

Elsa Reclamation and Development Company Ltd.

Project Proposal and Water Use Licence Application
Care & Maintenance for Keno Hill Mines, Yukon

Water Use Application QZ06-074

Attachment No. 1

EBA Engineering Consultants Ltd. Letter

Y W B

21 15 2007

QZ06-074

January 18, 2007

EBA File: W141

Access Consulting Group Ltd.
Unit 3, 151 Industrial Road
Whitehorse, YT Y1A 2V3

Attention: Mr. Rob McIntyre, RET
President

Subject: Update on 2006 Annual Inspection - Valley Tailings Facility
Keno Hill Mine, Elsa, YT

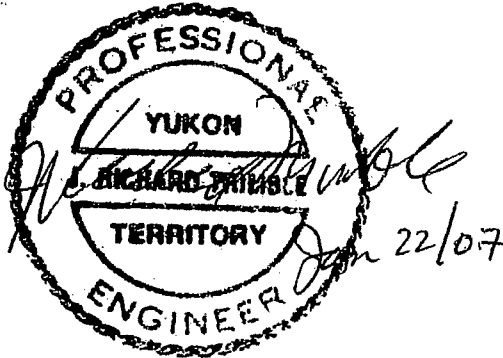
This letter summarizes the status of annual geotechnical engineering inspection reports for the Valley Tailings Facility (VTF) at the Keno Hill mine near Elsa, YT.

Due to the early onset of winter, EBA Engineering Consultants Ltd. (EBA) was not able to complete an inspection of the tailings dams in 2006. However, an inspection was done in 2005, and numerous others have been completed by me over the years since 1982. It is our intention to conduct an inspection as early as practical in 2007, with your authorization and approval.

It is also our opinion that the tailings retention dams at the Keno Hill mine are stable in their present condition and currently do not pose any hazard. Our inspections over the years have resulted in recommendations related to filling in permafrost thaw settlement depressions, re-grading the surface of the dams, adding toe berms to improve stability, and repairing/replacing decant culverts as appropriate. These recommendations have generally been completed, and noted on subsequent inspection reports.

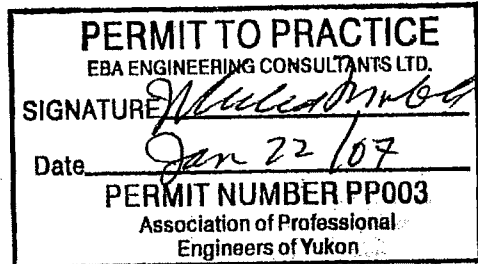
We trust that you will find this report satisfactory for your purposes. If you have any questions, or require additional information, please contact the undersigned.

Yours truly,
EBA Engineering Consultants Ltd.



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Yukon Region
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