

STIBNITE GOLD PROJECT: FINANCIAL ASSURANCE

Mining has a long history in Idaho. The Stibnite Mining District alone has seen more than 100 years of activity, much of it from the 1930s to 1950s when Stibnite produced the majority of the antimony and tungsten needed for the war effort. But unfortunately, it left a legacy of impacts. From the outset, we designed the Stibnite Gold Project to be very different.

What most people don't realize is that mining companies, and the regulations that guide our work, have changed drastically since mid-century mining practices. We can no longer harvest natural resources without first developing, and getting approval on, a plan that follows strict standards to reclaim the effects of mining on vegetation, wildlife, water and the land. Planning for reclamation isn't enough. Mining companies must also set aside adequate funds before a project begins to guarantee reclamation will occur without the need for taxpayer intervention.

At Midas Gold, we are committed to ensuring the site is restored and guarantee we will provide the resources to make sure it is done right.

FINANCIAL ASSURANCE POLICY

Financial assurance is a legal mechanism to secure private funds for reclamation no matter what happens in the future. Today in the U.S., no new mine can be approved without first establishing sufficient financial assurance to cover its liabilities. This financial assurance is intended to ensure that the corporation, and not the taxpayers, is held accountable for reclamation.

Prior to 1970, there were no significant state or federal regulations for environmental protection and reclamation at hardrock mines. Pre-modern era mines were designed, built and operated to maximize production and minimize cost. Government agencies did not focus on environmental impacts and, even if they did, they simply did not have the regulatory authority to do anything about it. For example, in the pre-regulation era, mines were often designed to release tailings directly into rivers and streams. Historically, Stibnite did exactly that – tailings from former operations at the site were deposited directly in drainages starting in the early 1920s until 1952.

This all began to change when the National Environmental Policy Act was passed in 1969. It was the first of many national laws and policies to guide decision making for all types of industrial activities on federal lands including logging, oil and gas development, mining and even building new ski areas. It took several decades for the new environmental laws to be fully implemented.

Regulation concerning financial assurance started to be implemented by various agencies in the 1980s. The policy identified a path forward for cleaning up projects from the past and also required new mining projects to set aside protected funds to ensure cleanup.

Over the last three decades, the rules and practices under various environmental laws have evolved to cover different situations, including collaborative clean-up of “brownfields” sites that were disturbed in the

pre-regulation era. States have also enacted their own requirements for bonding and environmental standards.

These new regulations and the financial assurance requirements have proven effective. The U.S. Environmental Protection Agency has a national priority list for cleanup sites across the country. According to a study commissioned by the American Exploration and Mining Association in 2015, former or active mine sites make up 55 of the 1,100 sites listed nationally. Of the 55 mine sites, 49 were mined prior to 1970 and operated before the modern regulatory requirements existed, five were operated from 1970 to 1990 when regulations were starting to be implemented, and just one was operated post-1990. It is important to note that the last site, Barite Hill property in South Carolina, was mined extensively during the 1800s and had extensive impacts prior to the development of modern regulations. These statistics demonstrate that regulations and bonding are doing what they were intended to do.

Regulations today are having a positive impact on mine reclamation efforts and the government is no longer having to step in with taxpayer funded cleanups of modern mining projects.

CALCULATING FINANCIAL ASSURANCE

When miners first came to Stibnite well over 100 years ago, there were no standards or requirements on how to leave the environment after mining. Miners were focused on mineral production, largely to supply the minerals needed for the war effort and were not expected to restore the areas they had mined, especially during the war years when strategic minerals production was critical to the war effort. Today, things are very different.

In the current regulatory environment, before construction starts, mining resumes or restoration commences, we are legally required to set aside funding to reclaim the site. Financial Assurance laws have governed many projects throughout Idaho over the last three decades during which the standards continued to evolve. Unfortunately, there have been instances in the past where bonding fell short—in large part because the required bond amount did not take into consideration the actual cost for reclamation.

At Midas Gold, we took a different approach, so this won't happen at our site. We made the decision early on to apply a higher standard to our work.

Working with regulators, Midas Gold will use a tool called the Standardized Reclamation Cost Estimator (SRCE). This actual cost bonding tool ensures accuracy, completeness and consistency in the calculation of reclamation and closure costs, including an estimate for project management and government oversight, assumes the use of third-party contractors to do the work with Davis/Bacon Wages, equipment operating cost, and builds in a significant contingency. It even adjusts the calculation over time to account for changing costs. SRCE is widely accepted by agencies and the public to calculate financial assurance requirements for mining projects.

By choosing the SRCE tool as an actual cost model, Midas Gold is asking the government to hold us to a higher standard. For example, if we calculated financial assurance based on the current flat fee per acre under Idaho law, we would bond \$15,000 per acre for land regulated by Idaho. Using an actual cost bonding

model, one mine that recently calculated financial assurance in Idaho bonded at a rate closer to \$90,000 per acre.

After a Record of Decision is issued, regulators will determine and agree upon the total cost for bonding the Stibnite Gold Project based on actual costs using independent contractors and allowing for overheads and contingencies. Bonding must be in place for the project to move forward.

The commitment by Midas Gold to reclamation is evident in the basic design of our plan. We designed the Stibnite Gold Project to begin cleanup of historical environmental legacies before we even begin mining. We designed the plan to implement concurrent reclamation, whereby we will reclaim our disturbances as we go, rather than waiting until the end of the project. We are also looking beyond the legally required reclamation to identify where we can restore areas of the site impacted by legacy activities.

QUESTIONS?

1. Why didn't financial assurance always work in the past?

For financial assurance to work, environmental risk needs to be minimized. Today's environmental regulatory climate and, including the review, refinement and improvement of a mine plan through NEPA, and advanced mining technology create a safer environment for mines to operate. Accurately calculating the cost of clean-up is also important. Models like SRCE base calculations on detailed, site-specific factors and assume government-contracting rates. The resulting figure is far more accurate than flat-fee per acre structures.

2. When will we know the bond amount for the Stibnite Gold Project?

Because we've elected to use an actual-cost based model, we will need to see the final approved plan of Restoration and Operations before we can use SRCE to provide a calculation. However, in the meantime, we are in the process of developing an estimate of what it would take to bond for the Stibnite Gold Project as submitted in the PRO.

Final bonding amounts will be calculated once the Record of Decision, and associated approval stipulations, have been finalized. The U.S. Forest Service and Idaho Department of Lands must approve the final bonding estimates and all bonding must be in place before the Stibnite Gold Project moves forward.