

PAN MINE PROJECT ENVIRONMENTAL IMPACT STATEMENT

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Chapter 1 Introduction

1.1 Overview

A Plan of Operations (POO) for the Pan Mine has been submitted by Midway Gold US Inc. (Midway) to the Bureau of Land Management (BLM) Ely District, Egan Field Office (EFO), in compliance with Code of Federal Regulations (CFR) 43 CFR Subpart 3809. The Pan Mine Project (the project) is located in White Pine County, Nevada in the Pancake Mountain Range approximately 22 miles southeast of Eureka and 50 miles west of Ely (Figure 1.1-1). The project falls within the Mount Diablo Meridian and is located within the following legal land descriptions:

- Section 34, Township 18 North (T18N), Range 55 East (R55E);
- Sections 3, 10, 13, 14, 15, 22, 23, 24, 25, 26, 27, 34, 35, and 36, T17N, R55E; and
- Sections 1, 2, 3, 11, 12, 13, 14, 23, and 24, T16N, R55E.

This Draft Environmental Impact Statement (DEIS) is being prepared in compliance with the National Environmental Policy Act of 1969 (NEPA), the Council on Environmental Quality (CEQ) regulations for implementing NEPA (40 CFR 1500 – 1508), and in accordance with the BLM NEPA Handbook H-1790-1 (BLM, 2008a) and applicable instruction memoranda and other applicable laws and regulations. All baseline data reports and other information used in preparation of this DEIS are included in the Administrative Record and are available for review at the BLM EFO.

Chapter 1 explains the Purpose and Need for the Proposed Action, lists the issues to be evaluated in the DEIS, and provides other introductory information. Chapter 2 describes the Proposed Action and alternatives including the No Action Alternative and other Action Alternatives. Chapter 3 describes the affected environment and documents the environmental consequences of the Proposed Action and each management alternative including measures that would mitigate adverse impacts. Cumulative impacts are described in Chapter 4. Chapter 5 provides the consultation and coordination information used for the preparation of this document. This DEIS describes the environmental consequences of implementing the Proposed Action and alternatives.

1.2 Project History

Mining activity has taken place in the general region since 1876; however, exploration of the Pan deposit did not occur until Lyle Campbell's discovery in 1978. These exploration activities have resulted in existing surface disturbance in the Pan Mine area, some of which has been reclaimed. The Pan deposit has been explored by several exploration and/or mining companies since 1978, including Amselco Minerals, Hecla Mining Company, Homestake Mining, Echo Bay Exploration Inc., Alta Gold Company, Southwest Gold Inc., Latitude Minerals Corporation, Castleworth Ventures Inc., Pan Nevada Gold Corporation, and Midway. An Exploration POO

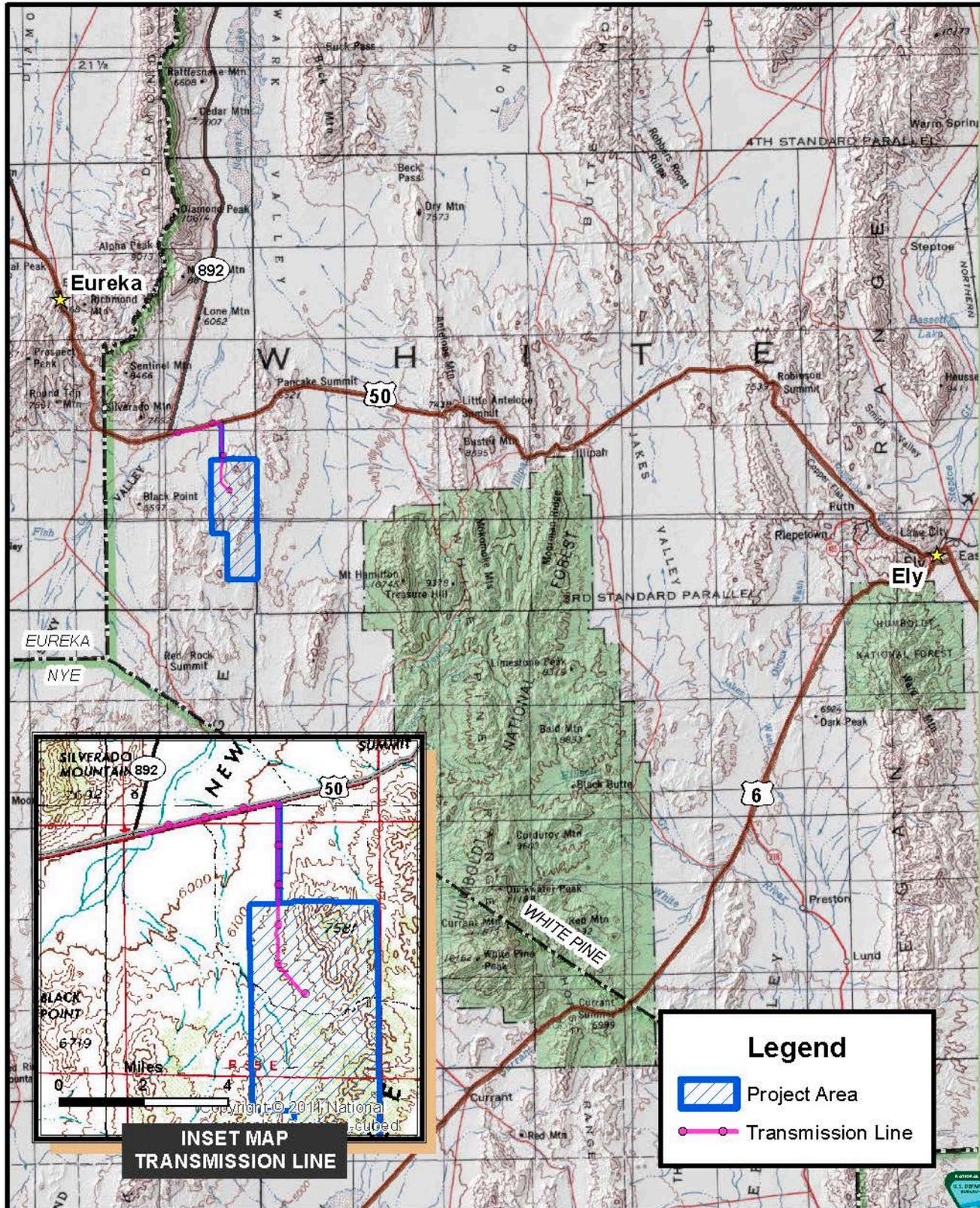
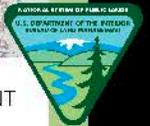


FIGURE 1.1-1 GENERAL LOCATION
MIDWAY GOLD US, INC.
PAN MINE PROJECT

SCALE: 1" = 10 MILES DATE DRAWN: JAN. 9, 2013



U.S. BUREAU OF LAND MANAGEMENT
 ELY DISTRICT
 EGAN FIELD OFFICE

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and Reclamation Permit Application NVN-078305 were submitted on behalf of Castleworth Ventures, Inc. for exploration drilling at the project site in 2004. The Environmental Assessment (EA) *Castleworth Ventures, Inc. Pan Exploration Project Environmental Assessment NV-040-04-010* was undertaken as part of the permitting process culminating in a Record of Decision/Finding of No Significant Impact (ROD/FONSI) and approval to disturb up to 25 acres for drill pads and drill roads. The FONSI was signed in April 2004. The Nevada Division of Environmental Protection (NDEP) issued Reclamation Permit No. 0228 in 2004, which was transferred to Midway, successor in interest to Castleworth Ventures, Inc., in 2008.

An amendment to the 2004 exploration plan was submitted in 2010 by Midway, which proposed an additional 75 acres of disturbance to develop a new access road and construct additional drill pads and drill roads. An EA for this amendment, *Midway Gold Pan Project Exploration Amendment Environmental Assessment*, resulted in a ROD/FONSI and approval in July 2011 (BLM, 2011a). The amended reclamation permit was approved by NDEP on October 3, 2011. The total authorized surface disturbance of 100 acres includes the following exploration operations:

- Road building (main access road and drill roads);
- Reverse circulation (RC) and core exploration drilling and drill pad construction;
- Trench excavation and borehole augers for obtaining bulk metallurgical samples and soil samples;
- Construction and monitoring of groundwater monitoring wells;
- Development of a staging area for temporary storage of drilling materials and equipment; and
- Provision of temporary portable sanitation facilities.

1.3 Purpose and Need

The BLM's purpose for the Proposed Action is to authorize a legitimate use of public lands, which would allow Midway to construct and operate a gold mine and associated facilities in the Proposed Action area. The BLM would allow development of this mine in a manner to prevent unnecessary or undue degradation and ensure future post-mining land use.

The BLM's Need for the Proposed Action is to respond to Midway's POO in compliance with the 43 CFR 3809 regulations, NEPA, and other statutes. The BLM is also responding to a Right-of-Way (ROW) application (Appendix 1A) submitted by Mt. Wheeler Power, in compliance with the 43 CFR 2800 regulations, to build a transmission line to provide electric power for the mining operations described in Midway's POO.

The BLM will decide whether to permit Midway's Pan Mine Project as submitted or modified based on the impact analysis and associated mitigation as identified in this EIS.

Midway's Objectives

Midway's essential objective for the Proposed Action that is the subject of the BLM's Purpose and Need is to profitably extract precious metals from mining claims in the project area to the optimal extent possible; and operate and reclaim the proposed facilities in a manner that is environmentally responsible and in compliance with federal mining laws, the Federal Land Policy and Management Act (FLPMA), Nevada Mine Reclamation Law, and other applicable laws and regulations.

1.4 Proposed Action

Midway submitted the POO to the BLM in October 2011, with revised versions submitted in February 2012 and May 2012. The Proposed Action expands the original 2011 exploration plan disturbance area from 100 acres to approximately 3,204 acres. The proposed disturbance includes the previously-authorized exploration disturbance of 100 acres. The expansion of the boundary is a result of constructing, operating, closing, and reclaiming the following:

- Two main open pits: North Pan Pit and South Pan Pit;
- Four satellite pits: Black Stallion, North Syncline, Syncline, and South Syncline pits;
- Crushing facilities and associated stockpiles;
- Two waste rock disposal areas;
- Heap leach pad, conveyors, processing facilities, and ponds;
- Water supply wells and delivery/storage system;
- Haul and secondary roads;
- Additional exploration within the POO; and
- Ancillary facilities including: power supply; stormwater controls; reagent, fuel, and explosives storage; buildings including administration, laboratory, security, warehouse, core shed, and parking; potable water supply and septic systems; maintenance shop; ready line; light vehicle wash; communications facilities; helicopter pad; plant growth medium and woody debris stockpiles; Class III-waivered landfill; area for petroleum contaminated soils; monitoring wells; borrow areas; fencing; and yards.

All of the proposed mining activities are located on public land and are therefore subject to review and approval by the BLM pursuant to FLPMA and corresponding surface management regulations (43 CFR Subpart 3809). These activities and their approval by the BLM pursuant to the FLPMA constitute a Federal action, and are thus subject to NEPA. The BLM has determined

that the Proposed Action constitutes a major Federal action and that an Environmental Impact Statement (EIS) must be prepared to fulfill the NEPA requirements.

The Proposed Action is discussed in further detail in Chapter 2.

1.5 Existing Analysis Documents Used for this Statement

This EIS incorporates by reference the following existing environmental analyses:

- Bureau of Land Management (BLM). 2004c. *Environmental Assessment for the Castleworth Ventures, Inc. Pan Exploration Project*. (NV-040-04-010). U.S. Department of the Interior, Bureau of Land Management. May 2004;
- Bureau of Land Management (BLM). 2007a. *Ely Proposed Resource Management Plan and Final Environmental Impact Statement (RMP/EIS)*. U.S. Department of the Interior, Bureau of Land Management. November 2007;
- Bureau of Land Management (BLM). 2008b. *Ely District Record of Decision and Approved Resource Management Plan*. U.S. Department of the Interior, Bureau of Land Management. August 2008; and
- Bureau of Land Management (BLM). 2011b. *Midway Gold Pan Project Exploration Amendment Environmental Assessment*. U.S. Department of the Interior, Bureau of Land Management. (NVL010-2011-0011). July 2011.

These documents are included in the Administrative Record, and are available for review at the BLM EFO.

1.6 Relationship to Agency and Other Policies and Plans

The BLM is responsible for administering mineral rights access on certain Federal lands as authorized by the General Mining Law of 1872. Under the law, qualified prospectors are entitled to reasonable access to mineral deposits on public domain lands that have not been withdrawn from mineral entry.

The BLM EFO has the responsibility and authority to manage the surface and subsurface resources on public lands located within the Ely District, Egan Resource Area. Midway's use of public land in the Egan Resource Area requires conformance with BLM's Surface Management Regulations (43 CFR 3809), and other applicable statutes, including the Mining and Mineral Policy Act of 1970 (as amended) and FLPMA. The BLM must review Midway's plan for mining and development to ensure the following:

- Adequate provisions are included to prevent unnecessary or undue degradation of Federal lands and to protect the non-mineral resources of the Federal lands;

- Measures are included to provide for reclamation of disturbed areas; and
- Compliance with applicable State and Federal laws is achieved.

In accordance with Section 202 of FLPMA, the Proposed Action and alternatives are in conformance with the approved *Ely Proposed Resource Management Plan and Final Environmental Impact Statement* (BLM, 2007a) and the *Ely District Record of Decision and Approved Resource Management Plan* (BLM, 2008b). The Proposed Action and alternatives have also been analyzed within the scope of other relevant plans, statutes, regulations, executive orders, and manuals listed below and found to be in compliance:

- Management Guidelines for Sage-Grouse and Sagebrush Ecosystems in Nevada – BLM, June 2004 (BLM, 2004a);
- BLM National Greater Sage-Grouse Land Use Planning Strategy (IM No. 2012-044), (BLM, 2011e);
- Greater Sage-Grouse Interim Management Policies and Procedures (IM No. 2012-043), (BLM, 2011d);
- Mule Deer Herd Prescription for Management Area 10 (NDOW, 2007);
- State Protocol Agreement between the BLM, State of Nevada, and the Nevada State Historic Preservation Office (SHPO) (BLM, 2012b);
- Northeastern Great Basin Resource Advisory Council (RAC) Standards and Guidelines (BLM, 2007b);
- 1973 Endangered Species Act (USDI, 1973);
- Migratory Bird Treaty Act (1918 as amended) and Executive Order (USDI, 1918);
- BLM Manual 8400 – Visual Resources Management (BLM, 1984);
- BLM Cyanide Management Plan (BLM, 1991);
- Ely District Policy: Management Actions for the Conservation of Migratory Birds – BLM, 2001b); and
- The Proposed Action and alternatives are consistent the *White Pine County Public Lands Policy Plan* (WPCPLUAC, 2007), which specifically states “Recognize that the development of Nevada’s mineral resources is desirable and necessary to the nation, the State, and White Pine County. Retain existing mining areas and promote the expansion of mining operations and areas.”; and
- The Proposed Action and alternatives are consistent with the *Eureka County Master Plan*, 1973 with expansion of the Master Plan and the Natural Resources and Land Use Element of the Plan in 1998, 2005, and 2010. Both the Eureka County Code and the Eureka County Master Plan mandate "the involvement of Eureka County in the management of federal lands and in the development of criteria that are meaningful in

any decision making process, as contemplated by 43 C.F.R. Section 1610.3-1(a), Section 1610.3-1(b), Section 1620.3-2(a); 36 C.F.R. Ch II, Section 219.7(a), Section 219.7(c), and Section 219.7(d)." The County Code calls for County participation, through the Board of County Commissioners and its Natural Resources Manager, "in all actions that are being taken or are being proposed to be taken regarding federal lands located within Eureka County" (Eureka County, 2010).

1.7 Authorizing Actions

The BLM has administrative responsibilities for the Federal lands upon which the project would be located. The BLM serves as the lead agency and has included other agencies (or entities) to participate as cooperating agencies for the purposes of DEIS preparation, including the Nevada Department of Wildlife (NDOW), and Eureka County and White Pine County. NDOW is the State agency directly responsible for managing fish and wildlife resources in Nevada. CEQ regulations emphasize agency cooperation early in the NEPA process and state that any other Federal agency, which has jurisdiction by law, shall be a cooperating agency (40 CFR 1501.6). The BLM is responsible for the analysis of the Proposed Action, document preparation, and public review and comment. Implementing the Proposed Action or the alternatives would require authorizing actions from other Federal, State, and local agencies with jurisdiction over certain aspects of the proposed project. Table 1.7-1 lists the required major permits or approvals and the responsible agencies. Midway is responsible for applying for, and acquiring, these permits.

Table 1.7-1 Required Permits

Authorizing Action / Permit	Agency
43 CFR 3809 Plan of Operations Authorization	BLM
Air Quality Operating Permit	NDEP Bureau of Air Pollution Control
Hazardous Materials Storage Permit	Nevada State Fire Marshal
Explosives Permit	U.S. Department of the Treasury, Bureau of Alcohol, Tobacco, and Firearms
Water Pollution Control Permit, Reclamation Permit, and Bond Determination	NDEP Bureau of Mining Regulation and Reclamation
General Permit for Storm Water Discharges Associated with Industrial Activity from Metals Mining	NDEP Bureau of Water Pollution Control
General Permit to Operate Septic Systems	NDEP Bureau of Water Pollution Control
Jurisdictional Delineation Report Concurrence	U.S. Army Corps of Engineers
Permit to Appropriate Water	Nevada Division of Water Resources
Solid Waste Class III Wavered Landfill Authorization	NDEP Bureau of Waste Management
Industrial Artificial Pond Permit	NDOW
EPA ID Number	U.S. Environmental Protection Agency
County Special Use Permit	White Pine County
Encroachment Permit	Nevada Department of Transportation
Hazardous Materials Storage Permit	Nevada Fire Marshal

1.8 Summary of Public Scoping Process

A Notice of Intent (NOI) to prepare an EIS for the Pan Mine was published in the Federal Register on April 16, 2012. The NOI announced scoping meetings to be held in the neighboring communities of Ely, Eureka, and Reno, Nevada and invited scoping comments to be submitted to the BLM. The duration of the public scoping period was 30 days, closing on May 16, 2012.

The project mailing list for this EIS was generated by the BLM EFO from existing information on persons with known and potential interest in the project and previous NEPA action mailing lists. A scoping letter was prepared and sent to all parties on the mailing list. This letter provided an overview of the proposed project; identification of preliminary issues; the times, dates, and locations of public scoping meetings; a request for written comments; directions on how to submit scoping comments; and identification of BLM contacts.

A legal notice of the proposed project was prepared by the BLM and published in the Elko Daily Free Press, Ely Daily Times, and the Reno Gazette Journal, and distributed to public posting locations in Ely and Eureka. A news release was also distributed to the local media. The legal notice and each news release informed the public of BLM's intention to prepare the Pan Mine EIS, a description of the project, the dates and times of the three scoping meetings, and methods for providing comments.

Scoping meetings were held in Ely, Eureka, and Reno, Nevada on May 1, 2, and 3, 2012, respectively. These were held in an informal, open house format where information on the NEPA process and project specifics were displayed with posters, handouts, and presentations. Public attendees at the meetings were asked to sign a register and invited to provide scoping comments.

A Scoping Summary Report (JBR, 2012a) was prepared that included full descriptions of the scoping process, copies and analysis of all scoping comments received prior to the date of that report, and descriptions of all issues identified during scoping. This document is included in the Administrative Record and is available for review at the BLM EFO.

1.9 Issues Raised During Scoping

All comments received during public scoping were recorded. Most of the issues and concerns raised included potential impacts on groundwater, rangeland management, wild horses, wildlife and sage-grouse, vegetation, and socioeconomic issues. Additional comments included concern for vegetation, visual aesthetics, cultural resources, and hazardous and solid waste materials. Issues identified during scoping are summarized below. These and other issues for analysis are discussed further under each resource in Chapters 3, 4, and 5.

Water Quality and Quantity

- The project may cause changes to the quantity and quality of surface water and/or groundwater in the project area, as well as impacts to water rights holders, and increased sediment loads in surface runoff.

Geology and Minerals

- The project may have the potential for the occurrence of acid drainage that may impact water resources in the area and deplete mineral resources.

Air Quality

- The project may have the potential for the release of emissions through point and non-point pollution sources that could impact regional air quality.

Soils

- The project may increase soil erosion, degradation and loss, potentially impacting surface water resources if best management practices are not properly designed, implemented, and maintained.

Vegetation Resources

- The project may disturb or impact existing vegetation communities and the availability of vegetative food resources for wildlife and livestock.

Wildlife and Fisheries Resources

- The project may have short- and long-term impacts on wildlife population dynamics and habitat within and around the project area.

Special Status Species

- The project may have short- and long-term impacts on special status species, their listing status, and habitats.

Range Resources

- The general health of the rangeland resources could be impacted by project actions.

Land Use Authorizations and Access

- Existing land use authorizations and public access may be affected by the project.

Recreation/Wilderness Resources

- The project may have the potential to impact recreational use and access in the area including wilderness areas, areas with wilderness characteristics, special recreation use management areas, and dispersed recreation.

Wild Horses and Burros

- The project and reclamation activities may have the potential for short- and long-term impacts to wild horse populations and herd management areas including the potential for displacement of habitat.

Visual Resources

- The project may have the potential to increase visual effects in the cumulative study area and impact visual resource management (VRM) classes.

Noise and Vibration

- The project may potentially change the audible environment by an increase in noise and vibration as a result of mining activities and sensitive receptors, such as sage-grouse and other wildlife, may be impacted by the increase of noise and vibration.

Socioeconomics

- The project may have potential for positive and negative socioeconomic impacts and cumulative effects to the city of Ely, town of Eureka, and White Pine and Eureka counties.

Waste, Solid and Hazardous

- The project may have the potential for release of pollutants to the environment during operations and following closure.

Cultural Resources

- The project may have the potential to impact existing cultural resources including carbonari production, habitation sites, and the Black Shale well as well as the Old Lincoln Highway/old Rico-Sherman historic roadway.

Native American Religious and Traditional Values

- The project may have the potential to impact religious and traditional values of Native Americans groups in the area.

Paleontology

- The project may have the potential to impact paleontological resources, including coral fossils, if these resources exist in the project area.

Environmental Justice

- The project may have the potential for disproportionately high or adverse human health or environmental effects on minority and low-income populations.

Invasive, Non-Native Species

- The project may have the potential to increase the risk of spread or introduction of invasive plant species primarily through the increase of surface area disturbance and seed transportation along roadways and drainages.

Migratory Birds

- The project may have the potential to impact migratory bird species and raptors within and surrounding the project area if mitigation measures are not implemented to minimize effects.