

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES
OFFICE OF THE COMMISSIONER

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July 1, 2009

Ms. Melanie MacKenzie, Redcorp/Redfern Interim Receiver
McIntosh and Morawetz, Inc.
c/o Alvarez & Marsal
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2000
P.O. Box 22
Toronto, Ontario M5J 2J1
CANADA

RE: Tulsequah Chief Mine and Redcorp /Redfern Receivership

Dear Ms. MacKenzie:

For many years, the State of Alaska (State) has been actively engaged with Redcorp Ventures Ltd and its subsidiary, Redfern Resources Ltd. (collectively, Redcorp), and both Federal and Provincial Canadian agencies regarding Redcorp's efforts to reopen the Tulsequah Chief Mine (Tulsequah). State agencies reviewed and commented on Redcorp's development plans that had previously called for the construction of a ~100 mile-long access road. More recently, State agencies had been working with those parties in the review and permitting of Redcorp's proposal to employ an air cushion barge to access the Tulsequah site via the Taku River.

Alaska's involvement with the Tulsequah project stems from its concern to protect the valuable downstream fisheries resources and water quality in the Taku River, which according to a 2004 McDowell Group study annually contributes about \$7.5 million to the area economy. The State has enjoyed a close and cooperative relationship with Federal and Provincial Canadian agencies, which have welcomed State representatives' participation in the Technical Working Groups reviewing project proposals. The State's authority to review and comment on project proposals derives from the 1909 Boundary Waters Treaty, as well as other international treaties (Migratory Bird Species Act, North Pacific Salmon Treaty).

Of special concern to the State, as well as Alaska fisheries interests and the Native community, is the on-going discharge of acidic, metal-laden waters (Acid Mine Drainage or AMD) to the Tulsequah River that has continued since the closure of Cominco's mining operations at the site in the 1950's. Recent testing confirms the toxicity of this discharge to Rainbow Trout, the test species. The discharge has been the subject of clean-up orders by Canadian agencies, most recently an Inspector's Direction on May 22, 2009 from Environment Canada under the Fisheries Act, but has continued largely, if not wholly, unabated. Redcorp's re-development plans for Tulsequah would have addressed the AMD discharges, but this solution no longer appears to be tenable due to that company's financial difficulties.

"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans"

Based on Redcorp documents and discussions with British Columbia agencies, the State understands that Redcorp purchased an Interim Water Treatment Plant (IWTP) and mobilized it, unassembled, to the Tulsequah site in late 2008. Redcorp had petitioned the Court-appointed Monitor for funding to install, commission, and operate the IWTP, but the May 29 Appointment Order by Justice Brenner effectively left Redcorp without resources to accomplish these tasks. As a consequence, the AMD discharges continue with no mechanism in place for bringing them to an end.

The State understands that the financial and legal issues regarding Redcorp and the Tulsequah project are complex and in a state of flux. As these issues are resolved it is imperative that the need to address the long-standing AMD drainage not be overlooked. The State is especially concerned that options for addressing the Tulsequah AMD not be eliminated through the disposition of potentially crucial assets. Therefore, the State hereby requests and strongly recommends that the Receiver, McIntosh and Morawetz Inc., protect and preserve the on-site IWTP until the applicable authorities have determined the appropriate means for addressing and ceasing the Tulsequah AMD discharge. The State similarly recommends that no expenditures or disposition of assets occur that might serve to reduce or limit access to the Tulsequah site from either the airstrip or the exploration road connecting the site to the barge landing site at Big Bull Slough.

The State of Alaska appreciates your attention to this letter, and any steps that you as the Court-appointed receiver can take to ameliorate the AMD discharge at the Tulsequah Chief Mine site. If we can be of any assistance, please don't hesitate to contact me.

Respectfully,



Thomas E. Irwin
Commissioner