

COST RECOVERY AGREEMENT
between
MIDAS GOLD IDAHO, INC.
and
IDAHO DEPARTMENT OF ENVIRONMENTAL QUALITY
and
IDAHO DEPARTMENT OF LANDS

This Cost Recovery Agreement (Agreement) is entered into and effective as of January 29, 2018, as indicated by the final signature of all Parties; and is made by and among Midas Gold Idaho, Inc. (MIDAS GOLD), the Idaho Department of Environmental Quality (DEQ), and the Idaho Department of Lands (IDL). Each is individually referred to as a "Party," and all are collectively referred to as the "Parties." The terms "including" and "includes" as used throughout this Agreement mean including but not limited to.

RECITALS

- A. MIDAS GOLD intends to conduct mining, ore processing, and related activities in the Stibnite Mining District, East Fork South Fork Salmon River drainage in Valley County, Idaho involving the use of cyanidation as a method of extracting target precious metals from ores (Project).
- B. Prior to commencement, the Project will require multiple, interrelated plans, agency reviews, approvals, and permits by and from federal and state agencies, including the United States Forest Service (USFS), the United States Army Corps of Engineers, the United States Environmental Protection Agency, DEQ, and IDL.
- C. DEQ is the State of Idaho agency with authority and responsibility under Idaho Code Title 39, Chapter 1 and Title 39, Chapter 44, and the respective implementing regulations, all as may be amended, for monitoring and controlling the generation, treatment, storage and disposal of wastes, and responding to releases of hazardous substances to surface waters, ground waters or soils in Idaho; and therefore, has special expertise in ensuring that mining is conducted in a manner protective of human health and the environment. DEQ is required to review and approve MIDAS GOLD's Project plans pursuant to, and as a condition of, cyanidation permit issuance.
- D. IDL is the State of Idaho agency with authority to regulate surface mining and reclamation in the state under Title 47, Chapter 15, Idaho Code, and the implementing regulations, as may be amended; and manages state-owned surface and mineral estates under Title 58, Chapter 3, Idaho Code; Title 47, Chapter 7, Idaho Code; and the respective implementing regulations, as may be amended; and therefore, has special expertise in surface mining and reclamation, and the protection of public health, safety and welfare, including assessments of the appropriate level of reclamation and required bonding related to mining operations within its jurisdiction. IDL is required to review and approve MIDAS GOLD's permanent closure plan prior to commencement of the

Project, and any amendment or supplementation thereafter, pursuant to, and as a condition of, DEQ's issuance of a cyanidation permit.

- E. All Project plans and operations must comply with environmental laws and regulations applicable in the State of Idaho, including the Idaho Environmental Protection and Health Act at Title 39, Chapter 1, Idaho Code; Idaho Code § 39-118A; Idaho Water Quality statutes in Title 39, Chapter 36, Idaho Code; Idaho Water Quality Standards in IDAPA 58.01.02.; the requirements and procedures for hazardous and solid waste management in Title 39, Chapter 44, Idaho Code, IDAPA 58.01.05., and IDAPA 58.01.06.; Idaho Rules for Ore Processing by Cyanidation in IDAPA 58.01.13.; Idaho Ground Water Quality Rule in IDAPA 58.01.11.; the Idaho Wastewater Rules in IDAPA 58.01.16.; Idaho Surface Mining Act, Title 47, Chapter 15, Idaho Code; and the Idaho Rules Governing Exploration, Surface Mining, and Closure of Cyanidation Facilities in IDAPA 20.03.02., all as may be amended.
- F. The Parties acknowledge and agree that review of all required cyanidation permit, permanent closure plan, and other related documents prior to submission of a cyanidation permit application is the most efficient and timely mechanism to assure MIDAS GOLD's compliance with applicable environmental laws and regulations. This Agreement is intended to provide the framework for the Parties to cooperatively and efficiently complete these reviews, including working through any necessary application amendments.
- G. Finally, in recognition of DEQ's and IDL's limitations under the Idaho Constitution, Art. VII, Sec. 11 and Idaho Code § 59-1015, which prohibit any state agency from entering or attempting to enter into any agreement creating any expense in excess of the appropriation authorized by the Idaho Legislature, this Agreement provides for recovery from MIDAS GOLD of all reasonable costs incurred by DEQ and IDL specifically related to DEQ's cyanidation permit application reviews and IDL's permanent closure plan application reviews.

AGREEMENT

In consideration of the foregoing Recitals and the Parties' mutual commitments contained in this Agreement, the Parties agree as follows:

1.0. SCOPE OF WORK

- 1.1. The Parties will interact with each other, and any outside entities or agencies, on a routine basis to ensure that proper communication and information dissemination occurs in a timely manner.
- 1.2. DEQ will conduct Project reviews and assessments, participate in collaborative efforts between the Parties, and complete related activities both as described in this Agreement and as deemed necessary during the course of performance of this Agreement (DEQ Work). DEQ Work includes the following:

- 1.2.1. Pre-cyanidation permit application review of items such as anticipated application requirements and procedures, conceptual design plans, operational plans, site design and construction, bonding and other financial assurance, timelines and milestones, closure plans; and
 - 1.2.2. Cyanidation permit application reviews, modification and response, which may include retaining third-party contractors as allowed by law.
- 1.3. IDL will conduct Project reviews and assessments, participate in collaborative efforts between the Parties, and complete related activities both as described in this Agreement and as deemed necessary during the course of performance of this Agreement (IDL Work). IDL Work includes the following:
 - 1.3.1. Permanent closure plan application reviews, modification and response, which may include inspection and retaining third-party contractors as allowed by law, and any supplemental review of any permanent closure plan amendments in response to agency pre-application review and comments;
 - 1.3.2. Preparation and negotiation of any review cost estimate pursuant to IDAPA 20.03.02.071.05 related to IDL processing and review of MIDAS GOLD's permanent closure plan application;
 - 1.3.3. Review and discussion of documents submitted by MIDAS GOLD to DEQ and documents submitted to USFS for review under the National Environmental Policy Act (NEPA) that are relevant to the cyanidation permit and the permanent closure plan; and
 - 1.3.4. Reviews for other required IDL approvals or determinations for the Project, as applicable.
- 1.4. MIDAS GOLD shall be responsible for timely providing DEQ and IDL with the necessary information to timely conduct the DEQ Work and IDL Work, including consideration of and allowance for other work of DEQ and IDL personnel.
- 1.5. DEQ and IDL reviews under this Agreement will be limited to providing evaluation and implementation of State of Idaho laws and regulations, along with applicable federal laws and regulations, germane to the Project, and evaluating the completeness of MIDAS GOLD's submissions under State laws and regulations. Neither DEQ nor IDL promise any approval of any application, plan, specification, or permit. Nothing in this Agreement shall be construed to guarantee any agency approvals or as representations regarding the likelihood of approval.

- 1.6. Prior to MIDAS GOLD's submission of a cyanidation permit application, the Parties will participate in a meeting or meetings to discuss, collaborate, and plan the DEQ Work and IDL Work (Pre-Application Conference). As deemed necessary, and on an ongoing basis, the anticipated requirements listed in § 1.2., § 1.3., and elsewhere in this Agreement may be modified as provided for in this Agreement.
- 1.7. MIDAS GOLD shall provide DEQ with updated schedules for all anticipated submittals requiring review under this Agreement and IDAPA 58.01.13. MIDAS GOLD shall provide IDL with updated schedules for all anticipated submittals requiring review under this Agreement, IDAPA 20.03.02, or NEPA, if applicable. MIDAS GOLD shall provide timely updates to both DEQ and IDL regarding changes in these schedules on an ongoing basis.
 - 1.7.1. Submittals received by DEQ will follow the review process outlined below. Within thirty (30) calendar days of receipt of MIDAS GOLD's submittal, DEQ will: (1) notify MIDAS GOLD in writing the document is approved; (2) notify MIDAS GOLD in writing of any deficiencies in the document; or (3) notify MIDAS GOLD of the agency's extension of its review period for an additional thirty (30) days. Failure to adhere to this review schedule does not constitute approval of any submittal.
 - 1.7.2. Submittals received by IDL from MIDAS GOLD will also follow the above-stated review process unless a different timeframe for action is provided for by the USFS or in IDAPA 20.03.02.
- 1.8. DEQ will provide a preliminary cost estimate for the DEQ Work to MIDAS GOLD, in accordance with § 2.2 below. In accordance with § 2.4 and consistent with this Agreement, costs subject to recovery from MIDAS GOLD are subject to change by DEQ as needed to reflect the actual course of DEQ Work as it evolves and DEQ's actual costs incurred, whether above or below the estimate.
- 1.9. IDL will provide a preliminary cost estimate for the IDL Work to MIDAS GOLD, in accordance with § 2.3 below. In accordance with § 2.4 and consistent with this Agreement, costs subject to recovery from MIDAS GOLD are subject to change by IDL as needed to reflect the actual course of IDL Work as it evolves and IDL's actual costs incurred, whether above or below the estimate.

2.0. COST REIMBURSEMENT

- 2.1. MIDAS GOLD expressly agrees to reimburse, retroactively, DEQ and IDL for all reasonable costs of DEQ Work and IDL Work incurred beginning on January 29, 2018, and for all reasonable subsequent costs provided for in this Agreement, including those reasonable costs arising from DEQ's and IDL's performance of this Agreement, or any applicable regulation or statute.

- 2.2. Costs subject to reimbursement to DEQ under this Agreement means all direct or indirect costs incurred by DEQ in connection with the DEQ Work performed under this Agreement, including the following:
 - 2.2.1. Travel expenses and time;
 - 2.2.2. DEQ labor hours at hourly labor rates;
 - 2.2.3. Review and response to reports, conceptual plans, and actions;
 - 2.2.4. Third-party contractor support as deemed necessary by DEQ; and
 - 2.2.5. Reasonable overhead, direct costs, and indirect costs.

- 2.3. Costs subject to reimbursement to IDL under this Agreement means all direct costs and indirect costs, calculated as a percentage of direct costs, incurred by IDL in connection with the IDL Work performed under this Agreement. These costs include the following:
 - 2.3.1. Travel expenses and time;
 - 2.3.2. IDL labor hours at hourly labor rates;
 - 2.3.3. Review of and response to reports and applications;
 - 2.3.4. Costs of an independent party permanent closure cost estimate verification, as deemed necessary by IDL; and
 - 2.3.5. Overhead and other indirect expenses equal to 10% of estimated direct costs incurred by IDL.

- 2.4. MIDAS GOLD agrees to pay all reasonable costs, regardless of whether MIDAS GOLD receives approval of any item submitted for DEQ or IDL review, or is granted any permit relating to the Project.

- 2.5. Within thirty (30) calendar days of signing this agreement, MIDAS GOLD will pay an initial deposit to DEQ of Twenty Thousand Dollars (\$20,000), plus costs incurred beginning January 29, 2018 as described in § 2.1.
 - 2.5.1. Thereafter, the DEQ shall provide a quarterly accounting and invoice to MIDAS GOLD of actual costs incurred by the DEQ in relation to this agreement.
 - 2.5.2. Within thirty (30) calendar days of MIDAS GOLD's receipt of DEQ's quarterly accounting invoice, MIDAS GOLD shall reimburse DEQ for all costs reflected in the accounting invoice.
 - 2.5.3. DEQ is entitled to request additional funds from MIDAS GOLD if at any time it appears that costs will exceed the initial deposit MIDAS GOLD has provided. Within thirty (30) days of receiving such request from DEQ, MIDAS GOLD shall provide the additional funds requested. If the invoice is not paid within thirty (30) calendar days of the invoice date, DEQ is entitled to delay or not perform DEQ work until the invoice is paid.

2.5.4. Any MIDAS GOLD monies remaining after DEQ has received all cost reimbursement for DEQ Work will be returned to MIDAS GOLD within sixty (60) business days.

2.5.5. All payments to DEQ shall be made payable to "State of Idaho, Department of Environmental Quality" and delivered to:

Administrative Services-Accounts Receivable
Idaho Department of Environmental Quality
1410 N. Hilton
Boise, ID 83706-1255

2.6. Within thirty (30) calendar days of its signature to this Agreement, MIDAS GOLD must submit a nonrefundable \$5,000 fee to IDL with a permanent closure plan application. Within thirty (30) calendar days of receiving an application and this fee, IDL will provide a detailed cost estimate to MIDAS GOLD that will describe the anticipated scope of IDL's Work, including the assumptions on which IDL's estimate is based; expected applications and reports; an itemized accounting of the anticipated number of labor hours, hourly rates, travel expenses and any other direct expenses IDL expects to incur; and indirect costs equal to ten percent (10%) of IDL estimated direct costs.

2.6.1. Subject to the provisions of IDAPA 20.03.02.071.05, upon receipt of IDL's cost estimate, MIDAS GOLD may elect to either pay the entire cost estimate upfront; or request that IDL submit quarterly billing of actual costs incurred by IDL, plus indirect expenses of 10% of IDL's actual direct costs. If an upfront payment is preferred, IDL will track costs against the payment and provide a quarterly accounting to MIDAS GOLD. IDL will deduct costs against the initial \$5,000 fee, and upon exhaustion of that fee MIDAS GOLD will reimburse all actual costs incurred, plus indirect expenses of 10% of IDL's actual direct costs.

2.6.2. All costs of IDL to employ a qualified independent party to verify the accuracy of MIDAS GOLD's permanent closure cost estimate will be borne entirely by MIDAS GOLD, and will not be deducted against any other fee or cost paid by MIDAS GOLD to IDL. MIDAS GOLD may participate in IDL's processes for identifying qualified parties and selecting a party to perform this work as provided under IDAPA 20.03.02.071.05.b.ii.

2.6.3. If additional review and analysis by IDL or its contractors is required and results in costs outside the scope of the original cost estimate, then IDL may amend the amount of the cost estimate by following the procedure provided in IDAPA 20.03.02.071.05. MIDAS GOLD will then send IDL

the amended cost amount or elect to continue quarterly billing of actual costs incurred by IDL, plus indirect expenses equal to 10% of direct costs.

- 2.6.4. Within thirty (30) calendar days of the date on any invoice, MIDAS GOLD must remit full payment of the invoice to IDL. If the invoice is not paid within thirty (30) calendar days of the invoice date, IDL is entitled to delay or not perform IDL Work until the invoice is paid.
- 2.6.5. Any MIDAS GOLD monies remaining after IDL has received all cost reimbursements for IDL Work will be returned to MIDAS GOLD within thirty (30) business days.
- 2.6.6. All payments to IDL shall be made to "State of Idaho, Department of Lands" and sent to the following address:

Idaho Department of Lands
300 N. 6th Street, Suite 103
Boise, ID 83720

3.0. DISPUTE RESOLUTION

- 3.1. MIDAS GOLD may dispute any portion of a quarterly accounting or Invoice, but only on the basis of alleged accounting errors or inadequate cost documentation. MIDAS GOLD agrees to first utilize the dispute resolution process set forth in Section 3 of this Agreement before seeking review or adjudication by an administrative or judicial body.
- 3.2. DEQ and IDL shall designate personnel responsible for review of disputed costs. In the event of any dispute among the Parties under this Agreement, the Parties will make a good-faith attempt to resolve the dispute at the Project contact level. If the Parties are unable to resolve the dispute at this level, they will coordinate to mutually elevate to their respective supervisory levels to resolve the dispute. The Parties will cooperate to identify and use procedures that might help resolve the dispute, such as in-person meetings, conference calls, facilitation, and fact-finding.
- 3.3. All disputes between MIDAS GOLD and DEQ must be submitted within thirty (30) calendar days of receipt of the quarterly accounting to:

Administrative Services-Fiscal
Idaho Department of Environmental Quality
1410 N. Hilton
Boise, ID 83706-1255

- 3.4. All disputes between MIDAS GOLD and IDL must be submitted within thirty (30) calendar days of receipt of the quarterly accounting to:

Minerals Regulatory Program
Idaho Department of Lands
300 N. 6th Street, Suite 103
Boise, ID 83720

- 3.5. Disputes must specifically identify the disputed costs, describe the basis of the dispute in detail, and include any supporting documentation.
- 3.6. Submission of a dispute does not affect the cost, accounting, payment, or other provisions of this Agreement associated with costs which are not the subject of the dispute. The amount of any successfully disputed costs will be credited to MIDAS GOLD within thirty (30) business days of the final decision in § 3.2.

4.0. GENERAL PROVISIONS

- 4.1. **Entire Agreement.** This Agreement constitutes the entire agreement between the Parties and supersedes all prior discussions, understandings, or agreements between the Parties with respect to the matters covered herein.
- 4.2. **Modification.** This Agreement may be amended only in writing by mutual agreement and signature of all Parties.
- 4.3. **Binding Effect.** This Agreement shall be binding upon the Parties and their directors, officers, employees, agents, and their successors and assigns.
- 4.4. **Delay or Waiver of Rights.** Failure by any Party to insist upon or enforce any of its rights, entitlements, or remedies under this Agreement shall not constitute a waiver or modification of such rights, entitlements, or remedies.
- 4.5. **Choice of Law.** The provisions of this Agreement shall be construed and governed under the laws and regulations of the State of Idaho.
- 4.6. **Severability.** If any term of this Agreement is found to be unlawful or otherwise unenforceable, that term shall be excluded to the extent of the unenforceability, and the remainder of the Agreement will continue to be binding upon the Parties.
- 4.7. **Termination.** Unless extended in writing by mutual agreement of the Parties, this Agreement terminates upon completion of all DEQ Work and all IDL Work, receipt of all cost reimbursements by DEQ and IDL, and provision of the final accountings to MIDAS GOLD.
- 4.7.1. Any Party may terminate this Agreement at any time upon thirty (30) calendar day's written notice to the other Parties. However, DEQ's or

IDL's termination of the Agreement will not automatically terminate the terms of the Agreement between MIDAS GOLD and the non-terminating agency. The non-terminating agency and MIDAS GOLD may agree, in writing, to continue performance under this Agreement without the terminating agency.

4.7.2. Upon termination of this Agreement for any reason, MIDAS GOLD's obligations to tender payment(s) for DEQ Work and IDL Work performed will continue in full force and effect.

4.8. **Notices.** All required notices under this Agreement shall be directed to:

Idaho Department of Environmental Quality
Mine Waste Program
1410 N. Hilton
Boise, ID 83706-1255

Idaho Department of Lands
300 N. 6th Street, Suite 103
Boise, ID 83720

Midas Gold Idaho, Inc.
405 S. 8th St. #201
Boise, ID 83702

4.9. **Confidentiality.** The Parties recognize that DEQ and IDL are subject to public disclosure laws, including Idaho Code Title 74, Chapter 1 and IDAPA 58.01.21, which are not affected by this Agreement. A Party may designate as confidential any information that it provides to another Party in connection with the activities covered by this Agreement. The Party claiming confidentiality is required to so designate clearly and conspicuously upon initial communication of the confidential information, and substantiate that designation in accordance with Idaho Code Title 74, Chapter 1 and IDAPA 58.01.21. A Party may release a document which has been designated confidential by another Party only with the consent of the Party(ies) that provided the document, or if legally required to release the document. The Party that proposes to release such document will make all reasonable efforts to notify an affected Party of the proposed release as soon as practicable to allow the affected Party the opportunity to initiate protective actions pursuant to applicable law. This section will not apply if a Party has legitimately obtained a copy of the same document without confidentiality designation. DEQ or IDL will make a final determination in reasonable reliance on MIDAS GOLD's trade secret designations concerning whether the information is a protected trade secret within the meaning of Idaho Code Title 74, Chapter 1 or IDAPA 58.01.21.015. In the event of legal action per

Idaho Code 74-115 by a third party seeking disclosure by DEQ or IDL of a MIDAS GOLD claimed trade secret, MIDAS GOLD agrees to defend its trade secret claim in conjunction with DEQ or IDL per Idaho Code 74-115(1). In the event a court determines MIDAS GOLD's claimed trade secret is without merit and costs, attorney's fees, or other expenses (collectively, "expenses") are awarded with respect to such claim in a final court judgment against DEQ or IDL, MIDAS GOLD agrees to indemnify DEQ or IDL, respectively, for the awarded expenses. The provisions regarding indemnification in this paragraph are without prejudice to any defense or counterclaim that any of the Parties may have against a third party regarding a claim for such expenses. MIDAS GOLD does not consider the provisions in this paragraph to be precedent for provisions regarding indemnification in any other agreement by MIDAS GOLD.

4.10. **Counterparts.** This Agreement may be executed in identical counterparts, and such duly executed counterparts shall have full validity, force, and effect.

THE UNDERSIGNED HAVE READ THE FOREGOING AND FULLY UNDERSTAND AND AGREE TO THE TERMS SET FORTH ABOVE.

IDAHO DEPARTMENT OF LANDS

David A. Groeschl
Name (PRINT)

Director
Title

David A. Groeschl
Signature

6/4/2018
Date

IDAHO DEPARTMENT OF ENVIRONMENTAL QUALITY

JOHN H. TIPPETS
Name (PRINT)

DIRECTOR
Title

John H. Tippet
Signature

6/19/2018
Date

MIDAS GOLD IDAHO, INC.

ALAN D. HASLAM
Name (PRINT)

VP PERMITTING
Title

Alan D. Haslam
Signature

05/23/2018
Date