



Forest
Service

Washington
Office

1400 Independence Avenue, SW
Washington, DC 20250

Appraisal Report Summary

**Tangle Creek Parcel (Non-Federal)
Yavapai County, Arizona**

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

Date of Appraisal Report
December 6, 2022

Date of Appraisal Review
December 20, 2022

Appraisal Report Prepared By
Barry Weissenborn
Weissenborn Appraisal, LLC
326 South Convent Avenue
Tucson, AZ 85701



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Appraisal Summary

Appraisal Report Under Review

Appraiser(s)

Barry Weissenborn
Arizona Certified General Real Estate Appraiser #30724
Weissenborn Appraisal, LLC
326 South Convent Avenue
Tucson, AZ 85701

Date of Inspection

October 20, 2020. The property owner(s) were provided the opportunity to accompany the appraiser on the property inspection.

Date of Report

December 6, 2022

Owner

Resolution Copper Mining, LLC

Client

In the original appraisal contract, the client for the appraisal was broadly defined as the USDA Forest Service. It shall be noted that the Client of the appraisal report is the USDA Forest Service, Director of Lands and Minerals, Southwestern Region.

Intended Use

To provide a basis of market 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

The estate appraised includes the fee simple interest, subject to the specific reservations and encumbrances of record shown in a title commitment issued by First American Title Insurance Company dated November 30, 2020. The appraisal includes the underlying mineral estate and all appurtenant water rights, claims to and filings for water at the subject property.

Outstanding Rights

Schedule B – Exceptions

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.

Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.

2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or by making inquiry of persons in possession thereof.

3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.

Items 1, 2 and 3 include verbiage that is not specific to the subject property, but is intended as insurance, of sorts, for the company against unforeseen matters that are not made evident by a typical title search. The exception does not materially impact the marketability or value of the subject property.

4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.

Item 4 is also a buffer from matters that may not be revealed during a typical title research project. The appraisal indicated they have been provided no materials that suggest there are any such issues.

5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water; whether or not the aforementioned matters excepted are shown by the public records.

Items (a) and (b) reference matters related to patent of the property; item (c) includes water rights associated with the property. Regarding the first two items: there are no unpatented mining claims impacting the subject property. Further, there is little in the way of economic mineral potential that would make item (a) a significant concern. Regarding item (b), the subject was patented under a process common to many properties of this class throughout the region. A number of the comparable sales were patented in the same manner, so the valuation analysis inherently addresses any potential impact on value.

With regard to item (c), the subject property includes no water rights, claims or title to water and none are included in the appraisal.



6. Any lien, or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the public records.

This verbiage is not specific to the subject property, but is intended as insurance, of sorts, for the company against unforeseen matters that are not made evident by a typical title search. An independent search performed for the landowner for purposes of this change found no evidence that a basis for any such claims exists.

Schedule B – Exceptions

Part II

This section includes two matters that are specific to the subject property. The others are more or less generic. Also, Items 1, 4 and 5 have been intentionally deleted, so there is no discussion on those included here.

1. Deleted Intentionally.

2. An easement for electric transmission lines and incidental purposes, recorded as Book 276 of Official Records, Page 131.

This document references a condemnation action in the United States District Court, Arizona, for a 300-foot-wide easement through the west-central portion of the subject property. The legal description included in the document coincides with the location of two parallel transmission lines that cut a more-or-less perpendicular path across the property. The document is a *Lis Pendens*, or notice of a pending legal action and not an easement or right of way per se. But, as the facilities physically exist at this time, it is viewed as the best available evidence that there is an existing encumbrance on the land. The document, which was recorded on December 6, 1962, cites, among other related items: ... *a right, privilege and easement to construct, reconstruct, operate, inspect and maintain one or more electric transmission lines, consisting of two or more lines of structures, supporting two or more power circuits, together with all poles, crossarms, cables, wires, guys, supports, fixtures and such other structures installed and facilities used for the construction, operation and maintenance of said transmission line, and the right of ingress and egress to enter upon and leave said right of way to survey, construct, reconstruct, maintain, inspect, operate, control, make necessary replacements, and use said line, together with the present and future right to clear said right of way or to trim trees to the extent deemed necessary by the United States to protect the rights and privileges herein taken ...*

The inferred right of way limits significant development or use of approximately ten acres of land underlying the transmission lines. That is, no doubt, significant, but about half of the impacted land is within Tangle Creek and the FEMA-identified flood hazard area. So, the impact of these restrictions on that area is essentially limited to the visual aspect. The impact on the five acres or so north of the designated flood hazard area is greater.

The property is situated in a remote rural setting and any use or occupancy in the reasonably near future is likely to be at very low density. But the overall effect on the utility and desirability of the subject property place it at a disadvantage to otherwise similar properties with no such exposure.



3. All matters as set forth in Retracement and Remonumentation of a Portion of the Tonto National Forest Property Line, recorded as Book 12 of Maps, Page 20.

This document references the November 1966 retracement and remonumentation of the subject boundary by/for the USDA Forest Service. The purpose of the survey was to identify and perpetuate the evidence of survey monuments and accessories established by the original survey. The 1996 survey does not materially impact the marketability or value of the subject property as laid out in this report.

4. Deleted Intentionally.

5. Deleted Intentionally.

6. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.

This is the same as Item 4 in the Section B Exceptions, Part I. It is effectively laid to rest by the retracement and remonumentation cited in Item 3 above.

7. The rights of parties in possession by reason of any unrecorded lease or leases or month to month tenancies affecting any portion of the within described property. NOTE: This matter will be more fully set forth or deleted upon compliance with the applicable requirement(s) set forth herein.

The appraisal report states that the appraiser has been provided with no information that indicates there are any such leases or tenancies at the subject property; nor have they encountered any evidence of any such matters.

8. Water rights, claims or title to water.

There are no water rights, claims to or filings for water rights currently associated with the subject property.

9. Taxes for the full year of 2020.

(The first half is due October 1, 2020 and is delinquent November 1, 2020. The second half is due March 1, 2021 and is delinquent May 1, 2021.)

Taxes are paid to current. The appraisal assumes marketable title, unencumbered by any tax liens or related matters.

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 is not based upon any Hypothetical Conditions.

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

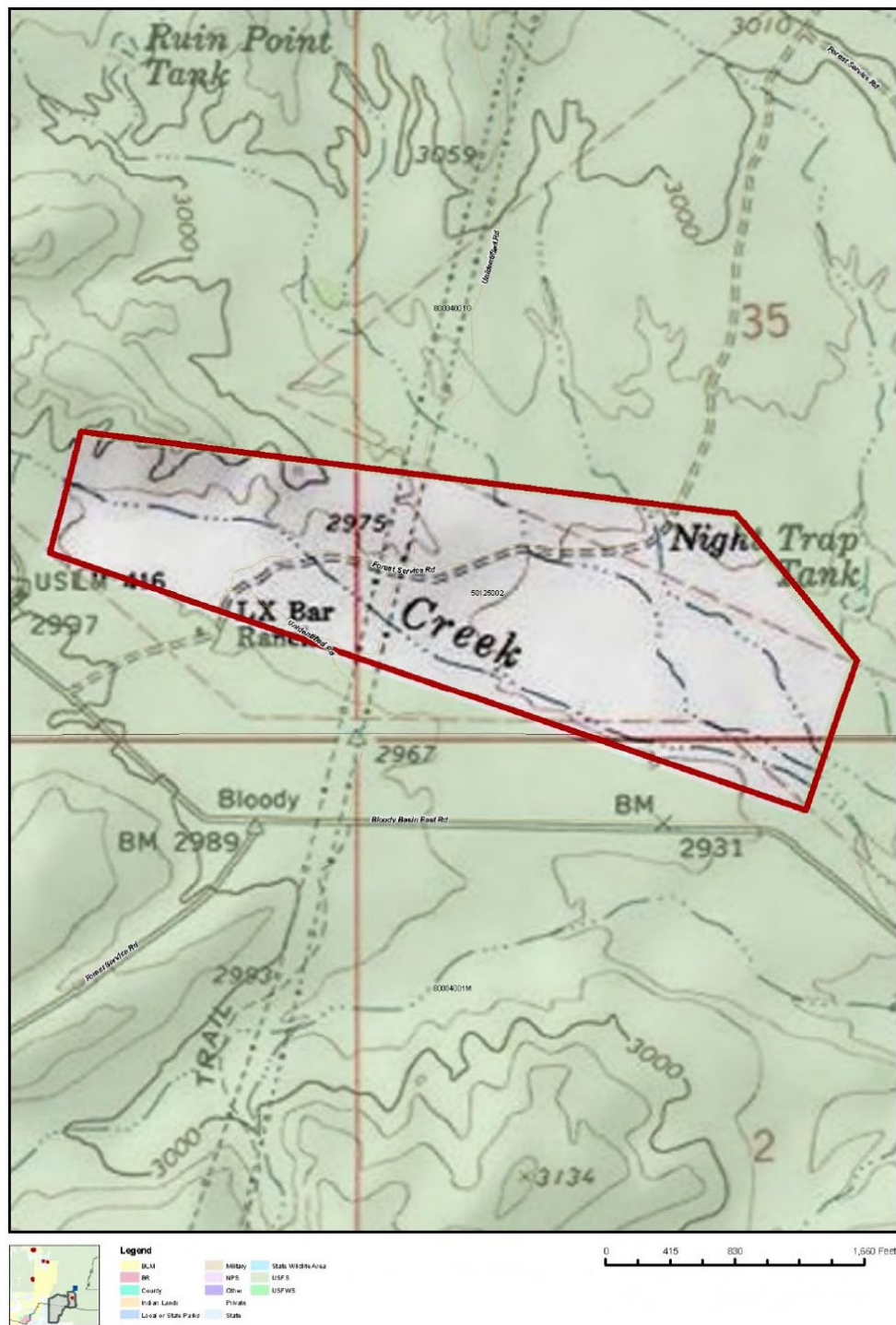
Townships 9 and 9½ North, Range 5 East G&SRM, Gila County, Arizona
H.E.S. 416

Containing 148.11 acres.

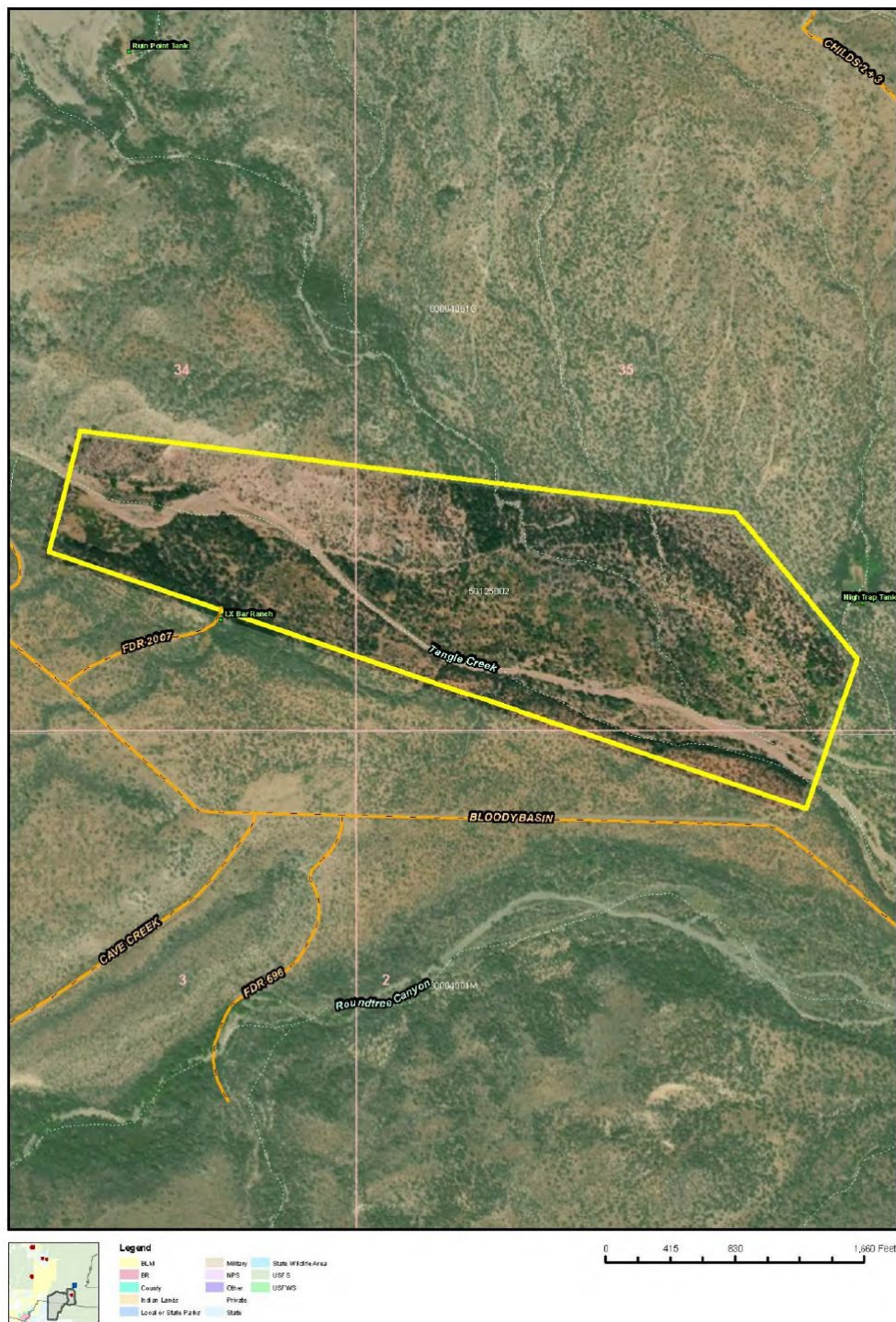
The following maps are for illustration purposes:



Topographic View of Subject Property



Aerial View of Subject Property



Property Description

Location: The subject property is located on Tangle Creek, at Bloody Basin. The property is just north of the junction of National Forest System Roads (NFSR) 24 and 269. It is about 25 miles north of the Cave Creek Ranger Station on NFSR 24, which is also known as the Cave Creek or Seven Springs Road; and roughly 27 miles east of the Interstate 17 Bloody Basin Exit, via NFSR 269, which is also known as the Bloody Basin Road. The parcel is an inholding within the Tonto National Forest.

Size: The subject property is irregularly shaped and contains 148.11 acres.

Topography: The property is located on the floor of Bloody Basin. Elevation ranges from 2,900 feet to 3,000 feet. The property was configured to include the riparian zone along Tangle Creek. And while the creek exposure may be a benefit in many respects, it results in a high proportion of flood-prone land. The creek bed is wide throughout the property and the amount of usable terrain outside the flood zone is limited.

A small portion of the property, totaling something on the order of 20 acres in two separate areas, appears to have been irrigated in the past. Those areas are now overgrown with mesquite, acacia and other scrub. A review of documentation for the historic water right for the property suggests that as much as 36.50 acres had at one time been suitable for irrigation.

Soil Types: There is no digital data available for the subject property on the Natural Resource Conservation Service's Web Soil Survey site. A brief reference to the soils at the property in the Resolution Copper Land Exchange proposal submitted by Resolution Copper Mining, LLC and again in the Phase I Environmental Site Assessment prepared for the property owner by WestLand Resources and dated October 2016, categorizes soils at the property as follows:

The ALRIS (Arizona Land Resource Information Systems) General Soil Map indicates that the Tangle Creek parcel is within the Continental-Latene-Pinaleno soil association (ALRIS 1975). The soils of this association are well-drained and occur on dissected old terraces and alluvial fans. Continental soils make up about 30 percent, Latene soils 25 percent, Pinaleno soils 25 percent, and several minor soils make up the other 20 percent of the association. This soil association has fair potential for rangeland and wildlife habitat and is characterized as having slow permeability and high shrink-swell in Continental soils, slope and high gravel content in Pinaleno soils, and high lime content in the substrata of Latene soils (Hendricks 1985).

Water Amenity: Information provided by the Forest Service indicates that there are no active surface water rights, claims to, or filings for water rights associated with the subject property. Historically, water for livestock, domestic use and irrigation had been provided by two sources: a dug well near the old headquarters site, and LX Spring, which is located on federal land administered by the US Forest Service.

The dug well, which is included in the Arizona Department of Water Resources (ADWR) records as well No. 55-623560, has apparently been filled in.



LX spring is on Forest Service administered federal land, about three quarters of a mile upstream of the subject. There had been a certificated water right, No. 4167, with a priority date of October 14, 1965, associated with the spring, to which the landowner previously held title.

Water was gathered at the spring by a concrete dam across Tangle Creek and transported to the subject via combination dirt and concrete lined ditch, and steel pipeline. The pipeline fed into a storage pond located on National Forest land, near the old headquarters site. The conveyance system traversed a little more than a mile of federal land and was authorized by a special use permit administered by the Tonto National Forest.

After many years of non-use, the dam and conveyance system had fallen into disrepair and the landowner sent a letter to the Arizona Department of Water Resources (ADWR) requesting that the water right be withdrawn. ADWR returned a letter confirming withdrawal of the right in October 2018.

Based on the information provided and additional research performed by the appraiser, the appraisal does not include water rights, claims to or filings for waters in the analysis.

Flood Zone: The subject is in the area covered by FEMA-FIRM community panel number 04025C3300G (9/3/2010). The map indicates that approximately 110 acres, including and to the south of Tangle Creek, fall within Special Flood Hazard Area Zone A, with the balance of the property, largely north of Tangle Creek, falling in Zone X.

Zone A is defined as “Areas subject to inundation by the 1-percent-annual-chance flood event. Because detailed hydraulic analyses have not been performed, no Base Flood Elevations (BFEs) or flood depths are shown.”

Further, Structures located within the SFHA have a 26-percent chance of flooding during the life of a standard 30-year mortgage. Federal floodplain management regulations and mandatory flood insurance purchase requirements apply in these zones.

Zone X is defined as: “Area of minimal flood hazard.”

Roughly 38 acres on the north side of Tangle Creek are suitable for site development outside of any FEMA-related regulatory oversight. The appraisal considered this in the context that, with proper precautions, certain areas can be made secure for site development. A prudent landowner will not place improvement in areas subject to flood hazard without taking precautions to mitigate to flooding.

Utilities: There are no publicly provided utilities at the property. Any reliance on such will require establishment of on-site systems.

Access: The subject property has physical access to the northern boundary via Forest Service roads that are open to the public. There are two main routes to the subject property. The first is from Cave Creek, north of Phoenix. The second is from Interstate 17, between the Sunset Point Rest Area and Cordes Junction.

From the Cave Creek Ranger Station, north of Scottsdale, the property is about 25 miles,



via the Seven Springs/Cave Creek Road (NFSR 24). That is a dirt road that is washboard or rough in places but is generally solid and passable throughout the year. Travel is slow and can be done in a sedan but is best accomplished in a high clearance vehicle.

From the Interstate 17 Bloody Basin Road exit (No. 259), access to the subject is via about 26.5-27 miles travel on the Bloody Basin Road. This too is a reasonably good road but is rough in places and though passable in a sedan, is best traveled in a high clearance vehicle. The road passes through the Agua Fria National Monument on its way eastward from the interstate.

Interior access is via an old dirt road that is washed out and/or overgrown in places. The most practical route to the subject is via old FR 2007 which leads northward from FR 269 to the south property. This southern route does not have legal access. The Tonto National Forest confirmed to the FS Chief Appraiser on November 2, 2022 that there is no legal vehicular access to the Tangle Creek parcel via FR 2007. If the owner of the Tangle Creek parcel wanted to use FR 2007 to access their property, they would need a private drive permit or equivalent from the Tonto National Forest. The appraisal mentions access from FR 1989 that runs southward from the northern boundary of the subject is identified as being open to the public and has access to the property from the northern access road.

Timber: N/A

Minerals: The property is to be conveyed together with any and all associated appurtenant mineral rights, oil, gas, and geothermal resources. A Mineral Potential Report prepared specifically for the Resolution Copper Land Exchange and dated January 17, 2021 concludes the following for the subject property:

- Low potential for leasable oil, gas, coal and geothermal resources; and no indication of sodium, phosphate or any other solid leasable minerals.
- Low potential for locatable minerals.
- Moderate potential for salable minerals because they exist on the property. However, the remote location and the presence of similar resources in areas closer to markets makes any development unlikely.

A memorandum prepared by Resolution Copper Mining, LLC specifically for the Resolution Copper Land Exchange details the company's knowledge of existing mineral rights and mineral data that exist on the offered lands included in the Land Exchange. The memorandum is titled *Mineral Information On Resolution Copper Non-Federal Parcels*. With regard to the subject specifically, the memorandum states the following.

The mineral estate is owned fee simple by Resolution Copper (Figure 2). Resolution Copper Mining, LLC has not conducted any mineral exploration drilling on this parcel and is not aware of any historical drilling that would indicate mineral potential or any mineral of value.

No significant emphasis is placed on the mineral component in the valuation analysis.

Other : Two large electric transmission lines cut a more or less perpendicular course across the



west-central part of the property, not far to the east of the historic headquarters site. The visual impact of the transmission lines is significant, and the lines directly impact use within a corridor of about ten acres or so. However, roughly half of that lies within the FEMA-identified flood hazard area.

Amenities: N/A

Improvements

None of contributory value. The historic homestead and more recent ranch improvements have, for the most part, been demolished, leaving no improvements of significant value on the property.

Use, Rent and Sale History

It is stated in the report that the property was originally patented as a homestead in 1917. More recently, it has served in support of a ranch operation in conjunction with a grazing allotment on surrounding National Forest lands. Old homestead and ranch-related improvements have been removed since the acquisition by Swift Current and the property has remained vacant.

The subject is owned by Resolution Copper Mining, LLC, which took title to the property on April 8, 2020 in a transfer from Swift Current Land & Cattle, LLC, a subsidiary, or holding company related to the current owner. That transfer was between related legal entities for no, or nominal, consideration.

Swift Current Land & Cattle, LLC acquired the property from The Garry J. Shuster No. 3 Family Limited Partnership on March 25, 2005. The sale was based on a parcel size of 148 acres and the price was \$887,000 or \$5,750/ac.—paid in cash. Swift Current was looking specifically for properties to be included in a land exchange and the transaction was brokered by a well-known regional real estate outfit. The transaction was openly negotiated between the two parties and the price was based on an appraisal.

The Shuster family had owned the property, in one form or another, since 1997 or earlier.

The 2005 sale of the subject provides an important benchmark against which to measure current market activity, but because the sale is quite dated, it is not included directly in the valuation analysis. The property is not currently listed for sale. The tract has not been rented or leased in the past three years.

Zoning and Land Use Restrictions

It is stated in the report that the subject is zoned RCU-2A. Minimum lot size is 2 acres. This is essentially a rural holding category that provides for a wide range of agricultural, single-family residential, supporting and accessory occupancies.

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 as an investment with the recognition of the potential for low density residential occupancy.

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 entire subject parcel is considered the larger parcel.



Selection of Approaches to Value

The appraisal included a **sales comparison approach** using sales of vacant tracts having the same or similar highest and best use as the subject. This is the method the most probable buyer would utilize to determine value.

The **income capitalization approach** was considered, but not applicable for this assignment because the property has no market-based rental or income history. Typical buyers of the subject property would not purchase the property based on an income stream.

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 this appraisal and is not applicable for this assignment as the property is vacant land.

Sales Comparison Approach

The appraisal considered 12 comparable sales for analysis. Of these 12 comparable sales, The appraiser selected 7 primary sales to compare to the subject in a narrative format and included a summary adjustment grid that listed the comparable sales and showed their comparison to the subject property. The sales bracket the subject of the report in a number of elements to include size and physical characteristics.

The **unit of comparison** selected for the analysis is price per acre. The market area and timeframe analyzed for comparable sales was from August 2014 to February 2022 in the Yavapai and Maricopa County area.

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 appraisal report analyzed differences in property rights conveyed that included water, minerals, and easement encumbrance. The adjustments for water are addressed under physical characteristics. The appraisal report indicated, after a comprehensive analysis and discussion of each comparable sale, that Sales 2, 3, 4, 6 and 7 are superior in terms of encumbrances with downward qualitative adjustments applied.

Financing Terms

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

Conditions of Sale

The appraisal report indicated, after an analysis and discussion of each comparable sale, that there were no conditions of sale that influenced value. Therefore, no adjustments were applied.

Expenditures After Purchase

The appraisal report indicated that there were no known anticipated expenditure that impacted the purchase price of any of the comparables. No adjustments were applied.



Market Conditions

The appraisal report provides an adequate analysis from a market perspective acknowledging that the timeframe of the sales was broad and included a boom cycle across the time frame covered by the sales. An extensive paired sales analysis from both within and outside the core dataset were utilized to isolate market conditions influence on value. Significant upward adjustments were applied to Sales 1, 4, 5, 6 and 7.

Property Adjustments

Size

The subject contains 148.11 acres. The comparable sales range in size from 20.66 – 663.85 acres. It was acknowledged that Sales 3, 4 and 5 bracket the subject size with Sales 1, 2 and 6 all being smaller. Sale 7, being considerably larger, comprised its own size block. Numerous paired sales from the core dataset were utilized to isolate the influence of size on value. The pairings and discussions support a range of adjustments for the sales groupings. Downward adjustments are applied to Sales 1, 2 and 6 with an upward adjustment applied to Sale 7.

Location

The appraisal reports that the comparable sales were selected for their similarity to the subject in terms of locational characteristics with all of the sales located within large expanses of state or federal lands with similar access and lack of utilities. Numerous paired sales from the core dataset were utilized to isolate the premium associated for inholding within a National Forest verses property located outside of Forest boundaries. Significant upward adjustments were applied to Sales 3, 4, 5, 6 and 7.

Physical Characteristics

This element considers the amount of usable area outside the floodplain, elevation and riparian exposure. Several paired sales from the core dataset and discussions were utilized to provide guidance in terms of the magnitude of adjustment with qualitative adjustments utilized. develop applicable ranges to account for this characteristic. Downward adjustments are applied to Sales 1, 6 and 7 with an upward adjustment applied to Sale 4.

Economic Characteristics

Economic potential reflects the range of potential economic activity within the core dataset. The report discusses that the previous adjustments identified addressed factors that may impact the economic potential of the properties. Sale 1, being a ranch use and slightly different highest and best use, is considered and discussed. However, no additional adjustments for this element were provided.

The unadjusted and adjusted sale prices are reflected below.



Direct Sales Comparison Sales Summary

Sale	Date	Acres	Unadjusted SP/Acre	Adjusted SP/Acre
1	2014	68.96	\$5,800	\$6,525
2	2021	20.66	\$7,212	\$5,409
3	2022	90.41	\$3,927	\$6,480
4	2020	241.92	\$1,550	\$3,836
5	2019	104.51	\$2,296	\$5,683
6	2018	50.00	\$3,000	\$5,569
7	2017	663.85	\$1,958	\$6,057
Low	2014	20.66	\$1,550	\$3,836
High	2022	663.85	\$7,212	\$6,525

Reconciliation and Final Value Opinion

The appraisal stated that the land sales, after adjustments, show a range of indicated values from a low of \$3,836 per acre to a high of \$6,525 per acre with most sale supporting a value in the \$5,409-\$6,525 range. The appraiser opined that Sales 1 and 2 are given the greatest weight as they require the least adjustment and are nearest to the subject. Sale 5 is most similar to the subject in terms of physical characteristics with important consideration given. Additional support is provided by Sales 3, 6 and 7. The prior sale of the subject was reviewed. The subject sold for \$5,997 per acre in 2005. The appraisal report indicated that the sale took place during a market peak period with prices later dropping precipitously and not returning to those levels in many cases.

The opinion of value conclusion is \$5,500 per acre for the subject's 148.11 acres, equivalent to \$815,000 rounded.

In selecting an opinion of value sole reliance was placed upon the Sales Comparison Approach because it was the only applicable approach.

Value Indications

Cost Approach	\$0
Sale Comparison Approach	\$815,000
Income Capitalizatio Approach	\$0
Conclusion	\$815,000

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 property is one of eight Offered Non-Federal Land properties included in the Southeast Arizona Land Exchange and Conservation Act. Those eight properties are dispersed throughout Arizona, in widely varying geographic, ecological and economic settings. Together they represent a portfolio of independent properties, each subject to a different set of market forces. The appraisal suggests that there is no market data that the appraiser is aware of showing an increment in value or a discount attributable to the bulk nature of the legislated transaction.

