gross income of the Optionee (i.e. income taxes); or
 - (B) based upon the value of the Optioned Property, the privilege of doing business and other similar based taxes.
2. Payments of a percentage of the Net Smelter Royalty shall be made within 30 days after the end of each calendar quarter in which the Net Smelter Royalty, as determined on the basis of final adjusted invoices, are received by the Optionee. All such payments shall be made in Canadian dollars.
3. The Optionor shall have the right to have the accounts and records relating to the calculation of the Net Smelter Royalty of the Optioned Property audited by a chartered accountant acceptable to the Optionor upon 30 days written notice to the Optionee. If such audit determines that there is a deficiency or an excess in payments made to the Optionor, such deficiency or excess shall be resolved by adjusting the next Net Smelter Royalty payment due hereunder. The Optionor

shall pay all costs of such audit unless a deficiency of more than ten percent (10%) of the amount due is determined to exist. The Optionee shall pay all costs of such audit if a deficiency of more than ten percent (10%) of the amount due is determined to exist.

4. The Optionee shall be entitled to (a) make all operational decisions with respect to the methods and extent of mining and processing of ore, concentrate, metal and products produced from the Optioned Property (including the decision to process by heap leaching rather than conventional milling); (b) make all decisions relating to sales of such ore, concentrate, metal and products produced; and (c) make all decisions concerning temporary or long-term cessation of operations.