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First name: Laurel

Last name: Sayer

Organization: Midas Gold Idaho

Title:

Comments: Workforce, Taxes, Current Conditions, Restoration & Mitigation

We are writing these comments as the President and CEO of Midas Gold Corp. (MGC) and the President and CEO of Midas Gold Idaho, Inc. (MGII). As you are aware, MGC is the 100% shareholder of MGII, and MGII submitted its Plan of Restoration and Operations (PRO) for the Stibnite Gold Project (SGP or Project) to the U.S. Forest Service (USFS) and other agencies in September 2016. The purpose of our letter is to comment on various matters related to workforce, taxes and current conditions at the site as they related to the Draft Environmental Impact Statement (DEIS) that the U.S. Forest Service published on August 14, 2020.

In the PRO, MGII outlined its workforce needs and it plans to emphasize local hiring and how to manage the ramp up and ramp down of those impacts through phased hiring, training as the project progresses through construction into operations and then reclamation and closure. In this letter, MGC and MGII also provide comments on the beneficiaries of the tax benefits generated by the Project, which due to the nature of the corporate entities that are MGC and MGII, means that both are US tax filers and will be taxed in the USA. Finally, we provide comments on the need to clarify the existing conditions at Stibnite and the implications of not addressing them, as well as the net effects of restoration and mitigation plans, in the DEIS.

#### Work Force

In the PRO, MGII made commitments<sup>1</sup> to [ldquo]encourage the hiring of qualified local people and work with nearby communities to lessen any negative social, lifestyle and economic impacts on local residents.[rdquo] MGII takes such commitments seriously and has endeavoured, in its relatively smaller scale hiring and contracting to date, to live by this commitment and will continue to do so going forward. In the DEIS, the Socio-Economic section of the Effects Analysis (Chapter 4) appropriately summarizes the IMPLAN analysis completed by Highland and notes the substantial number of direct, indirect and induced jobs expected during construction and operations (15-18 years) on a local, regional, state and national level; in Chapter 4 the DEIS states<sup>2</sup> [ldquo]Overall, the SGP is estimated to support 4,690 direct, indirect, and induced jobs for residents nationwide (i.e., Idaho and elsewhere in the U.S.)[rdquo].

For all action alternatives, the DEIS notes<sup>3</sup> significant local, regional and national increases in employment in direct, indirect and induced jobs at significantly higher wage levels than are currently paid in Valley County<sup>4</sup>: [ldquo]The average wage for local residents is projected to be approximately \$92,500 per year (in 2017 dollars) and also is fully burdened to account for employee health and other benefits. The corresponding unburdened salary is estimated to be \$64,8005.[rdquo] The DEIS also notes that the increase in employment and wage levels would generate taxes for the local, state and national governments<sup>6</sup>: [ldquo]Annual government tax revenue benefits from SGP operations under Alternative 1 are estimated to total \$61.7 million. Midas Gold is projected to pay \$29.4 million in taxes annually. The other \$32.3 million would be paid by SGP support businesses and employees[rdquo]. The DEIS goes on to note<sup>7</sup> [ldquo]The economic benefits associated with increased employment opportunities and tax revenues, could lead to continued or improved access to health services (through employment insurance benefits and/or increased income), better nutrition, and better overall well-being for the local community.[rdquo]

While there have been comments that the IMPLAN analysis indicates not all jobs will be local, there have also been comments that the number of local jobs will overwhelm the local economy, driving up local wages and straining the local infrastructure. For the record, as set out above and in the PRO, Midas Gold has committed to the hiring of qualified local people and to training programs to boost local employment. However, this will be a

process that develops over time as the Project evolves through different stages of construction to operations, as training increases the pool of qualified workers, as some of the 540 former residents who left the area between 2010 and 20168 (possibly for employment reasons) return home to take up positions not previously available to them, and as new people migrate into the area. The DEIS notes<sup>9</sup> [ldquo]However, it is expected that a large share of the workers relocating to the area would likely be from elsewhere in Idaho or residents from adjoining states.[rdquo] This indicates in-migrants would integrate well into the local communities and contribute, beyond their taxes and spending in local business, their time and talents to local organizations, schools and other community activities.

The proposed 2-week rotation for workers is designed to allow employees to be drawn from a wider area, smoothing out the local impacts in a gradual ramp up. This will improve local benefits while mitigating potential negatives of too high an impact in the immediate project area. However, over time, the regional employment from Valley, Adams and Idaho Counties is likely to increase as more workers acquire the needed training, and is in Midas Gold[rsquo]s best interest to see this happen as local employees tend to be more stable and committed to their employer for the long term. The DEIS notes<sup>10</sup> [ldquo]Further, Alternative 1 operations statewide total income impact during the 12- to 15-year period of operations is estimated to be \$71.6 million per year. Of this statewide total, the overall local income impact is expected to total \$29.3 million per year for Valley County and Adams County residents.[rdquo] Alternative 2 has the same impacts as Alternative 1 in respect of this matter.

The scale of workforce impacts also needs to be kept in perspective; as the DEIS states<sup>11</sup> that, even if half of the people moving to the area settled in McCall, they would only represent a 3% population increase, would likely be from Idaho and surrounding states and therefore are likely to settle and integrate well into the community. Given the high cost of housing in McCall, it is much more likely that people will relocate to other communities in Valley County and adjoining counties, where there is also greater school capacity<sup>12</sup>.

In summary, it is a good thing that there will be increased local employment, increased local wages, increased local, state and federal taxes, all of which will contribute to a more robust and dynamic economy benefitting many local businesses and help pay for law enforcement, emergency services, schools, and other public services. Midas Gold[rsquo]s planned 2-week rotation schedule helps mitigate the potential negatives of a [lsquo]boom and bust[rsquo] cycle on the local area by spreading impacts over the region, and the very nature of the 3-year construction period and 12-15 year operating period provides time to ramp up local employment through phasing in of new jobs, training and relocations over time. A gradual decrease in impacts and benefits would similarly occur during the reclamation, closure, and post-closure phases as the Project ramps down<sup>13</sup>.

These kinds of effects are broadly similar for all of the action alternatives. Alternative 5 would see none of these benefits accruing to local residents, or others in the region or across the Nation, and representing a significant loss of economic opportunity for the region and the State.

## Taxation

The DEIS provides a good summary of the potential direct, indirect and induced taxes payable on a local, state and national level<sup>14</sup>, which are substantial, as noted in the DEIS<sup>15</sup> [ldquo]Over the entire 3-year construction period, the total taxes paid by SGP support businesses and employees are projected to total \$176.4 million.[rdquo] and<sup>16</sup> [ldquo]Federal tax receipts during the SGP operations phase are projected to[hellip]total \$619 million over the entire operations period (based on a 12-year operations period). The state and local tax revenues generated under Alternative 1 are projected to[hellip]total \$121.4 million over the entire operations period.[rdquo]. Due to the nature of the US tax system, SGP generated taxes mostly go to the Federal government, followed by the State and then local bodies. However, there will be significant additional taxes generated through increased indirect and induced employment, as the DEIS notes<sup>17</sup> [ldquo]Annual government tax revenue benefits from SGP operations under Alternative 1 are estimated to total \$61.7 million. Midas Gold is projected to pay \$29.4 million in taxes annually. The other \$32.3 million would be paid by SGP support

businesses and employees. These revenues will also flow into the communities to their economic, employment and tax benefit.

Some have commented that the local economy will be burdened by the impacts on local. As is stated in the DEIS<sup>18</sup>, Midas Gold would be responsible for roadway maintenance under a cooperative agreement with the USFS and Valley County. In addition, as the Project proponent, Midas Gold will be responsible for all upgrades to the Burntlog Route<sup>19</sup> and the powerline upgrades<sup>20</sup> from Lake Fork to the site. Further, Midas Gold has committed<sup>21</sup> to work with the Idaho Department of Transportation and, where applicable, the City of McCall to pay our proportionate share of the cost of improvements on Highway 55 at the junctions with Warm Lake Road, Deinhard Lane and Boydston Road.

Questions have been raised about where the tax benefits of the Project will end up, and no doubt similar comments will be made on the DEIS. This comment is intended to pre-emptively address those comments directly.

[bull] The Project proponent and operator is Midas Gold Idaho, Inc.<sup>22</sup> (MGII) which is an Idaho company and a state and U.S. tax filer and has been filing State and U.S. tax returns since inception.

[bull] The mineral rights that comprise the Project are owned by Idaho Gold Resources Company, LLC (IGRC) and its 100% subsidiary, Stibnite Gold Company (SGC). Both are Idaho companies and U.S. tax filers<sup>23</sup> and have been filing State and U.S. tax returns since inception.

[bull] The 100% shareholder of MGII and IGRC is Midas Gold Corp. (MGC), which is a British Columbia, Canada company<sup>24</sup> that was created to tap in to the mining-focused capital markets in Canada and has provided the more than \$200 million invested into the Project to date. However, because of the way MGC was established, MGC is also a U.S. tax filer and, because its income and expenses would be mostly generated in the U.S. from the SGP, taxes would be paid in the U.S. As MGC's prospectus issued at the time of the initial public offering stated<sup>25</sup> [ldquo]The Issuer believes, pursuant to Section 7874 of the Code, even though the Issuer is organized as a British Columbia corporation, the Issuer should be treated as a U.S. domestic corporation for all U.S. federal income tax purposes.[rdquo] MGC has been filing U.S. tax returns annually since 2011.

As a result of MGII's and MGC's corporate structures, the tax benefits detailed in the DEIS are those that will be generated and payable in the U.S.

#### Legacy Site Impacts

We appreciate the analysis with respect to Alternative 5 found in the DEIS. However, we believe that the analysis does not fully lay out the continuing consequences of selecting Alternative 5, including:

[bull] Continuing non-compliant water quality, with permanent exceedances in As, Sb and other metals due to natural and manmade sources:

o Testing at one location near unlined legacy features at Stibnite indicate levels of arsenic can locally reach 700 times the drinking water standard during the spring.

[bull] Leaving Bradley tailings and spent ore in place in the SODA (which also applies to Alternative 3) will result in:

o A continuing, permanent source of elevated metals leaching into surface and groundwater [ndash] which appears to be the largest source of metals affecting water quality at Stibnite;

o Leaving upper Meadow Creek in a riprap-lined ditch around the SODA, which is not suitable habitat, and isolates the potential habitat in the headwaters of Meadow Creek forever.

[bull] Continuing impacts on surface and ground water quality from the Hangar Flats area related to the former Meadow Creek mine, the former Bradley mill and smelter site, and the former Hecla and other heap leach facilities in the Meadow Creek valley, which will therefore continue forever.

[bull] Continuing degradation caused by Blowout Creek, which will not be addressed, leading to continued sedimentation affecting downstream water quality, and Blowout Creek will continue to head-cut into the wetlands above (where the water table has already dropped by an estimated 14 feet) further reducing the functionality and quality of those wetlands.

[bull] Preventing fish passage into the headwaters of the EFSFSR by not addressing the blockage at the Yellow Pine pit, meaning that anadromous and other fish will continue to be unable to migrate up and down stream, preventing population recoveries of ESA-listed threatened and endangered species.

o Further, the Yellow Pine pit lake will continue to fill with sediment, which will result in it no longer functioning as a sediment trap for sediment coming from Blowout Creek and elsewhere, resulting in downstream transportation of sediments, reducing water quality and habitat quality for threatened and endangered species downstream.

[bull] Not addressing the other fish blockages on the EFSFSR above the pit that will also continue to impact fish passage for ESA threatened and endangered species.

[bull] Continuing surface and groundwater contamination from waste rock in and around the Yellow Pine pit that appears to be the second largest source of surface water contamination of the EFSFSR in the Stibnite area.

[bull] Eliminating the opportunity for a sitewide environmental cleanup to be completed in conjunction with the reclamation and restoration components of the SGP being assessed under NEPA, which opportunity is currently in discussion with federal and state agencies but is dependent on the Project being approved under NEPA and proceeding.

In the Final EIS, the outcomes of Alternative 5 could be more clearly compared to the innovative and original approach by MGII that is designed to address the historical issues related to a significantly impacted brownfields site in a manner that provides economic, employment and environmental benefits, as set out in the action alternatives, and particularly in Alternative 2.

This information is significant for the agency's final determination and should play prominently in the discussion as it is important that the public and stakeholders have an informed understanding of the consequences of selecting Alternative 5 versus one of the action alternatives.

#### Restoration & Mitigation

We believe that, while the DEIS provides all of the required information for a reader to assess and comment on the proposed reclamation, restoration and mitigation aspects of the various action alternatives, it would be helpful for the public and various stakeholders to have a consolidated assessment of (1) the current conditions, (2) the impacts related to proposed activities, (3) the proposed mitigations and (4) the net outcome post-mitigation, all in one place and in one table.

MGII clearly laid out its commitments to restoration and mitigation in the PRO26. The Executive Summary of the DEIS provides a summary of the impacts associated with mining, while Appendix D of the DEIS provides a detailed description of the environmental protection and mitigation measures incorporated into the SGP. Table D-

1 lists 156 mitigation measures required by the Forest Service and proposed by Midas Gold. Table D-2 list 75 additional mitigation measures that Midas Gold has proposed as design features for the SGP. These long lists of Project mitigation measures attest to the level of careful planning, engineering, and analysis that both the Forest Service and Midas Gold have devoted to the SGP. Implementing the roughly 230 mitigation measures that will be required to build and operate the SGP will be very costly, however, they will provide significant net benefits that mitigate impacts of the proposed actions.

From the beginning, the Final EIS needs to more clearly inform readers that Stibnite is not pristine wilderness, which many continue to believe. For example, in 2001, EPA proposed to list the Stibnite Mining District on the National Priorities List<sup>27</sup>, the list of formally designated Superfund sites, illustrating the seriousness of the legacy issues at the site. It is an area that has seen large scale industrial activity over the last century, particularly during World War II and the Korean War. Re-mining a brownfield, or previously mined site, under today's regulatory environment can bring positive improvements to the environment along with the economic benefits of mineral production.

The DEIS states that mitigation and Restoration will address impacts.

[bull] Proposed mitigation will provide 1:1 replacement of wetlands acres<sup>28</sup>.

[bull] Mitigation plan offers a net gain of 346.5 wetland functional units represents a 40% increase<sup>29</sup>.

[bull] Restoration plans will provide a net gain of 21,941 stream functional units, a 23% increase<sup>30</sup>.

Perhaps the highest profile restoration measure is the restoration of volitional movement of anadromous fish, which includes ESA threatened and endangered species, upstream and downstream in the East Fork South Fork of the Salmon River (EFSFSR). Midas Gold's proposal to remove the 80-year old barrier to upstream fish migration at the Yellow Pine Pit will reconnect the EFSFSR and allow volitional fish migration to their native spawning grounds for the first time since the 1930s. For the first time in decades, Idaho Tribes with rights and interests in the Stibnite area will once again be able to access a viable fishery.

An important (and very costly) aspect of Midas Gold's EFSFSR restoration plan is our investment in the temporary fish passageway tunnel, which we will build during the project construction phase to allow upstream fish migration during mining of the Yellow Pine Pit. From a mining perspective, a conventional stream diversion channel around the pit would be adequate to support the proposed mining operation. However, because this would not support upstream fish migration, it would not satisfy our corporate goals and objectives to restore the site as quickly as possible, and throughout the mine life. Thus, we are making the substantial commitment to build the fish passageway tunnel to provide volitional fish migration as soon as possible before we have realized any mining income.

Long-term restoration of fish passage is a key objective for Midas Gold. In Chapter 4, the DEIS specifically states that removing historical barriers to fish migration is beneficial to the population and providing long-term access to historically blocked habitat will result in increased species productivity. Appendix D of the shows restoration will provide a net gain of 21,941 stream functional units, a 23% increase in the quality habitat these fish need. Further, analysis in Chapter 4 of the DEIS states removing legacy tailings and managing water quality provides long-term reduction in metal loading in ground and surface water. The DEIS concludes the proposed removal of the historical barriers to fish migration will assist fish populations by providing:

[bull] Long-term access to historically blocked critical habitat that would result in increased productivity<sup>31</sup>.

[bull] Free movement and access to habitat can improve genetic diversity of isolated populations<sup>32</sup>.

[bull] Increased access to feeding and refuge areas in critical habitat can improve overall productivity<sup>33</sup>.

Regarding the water temperature increase in the winter, the DEIS says<sup>34</sup> [ldquo]The increased water temperatures would be closer to optimum for incubation and emergence for Chinook salmon and bull trout than they are at baseline. This would have a positive effect on these species, potentially increasing survivorship.[rdquo]

In addition to restoring the East Fork South Fork Salmon River so that it will once again flow naturally and providing uplift to stream function throughout the site, including volitional fish passage, Midas Gold has also committed to resolve the largest source of sedimentation in the watershed. Blowout Creek today deposits silt and debris into Meadow Creek and downstream into the EFSFSR, impacting the quality of the downstream fish habitat and spawning grounds. In the first years of construction, we will construct a French drain system to permanently stop sedimentation from further degrading water quality and habitat, which will also improve the functionality of wetlands in the upper Blowout Creek valley.

Less visible, but equally important, are the proposed removal of millions of tons of legacy mine tailings and waste rock that are impacting surface and groundwater quality, although Alternative 3 and Alternative 5 leaves significant quantities of these materials unremediated as compared to Alternatives 1, 2 and 4, therefore negatively affecting water quality long term were Alternative 3 or 5 selected.

Alternative 2 of the Stibnite Gold Project leaves water quality better than it is today. In fact, arsenic and antimony levels are projected to drop by 30% or more downstream of the site following removal and repurposing of legacy materials and restoration activities<sup>35</sup>. Water treatment by Midas Gold is expected to reduce average in-stream arsenic, antimony, and mercury to levels below current average conditions. In some instances, comments on the DEIS have perhaps inadvertently taken the numbers describing the impacts from the effects analysis within in the DEIS before accounting for the required mitigation found in Appendix D, and this approach leaves an incomplete picture of the project. This is why we recommend that the Final EIS provide a compilation of the net results of impacts and mitigation, including those found in Appendix D.

The DEIS confirms that removing legacy materials will improve water quality because:

[bull] Removing legacy materials and managing water provide long-term reduction in metal loading in ground and surface water<sup>36</sup>.

[bull] Removing legacy tailings and waste rock lowers concentrations of antimony and arsenic in the East Fork South Fork of the Salmon River<sup>37</sup>.

[bull] Removing legacy tailings and waste rock improves water quality in Meadow Creek Valley<sup>38</sup>.

We have submitted a separate comment letter on the various alternatives, so will not restate that information here. However, the larger point is that a fundamental component of the SGP is the mitigation of potential impacts on the environment, and the restoration of the site to a fully functional, dynamic ecosystem.

## Conclusions

We appreciate this opportunity to provide comments on the DEIS covering workforce, taxation and legacy site impacts, as well as restoration and mitigation and trust that you will consider and address the comments provided herein in the Final EIS.

2 DEIS Section 4.21.2.1.1.1 for Alternative 1. Alternative 2 has no differences to Alternative 1 in this area.

3 DEIS Section 4.21.2.1.1.1

4 DEIS Section 4.21.2.1.2.2

5 Burdened includes employer costs such as healthcare costs and other benefits, unburdened is base salary only.

6 DEIS Section 4.21.2.1.2.4

7 DEIS Section 4.18.4

8 DEIS Section 4.21.2.1.1.3

9 DEIS Section 4.21.2.1.1.3

10 DEIS Section 4.21.2.1.2.2

11 DEIS Section 4.21.2.1.1.3

12 DEIS Section 4.21.2.1.1.3

13 DEIS Section 4.21.2.1.3.1

14 DEIS Section 4.21.2.1.2.4

15 DEIS Section 4.21.2.1.1.4 for Alternative 1. There are no differences for Alternative 2 in respect of this matter.

16 DEIS Section 4.21.2.1.2.4 for Alternative 1. There are no differences for Alternative 2 in respect of this matter.

17 DEIS Section 4.21.2.1.2.4 for Alternative 1. There are no differences for Alternative 2 in respect of this matter.

18 DEIS Section 4.21.2.1.2.4

19 DEIS Section 4.16.2.1.1 and PRO Section 7.1

20 DEIS Section 4.15.2.1.2.3 and PRO Section 7.2

21 DEIS Section 4.16.2.1.1

22 See page 11 of Midas Gold Corp.'s Annual Information Form filed on www.SEDAR.com on March 18, 2020

23 See page 11 of Midas Gold Corp.'s Annual Information Form filed on www.SEDAR.com on March 18, 2020

24 See page 11 of Midas Gold Corp.'s Annual Information Form filed on www.SEDAR.com on March 18, 2020

25 See Initial Public Offering Prospectus dated June 30, 2011, p112 filed on www.SEDAR.com

26 PRO Section 2

27 See <https://www.epa.gov/superfund/proposed-national-priorities-list-npl-sites-state#ID>

28 DEIS Chapter 4, Sections 4.11.2.3.1.1 and 4.11.2.3.1.2; Tables 4.11-7 and 4.11-8; pgs. 4.11-24 and 4.11-26.

29 DEIS Appendix D, CMP Table 8-2.

30 DEIS Appendix D, Table 8-1

31 DEIS Section 4.12 Fish Resources [ndash] 4.12-33

32 DEIS Section 4.12 Fish Resources [ndash] 4.12-33

33 DEIS Section 4.12 Fish Resources [ndash] 4.12-33

34 DEIS Section 4.12.2.4.9 (see page 4.12-139)

35 Modified PRO Alternative Modeling Report

36 DEIS Chapter 4, Section 4.9

37 DEIS Chapter 4, p. 4.9-70

38 DEIS Chapter 4, 4.12 103-104