

Wednesday, July 9, 1997

Philip DiPizzo
Executive Director
Nunavut Water Board
Box 1119
Gjoa Haven, NWT X0E 1J0



Dear Philip:

Re: George Lake Project Activities

The recent extraordinary decline in the price of gold and the concurrent reduction in the share price of Arauco Resources' stock has made it necessary for Arauco management to reconsider the scheduling of certain development activities at the George Lake Project. At the current share price, Arauco believes that the cost of raising the necessary capital to proceed to the next step of project development for its George Lake Project would not be in the best interests of Arauco shareholders. Accordingly, Arauco is immediately reducing the rate at which new financial commitments are being made.

The 1997 exploration drilling program will continue as planned, but no extension of that work will be undertaken until market conditions improve. The detailed engineering feasibility study and selected environmental baseline studies will be deferred. Arauco anticipates that these aspects of the original program will likely be completed next year.

Arauco's new approach under these circumstances may result in a program of underground exploration and pre-production development work rather than production mining activities during the summer of 1998.

Please circulate this notice within your office. If you have any questions or concerns, please do not hesitate to contact Arauco Resources Corporation at (604) 331-1818.

Yours Truly,
Arauco Resources Corporation
Arauco NWT Ltd.

W. Robert Gilroy,
President and Chief Operating Officer