



Forest
Service

Washington
Office

1400 Independence Avenue, SW
Washington, DC 20250

Appraisal Report Summary

Mining Claim Zone MCZ Parcel (Federal)
Pinal County, Arizona

Resolution Copper Legislated Land Exchange
(Southeast Arizona Land Exchange and Conservation Act, 16 U.S.C. §539p)



Date of Appraisal Report

December 30, 2022

(Provided to US Forest Service on January 6, 2023)

Date of Appraisal Review

January 24, 2023

Appraisal Report Prepared By

Marc P. Springer, SFMC Mining Geologist/Mineral Appraiser
Spanish Flat Mining Company (sub-contractor to Weissenborn Appraisal, LLC)
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Appraisal Summary

Appraisal Report under Review

Appraiser

Marc P. Springer, SFMC Mining Geologist/Mineral Appraiser
Arizona Certified General Real Estate Appraiser #1036208 (Expires 02/29/2024)
California Certified General Real Estate Appraiser # AG044432 (Expires 09/20/2023)
International Institute of Mineral Appraisers, #2006-4
CA State Registered Professional Geologist PG# 7831
BLM Certified Mineral Examiner CME #0139
Spanish Flat Mining Company (sub-contractor to Weissenborn Appraisal, LLC)
7024 Snapdragon Drive
Carlsbad, CA 92011

(Note: Per USDA Forest Service Contract No. 12837120C0041, Weissenborn Appraisal LLC commissioned Spanish Flat Mining Company who has extensive experience, professional knowledge, and expertise in the valuation of mineralized and mine-related properties).

Date of Inspection

The Subject Property was inspected on April 12, 2022 which is the effective date of the appraisal. Prior to this inspection, the mineral appraiser, Mr. Halmbacher (deceased) inspected the property on May 08, 2019. Between these dates, the Telegraph Fire started on June 4, 2021 and burned portions of the Subject. The appraisal notes burned areas were still apparent during the property inspection. The property owner(s) were provided the opportunity to accompany the appraiser on the property inspection.

Date of Report

December 30, 2022 (Provided to US Forest Service on January 6, 2023)

Owner

The United States of America

Client

As part of USDA Forest Service Contract No. 12837120C0041, Weissenborn Appraisal LLC commissioned Spanish Flat Mining Company who has extensive experience, professional knowledge, and expertise in the valuation of mineralized and mine-related properties. Weissenborn Appraisal, LLC is the primary appraisal contractor for the USFS, relative to the Federal and non-Federal parcels of the Southeast Arizona Land Exchange and Conservation Act. Weissenborn Appraisal LLC commissioned Spanish Flat Mining Company to complete appraisals on the Federal real property (selected lands) portion of the land exchange; the appraisal will be used by the USFS to facilitate the land exchange. Although the appraisal completed for Weissenborn Appraisal LLC by Spanish Flat Mining Company as a sub-contractor states the Client is Weissenborn Appraisal LLC, the letter of transmittal from Weissenborn Appraisal LLC to the USDA Forest Service states that the Client in the assignment is the USDA Forest Service specifically the USDA Forest Service, Director of Lands and Minerals, Southwestern Region.



Intended Use

To provide a basis of value for the legislated land exchange between the United States of America and Resolution Copper Mining, LLC pursuant to 16 U.S.C. §539p.

Intended User(s)

In the original appraisal contract, the intended users were broadly defined. It shall be noted that the intended users of the appraisal report are specifically identified as the USDA Forest Service, Director of Lands and Minerals, Southwestern Region, USDA Office of General Counsel, and Resolution Copper Mining, LLC.

Professional Standards

The appraisal standards required for this assignment were the *Uniform Appraisal Standards for Federal Land Acquisitions* and *Uniform Standards of Professional Appraisal Practice*.

Estate Appraised

Fee Simple Interest, subject to valid and existing rights including all unpatented mining claims held by Resolution Copper as listed in Section G of the Federal Status Report dated September 28, 2017.

Outstanding Rights

The appraisal adequately considered the following outstanding rights and reservations on the Subject Property:

Unpatented Mining Claims: All unpatented mining claims as listed in Section G of the Federal Status Report dated September 28, 2017. These unpatented mining claims confer all right to locatable minerals on the Subject Property, and the right to use the surface for mining purposes, including destructive use of the surface reasonably incident to mining, to a third party, and which rights are therefore no longer held by the United States.

Existing Easements: Highway Easement Deed granted to State of Arizona, recorded on 3/18/91 in the records of Pinal County, Arizona. Federal parcel will be conveyed subject to the easement. GLO101208 ADOT US60 EASEMENT. United States Department of Interior Easement for Right-of-Way for Electric Transmission Line granted to Arizona Public Service Company, dated 12/22/75. Federal parcel will be conveyed subject to the easement GLO401905 APS 500KV POWERLINE.

Permits and Temporary Easements to convert to Easements in perpetuity: Permit to Salt River Project Agricultural Improvement and Power District for an overhead transmission line Amendment dated 7/8/85. At closing, Resolution Copper Mining shall grant a replacement authorization to Salt River Project Agricultural Improvement and Power District for those sections involved in the conveyance It shall contain terms at least equivalent to those in the permit. Forest Service shall amend the permit to reflect those deletions. GLO401137 OAK FLAT 115KV PERMIT

Permit to Quest/Century Link for a telephone line dated 7/2/73. At closing, Resolution Copper Mining shall grant a replacement easement to Salt River Project Agricultural Improvement and Power District for those sections involved in the conveyance It shall contain terms at least equivalent to those in the permit. MASTER SPECIAL USE PERMIT FO209



In the context and scope of this appraisal GLO101208 ADOT US60 EASEMENT, GLO401905 APS 500KV POWERLINE, GLO401137 OAK FLAT 115KV PERMIT, MASTER SPECIAL USE PERMIT FO209, have no effect on the value of the Subject.

Definition of Value

Market Value means the most probable price in cash, or terms equivalent to cash, which lands or interest in lands should bring in a competitive and open market under all conditions requisite to a fair sale, where the buyer and seller each acts prudently and knowledgeable, and the price is not affected by undue influence (36 CFR 254.2).

Extraordinary Assumptions

The appraisal is not based upon any Extraordinary Assumptions.

Hypothetical Conditions

The appraisal was prepared subject to the following FS instructed Hypothetical Condition: The Federal Property shall be appraised as though it is in private ownership, is freely alienable, and zoned consistently with other similarly situated non-Federal properties within the jurisdiction of the zoning authority. Federal law provides that, upon conveyance, “[t]he Federal Property shall be available to Resolution Copper for mining and related activities subject to and in accordance with applicable Federal, State, and local laws pertaining to mining and related activities on land in private ownership.” 16 U.S.C. §539p(c)(8). This hypothetical condition does not alter the facts that: the Federal Property is encumbered by mining claims held by a party other than the United States; said mining claims confer all rights to locatable minerals to that party in accordance with the Mining Law and are not part of the estate owned by the United States, 30 U.S.C. §§26, 181, 611; that the United States currently holds the rights to reasonably regulate surface use of the Federal land for mining purposes under 36 C.F.R. 228 Subpart A, 16 U.S.C. § 551; or that the United States may not prohibit the use of the surface of NFS land for mining purposes, nor may it materially interfere with such uses. 30 U.S.C. § 612.

Rationale for the Hypothetical Condition: The hypothetical condition is based upon direction and guidance from 36 CFR 254.9(b)(ii), FSH 5409.12_65.11(5) which was updated in 2021 to FSH 5409.12_45.1a, FSM 5454, and 16 U.S.C. §539p(c)(8). Federal land is generally not freely alienable, local government entities do not have the authority to zone land owned by the United States, and mining operations on National Forest System land are subject to federal laws and regulations applicable to the administration of the National Forest System and are often exempt from State and local laws. For the purposes of appraisal, the appraiser shall determine and support a conclusion of zoning based on similarly situated private property within the jurisdiction of the zoning authority. This hypothetical condition does not alter or affect the rights of Resolution Copper to the unpatented mining claims and locatable minerals on the Federal land pursuant to the United States Mining Law, or the estate to be appraised in consideration of the existence of the mining claims. The hypothetical condition shall be prominently reported on the transmittal letter, summary page, conclusion page, and certification.

Jurisdictional Exception

The appraisal has been prepared in conformance with UASFLA, which requires that the opinion of value not be linked to a specific exposure time as required by USPAP SR 1-2(c) & UASFLA 1.2.4 & 4.2.1.2.



Legal Description

Gila and Salt River Meridian, Arizona:

T. 1 S., R. 13 E., partly surveyed, Tracts 49 (864.79 ac)

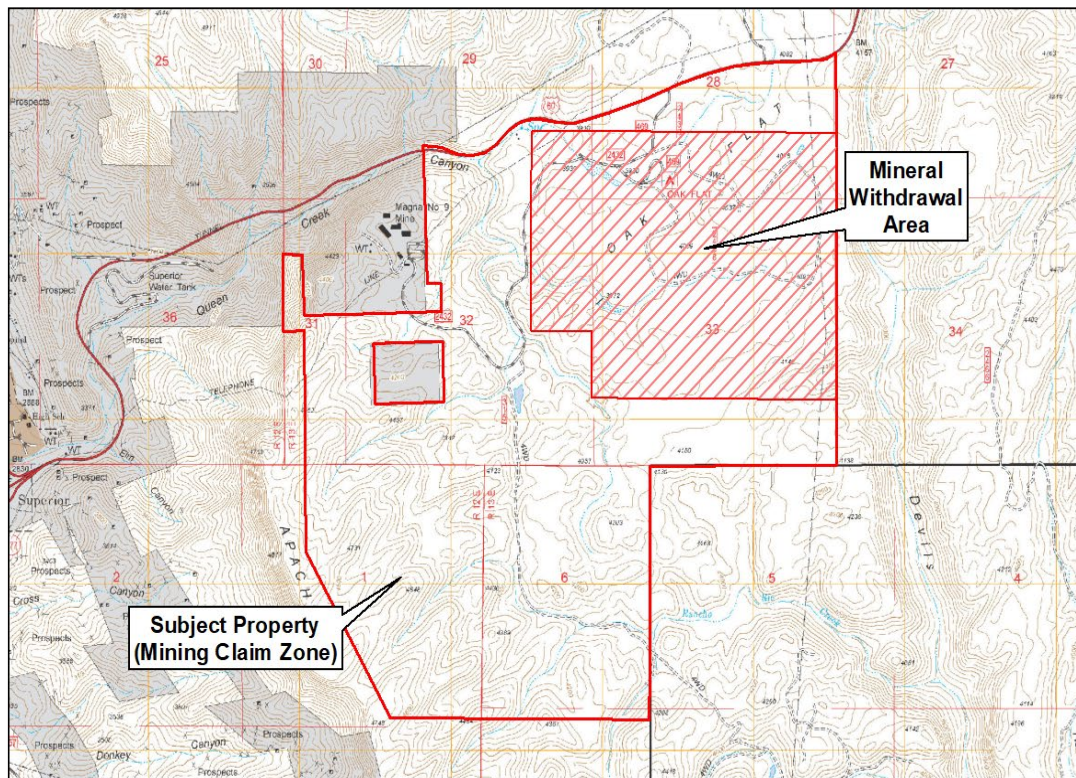
T. 2 S., R. 12 E., Tract 37 (385.9ac)

T. 2 S., R. 13 E., partly surveyed Sec. 6 (404.84 ac)

Total acreage: 1,655.53

The following maps are for illustration purposes:

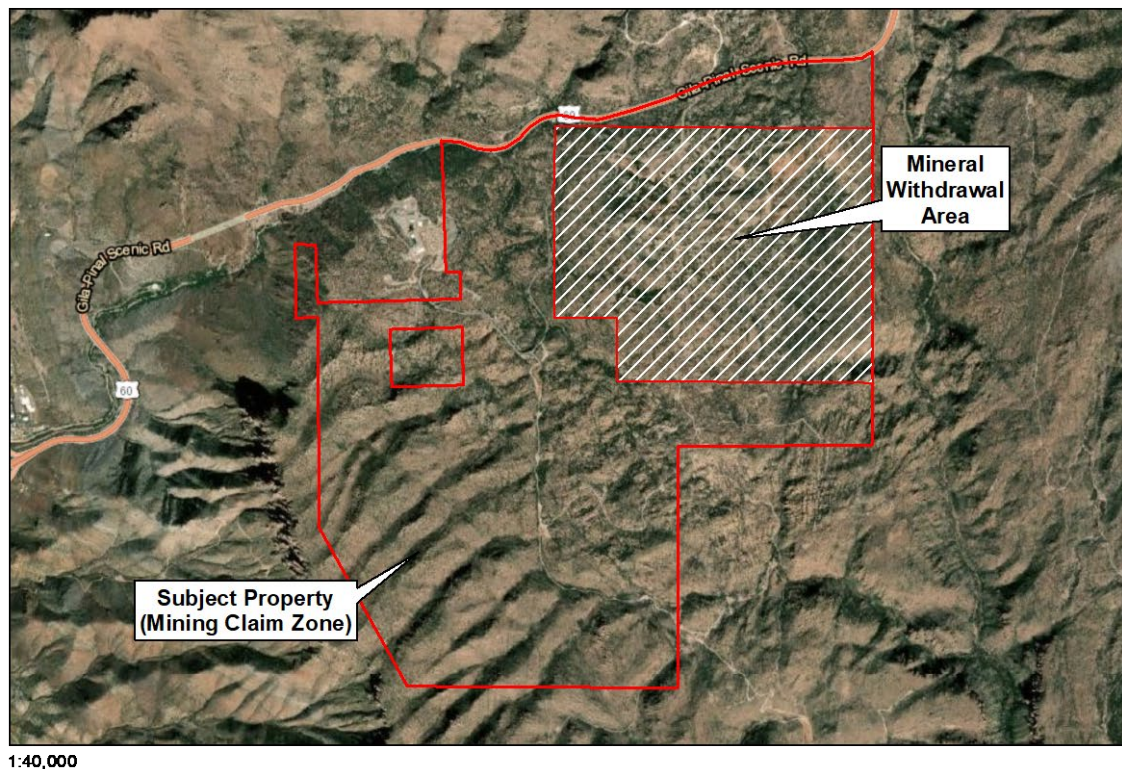
Topographic View of Subject MCZ Property



1:40,000



Aerial View of Subject MCZ Property

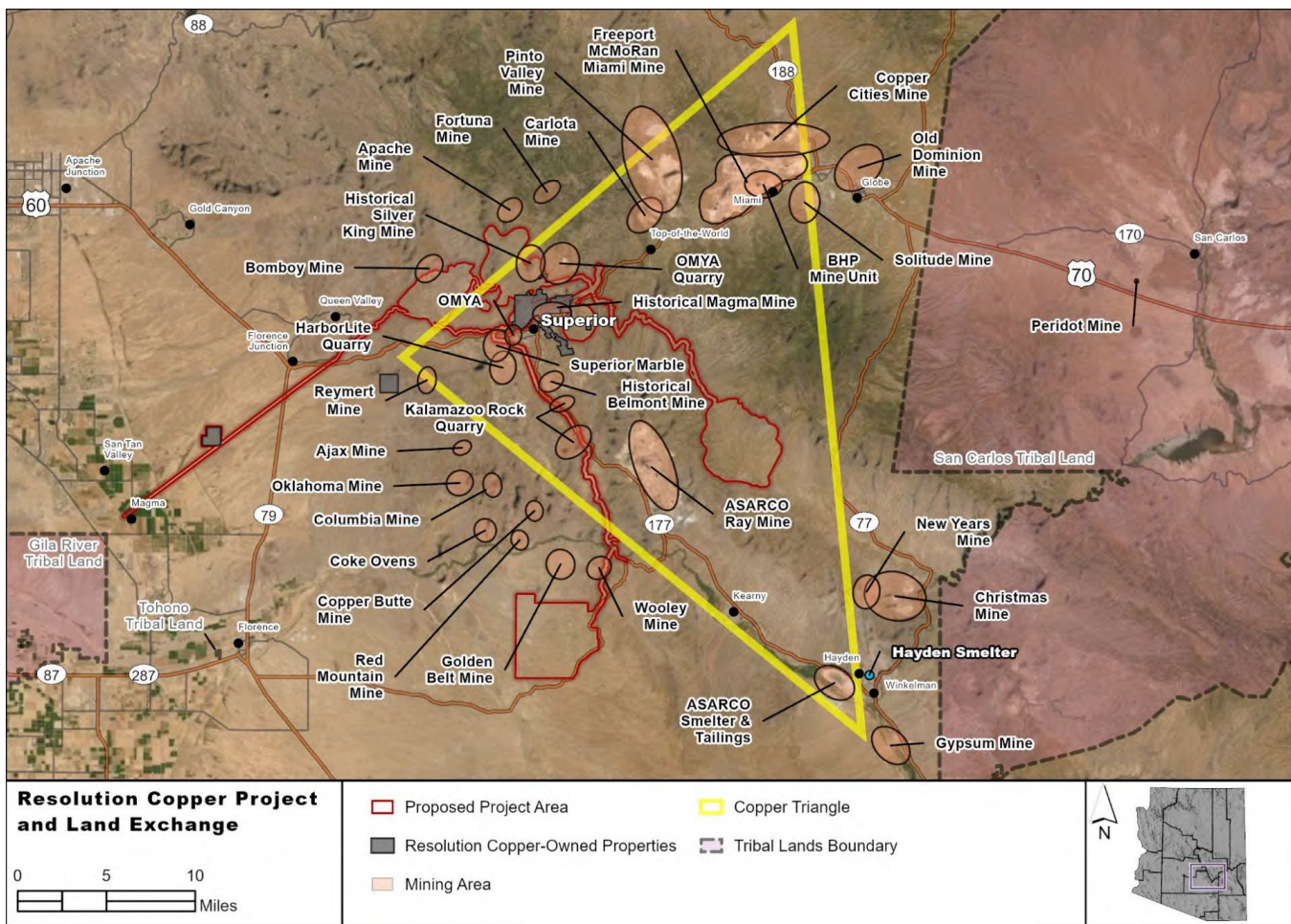


Property Description - The Subject Property is 1,655.53 acres of vacant land east of Superior and just south of U.S. 60. It is adjacent to the Magna No. 9 headframe. Much of the property is within the site of the proposed Resolution Copper underground copper mine. The project is to include mining of portions of this property, referred to as the Mining Claim Zone.

Location: The Subject Property is located about 1.5 miles east of the town of Superior and the northwest corner of the parent parcel adjoins Resolution patented lands at the Magma Mine No. 9 Shaft location. The property is bounded on the north by U.S. 60 and the Oak Flat Mineral Withdrawal Area at the northeast corner. The property adjoins additional Tonto National Forest lands to the south and southwest and Arizona State Trust land to the southeast. The subject neighborhood is the area in and adjacent to the Arizona Copper Triangle which extends from west of Superior to Globe/Miami, and southerly to Winkelman. The area is generally rural where mining and ranching occur. However, active mining, including processing and exploration operations, are common.

The following map illustrates the Arizona Copper Triangle:

Subject MCZ located within Arizona Copper Triangle



Configuration: The larger parcel is a single irregular parcel with a 40-acre private inholding that is owned by Resolution Copper at the west side of the tract just south of the patents around the #9 shaft.

Size: The Subject Property is 1,655.53 acres.

Topography: From U.S. 60 south to the south edge of Section 33, the terrain is gentle at around the 4,200-foot elevation. Terrain becomes increasingly rough and rocky moving westward. The eastern portion is generally dissected rolling hills with low to moderate sloping topography which becomes more irregular and steeper as you move west towards the Apache Leap escarpment.

Soil Types: The Phase 1 ESA reports that most of the soils on the subject are unmapped on the Web Soil Survey. The property previously mapped on the ALRIS General soil map with more than half showing as Mined Land and Rock Outcrop-Woodcutter complex, tuff. Significant areas were unmapped on the ALRIS map as well. The ESA, however, did not agree with this assessment and concluded that the soils were primarily rock outcrop with loamy and gravelly slope alluvium.



Water: Three surface water rights belonging to the Tonto National Forest are noted on the Subject Property. All are filled by unnamed washes. These are:

38-23975 Apache Leap Tank – Stock/Wildlife Tank - 0.26 - acre feet

38-65060 Oak Flat Tank – Stock/Wildlife Tank - 3.26-acre feet

33-77040 Rim Pond - Stock/Wildlife Tank – 0.77-acre feet

There is a total of 51 wells on the Subject Property. Many are co-located and for those wells there is a total of 151 registrations.

S 1 T.2S. R.12E. 1 well 2 registry numbers

S 6 T.2S R.13E. 18 wells 27 registry numbers

S 28, 29, 32, 33 T.1S. R.13E. 32 wells 52 registrations

Resolution Copper Mining LLC is the named owner of most of these wells with co-located owners including BHP Copper, Rio Tinto, the University of Arizona, and the Tonto National Forest. Nearly all the wells are of the type “Other” and are actually exploratory bore holes. A few are identified in ADWR records as Monitor wells. Reported depths range from around 150 feet to 7,977 feet. Many are cased with casing typically ranging from 5 to 10 inches in diameter. Where reported, water levels range widely from a couple hundred feet to over 4,600 feet. The wells were drilled from the early 1980s through early 2020.

Flood Zone: The Phase I Environmental Site Assessment (ESA) indicates there are no identified flood hazard areas on the Subject Property. The area has been mapped by the Federal Emergency Management Agency (FEMA) map panels showing that the entirety of the Property is designated as flood Zone D, which is the designation for areas where FEMA has not conducted a flood hazard analysis and the potential flood hazard has not been determined. There are no FEMA-designated floodplains identified within the Property and none were observed during previous site visits (WestLand 2004a, 2015).

Utilities: Electricity is served to the No. 9 Shaft site at the northwest corner of the Subject Property. In addition, Qwest/Century Link has a permit for a telephone line which shows up on the topo map running across the northwest corner of the subject. No water or sewer systems on or near the Subject Property .

Access: Access to the property is available from U.S. 60 which runs along the north boundary of the Subject parcel. The Subject parcel is about 60 miles east of Phoenix and about 5 miles east of Superior. Internal access is available from FR 469 which travels from U.S. 60, southerly to FR 2432 which goes to the south and then northwesterly to the No. 9 Shaft parcel. FR 315 (a 4WD road) connects to FR 2432 and travels to the south, leaving the subject near the southeast corner.

Timber: N/A

Minerals: The estate appraised is the fee simple interest, subject, in part, to 148 unpatented mining claims held by Resolution Copper. It is understood that a significant porphyry copper deposit exists beneath the Subject Property but the right to mine the deposit is not a property



right included with the Subject Property. An unpatented mining claim is a conditional, possessory, interest in real property ownership of a mineral estate in accordance with the Mining Law (30 U.S.C) and is subject to a discovery of a valuable mineral deposit within the bounds of the location, and completion of annual assessment work/filing, or payment of an annual maintenance fee, within the regulatory timeframe. Since the Subject Property is encumbered by mining claims held by a party other than the United States; said mining claims confer all rights to locatable minerals to that party in accordance with the Mining Law and are not part of the estate owned by the United States, 30 U.S.C. §§26, 181, 611.

Environmental Hazards: The Phase I ESA concluded that there are no Recognized Environmental Conditions (REC) on the Subject Property but noted that surface water quality in the Devils Canyon Watershed and the Queen Creek Watershed is in overall compliance with applicable surface water standards with the following exceptions: arsenic, copper, dissolved oxygen, E. coli bacteria, iron, lead, pH, and selenium (Resolution 2016). Water quality in regional groundwater basins meets EPA and State of Arizona overall drinking water standards, with a few exceptions. Several samples fell below the federal secondary standard for pH and slightly above the federal secondary standards for iron and manganese. In addition, several samples did not meet federal secondary standards for total dissolved solids and sulfate, and one sample also exceeded federal and state primary standards for nitrate (Resolution 2016). It is not known if these conditions are naturally occurring and/or the result of anthropogenic activity. Approximately six small spills of petroleum products (less than 100 gallons) have occurred at the drilling sites and immediately off-site between 2015 and 2020. Information provided from Resolution indicates that these spills were cleaned up and reported to the USFS pursuant to the requirements of the SPCC plan. WestLand did not observe any visible evidence of product spills on the Property. Due to the small quantity and number of spills, this is considered a de minimis condition. Known regional exceedances do not necessarily indicate contamination at the Property that would be considered environmental liabilities associated with the Property. Given the Highest and Best Use of the property is surface land use in support of a mining operation, it is unlikely that these environmental conditions would affect the overall value of the property.

Improvements

None

Use, Rent and Sale History

The subject is and has been the site of mineral exploration activity pursuant to the mining claims held by Resolution Copper. The property has never been sold or rented and is not currently listed for sale.

Zoning and Land Use Restrictions

The following is a requirement regarding disclosure and analysis of property zoning:

“Determine "consistent" zoning (and other land use restrictions) of Federal land by research and analysis, not by making an assumption. As instructed, the appraisal considered the hypothetical condition that the Federal land be appraised as though in private ownership and zoned consistent with other non-Federal lands. In determining consistent zoning for the Federal land, the appraisal should not consider entitlements such as master planning that are not in place as of the date of value.”

The appraisal concluded that the Subject Property is zoned Pinal County GR – General Rural Zone. This is the predominant rural classification throughout the county and permitted uses include single family



dwellings, various agricultural uses and quasi-public uses such as parks and schools. The minimum lot size is 1.25 acres. This classification does not specifically allow or prohibit mining but according to the Arizona Revised Statutes:

11-812. Restriction on regulation; exceptions; aggregate mining regulation; definitions

A. Nothing contained in any ordinance authorized by this chapter shall:

2. Prevent, restrict or otherwise regulate the use or occupation of land or improvements for railroad, mining, metallurgical, grazing or general agricultural purposes, if the tract concerned is five or more contiguous commercial acres. For the purposes of this paragraph:

(b) "Mining" has the same meaning prescribed in section 27-301...

10. "Mining" means those activities conducted to develop or extract materials from a mine including on-site transportation, concentrating, milling, leaching, smelting or other processing of ores or other materials. Mining includes mined land reclamation activities regulated pursuant to chapter 5 or 6 of this title.

Pinal County Code affirms the state statutes at 2.05-050 – Statutory Exemptions:

As specified in A.R.S. title 11, Ch. 6 (A.R.S. § 11-801 et seq.), the provisions of this title shall not prevent, restrict, or otherwise regulate in any zoning district the use or occupation of land or improvements for railroad, mining, metallurgical, grazing or general agriculture purposes, as defined herein, provided the tract or premises so used is five or more contiguous commercial acres.

The county zoning map for the Ray Mine and surrounding area was also reviewed. All land in that area, including the mine, is zoned GR as well.

Highest and Best Use

It is reported that the uses that meet the tests of legally permissible, physically possible, and financially feasible resulting in the highest value is of surface land use in support of a mining operation.

Larger Parcel Determination

The report indicates the subject property is contiguous, in the same ownership, and has a single, unified highest and best use. The appraisal report concludes that the subject parcel is considered the larger parcel.

Selection of Approaches to Value

The appraisal included a **sales comparison approach** using sales of similar properties which are competitive in the marketplace having the same or similar highest and best use as the Subject.

The **income capitalization approach** was used in the appraisal to fulfill the requirement of the legislation which requires the use of a detailed income capitalization approach analysis of the federal land. It is noted in the appraisal that the Income Approach is not typically considered by buyers of mine support lands similar to the Subject Property but was included to comply with the legislation.

The **cost approach** is based upon the principal of substitution that a prudent buyer would not pay more for a property than the cost to acquire a similar site and construct improvements of a similar utility



without undue delay. The cost approach was not included in the appraisal and is not applicable as the property is vacant land.

Sales Comparison Approach

The appraisal considered 7 comparable sales for analysis. Of these 7 comparable sales, the appraiser selected 5 primary sales to compare to the subject. One of these sales was dismissed (See Conditions of Sale below) leaving 4 primary sales for direct comparison to the subject, presented in a narrative format, and included a summary adjustment grid listing the comparable sales and their comparison to the subject property. The sales bracket the subject property in a number of elements that include size, location, and zoning.

The **unit of comparison** selected for the analysis is price per acre. The market area and timeframe analyzed for the comparable sales was from September 2018 to March 2020 and all were within close proximity to the Subject Property.

The appraisal analysis continued with the analysis of the characteristics of each individual sale to the subject property in both narrative format and on the adjustment grid for each sale. Quantitative and/or qualitative adjustments were made for the various elements cited as affecting overall value.

Property Rights

The property rights for the comparable sales ranged from fee simple to split estate. The Subject Property was regarded as a split estate since the unpatented mining claims confer all rights to locatable minerals. The appraisal report indicated that buyers' motivation for land purchases were for the surface estate to support mining operations with mineral rights not considered important or necessary. Therefore, the total purchase price is allocated to the surface interest, with no adjustments applied.

Financing Terms

Financing terms for all the sales were reported as being cash or cash equivalent, with no adjustments required.

Conditions of Sale

The appraisal report indicated that buyer's motivation was a long-term use of the land to support a mine/processing operation with the seller motivated by the highest price offered for the land. Adjustments for conditions of sale usually reflect the motivations of the buyer and seller. Most mining operations require substantial land holdings for mine infrastructure, material/equipment storage, fluids management, office/dry room/warehouse buildings, processing facilities, ore/waste stockpiles, tailings management and storage, waste water ponds, equipment and supply storage, employee parking and other mine infrastructure requirements.

One of the five comparable sales mentioned above was not originally listed for sale and the owners were not motivated to sell (willing buyer, unwilling seller). The buyer needed a ROW across the private land, and after several failed negotiations to acquire the ROW, the buyer ultimately purchased the entire ranch including the deeded land, the Forest grazing allotment, the State grazing lease, as well as the ranch improvements which included the main house (approximately 1,400 SF), bunk house (approximately 530 SF with 154 SF porch), storage room/studio (approximately 840 sf), and barn/tack room/corral for an "exceptional price" that far exceeded market value for this type of property.

The appraisal notes that non-mineral surface land transactions supporting mine/processing operations



are specifically driven by the needs of the mining companies. The primary use of four of the five sales was for tailings management, treatment, and storage. The transaction for the ROW does not meet the market value standard since the sale price was unduly influenced by the seller and the buyer was leveraged into acquiring the entire ranch. The appraisal dismissed this comparable sale from further analysis since the transaction did not represent an arm's length transaction.

Market Conditions

The comparable sales dates ranged from September 2018 to March 2020. The appraisal took into consideration the effective date of value of April 12, 2022. The appraisal anecdotally states there is a linkage to commodity prices and a demand for mining related transactions. As commodity prices increased, there is a corresponding increase in mining related transactions. Although the appraisal states the recent uptick in copper mining is due to increased copper demand and price increases since mid-2020 and is a key market condition factor considered for adjustment, no adjustment was made to the comparable sales for market conditions.

Property Adjustments

Location

The location of suitable mine support properties for mining/mineral processing operations is of primary importance for mining operations. The Subject Property's surface lands overlie the unpatented mining claims held by Resolution Copper and are likely to directly support the mining operation. The appraisal evaluated five land sales purchased by Resolution Copper or their subsidiary along US Highway 60 corridor for their location influence on value. After discussion with respect to the sales comparability with respect to proximity to associated mining/mineral processing operations, access and environmental considerations, the appraisal concluded that no adjustment for location could be derived. No adjustments were applied.

Physical Characteristics

The Subject Property has gentle terrain along the east side and becomes increasingly rough and rocky moving westward. The eastern portion is generally dissected rolling hills with low to moderate sloping topography which becomes more irregular and steeper as you move west towards the Apache Leap escarpment. The comparable sales are typically high desert terrain with desert washes similar to the Subject, therefore the appraisal did not make an adjustment for physical characteristics.

Size

The Subject Property is 1,655.53 acres. The sales ranged in size from 400 acres to 7,391 acres. The sales were arrayed which indicated that the unit rates trended lower as the size increased. To illustrate this relationship and develop a basis for quantitative adjustments, a linear regression analysis was utilized. Results of the analysis indicated upward adjustments to Sales 1 and 3 which were larger than the subject, and downward adjustments for Sales 2 and 4 which were smaller than the subject.

Zoning/Land Use

The Subject Property and all of the comparable sales had the same General Rural/Vacant Ranch Land zoning. No adjustments were required as reflected on the grid.

The unadjusted and adjusted sale prices are reflected below.



Direct Sales Comparison Sales Summary

SALE	DATE	ACRES	UNADJUSTED \$/AC	ADJUSTED \$/AC
1	Feb-2019	2,191	\$994	\$1,036
2	Mar-2020	1,299	\$1,106	\$1,078
3	Sep-2018	7,391	\$789	\$1,242
4	Jan-2019	400	\$1,498	\$1,399
Low	2018	400	\$789	\$1,036
High	2020	7,391	\$1,498	\$1,399

Reconciliation

The appraisal report addresses the overall comparability of the sales as required by UASFLA. The appraisal stated that the land sales, before adjustments, show a range of indicated values from a low of \$789 per acre to a high of \$1,498 per acre with the mid-range at \$1,100 per acre. The comparable sales after adjustments ranged from \$1,036 per acre to \$1,399 per acre with a mid-range at \$1,200 per acre. Based on the limited quantity of comparable sales similar to the subject, Seller motivation, and the size difference between the subject and comparable sales, the appraisal concluded at \$1,200 per acre.

The opinion of value conclusion is \$1,200 per acre for the subject's 1,655.53 acres, equivalent to \$1,990,000 rounded.

$$1,655.53 \text{ acres} \times \$1,200 \text{ per acre} = \$1,990,000 \text{ ROUNDED}$$



Income Capitalization Approach

This approach was presented in the appraisal because the Southeast Arizona Land Exchange and Conservation Act – 303, Sec. 4(C) required the use of a detailed Income Capitalization Approach of the federal land.

The appraisal states the Income Approach is not typically considered by buyers of mine support lands that are similar to the Subject Property. It is uncommon for mining companies to lease surface mine support land from property owners due to the high risk of potential environment issues, costly cleanup, and liabilities associated with mining. Market dynamics for these types of properties demonstrates that mining companies prefer to purchase rather than lease surface mine support lands.

Although private land leases for mine support land were not available in the market, the appraisal presented land lease transactions between mining companies and the Arizona State Lands Department (ASLD). These leases are negotiated in an open auction setting which are advertised and exposed to the market. Mineral royalties paid by the mining company are excluded from the land use rental payment. The basis for the land use rental fees are land values for **non-mining purposes** which is a different highest and best use of the Subject Property.

The appraisal presented the following leases for analysis:

ASLD Lease	County	Acres	Market Value	Rent \$/year	Rent \$/AC/Year	Effective Date	Cap Rate (Ro)
11-98925	Pima (Cu)	574.79	\$1,380,000	\$47,644	\$ 83	Dec 2010	3.5%
11-26500	Pinal (Cu)	160.00	\$1,760,000	\$60,500	\$378	Jul 2014	3.4%
11-118141	Yavapai (Au)	120.00	\$ 228,000	\$10,640	\$ 89	Sep 2015	4.7%

Based on this information and recognition of location, highest and best use and property size differentials, the appraisal estimated the rent for the Subject Property at \$78/acre to derive the annual income:

$$1,655.53 \text{ acres} \times \$78/\text{acre} = \$129,131 \text{ annual income.}$$

The appraisal estimated the Subject Ro from the above rental data and determined that a mid-range of 4.0% would be applied to the subject:

$$\$129,131 \div 4.0\% = \mathbf{\$3,230,000 \text{ ROUNDED}}$$



Reconciliation and Final Value Opinion

The Sales Comparison Approach provides an opinion of value of \$1,990,000. The Income Approach provides an opinion of value of \$3,230,000. The appraisal placed equal weight on both opinions of value and concluded an opinion of value at the mid-range of \$2,610,000.

The opinion of value conclusion is \$2,610,000 for the subject's 1,655.53 acres, equivalent to \$1,577 per acre (Rounded).

Value Indications

Cost Approach	\$0
Sale Comparison Approach	\$1,990,000
Income Capitalization Approach	\$3,230,000
Conclusion	\$2,610,000

Transaction Scale Analysis

As a final step in the valuation of each larger parcel, in accordance with the SOW requirement, the appraisal analyzed the parcels comprising each side of the exchange as a whole in the context of the market and report if there is an additional increment of value or discount attributable to portfolio enhancement or the bulk nature of the transaction. Any value enhancement or diminution under this provision shall be recognized in the concluded values for each of the larger parcels as noted in the SOW.

As stated in the report, the Subject MCZ parcel is one of two federal parcels included in the Southeast Arizona Land Exchange and Conservation Act. Although they are contiguous parcels, they are two different properties with different highest and best uses subject to two separate and distinct market forces and dynamics. The appraisal concluded that the properties would not compete against each other due to the different highest and best uses, and there would be no enhancement or diminution of value to either parcel. Further, the appraisal concluded there is no market data that would suggest an increment in value, or a discount attributable to the bulk nature of the legislated transaction.

