

**PHASE I ENVIRONMENTAL SITE ASSESSMENT  
IN CONFORMANCE WITH ASTM STANDARD E 1527-00  
OF  
APPROXIMATELY 4,900 ACRES OF MINING CLAIMS  
TINTIC MINING DISTRICT  
EUREKA, UTAH**

November 19, 2001

Prepared for:

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## LIST OF ACRONYMS

ACBM	Asbestos Containing Building Materials
AMSD	Approximate Minimum Search Distance
ASTM	American Society for Testing and Materials
CERCLA	Comprehensive Environmental Response Compensation and Liability Act
CERCLIS	Comprehensive Environmental Response Compensation and Liability Information System
CORRACTS	Corrective Action List of TSD Sites that require Remediation (RCRA)
DEQ	Utah Department of Environmental Quality
DERR	Utah Division of Environmental Response and Remediation
EPA	United States Environmental Protection Agency
ERNS	Emergency Response Notification System (Federal)
FINDS	EPA Facility Index System
FOIA	Freedom of Information Act
HAZMAT	Hazardous Materials
LBP	Lead-Based Paint
LUST	Leaking Underground Storage Tank
MSDS	Material Safety Data Sheet
NFRAP	Former CERCLIS Site Where No Further Remedial Activity is Planned
NPL	National Priority List
pCi/L	PicoCuries per Liter of Radiation Exposure
PCBs	Polychlorinated Biphenyls
RCRA	Resource Conservation and Recovery Act
RCRIS	Resource Conservation and Recovery Information System
REC	Recognized Environmental Condition
TRIS	Toxic Release Information System
TSD	Treatment, Storage or Disposal (of hazardous wastes at a facility)
USDA	United States Department of Agriculture
UST	Underground Storage Tank

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## 1.0 SUMMARY AND RECOMMENDATIONS

On August 28, 2001, at the request of Mr. Vern Tharp with Sellers Financial, Granite Environmental, Inc. (Granite) conducted a Phase I (surface investigation) environmental site assessment (ESA) of approximately 4,900 acres of patented mining claims in the Tintic Mining District which essentially surrounds the town of Eureka, Utah. The Property can be generally described as being in several sections of the Tintic Mining District with the town of Eureka as the center of the area in which the Property is found: Twelve claims along the Utah-Juab counties boundary to the northwest; the Homansville area which is east; the Paymester area of claims which is northeast; the Ruby and Red Cross claims to the south and southeast; and the Mammoth-Silver City area which is south and southwest. The site assessment was conducted in conformance with American Society for Testing and Materials (ASTM) Standard E 1527-00 (Standard), a national standard for conducting ESAs. The ESA was conducted to ascertain whether or not a recognized environmental condition(s) or, in the case of a business, whether a business environmental risk(s) exist on the subject property (Property).

The Standard defines a recognized environmental condition (REC) as the presence or likely presence of any hazardous substances or petroleum products on a property under conditions that indicate an existing release, a past release (identified through information presently available or through historic sources) or a material threat of a release of any hazardous substances or petroleum products into structures on the Property or into the ground, groundwater or surface water of the Property. A business environmental risk is a risk which can have a material environmental or environmentally driven impact on the business associated with the current or planned use of the Property, not necessarily limited to those environmental issues required to be investigated in this Practice.

Granite performed a records review which included searching for current and historic activities on the Property and at sites within the approximate minimum search distances (AMSDs). Based on that review, site reconnaissance, and interviews with knowledgeable persons, it is the opinion of Granite

that no **Recognized Environmental Conditions (RECs)** currently exist on the Property; however, where mining has been conducted in the mountains in and around Eureka, heavy metals have been found in abundance. The waste dumps that have been left at the portals of many of the mines and exploratory prospects may be the target of future remedial activities by the State of Utah through at least two agencies: the Division of Environmental Response and Remediation (DERR) and the Division of Oil, Gas and Mining (DOG M). In discussions with DERR and DOGM officials (see sections 1.1, 4.3, 4.5, 5.2.4 and 7.4 for details), Granite has learned that there may be efforts by the State to remediate areas where waste dumps, smelter debris and tailings ponds exist in the Tintic Mining District. This area of Utah has experienced intense mining activity over a period of 130 years. The mining activity has been mainly for the extraction of nonferrous metals. Most of these metals, e.g. lead, arsenic, selenium cadmium, silver and others, in their mineral compounds, are considered, in certain concentrations, as hazardous to human health and the environment. The agency staff members did say that the liability for such remedial activities would likely be funded by the State of Utah because most of the mining that may have caused heavy metals contamination occurred 100 or more years ago and most of these sites have long been abandoned (see notes on interviews with various state agency personnel attached as Appendix G). Apparently the only time that current owners of mining properties would potentially be responsible for any clean-up activities would be when current mining activities result in surface soils, surface water or groundwater contamination. In other words, it is unlikely that mere ownership of mining claims, in the affected areas, would result in paying assessments for remediation.

Federal, state and local lists were examined for sites with the potential to contaminate the Property. The area in which the various sections of the Property are found is rather large, consequently, Granite searched an area of approximately 4 radial miles using Eureka as the center of the search. NPL, CERCLIS, CORRACTS, TSD, RCRIS, TRIS, UST, LUST, landfills and hazardous materials spills lists were reviewed for sites within the 4 mile radius. Ten sites, three CERCLIS/NFRAP sites, two LUST sites and five innovative assessments (State of Utah) were found. None of these sites appear to have affected the Property (see Sections 6.1 and 6.2 for details).

A search was made for environmental issues with the potential to become an REC even though they are treated as non-scope issues by the Standard (e.g., PCB-containing equipment, wetlands, radon, asbestos and lead-based paint).

Several pole-mounted transformers were identified at various locations on the Property. Even though the transformers were not individually checked for PCB status, they are owned and operated by Utah Power. Over the past 10 years Granite has interviewed Utah Power employees concerning PCB content of their transformers. Utah Power has consistently stated that no transformer in their system has more than 50 ppm PCBs. PCBs should not be considered as potential RECs to the Property.

The surface of the parcel was inspected for potential wetland areas. No wetlands were identified on the Property.

Granite investigated the radon potential in the general area of the Property. According to the information available through the DEQ Division of Radiation Control, no radon sampling has been conducted in the area of Juab and Utah counties known as the Tintic Mining District. Due to intensive mineralization in this area, it is likely radon potential is high. Any planned residential development should include radon sampling of dwellings.

Asbestos-containing building materials (ACBMs) are not addressed in a Phase I report unless specified by the client. Generally, there has been a phase out of asbestos used in construction materials since the use of asbestos was banned in friable spray-on construction materials in 1978. There are few buildings on the Property since most of the structures that may have been in various locations have long since been removed or have naturally disintegrated. It is unlikely that ACBMs would be considered an REC with potential to negatively affect the Property.

## 2.0 INTRODUCTION

### 2.1 Purpose

An ESA is intended primarily as an approach to conducting an inquiry designed to identify RECs in connection with the Property, and for use on a voluntary basis by Sellers Financial which wishes to assess the environmental condition of the Property. Further, it is intended, if so desired by the above entity, to satisfy one of the requirements to qualify for the innocent landowner defense, as enumerated in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA).

### 2.2 Detailed Scope-of-Services

This investigation constitutes appropriate inquiry into current and previous ownership of the Property as well as current and past uses of the Property and surrounding properties, consistent with good commercial or customary practice, as defined in 42 USC §9601(35)(B). This is accomplished by a records review, site reconnaissance, and interviews with knowledgeable persons. In addition to assessing for RECs on or adjacent to the Property, an evaluation of business environmental risk associated with the Property may necessitate investigation beyond that identified in this practice.

### 2.3 Significant Assumptions

Granite relies on information provided by subcontracted sources, information provided by governmental sources and interviews with knowledgeable people. The information is not verified by Granite unless it is obviously incorrect or Granite has knowledge to the contrary.

### **3.0 SITE DESCRIPTION**

#### **3.1 Location and Legal Description**

The Property is comprised of various groups of patented mining claims located in several distinct regions of the Tintic Mining District in west-central Utah near the town of Eureka. Not all of the Property is accessible by road, but most is. The description of the Property starts with the claims that are northwest of Eureka then moves clockwise using Eureka as the center. The North Lily claims northwest of Eureka are found in Section 35, Township 9 South, Range 3 West and sections 1, 2, 11 and 12, Township 10 South, Range 3 West; The Paymester area, northeast of Eureka, is in sections 15, 16, 21, 22, 23, 27, 28, 33 and 34 of Township 9 South, Range 2 West; the Homansville area, east of Eureka, is in sections 8, 9, 10, 15, 16, 17, 19, 20, 21 and 22 of Township 10 South, Range 2 West; the Ruby and Red Cross claims, southeast of Eureka, are in sections 26, 27, 28, 29, 31, 32, 33, 34 and 35 of Township 10 South, Range 2 West and sections 2, 3, 4, 5, 6, 8, 9, 10, 11, 15, 16 and 17 of Township 11 South, Range 2 West; the Silver City/Mammoth area, southwest of Eureka, is in sections 29, 30 and 31 of Township 10 South, Range 2 West and sections 24, 25, 35 and 36 of Township 10 South, Range 3 West, Salt Lake Base and Meridian, Eureka City, Juab and Utah counties, Utah.

Other than the general descriptions given in the previous paragraph, no legal description was available at the time this report was prepared.

During the site inspection, Mr. Vern Tharp with Sellers Financial took GPS readings at several sites near or on various sections of the Property (see sections of topographic maps for the Tintic Mining District attached as Figure 1) which show various latitude and longitude readings which were obtained by Mr. Tharp. Note: Not all of the latitudes and longitudes are not listed on the topographic maps because some of them were so close together that it was impossible to list them all). The following list is the latitudes and longitudes for the 23 locations.

**Table No. 1**

GPS Readings on or Near the Property			
Reading Number	Approximate Location	Latitude	Longitude
1	Just North of Homansville*	39° 58.652'	112° 04.945'
2	On or near Homansville Pass	39° 59.205'	112° 04.900'
3	Clustered near #2	40° 02.403'	112° 04.286'
4	In the Paymester area	40° 01.275'	112° 03.650'
5	Clustered near #4	40° 01.244'	112° 07.811'
6	South of #5 in the Paymester area	40° 01.026'	112° 03.981'
7	West of Homansville near #8	39° 58.583'	112° 04.934'
8	West of Homansville	39° 58.400'	112° 05.144'
9	Near the Heap Leach Pad at Tintic Smelter site	39°54.078'	112° 07.964'
10	At the old assay lab site (see photos)	39° 54.650'	112° 07.983'
11	Road east of Silver Pass	39° 54.134'	112° 05.805'
12	Void	Void	Void
13	Hills northwest of Silver Pass	39° 54.237'	112° 06.016'
14	Ruby Canyon near several mine dumps	39° 54.464'	112° 05.481'
15	Near the Blossom Tunnel on Sioux Pass	39° 54.390'	112° 05.799'
16	Top of Silver Pass	39° 54.695'	112° 04.648'
17	Near #16	39° 57.596'	112° 05.407'
18	Near #16	39° 57.631'	112° 05.083'
19	Near #16	39° 52.088'	112° 05.437'
20	Near #16	39° 57.680'	112° 05.448'
21	Clustered with #22	39° 57.413'	112° 05.327'
22	Looking towards Homansville from south of U.S. Highway 6	39° 57.056'	112° 05.988'
23	Clustered with #22	39° 55.889'	112° 05.578'

\* See plotted locations on maps attached as Appendix H

### 3.2 Site and Vicinity Characteristics

The area in which the Property is located, both Juab and Utah counties, is zoned for grazing, mining, recreation and forestry (GMRF) in Juab County and for grazing and mining (GM-1) in Utah County.

### 3.3 Current Uses of the Property

Currently, most, if not all of the Property is not being put to any beneficial use.

### 3.4 Description of Structures, Roads, Other Improvements on the Site

The Property is both developed and undeveloped, depending what portion of the Property one is assessing. The Ruby and Red Cross claims area are virtually undeveloped. There are one or two very rudimentary roads that have been pushed into parts of this area; however, little of the area has been opened for development. The area northwest of Eureka is similar. Little if any actual development has occurred. The Homansville area was heavily developed at one time for mining activities and for people living in the general area. Only traces of that development remain. The Paymaster area does have several mine waste dumps evident on the slopes of the west facing hills.

Potable water is not available throughout most of the Property; however, there is a culinary water system in the Mammoth area and in the Homansville area where there are culinary water wells developed by and for the town Eureka. Sewer service is not available, so residences in the area are on septic systems.

### 3.5 Current Uses of Adjoining Properties

Currently, the vast majority of the land that is adjacent to the Property is not being used. The general use of the land adjacent to the Property has mainly be developed, if at all, for mining or mining related activities, e.g. metals concentration, smelting, tailings deposition and laboratory analysis. There are at least one, or maybe two, active mines that are close to or adjacent to sections of the Property, just south of the Homansville area.



#### **4.0 USER PROVIDED INFORMATION**

##### **4.1 Title Records**

No title records were provided or obtained for this report.

##### **4.2 Environmental Liens or Activity and Use Limitations**

Mr. Steve Flechner, the representative of the owner of the Property, North Lily Mining Company, was interviewed concerning his/er knowledge of activities on the Property that might result or have resulted in RECs or business environmental risks to the Property. None was identified during the interview

##### **4.3 Specialized Knowledge**

Specialized knowledge of the Property was provided by Mr. Steve Flechner with North Lily Mining Company and Messrs. Wayne Hedberg, Mark Mesch with the Utah DOGM and Messrs. Steven Theriot and Doug Bacon with DERR.

##### **4.4 Valuation Reduction for Environmental Issues**

Valuation reductions noted generally throughout the various sections of the Property were the large number of mine waste dumps adjacent to old mine portals and prospects.

##### **4.5 Owner, Property Manager, and Occupant Information**

Mr. Steven Flechner was interviewed regarding any knowledge of environmental liens on the Property, or any pending, threatened, or past litigation or administrative proceedings relevant to

substances or petroleum products in, on, or from the Property. He reported that North Lily Mining Company had been operating a precious metals heap leach facility near the old Tintic smelter site in the early 1990s. As part of the process of permitting the heap leach facility with Utah DOGM, North Lily Mining Company was required to complete a remedial closure of the heap leach pad once the ores placed on the pad had been exhausted. The plan called for the capping of the spent ore with top soil and then seeding the top soil with a mixture of native plant seeds to create a permanent vegetative cover. Further, any leachate which might continue to flow from the pile, due to storm water collection in the pile, was to be periodically sampled to ensure that the levels of heavy metals did not exceed a specific concentration. According to Mr. Hedberg, North Lily has fulfilled its requirements and the bond required for completion of the project has been mostly relinquished by the State (see records attached as Appendix I). The state has not and will not return all of the money placed in escrow by North Lily Mining because they are concerned that there may be issues associated with the heap leach pad that may require future work.

#### 4.6 Reason for Performing Phase I

Our client, Sellers Financial specified the reason this Phase I report was requested was to assure no recognized environmental conditions exist on the Property prior to taking title to the Property, and if they exist, the nature and possible extent of them.

#### 4.7 Other

No other issues or information pertinent to this investigation were identified.

## 5.0 RECORDS REVIEW

*The information utilized in sections 5.1 and 5.2 of the Records Review is taken from a data search of federal and state environmental lists of sites having the potential to be contamination sources. This information is provided by Vista Information Solutions, Inc.'s STARVIEW™ database (see Appendix F for the entire data search for the Property).*

### 5.1 Federal (NPL, CERCLIS, CORRACTS, TSD, RCRIS, TRIS, ERNS)

#### 5.1.1 CERCLIS/NPL/NFRAP

The current (July 2001) CERCLIS Site and Event Listing for Utah was reviewed for NPL CERCLIS sites listed within 1 mile of the Property. No site sites were found.

The current (April 2000) CERCLIS Site and Event Listing for Utah was searched for other listed CERCLIS sites within a ½ mile radius of the Property was made. Three sites were found.

**Table No. 2**

<b>CERCLIS Sites</b>		
<b>Facility I. D.</b>	<b>Name and Address of Facility</b>	<b>Current Status</b>
UT0002240158	Eureka Mills West End of the Town of Eureka	Remains under investigation
UT0001958453	Tintic Smelter 2.5 miles southwest of Eureka	NFRAP
UT00041917	Mammoth Mills and Smelter Mouth of Mammoth Gulch	Remains under investigation

The Tintic smelter site apparently has been archived and requires no further investigative or remedial action. The Eureka Mills and Mammoth Mills and Smelter Sites are, however, undergoing continued investigation. The Mammoth site is near sections of the Property on southwest end of the Tintic Mining District and southwest of Eureka. The groundwater gradient in the general area is westerly and away from the southwestern sections of the Property. The Eureka Mills site is at the west end of the town of Eureka. This site is not near any of the sections of the Property and should not have the potential of negatively affecting any portion of the Property. None of these sites should be considered an REC to the Property.

#### 5.1.2 RCRIS/TSD

The current (March 2000) EPA RCRIS Master Facility List for Utah was reviewed for RCRA TSD facilities within a 1 mile radius of the Property that appear on the RCRA corrective action (CORRACTS) list. No CORRACTS TSD facilities were found within a 1 mile radius of the Property.

The current EPA RCRIS Master Facility List for Utah was reviewed for other RCRA TSD facilities within a ½ mile radius of the Property. No other RCRA TSD facilities were found.

The current (March 2000) RCRIS Master Facility List for Utah was reviewed for RCRA hazardous waste generators and other listed RCRA sites on or adjacent to the Property. No sites were found.

#### 5.1.3 TRIS

The latest (January 1998) list of Toxic Release Information System (TRIS) reporters was checked for facilities on/or adjacent to the Property. These facilities use, generate, store, handle and/or dispose of material defined by EPA as extremely hazardous materials. None were found.

#### 5.1.4 ERNS

The most recent (August 1999) spills reported under the federal Emergency Response Notification System (ERNS) and the Department of Environmental Health Hazardous Spills Database (July 1999) were searched for reports of hazardous materials incidents in the vicinity of the Property. No spills in the area were listed.

#### 5.2 State (Landfill/Solid Waste, UST, LUST, Innovative Assessments (Mostly Mining Related))

##### 5.2.1 Landfills

According to the State Division of Solid and Hazardous Waste (May 2000) list of solid waste land disposal sites, there are no landfills or solid waste disposal sites within ½ mile of the Property.

##### 5.2.2 UST

The current (June 2000) Division of Environmental Response and Remediation (DERR) list of registered underground storage tanks was reviewed to determine if any registered tanks exist on the Property or on adjacent properties. No sites were found.

##### 5.2.3 LUST

The current (June 2000) DERR Leaking Underground Storage Tank (LUST) list was reviewed for LUST sites within ½ mile of the Property. No sites were found; however, at least two sites in the "unmapped" section of the VISTA report that are either near or adjacent to the Property and are listed below.

Table No. 3

LUST Sites					
Facility I.D.	Name and Address of the Facility	Distance & Gradient	LUST Reporting Date	LUST Status	Number of USTs Remaining on Site
2-000608	Juab Co. Rd. Dept. Mammoth, Utah	≈¼ mile north, east and south	06-26-96	Closed 06-26-96	No information
2-000214	UDOT Station #621. Just east of the Eureka City Limits	Just Southwest of the Homansville area	06-21-93	Closed 09-11-98	No information

Both facilities have been officially closed as a LUST site by DERR. These sites should no longer be suspected of being an REC with potential to affect the Property.

#### 5.2.4 Innovative Assessments

According to Mr. Steven Theriot with DERR, State sponsored investigative projects especially in areas that have experienced significant mining activity, over the past 50 to 100 years, are now being undertaken (there are no listings in the VISTA report concerning such projects). Five such projects may be adjacent to or partially on sections of the Property, e.g. the Homansville area; the Silver City Mill which is in the old town of Silver City; the old Mammoth impoundments near the town of Mammoth; the Tintic Smelter area, which is listed as an archived CERCLA site; and the Silver Pass/Big Canyon site, which is southeast and could be near the Ruby-Red Cross claims. Most of these projects are new and little information has been gathered to date; however, data are being or will soon be gathered on all of these sites. Both Mr. Theriot and Mr. Mesch with DOGM state that such projects are being funded through State budgets and not through land owners or responsible party arrangements as would normally happen if these projects were federally sponsored through CERCLA or RCRA. It is not known with absolute certainty that owners of land in areas where such projects are being conducted will never be faced with potential liability for any remediation that may be mandated by the State of Utah; however, the current situation is that only those owners of mining land, in areas affected by such projects, who are currently operating mines or have in the very recent

past operated such mines, would be responsible for some or all of the funding necessary for remediation.

### 5.3 Local (Emergency Response, Fire Department)

On November 2, 2001, Granite contacted Mr. Casey Reynolds, the Juab County Fire Warden, regarding any reported incidents pertaining to the Property. According to Mr. Reynolds, there have been no environmental incidents such as hazardous waste spills on/or adjacent to the Property in Juab County. Granite also contacted the Utah County Fire Marshall Mr. Tom Rhodes concerning any HAZMAT incidents that may have occurred in the Utah County portion of the Tintic Mining District. He knew of none.

### 5.4 Historical Use Information

The 1993 USGS Allens Ranch, the 1992 Eureka and the 1992 Tintic Junction, Utah 7.5 minute quadrangles show the Property as being partially developed with various mining and smelting structures and excavations.

Granite attempted to review R.L. Polk or other street directories for the general area of the Property. No street directories were available.

Granite attempted to review Sanborn fire insurance maps for the area. Other than the town of Eureka, the general vicinity was not covered by the fire insurance maps.

Aerial photographs available through the U.S.G.S. were reviewed for 1993 (see aerial photos attached as part of Appendix B). The photos show the remnants of mining activities that have occurred in the Tintic Mining District from before the turn of the Twentieth Century.

### 5.5 Historical Use Information on Adjoining Properties

Aerial photos and topographical maps show that at least some areas which are adjacent to the various sections of the Property, e.g. Homansville, Silver City and Mammoth areas and farther east of the Silver City area, have been heavily mined over the past 100 or more years. Old mine dumps, smelter debris, and tailing ponds can be seen on both aerial photos and topographic maps. Depending on the groundwater gradient, these sites could affect sections of the Property.



## **6.0 SITE RECONNAISSANCE AND INTERVIEWS**

### **6.1 Site Inspection**

The site inspection consisted of driving over the Property and inspecting the surface of the site for any visible environmental concerns such as chemical or petroleum stains on asphalt, concrete or soils, or dead, dying or missing vegetation. No such conditions were identified.

The Property is found various sections of the Tintic Mining District as patented mining claims near Eureka, Utah. The terrain in the district is either hilly or mountainous in elevations ranging between 5,000 and 8,000 feet. There are likely 1,000 or more mine shafts, tunnels and adits through out the district, many of these are found on the Property. Three of the areas: The Homansville area, the Paymester and the Mammoth-Silver City areas have been mined or at least heavily explored for mining potential. The claims northwest of Eureka and the Ruby-Red Cross areas have been less developed for mining. The area is generally arid; however, there are some parts of the Property where there are pinon pine forests. Not all of the Property is accessible from even the most primitive of roads, e.g. the majority of the Ruby-Red Cross area and the claims northwest of Eureka.

The remnants of mining activities can be seen on much of the Property in the form of mine waste dumps that result from excavating rock from tunnels, pits and shafts. These dumps may contain significant amounts of heavy metals that can, in combination with other elements, be toxic to human health and the environment, e.g. lead, arsenic, selenium, silver and others. This condition, if it exists, could be a potential liability to owners of land where mining has occurred. According to both DERR and DOGM personnel, owners of land where mining has historically occurred, will not be subject to future costs associated with heavy metals remediation.

The perimeter of the Property was inspected to determine if adjacent uses could be contaminating the Property, or have the potential to do so in the future. The general area was also canvassed by foot and by automobile to check for suspicious present or past uses. Since the past development in the

general area has been primarily for mining activities, there is potential for adjacent properties to negatively affect the various sections of the Property.

A list of the persons interviewed during the course of this investigation is included as part of the References attached as Appendix D.

## 6.2 Hazardous Substances in Connection with Identified Uses

None were observed at the time of the inspection.

## 6.3 Other Hazardous Substance Containers

No other hazardous substance containers such as drums or barrels were observed on the Property at the time of inspection.

## 6.4 Storage Tanks

No visual evidence such as vents, fill pipes, or pumps was observed which might indicate the existence of underground storage tanks. Only above-ground storage tanks were observed in the town of Mammoth, and these tanks are on parcels that are likely adjacent to the Property in that area.

## 6.5 PCBs

Several pole-mounted transformers were identified at various locations on the Property. Even though the transformers were not individually checked for PCB status, they are owned and operated by Utah Power. Over the past 10 years Granite has interviewed Utah Power employees concerning PCB content of their transformers. Utah Power has consistently stated that no transformer in their system has more than 50 ppm PCBs. PCBs should not be considered as potential RECs to the Property. At the time of the inspection, no signs of leaking were observed, but should a leak occur in the future Utah Power should be immediately contacted.

## 6.6 Solid Waste Disposal

Insofar as the surface of the site could be inspected, evidence of solid waste disposal was observed in several locations in the form of waste rock from mining activities.

## 6.7 Physical Setting Analysis

The elevation of the Property ranges from 5,000 to 8,000 feet. The groundwater gradient on all sections of the Property is not known; however, Granite reviewed state and federal files on the Mammoth mills and Tintic Smelter sites (see partial records attached as Appendix J) which have estimated the groundwater gradient, in this area, as flowing west toward the adjacent valley and away from sections of the Property in that region. A soils survey was not available for the Property at the time this report was prepared; however, due to heavy mineralization in the Tintic Mining District, it is likely, at least in certain areas, the soils may contain high concentrations of heavy metals. Due to arid conditions of the general area of the Tintic Mining District and the fractured condition of the geological formations, there is little surface water.

## 6.8 Other Conditions of Concern

Granite reviewed the radon hazard potential (long/short term samples) by ZIP Code prepared for the state of Utah by Utah DEQ Division of Radiation Control in the general area of the Property. No samples have been taken in the Eureka ZIP Code. It is likely, however, that radon levels could be high in the area due to shallow soils over bedrock and the highly mineralized rock types in the area. If residential development is planned for portions of the Property, Granite recommends the dwellings be checked for radon concentrations.

The surface of the parcel was inspected for potential wetland areas. No wetlands were identified. The potential for wetlands to exist here is unknown.

No other conditions of concern were identified.

## 7.0 INTERVIEWS

### 7.1 Interview with Owner

Granite interviewed Mr. Steve Flechner with North Lily Mining Company concerning the heap leach pad and other potential environmental issues that may be associated with the North Lily mining claims. He said the heap leach pad had been closed by the State of Utah and had released North Lily Mining from further liability concerning the heap leach pad.

### 7.2 Interview with Property Manager

Currently, there is no property manager.

### 7.3 Interview with Occupants

There are no occupants on the Property.

### 7.4 Interview with Local Government Officials

Granite interviewed Messrs. Hedberg, Mesch and Bacon with DOGM concerning the heap leach pad owned by North Lily Mining Company; Mr. Theriot with DERR concerning potential future contamination clean up liabilities by owners of mining land in the Tintic Mining District; Mr. Glenn Greengelgh with Juab County Planning concerning the zoning of the Property in Juab County; and Mr. Bruce Armstrong with Utah County Planning concerning the zoning of the portion of the Property in Utah County; and Mr. Casey Reynolds, fire warden with Juab County and Mr. Tom Rhodes Utah County Fire Marshall were queried concerning any HAZMAT incidents in their respective portions of the Tintic Mining District.

### 7.5 Interview with Others

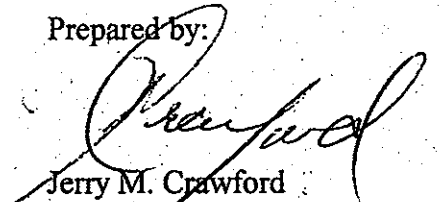
Granite also interviewed Mr. Vern Tharp with Sellers Financial, the potential purchaser of the Property concerning their desires for environmental review of the Property.

**8.0 FINDINGS, OPINION AND CONCLUSIONS**


We have performed a Phase I Environmental Site Assessment in conformance with the scope and limitations of ASTM Practice E 1527-00 of approximately 4,900 acres in the Tintic Mining District near Eureka, Utah. This assessment has revealed **potential Recognized Environmental Conditions in connection with the Property**; however, according to DERR and DOGM personnel, it is unlikely that the State of Utah will hold landowners of land that has been mined liable for remediation of heavy metals contamination that may be found on their property. Granite recommends no further studies.

**9.0 SIGNATURES OF ENVIRONMENTAL PROFESSIONALS**

Prepared by:

  
Jerry M. Crawford  
Assessment Services Manager

Reviewed by:

  
Jack A. Elder, Ph.D.  
President

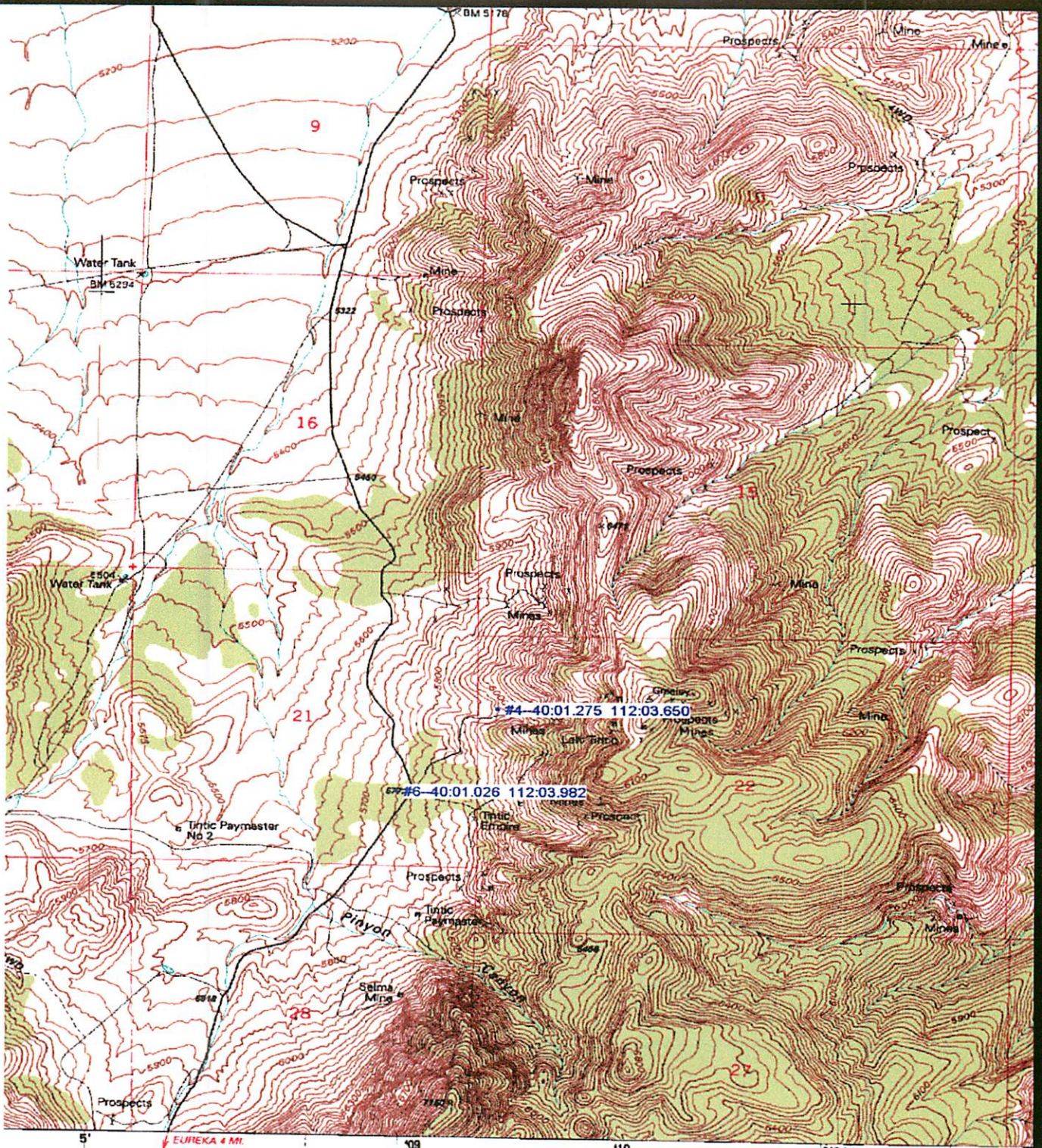


**FIGURES**

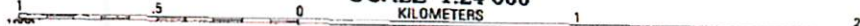
**Figure 1 Location Maps**

**(GPS Readings)**





Allen Ranch, UT



SCALE 1:24 000  
KILOMETERS

# LOCATION MAP

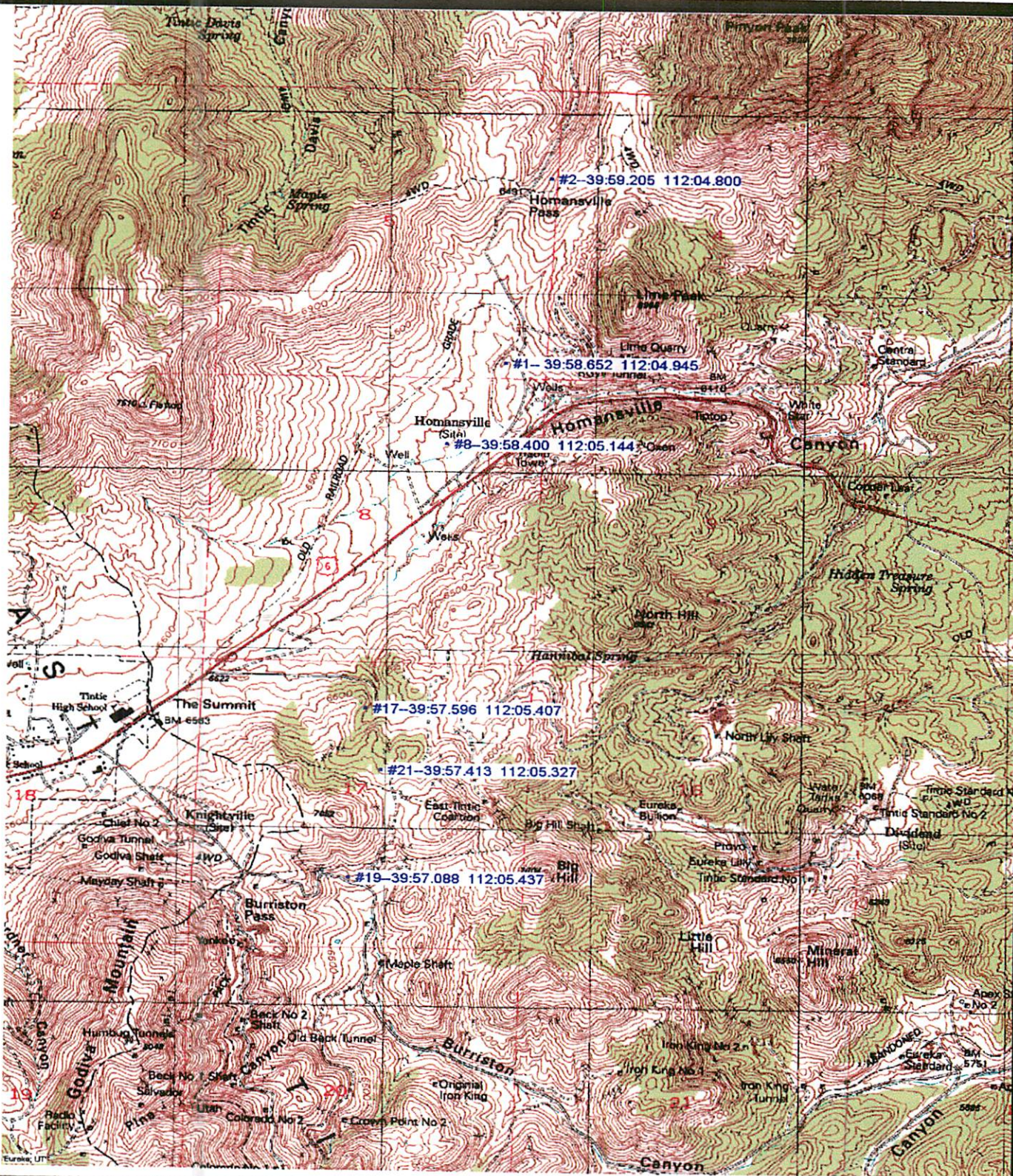
# GRANITE

ENVIRONMENTAL, INC.

PAYMASTER AREA  
ALLEN RANCH TOPO  
TINTIC MINING DISTRICT  
PHOTO LOCATIONS

DRAWN BY: USGS  
CHECKED BY: N/A  
DATE: 11-02-01

ORG. SCALE: 1:24,000  
JOB NO. 0326-002  
FIGURE NO. 2



# LOCATION MAP

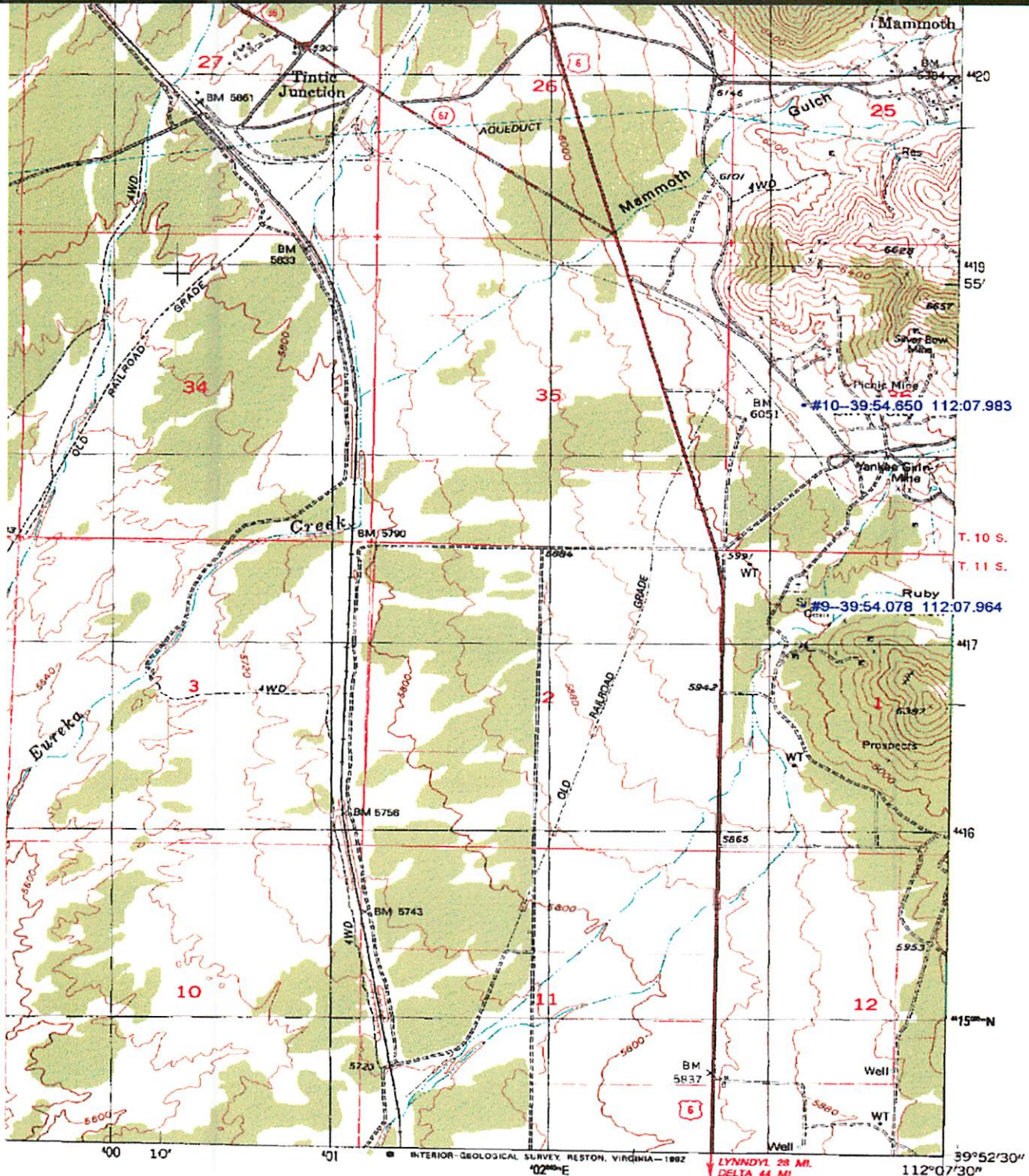
# GRANITE

ENVIRONMENTAL, INC.

hOMANSVILLE AREA  
EUREKA TOPO  
TINTIC MINING DISTRICT  
PHOTO LOCATIONS

DRAWN BY: USGS  
CHECKED BY: N/A  
DATE: 11-02-01

ORG. SCALE: 1:24,000  
JOB NO. 0326-002  
FIGURE NO. 2



3 MILE  
Tintic Junction, UT

ROAD CLASSIFICATION  
 Primary highway, hard surface  
 Light-duty road, hard or

# LOCATION MAP

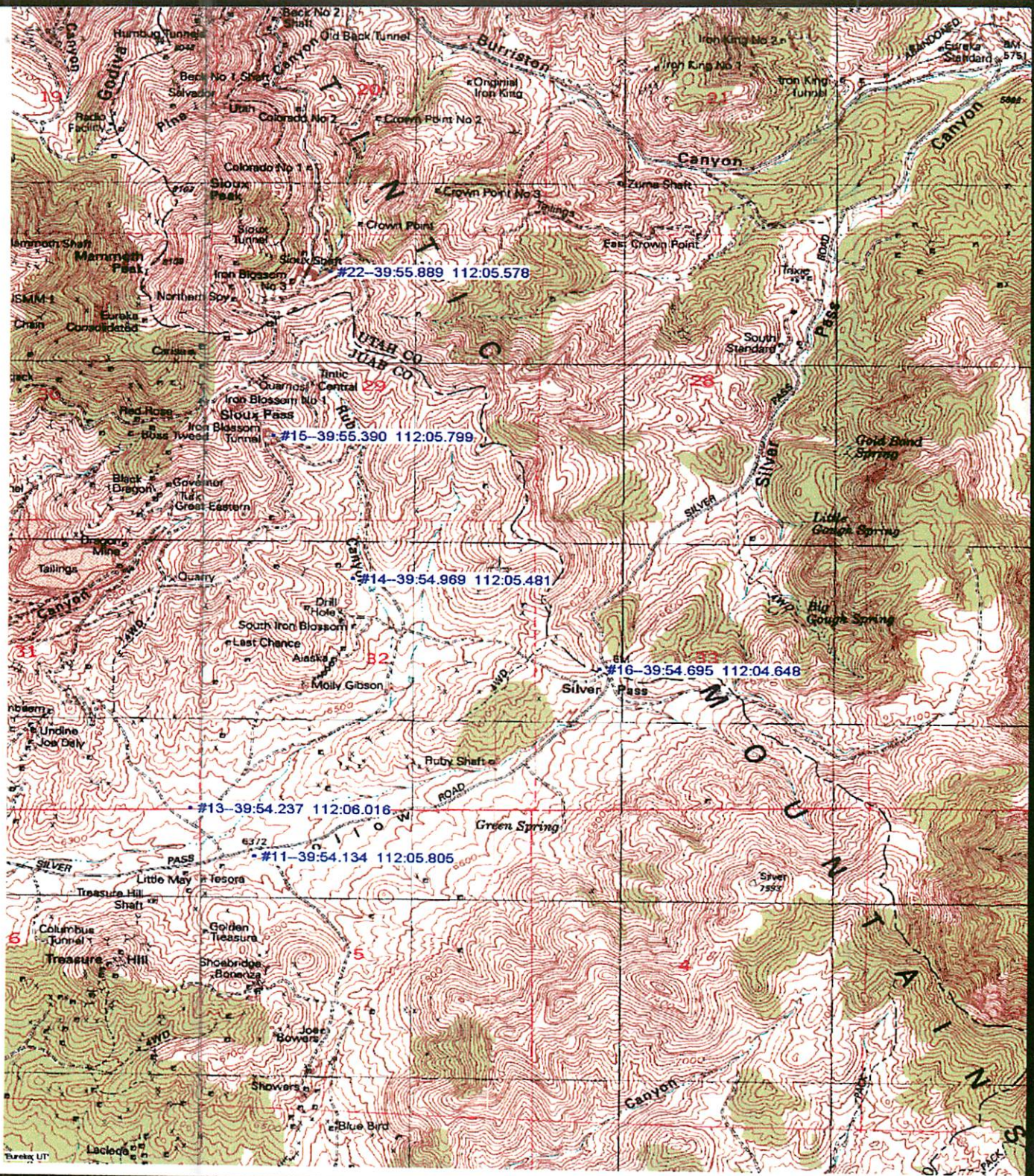
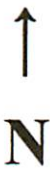
# GRANITE

ENVIRONMENTAL, INC.

MAMMOTH-SILVER CITY AREA  
 TINTIC JUNCTION TOPO  
 TINTIC MINING DISTRICT  
 PHOTO LOCATIONS

DRAWN BY: USGS  
 CHECKED BY: N/A  
 DATE: 11-02-01

ORG. SCALE: 1:24,000  
 JOB NO. 0326-002  
 FIGURE NO. 2



# LOCATION MAP

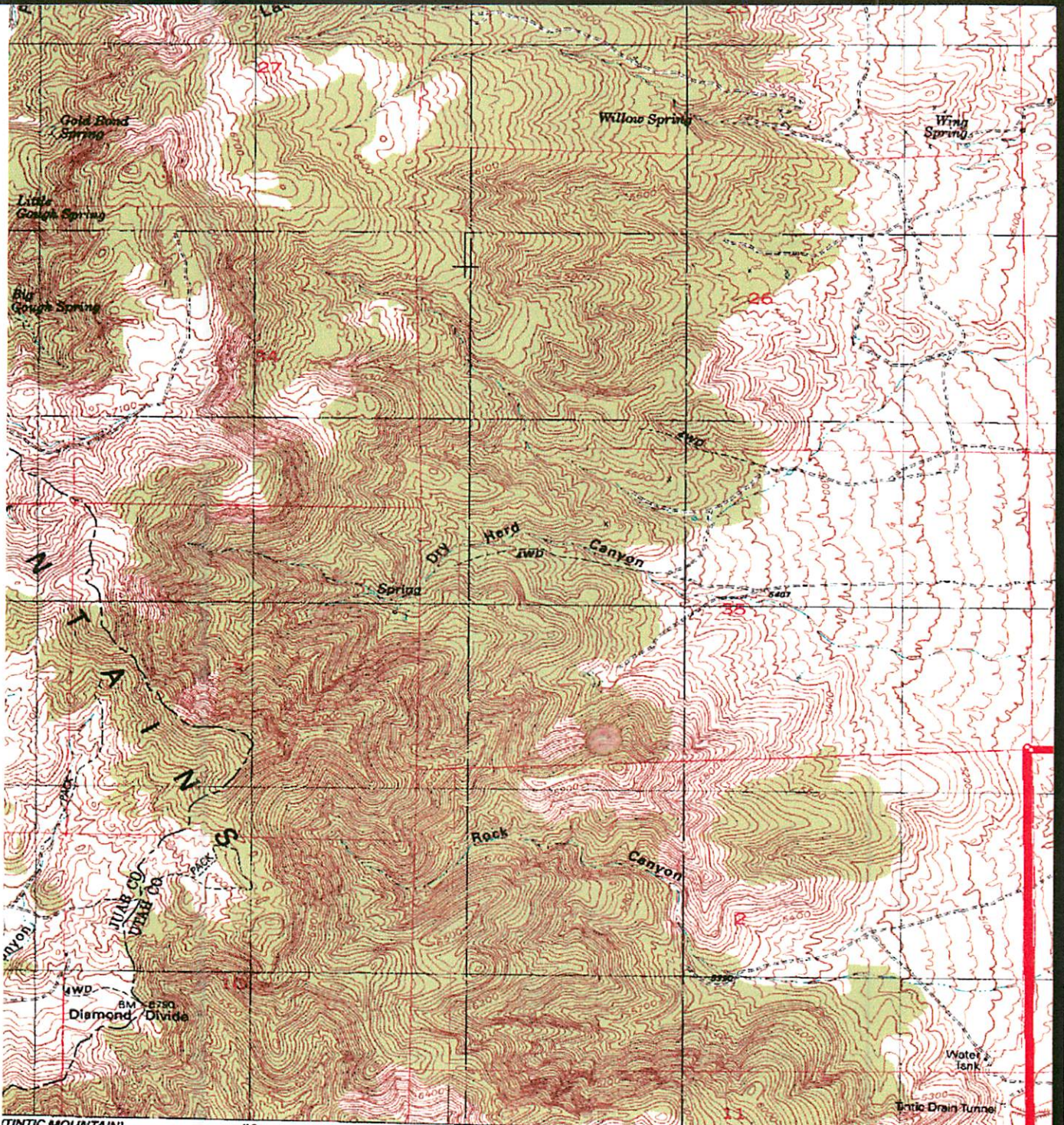
# GRANITE

ENVIRONMENTAL, INC.

CENTRAL DISTRICT AREA  
EUREKA TOPO  
TINTIC MINING DISTRICT  
PHOTO LOCATIONS

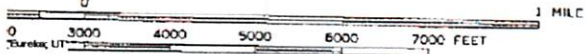
DRAWN BY: USGS  
CHECKED BY: N/A  
DATE: 11-02-01

ORG. SCALE: 1:24,000  
JOB NO. 0326-002  
FIGURE NO. 2



(TINTIC MOUNTAIN)  
3683 1 SE

SCALE 1:24 000



● INTERIOR-GEOLOGICAL SURVEY, RESTON, VA  
413000E  
ROAD CLASSIFICATION  
Primary highway, hard surface  
Light-duty road

# LOCATION MAP

# GRANITE

ENVIRONMENTAL, INC.

RUBY & RED CROSS CLAIMS AREA  
EUREKA TOPO  
TINTIC MINING DISTRICT  
PHOTO LOCATIONS

DRAWN BY: USGS  
CHECKED BY: N/A  
DATE: 11-02-01

ORG. SCALE: 1:24,000  
JOB NO. 0326-002  
FIGURE NO. 2

**APPENDIX A**

**Qualifications of Participating Environmental Professionals**

**JERRY CRAWFORD**  
**Assessment Services Manager**

**EDUCATION:**

B.A. Business Administration, Fort Lewis College, Durango, Co. 1974

**FIELD OF SPECIALIZATION:**

Environmental Audits, Environmental Impact Statements, Environmental Assessments and Site Assessments

**EXPERIENCE:**

Mr. Crawford is an experienced site assessor, and has completed approximately 450 site assessments on properties involved in real estate transactions. Properties surveyed have included hotels, apartment complexes, offices buildings, strip malls, industrial facilities (i.e., plastic and cardboard container manufacturing, rubber hose manufacturing, chemical manufacturing, computer hardware manufacture and assembly, waste oil refining facilities, a well drilling shop and yard, a golf shaft (carbon-fibre) maker and wood cabinet fabrication facilities) warehouses, medical clinics, farm properties and vacant parcels.

Mr. Crawford has six years of experience with a major gold mining concern in Nevada as the environmental affairs manager responsible for upgrading a very rudimentary environmental program in 1985 and hiring and supervising five professional staff employees responsible for all aspects of the environmental program. The responsibilities ranged from: complying with state and federal water and air quality requirements, monitoring solid and hazardous waste issues and applying for, obtaining and maintaining over 100 state and federal environmental permits.

Mr. Crawford has completed several large projects while working at Granite and at a large gold mining company in Nevada. These projects include a full environmental audit of a metals casting facility (for Granite) and major environmental audits of: a nonferrous metals smelter, a hazardous waste recycling facility and gold mining and extraction facilities (for the gold company).

**CERTIFICATIONS:**

Registered Environmental Assessor, CA #REA-03619  
Certified Asbestos Inspector #1478  
Certified Asbestos Management Planner #2027  
Salt Lake County Pre-Demolition Inspector # PIB-039

**JACK A. ELDER, Ph.D.**

**President**

**EDUCATION:**

Ph.D. Biology/Biochemistry, University of Utah, 1973  
M.S. Biology, University of Tennessee, 1969  
B.S. Fisheries Biology, University of Washington, 1966

**FIELD OF SPECIALIZATION:**

Aquatic Ecosystems (both marine and freshwater), Wetlands Management, and Hazardous/Toxic Materials Regulations

**EXPERIENCE:**

Dr. Elder founded the SITEX Environmental, Inc., Salt Lake City office in 1985. He managed the Salt Lake City office until 1998, when the office became Granite Environmental, Inc. His duties include technical oversight and office administration. Dr. Elder has been engaged in environmental consulting since 1973. During that period he managed projects from coast-to-coast that included many disciplines. He co-managed a project for the NOAA-MESA pilot program that compiled all known data regarding the New York Bight and selected critical areas for research spending. He studied both Biscayne Bay and the Mississippi Coast as part of the Utility Water Act Group's investigation of the impacts of the Clean Water Act. He managed over \$1,000,000 in environmental studies for PG&E as part of an application for a 1500 MW powerplant and 700 miles of transmission lines. He managed the preparation of 14 tiered EAs for the UMTRA low-level radiation remediation program. Rollins Environmental Services retained him to permit their Deer Park, Texas Incinerator. He managed the PCB compliance program for Kaiser Steel/Coal.

**PROFESSIONAL AFFILIATIONS:**

American Society of Limnology and Oceanography  
National Association of Industrial & Office Parks  
American Association for the Advancement of Science  
Western Petroleum Marketing Association

**CERTIFICATIONS:**

Registered Environmental Assessor, CA #REA-01125  
Certified Environmental Manager, NV #EM-1343



**APPENDIX B**

**Color and Aerial Photos of Site**

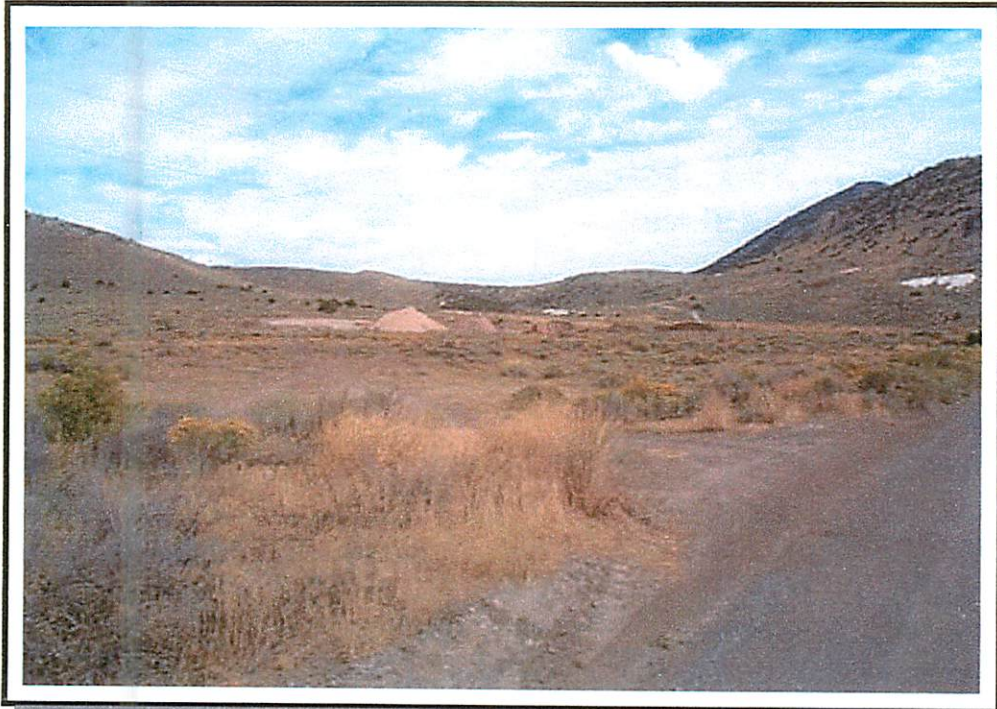


Photo No. 1 Looking Northeast at the Homansville Area Just East of Eureka, Utah and both North and South of U.S. Highway 6

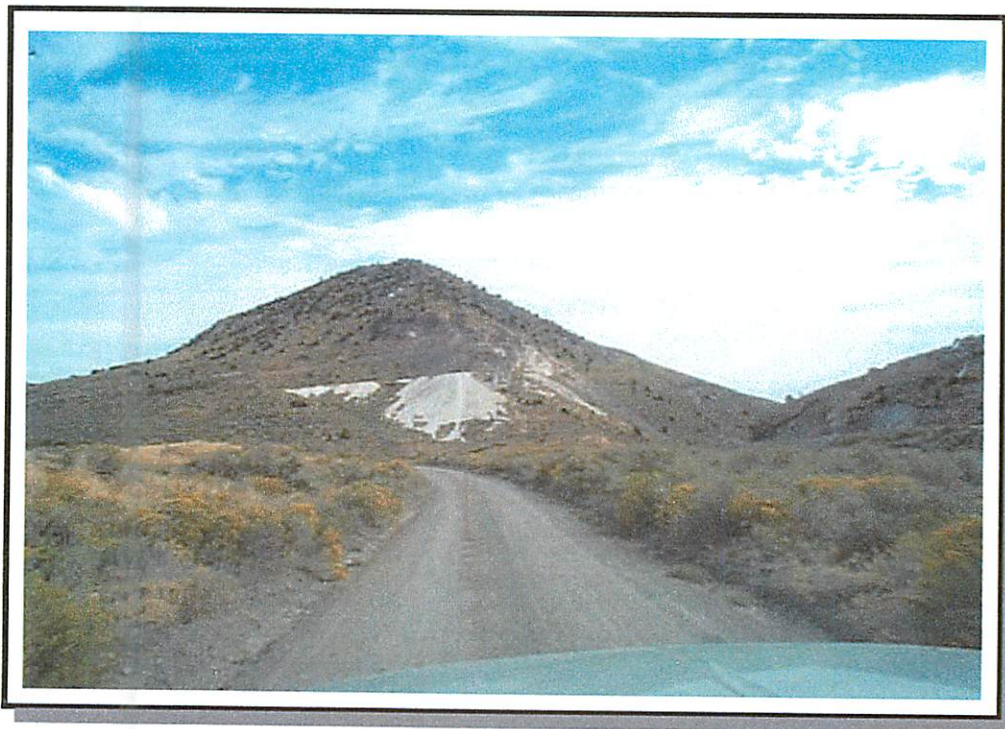


Photo No. 2 Waste Dumps in the Homansville Area that are likely on the Property Just North of U.S. Highway 6



Photo No. 3 Looking Northwest in the Homansville Area and North of U.S. Highway 6

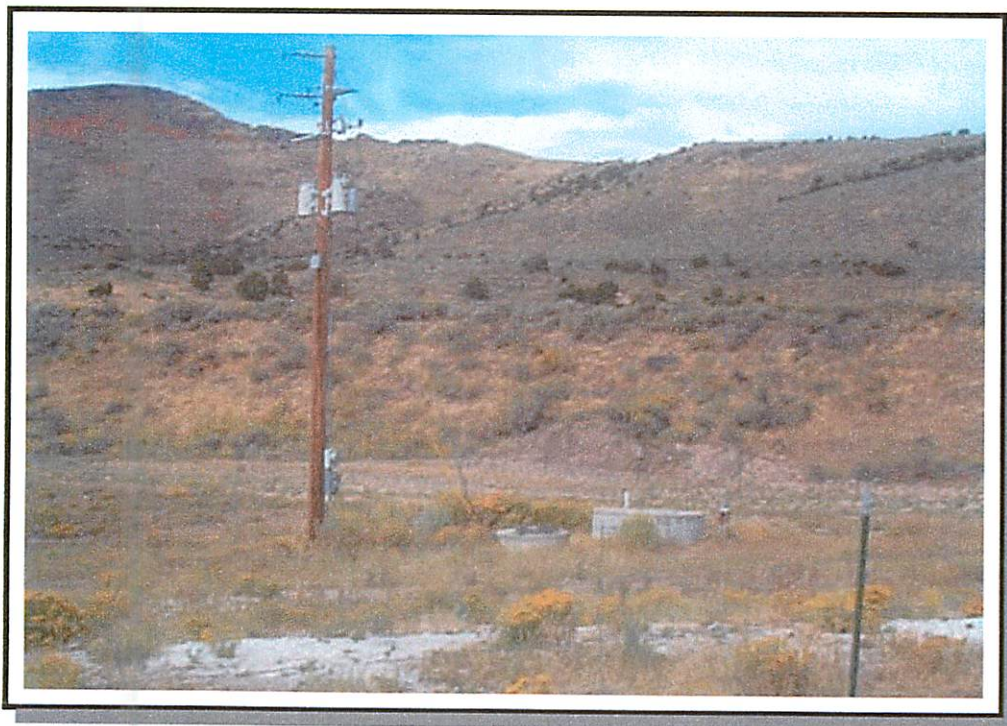


Photo No. 4 Culinary Water Well on the Homansville Parcel Used by the Town of Eureka, Utah



Photo No. 5 Looking North from Homansville Pass, Just North of the Paymester Series of Patented Claims which are Part of the Property



Photo No. 6 Looking Southeast at the Paymester Area, Just North of the Homansville Property

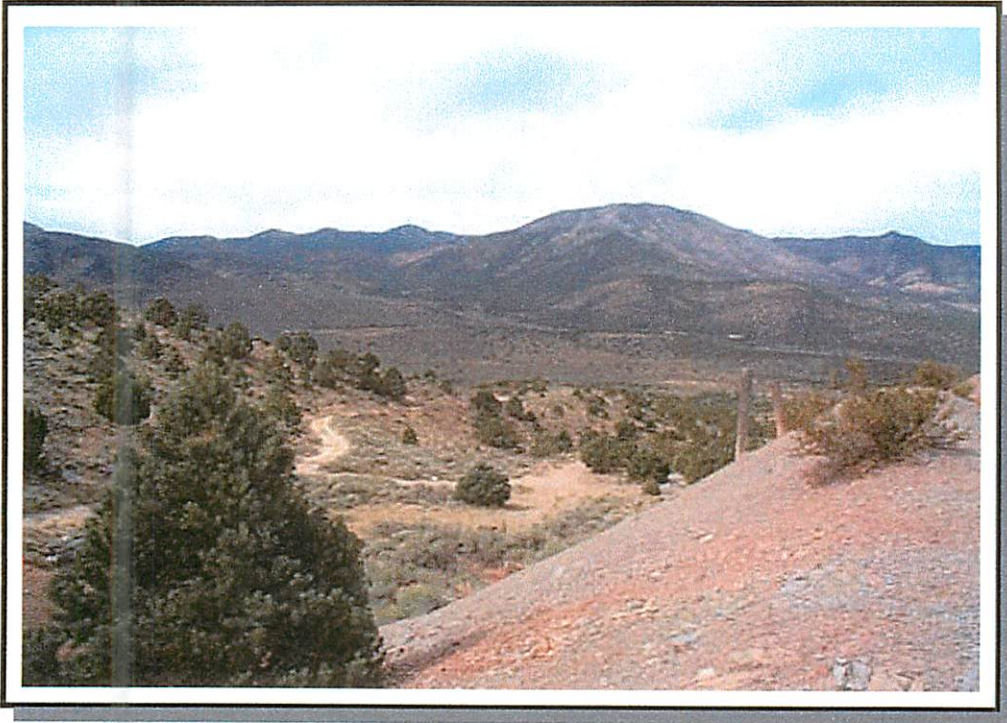


Photo No. 7 Looking Southwest into the Valley  
From a Mine Waste Dump in the Paymester Area

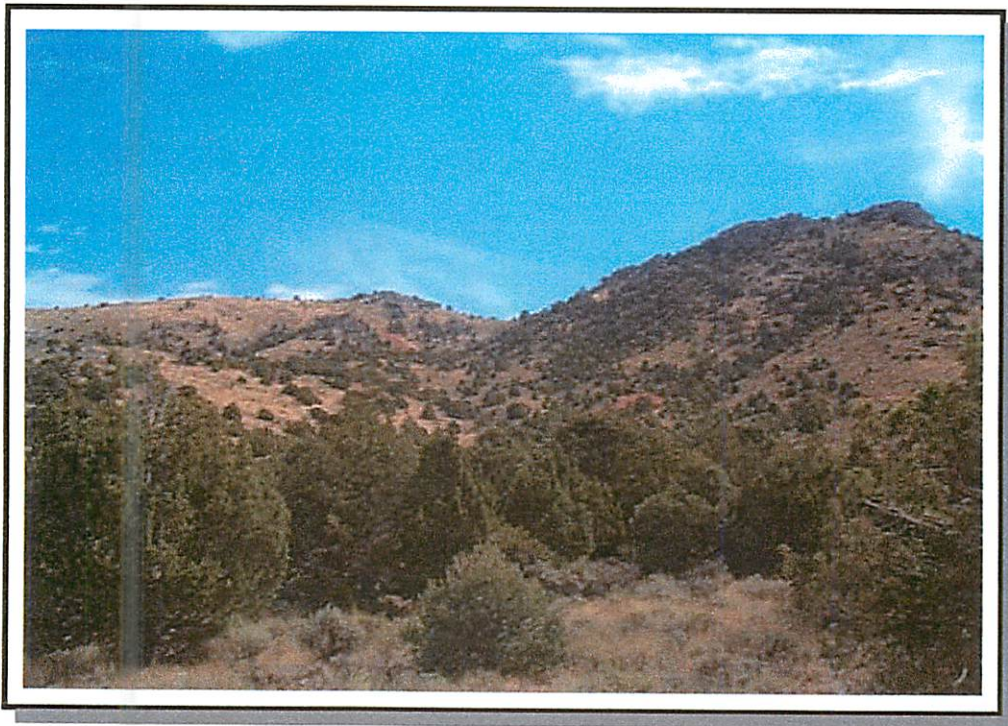


Photo No. 8 More of the Paymester Area Looking  
East. Note: The Smaller Mine Waste Dumps Scattered  
Through the Hills Which are on the Property

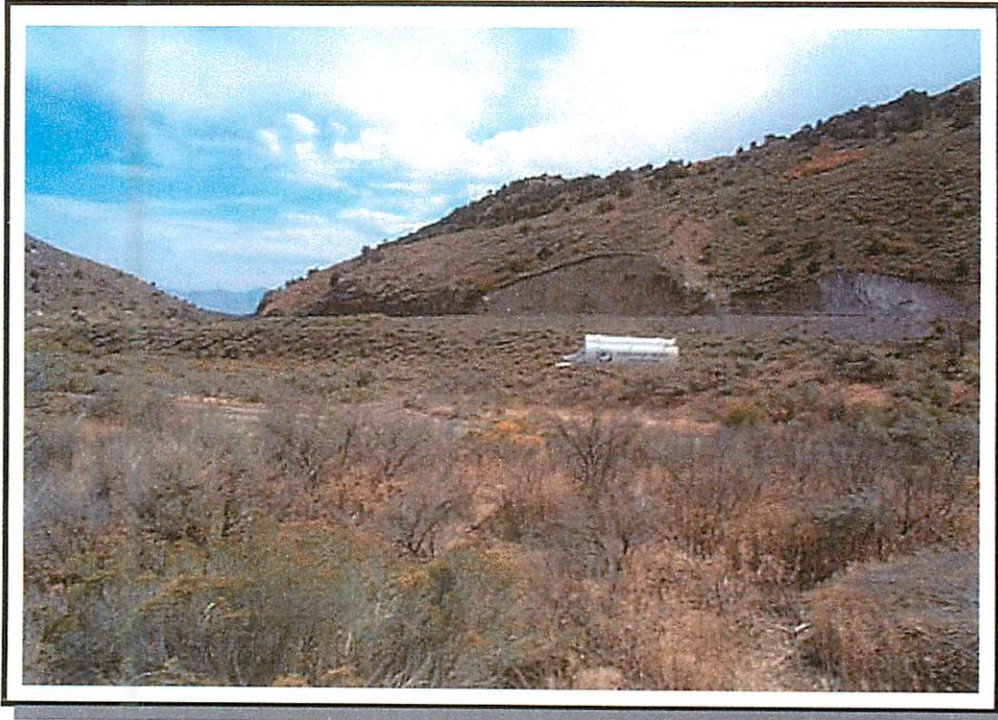


Photo No. 9 Water Tanks on the Homansville Property, likely Placed there by the Town of Eureka

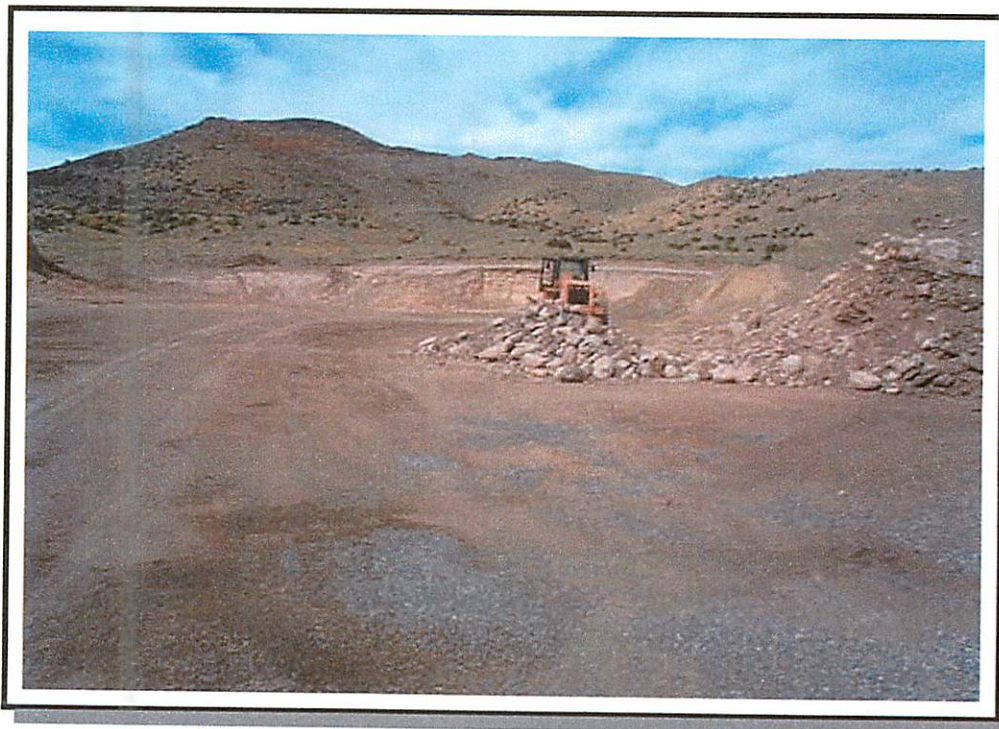


Photo No. 10 Active Gravel Pit on the Homansville Property, Just North of U.S. Highway 6

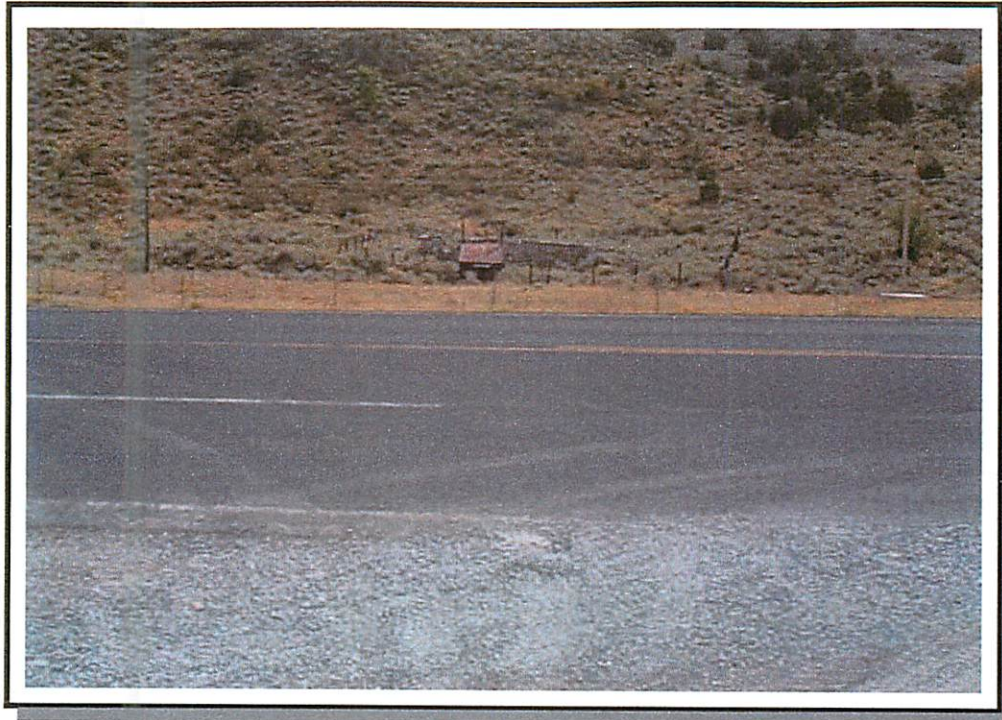


Photo No. 11 Old Structural Foundation on the Homansville Property, Just South of U.S. Highway 6



Photo No. 12 A Warning Sign for a Buried Telephone Utility Line Just South of U.S. Highway 6 on the Homansville Property



Photo No.13 Looking South of U.S. Highway 6 at a Series of Transformers,  
Likely for Another Water Well Established by the Town of Eureka

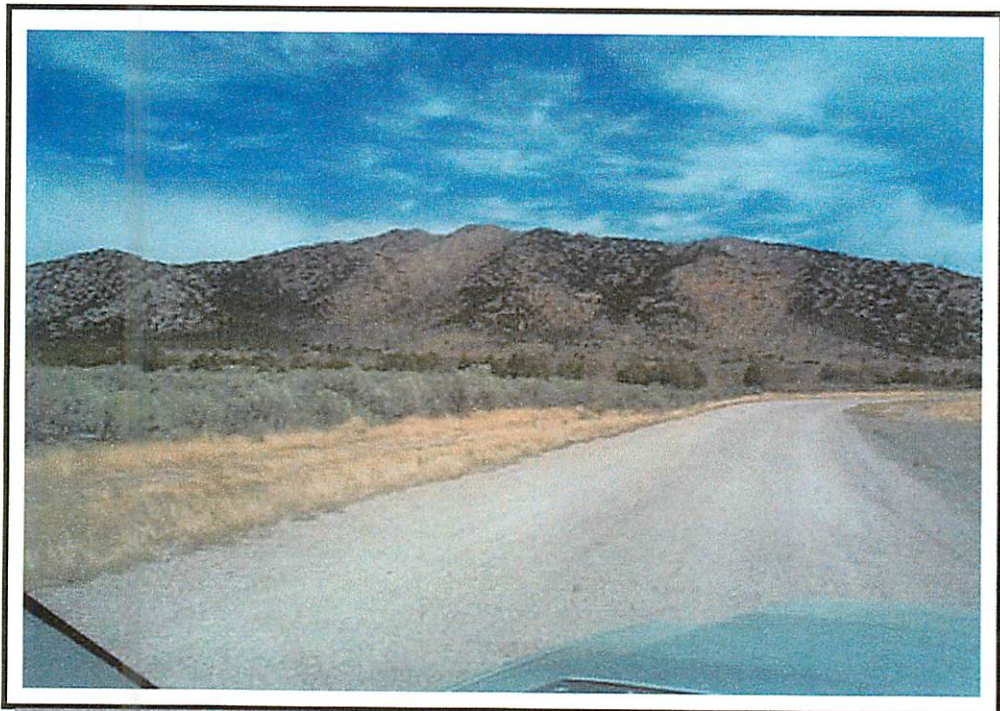


Photo No. 14 Looking East Along a Graveled Road  
Just West of the Old Mining Town of Silver City  
Which is Located Southwest of Eureka in an  
Area of More North Lily Mining Company Property



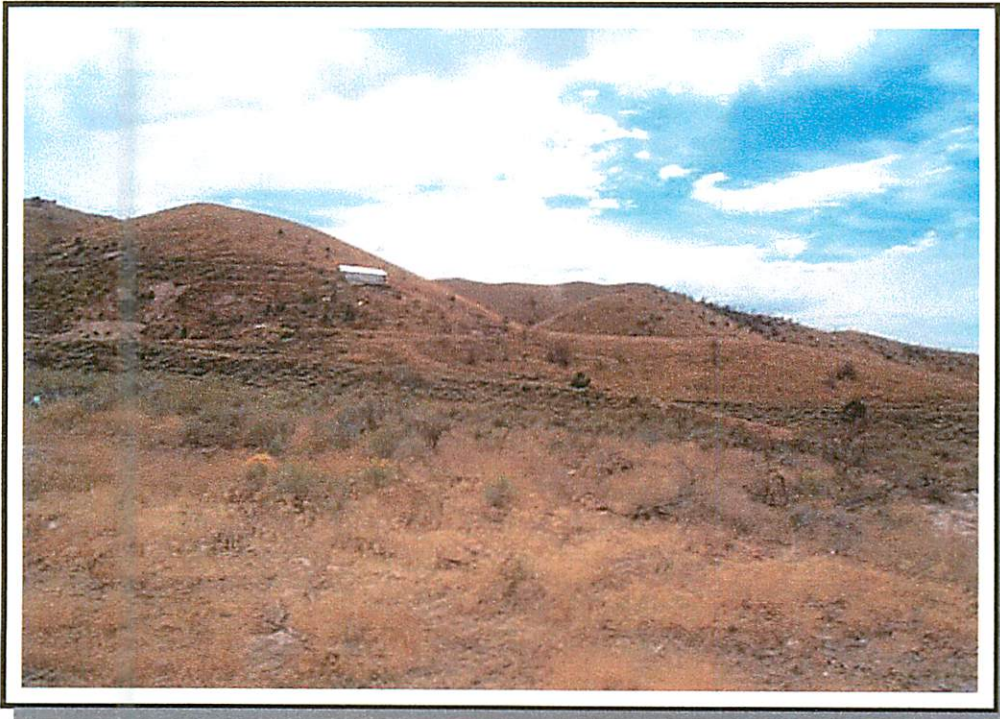


Photo No. 15 Evidence of Older (Waste Dumps) and Newer (Metal Building) Mining Activity in the Mammoth Area

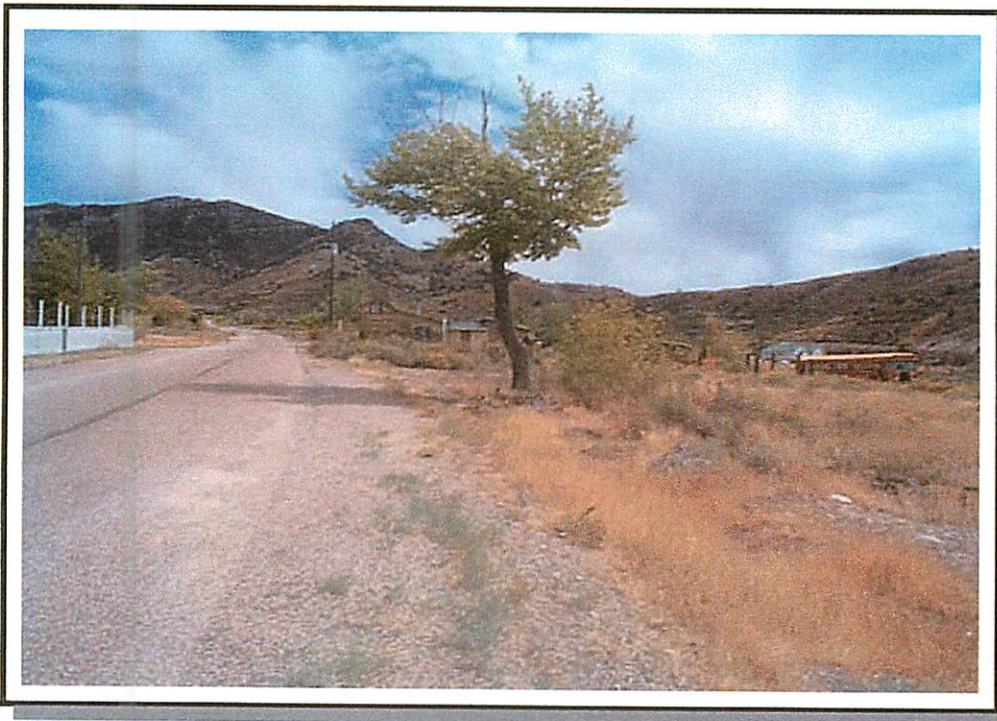


Photo No. 16 Looking East into the Old Town of Mammoth

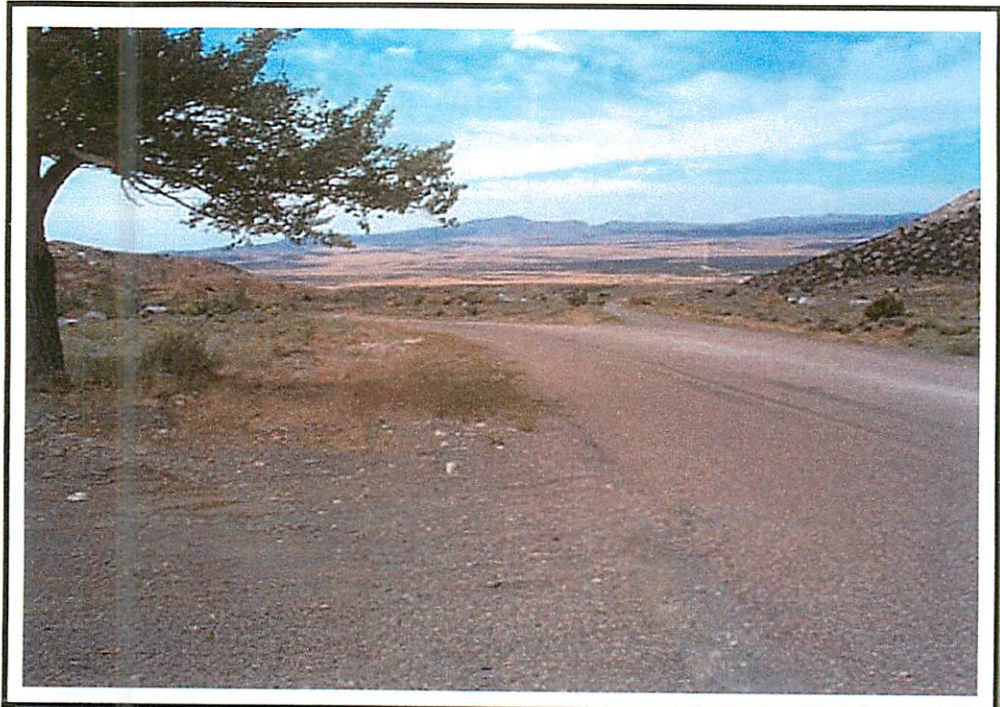


Photo No.17 Looking Westerly out into the Valley West of Mammoth

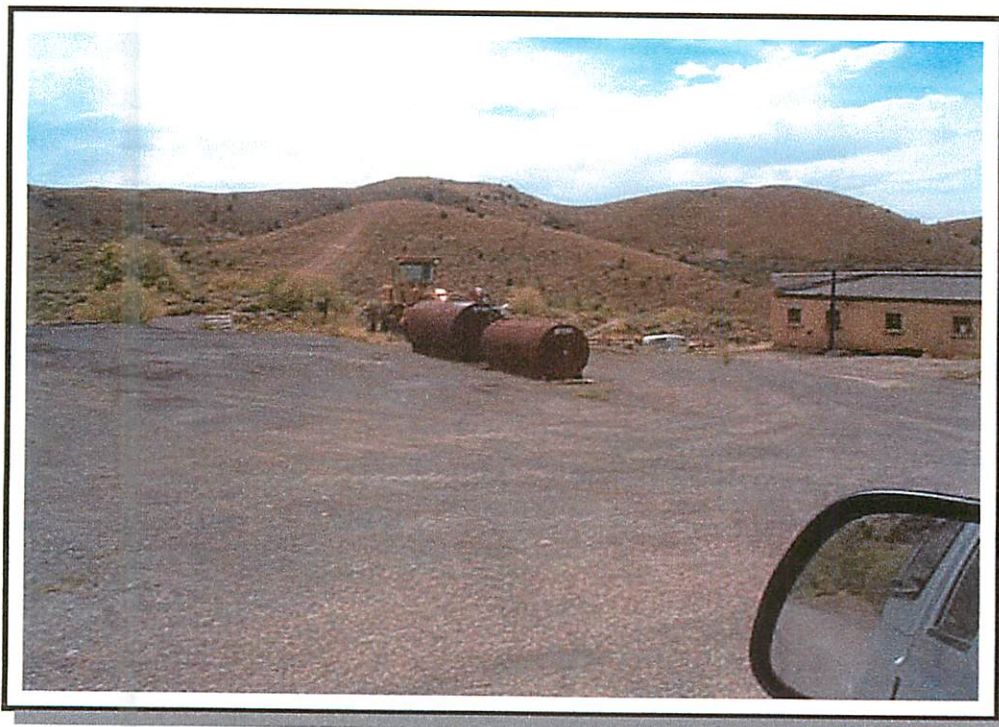


Photo No. 18 Unprotected Storage Tanks in the Town of Mammoth, Apparently Used by the Juab County Maintenance Department

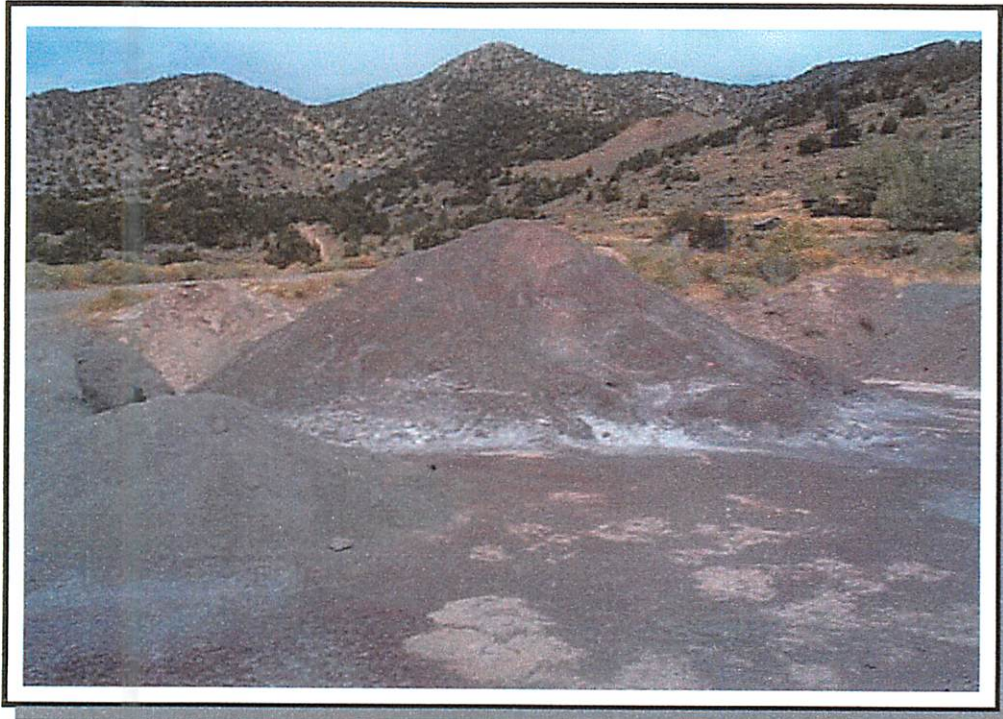


Photo No. 19 Piles of, What Appears to be, Heavily Mineralized Material, Likely Used for Road Repair in the Mammoth Area

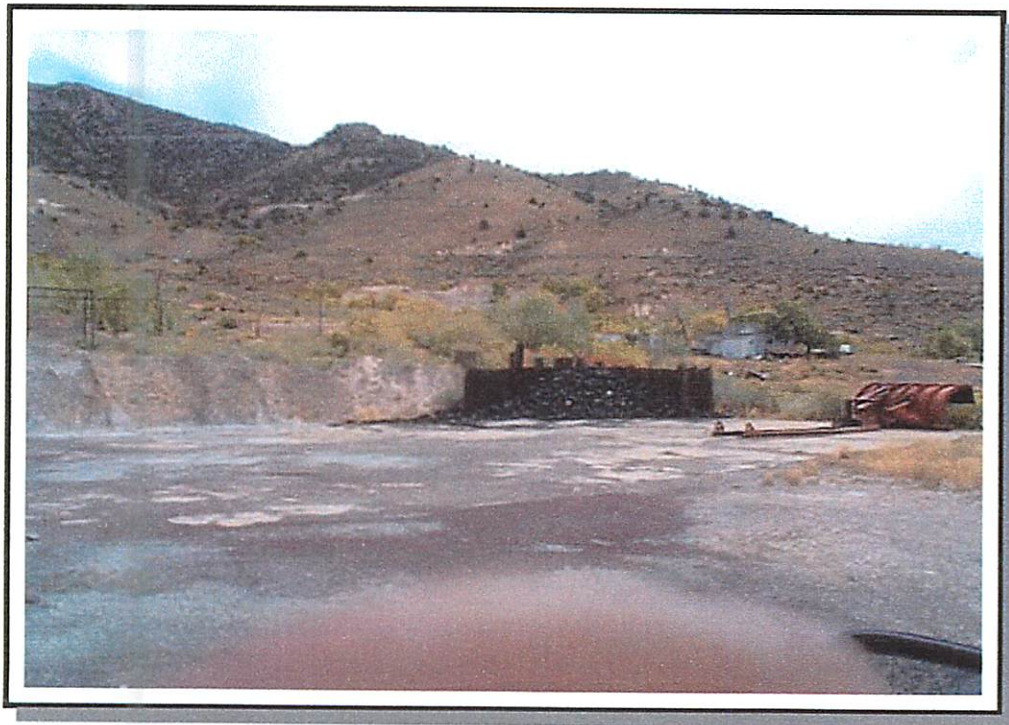


Photo No. 20 Coal Stockpile at the far East End of the Same Pad Where the Mineralized Materials were Found



Photo No. 21 Looking Southwest at a Closed Heap-Leach Pad Formerly Operated by North Lily Mining Company for Precious Metals Recovery

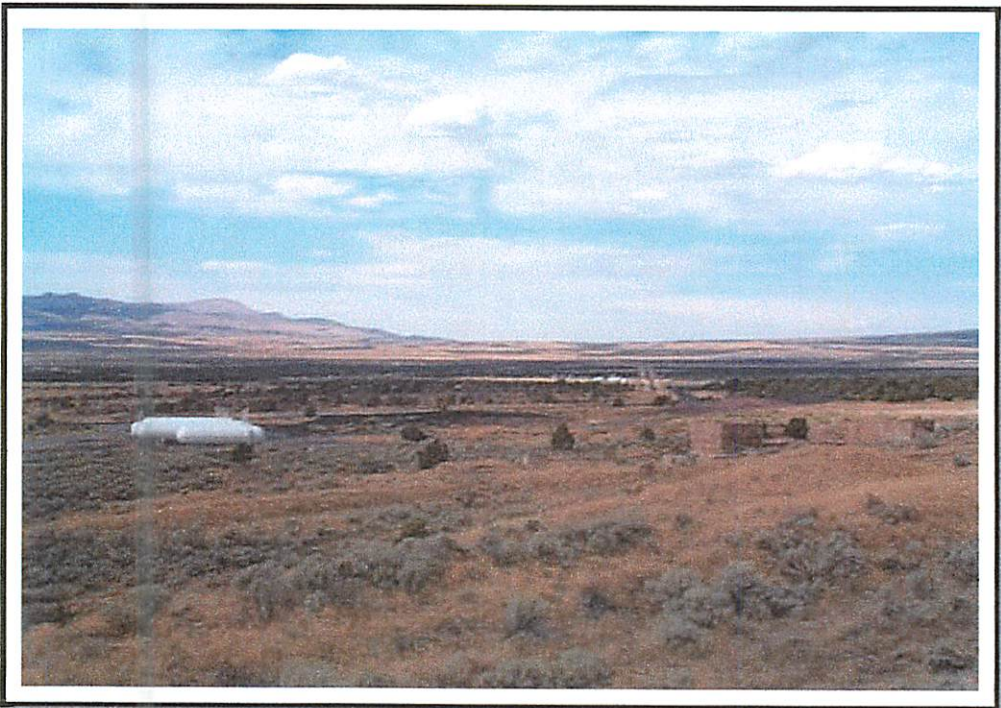


Photo No. 22 Looking Northwest from the Same Site as the Previous Photo Toward the Remnants of the Old Tintic Smelter, Just North of the Propane Tanks



Photo No. 23 Debris Left From, What Appears to Have been an Old Assay Laboratory, Just Northeast of the Old Tintic Smelter Site



Photo No. 24 Smelter Slag at the Tintic Smelter Site (Silver City Area)

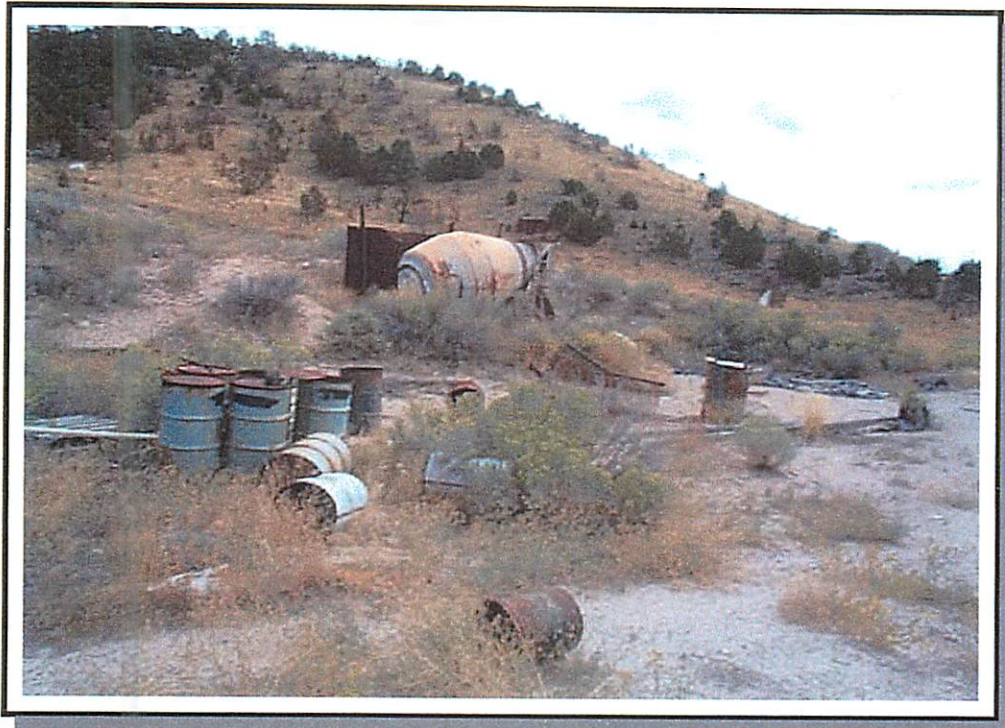


Photo No. 25 More Debris Around the Old Lab Site at the Tintic Smelter

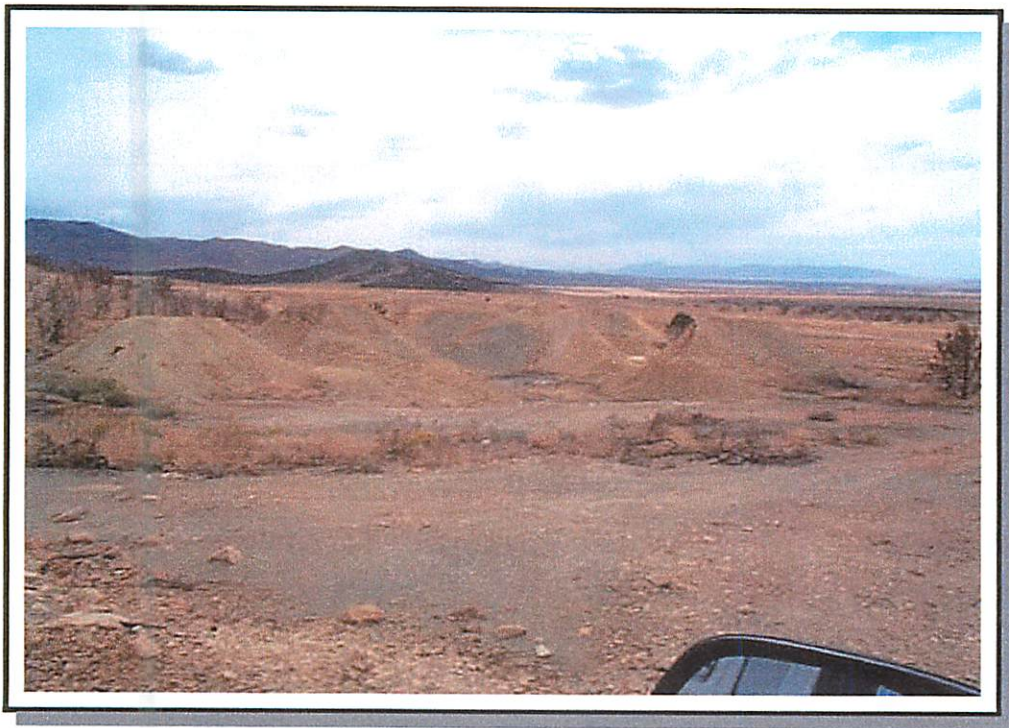


Photo No. 26 Substantial Waste Dumps in the Silver City Area; However, Likely not on the North Lily Property

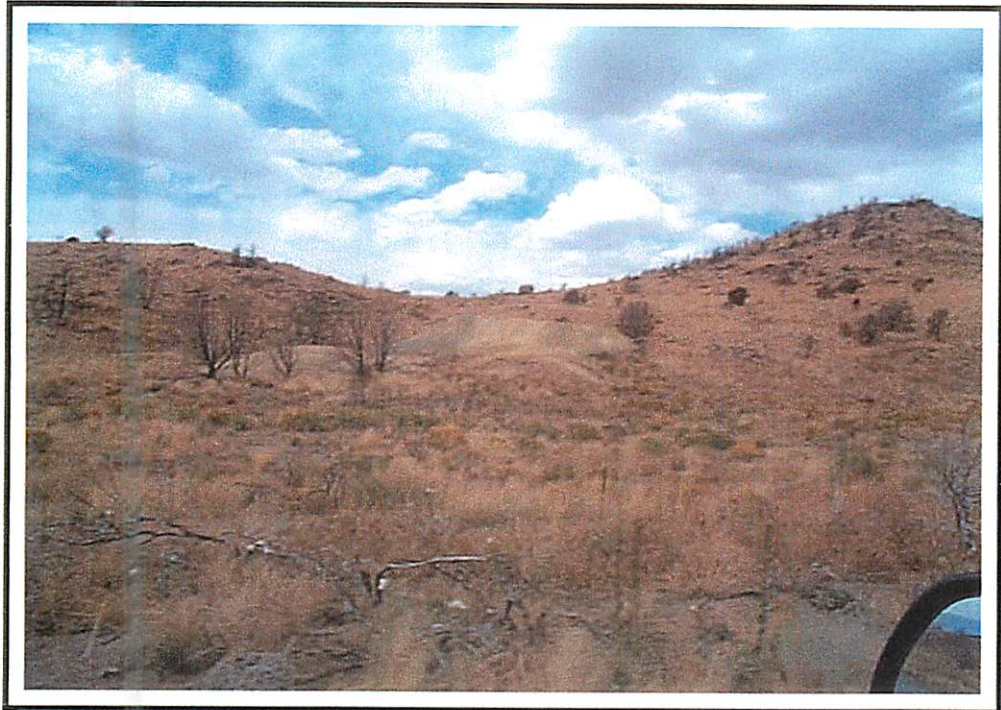


Photo No. 27 Additional Waste Dumps Further East of Silver City and Likely on the North Lily Property

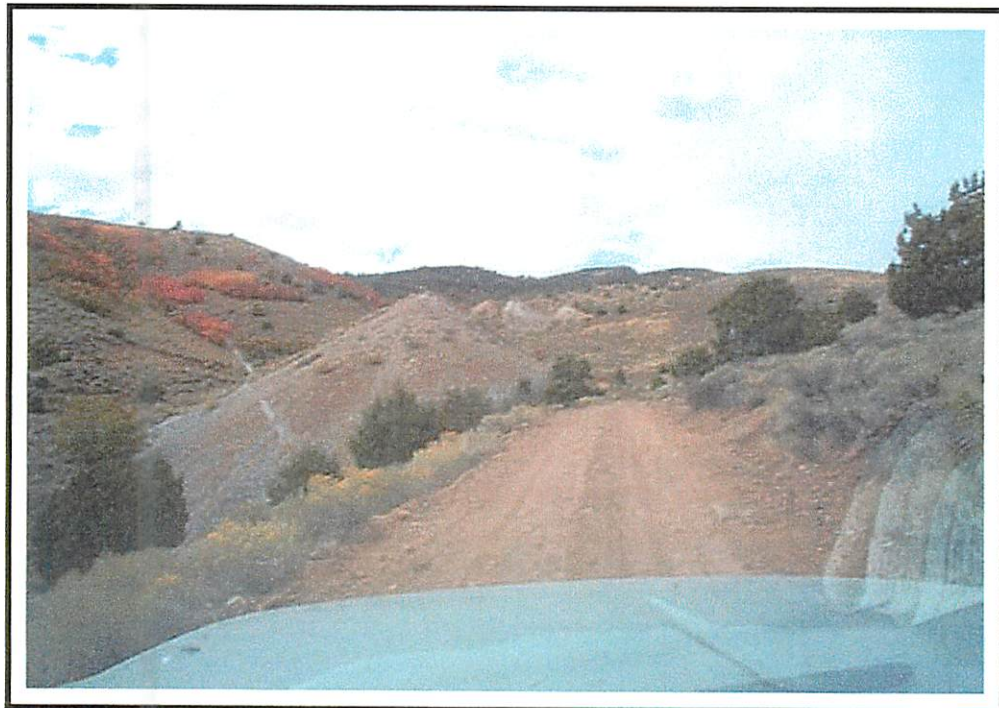


Photo No. 28 More Mine Waste Dumps In, What Is Likely the Mammoth Peak Area, Which Is Southeast of Eureka and South of The Homansville Property, but Part of North Lily Patented Claims

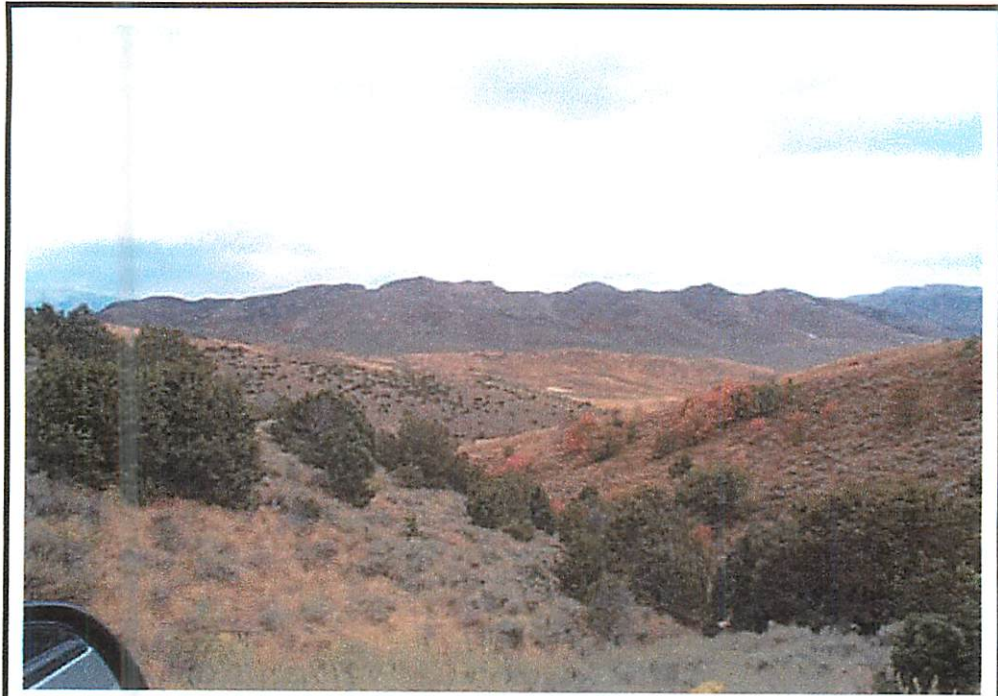


Photo No. 29 Looking Easterly From the Mammoth Peak Area Toward the Area Blanketed by the Ruby and Red Cross Claims. Note: The Tintic Drain Tunnel is at the Eastern Foot of this Range of Hills

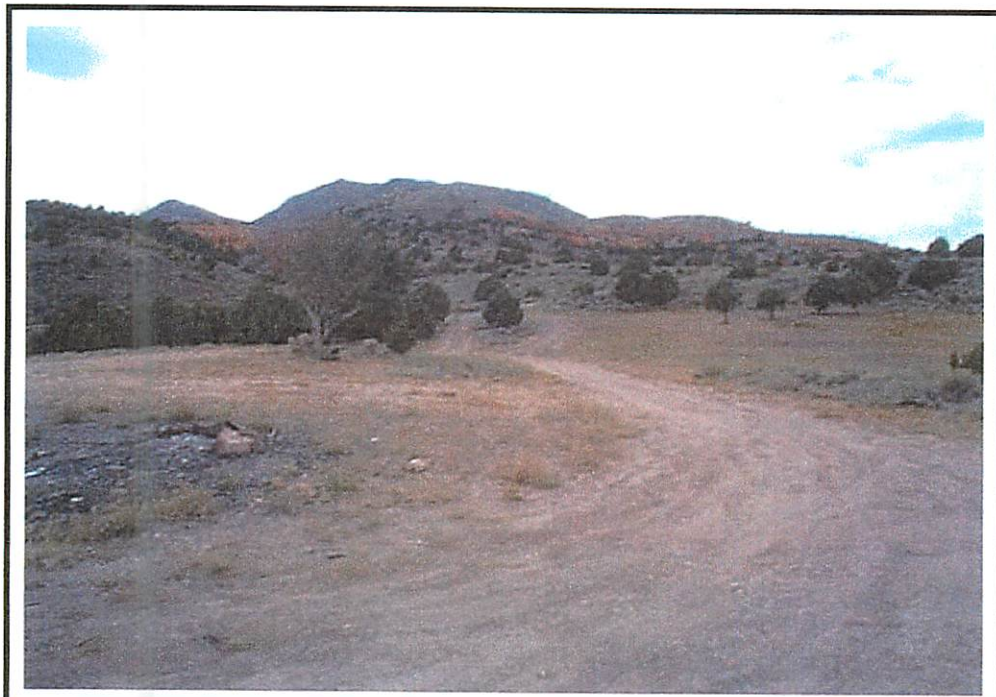
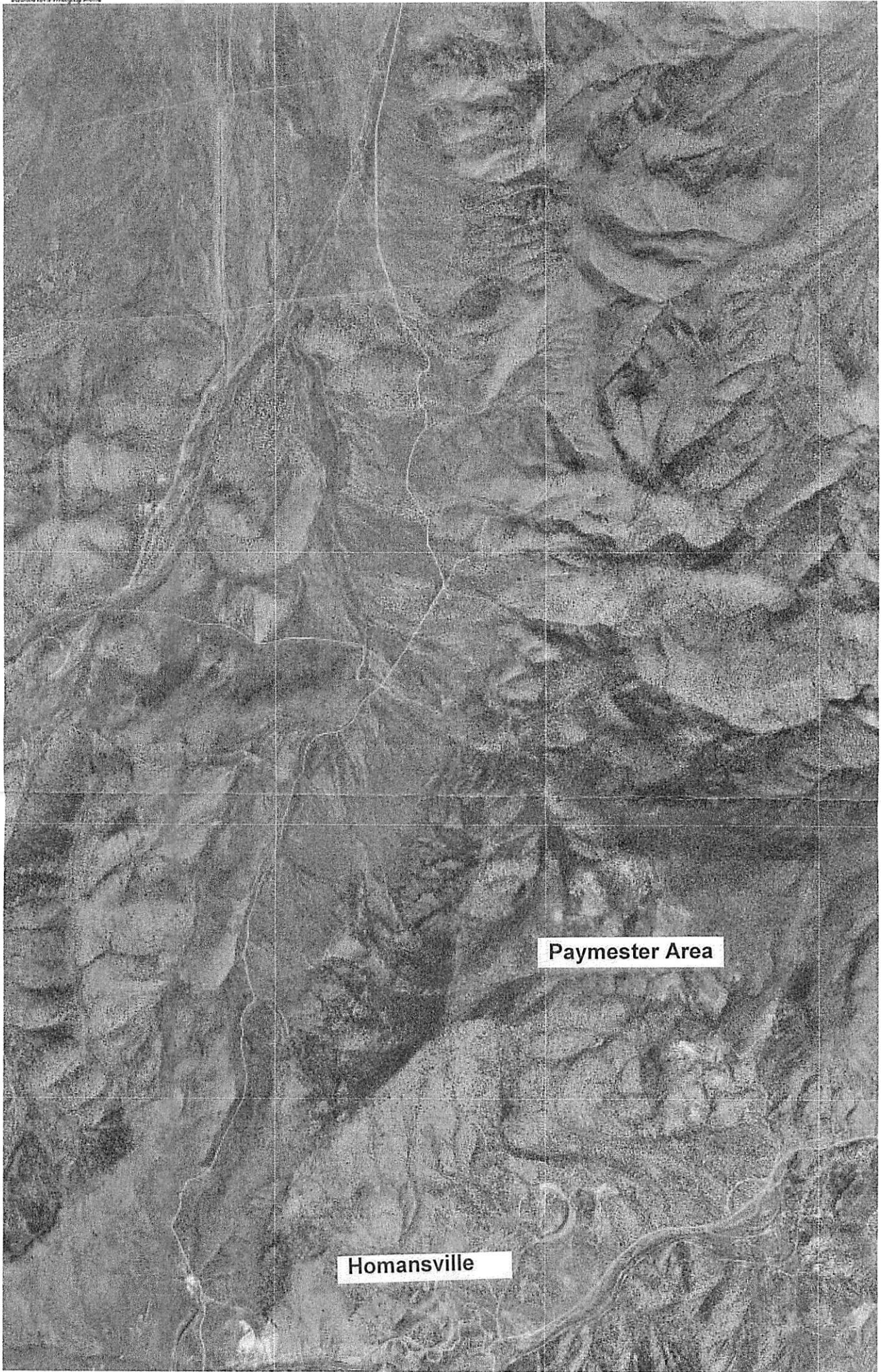


Photo No. 30 This Area is Just South of the Homansville Area, but North of the Mammoth Peak Location



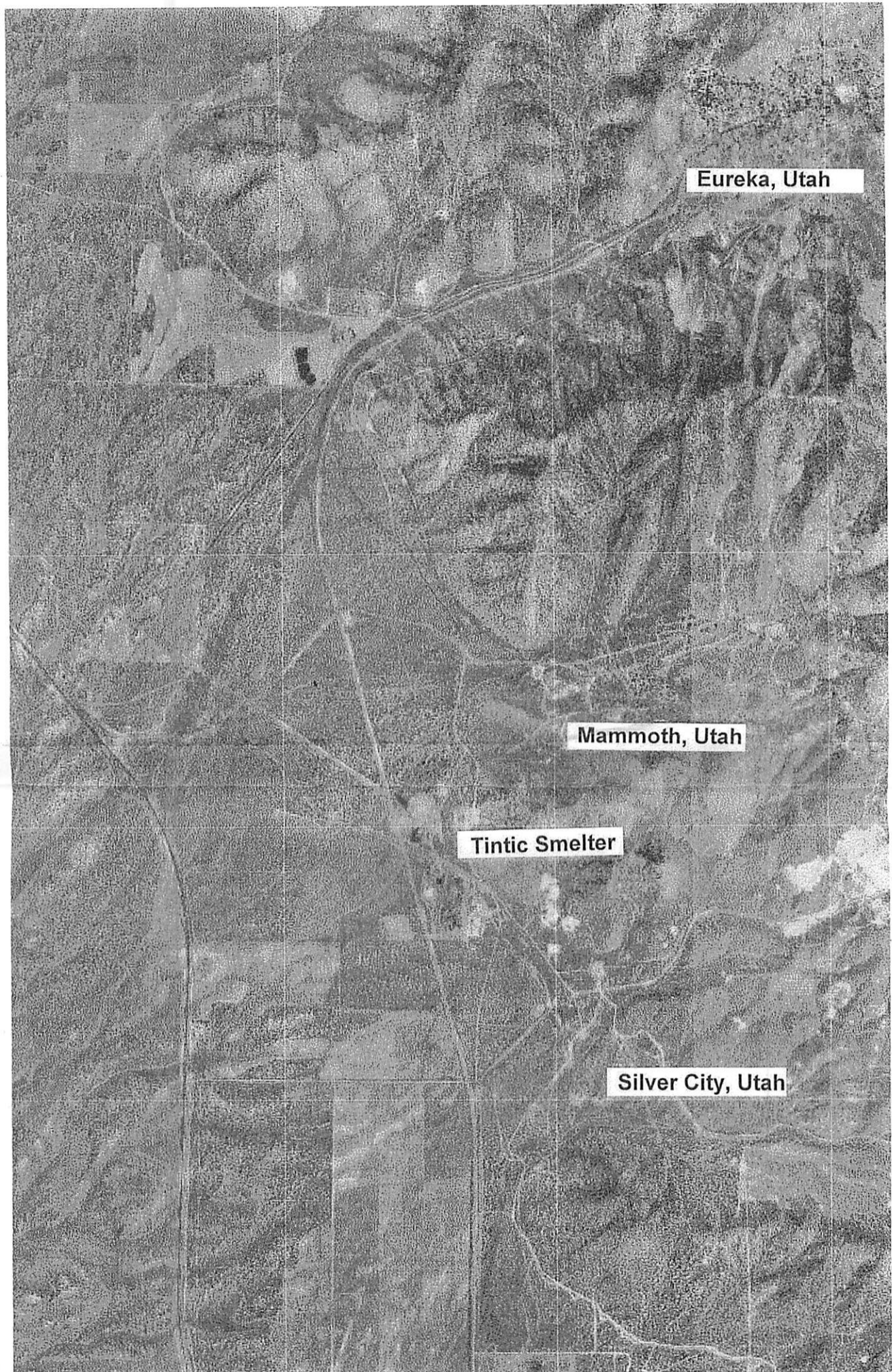
43 km SW of Provo, Utah, United States 02 Sep 1993



0 1Km 0 .5Mi

Image courtesy of the US Geological Survey.

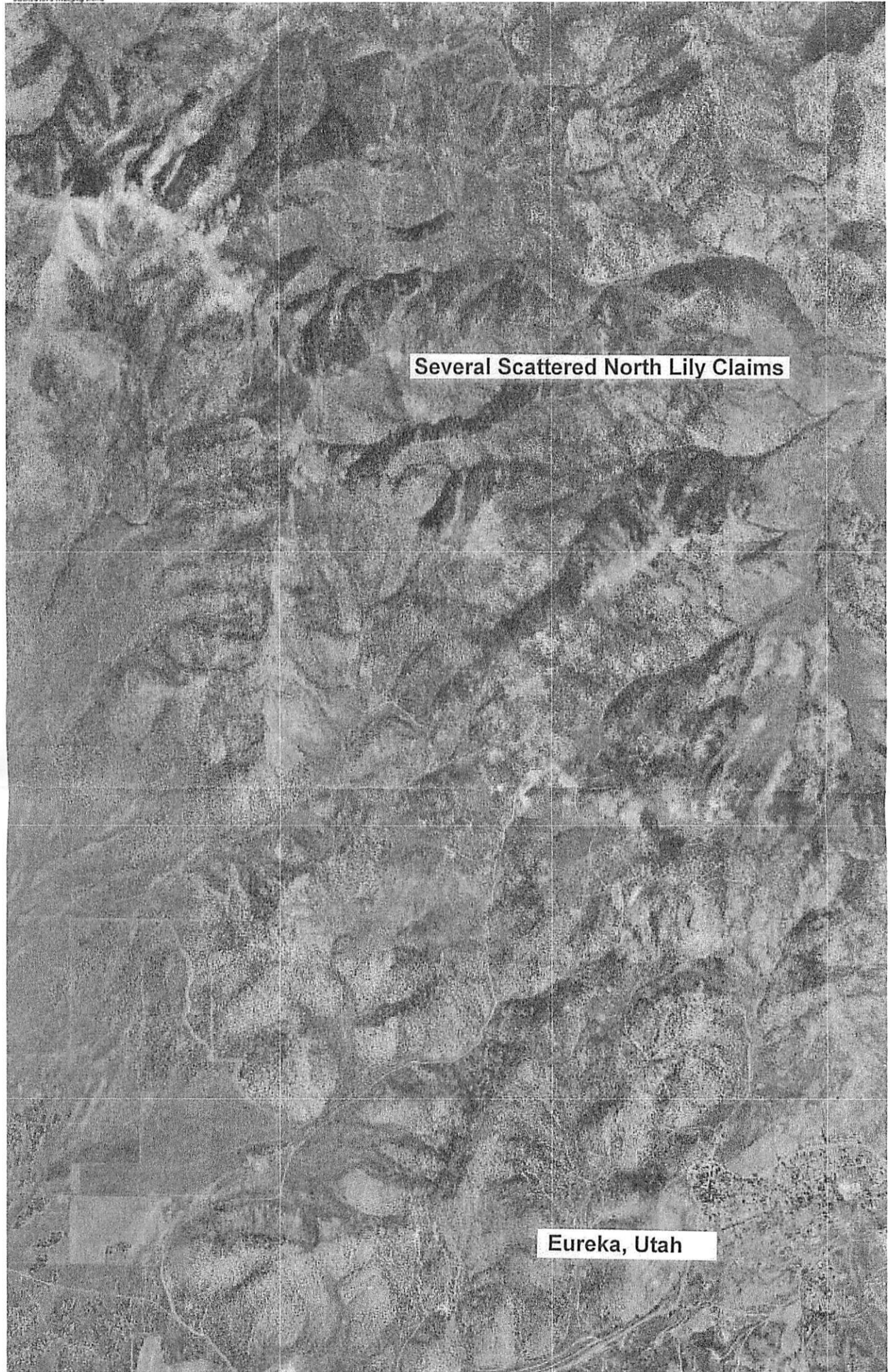
2 km N of Silver City, Utah, United States 17 Aug 1993



0 1Km 0 0.5Mi

Image courtesy of the US Geological Survey.

50 km SW of Provo, Utah, United States 17 Aug 1993

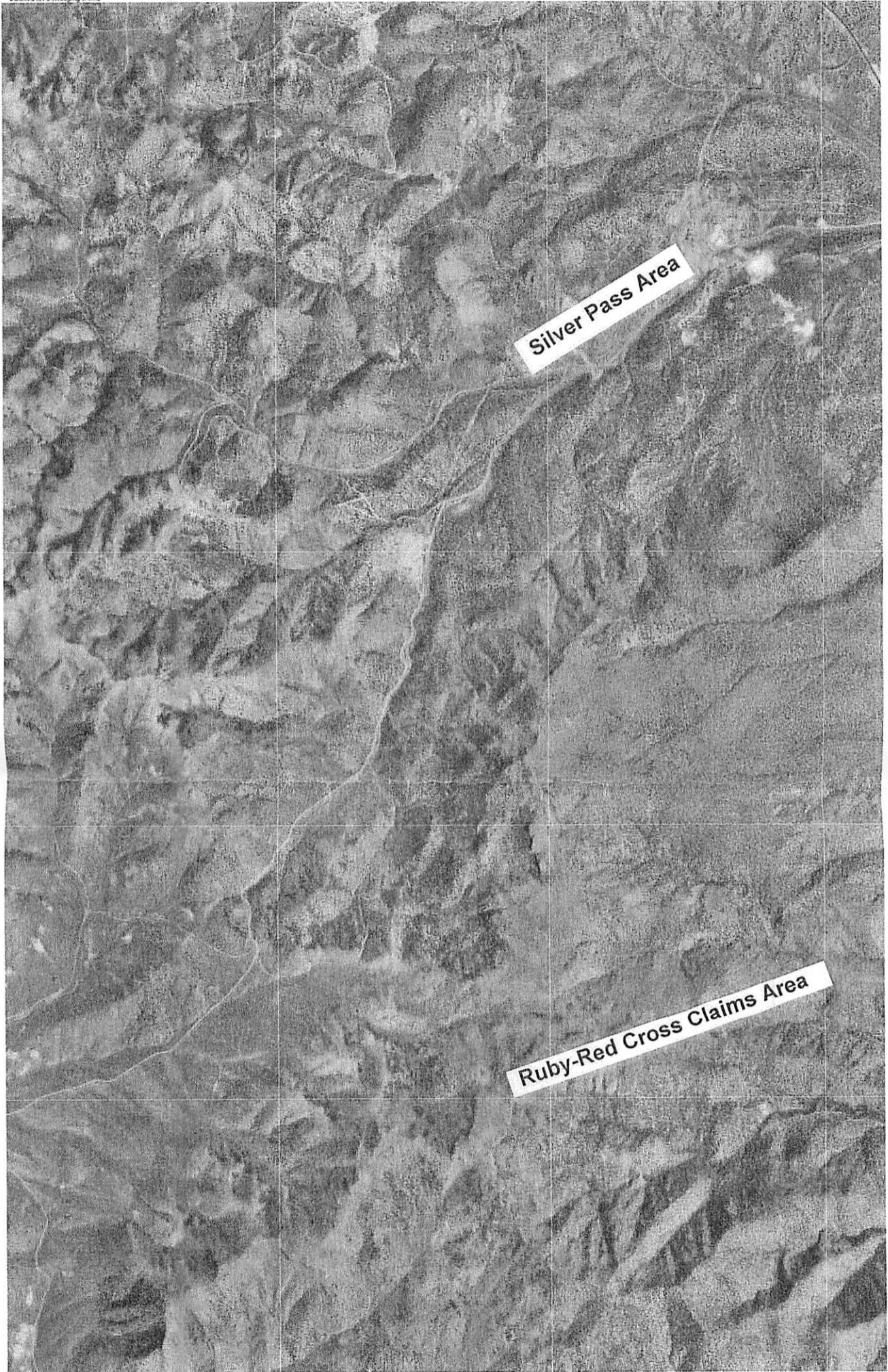


0 1Km

0 .5Mi

Image courtesy of the US Geological Survey.

49 km SW of Provo, Utah, United States 17 Aug 1993



0 1Km

0 1.5Mi

Image courtesy of the US Geological Survey.