

February 24, 2009

EBA File: W14101177

Access Consulting Group
Unit 3, 151 Industrial Road
Whitehorse, Yukon
Y1A 2V3

Attention: Mr. Dan Cornett
President

**Subject: 2008 Annual Tailings Facility Inspection
United Keno Hill Mines Property, Elsa, YT.**

As requested, EBA Engineering Consultants Ltd. (EBA) has completed a geotechnical inspection of the current condition of the tailings retention dams, and associated works, at the old United Keno Hill Mines (UKHM) property in Elsa, YT. The intent of the inspection was to provide a geotechnical engineering report on the stability of these water-retaining structures, as part of the on-going care and maintenance program, and in partial fulfillment of the requirements of a Water License. Similar inspections have been completed by EBA in the past, and EBA has been involved with the tailings retention dams on the property since 1981.

1.0 OBSERVATIONS AND RECOMMENDATIONS

Mr. Richard Trimble, P.Eng. of EBA's Whitehorse Office completed a one-day inspection on August 5, 2008, in the company of Mr. Rob McIntyre of Alexco Resources. Specific observations and recommendations are presented in the following sections of this letter, and are also noted on the attached Figure 1. Photographs were taken of all dams, and selected photos are also attached. The other photos are available for review in the EBA files, if desired.

During the inspection trip, there was minimal flow through Dams #1 and #3, and siphoning through Dam #2 decant. The weather at the time of the inspection was overcast, and there was no snow cover.

1.1 Access Road

The one low spot previously observed on the access road to the tailings facility has been filled in, no other significant depressions were noted, and adequate riprap armouring had been placed since the 2007 inspection.

1.2 Dam #1

At the time of the inspection, Pond 1 was noted to have a minimum 3.0 m freeboard, with no standing water at the face. The dam crest had been recently graded and was in reasonably good shape with no observed slumps, significant settlements, or tension cracks (see Photo 1). Adequate

riprap had been placed as recommended after the 2007 inspection. No active seepage zones were observed on the downstream slope of the dam.

The downstream toe berm will require some work next summer to repair the effects of on-going settlement. As noted on Figure 1, all woody vegetation should be removed, and free-draining granular fill added to raise the surface of the toe berm to a constant elevation of approximately 1/3 of the dam height, per the original design intent. Fill used to raise the downstream toe berm should consist of free-draining granular material, similar to that used in the original construction. After the vegetation must be removed, the surface should be scarified to about 150 mm depth, and new fill added in maximum lift thicknesses of 300 mm, with each lift compacted using available equipment. The surface of the new toe berm should be surveyed and constructed as level as possible, to assist in future monitoring.

1.3 Dam #2

Dam #2 was impounding minimal water at the time of the inspection (there was at least 3.0 m freeboard everywhere) and a decant hose was in use to transport water over the dam. Significant “dry” areas were noted during the inspection.

The existing wooden decant (see Photo 2) through Dam #2 must be replaced as it is a safety hazard. When it is removed, consideration should be given to significantly lowering the invert to provide a better drawdown of Pond 2.

1.4 Dam #3

There was minimal water impounded behind Dam #3 at the time of the inspection – minimum freeboard was about 2.5 m everywhere.

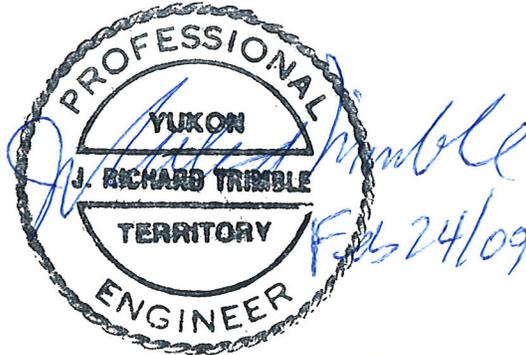
There are three areas of Dam #3 that require maintenance:

1. The ponded water on the downstream side of the south leg of the dam has created permafrost thaw settlement, resulting in oversteep downstream slopes. This area (see Figure 1) requires the placement of additional granular fill to displace water away from the toe, and to buttress the slope.
2. The “old” water pipeline (see Photo 3) along the downstream crest of the dam must be removed to facilitate inspection and maintenance work.
3. The existing overflow pipe is too short, and discharges onto the downstream face (see Photo 4). The pipe should be lengthened by about 2.0 m, the area around the discharge backfilled to create a uniform dam width, and the outlet of the pipe provided with riprap protection.

ISSUED FOR USE

We trust that this letter satisfies your requirements at this time. If you have any questions, or require additional information, please contact the undersigned.

Yours truly,
EBA Engineering Consultants Ltd.

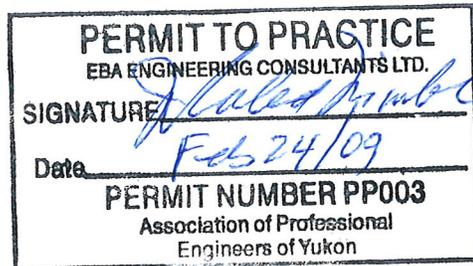


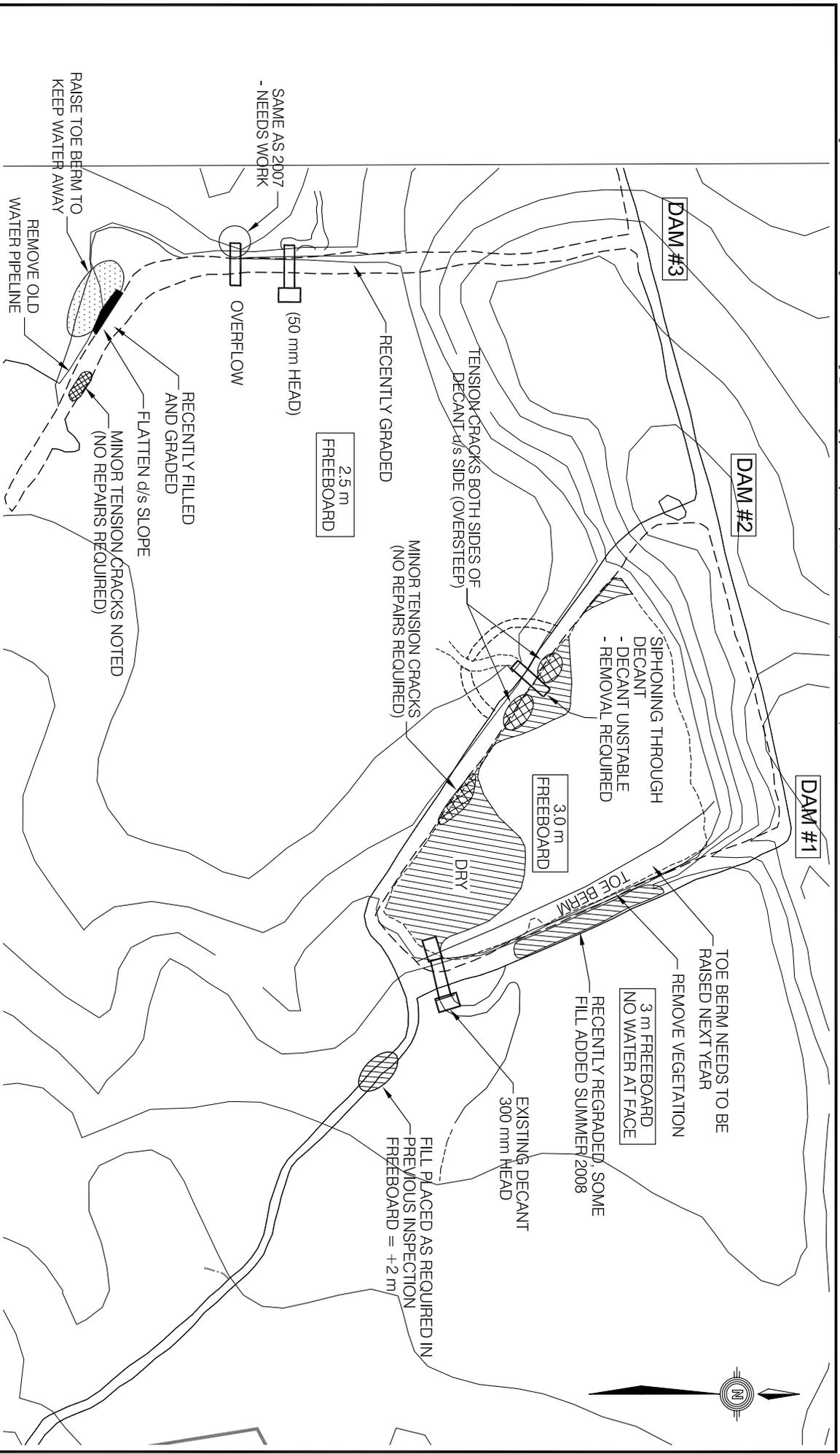
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JRT/jrt

Enclosures:

1. Figure 1 - Site Plan showing inspection notes.
2. Photographs (2 pages)

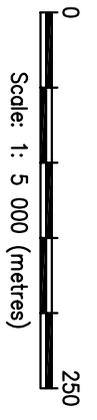




- LEGEND**
- PERMAFROST THAW SETTLEMENT AREAS REQUIRING FILL
 - TENSION CRACK AREAS

NOTE

1. DECANT'S SHOWN ARE NOT TO SCALE



CLIENT

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TAILINGS FACILITY INSPECTION - AUGUST 2008
 UNITED KENO HILL MINES - ELSA, YT

2008 SUMMARY OF INSPECTION NOTES AND DETAILS OF RECOMMENDED REPAIRS

PROJECT NO. W14101177	DWN JSB	CKD JRT	REV 0
OFFICE WHSE	DATE February 9, 2009		

Figure 1



Photo 1: Dam #1 showing vegetation to be removed, and toe berm requiring additional fill (August 5/08)



Photo 2: Decant through Dam #2 requiring immediate removal (August 5/08)



Photo 3: Dam #3 – water line to be removed, view towards area requiring additional fill on downstream side – see Figure 1 for location (August 5/08)



Photo 4: Pond #3 overflow requiring culvert extension and proper riprap around the outlet (August 5/08)