

# DRC Resources taking another good look at Afton



The Afton copper-gold project being developed by DRC Resources is located south of the Trans-Canada Highway, 10 km west of Kamloops, B.C. Previous owner Teck Corp. operated an open pit mine at Afton in the 1980s, but dropped the claims in 1999. DRC Resources is developing an underground decline and started additional diamond drilling in late January.

by Patricia Liles

Diamond drilling began in late January from the first portion of a new underground decline being developed by Vancouver-based DRC Resources Corp. at the Afton copper-gold project near Kamloops, B.C. The company has acquired a 100% interest in the property through claim-staking.

An open pit mine shuttered by former operator Teck Corp. since 1987, Afton's deeper mineralization is shaping up as a potential underground project. The southeastern

British Columbia property could provide DRC Resources with an opportunity to transition from an exploration company to its first development and producing mine.

"Given where it is, with outstanding infrastructure and location, the grades are robust and the size is robust. This project has a real shot," said Chris Bradbrook, president and CEO of DRC Resources. "We're doing what we need to figure out whether it will be an economic operation."

DRC Resources plans to spend roughly Cdn\$1 million per month throughout 2005, part of the total \$18 million required to

complete a bankable feasibility study in early 2006.

Included in the feasibility work is completion of a 2-km decline, a job begun in November 2004 by mining contractor Procon Mining & Tunneling Ltd. In a late January interview, Bradbrook said crews had completed 290 m of that decline, allowing drillers to go underground to start a 20,000-m diamond drill program. F. Boisvenu Drilling Ltd. landed the underground drilling contract at Afton.

Afton's existing pit is roughly 700 feet deep. Mineralization almost adjoins the old workings, but dips away sharply from the pit, precluding access by enlarging the closed mine.

"We discovered the deposit by drilling from surface," Bradbrook said. "We did as much as we could, but we can't convert [resources to reserves] unless we go underground."

### Drilling to upgrade to reserves and explore

Drilling work this year has two objectives. Primarily, the work is designed to better delineate the orebody and upgrade it to reserves. "We also want to do some additional exploration work, to see how big the deposit is and to look for extensions. We definitely believe in the potential to find more through exploration," Bradbrook said. "Grades for a copper-gold porphyry don't get much better than this."

Mineralization at Afton is continuous over 1,000 m in length, 80 to 100 m wide with a vertical height of 300 m. The deepest mineralization is roughly 775 m below surface.

In addition, the company plans work this year at the nearby Pothook pit, also previously mined. For the first time, surface drilling will test for mineralization between Pothook and Afton. "We don't want to make the mistake of stopping exploration because there may be more there," Bradbrook said.

DRC Resources also plans to drill in 2005 at the Ajax property, located 10 km

east of Afton, another previously-mined open pit mine. Three drill holes completed in 2004 indicated substantial near-surface low-grade sulphide mineralization. The largest is a 278-m intercept that graded 0.233% Cu and 0.159 g/t Au, according to a July 15, 2004, release.

Drilling to date on Afton, excluding Ajax and Pothook, has identified a measured and indicated resource of 68.7 million tonnes, grading 1.68% Cu equivalent or 2.61 g/t Au equivalent. Mineralization contained is approximately 1.63 billion lb of copper and 1.86 million oz of gold, as well as significant and recoverable amounts of silver and palladium.

An inferred resource of 7.4 million tonnes, containing an additional 151 million lb of copper and 188,000 ounces of gold, has also been identified by prior drilling work completed from 2000 through 2003. About 55,000 m of core samples were taken from 110 holes, according to John Kruzick, board chairman at DRC.

DRC Resources acquired Afton in 1999 after Teck dropped the mining claims, despite some positive intercepts from beneath the pit. "To get some of it below, they would have had to push the pit back, which requires a lot of capital," Bradbrook said. "It wasn't worth it for what they thought was there, but they didn't realize the shape of it...back then, people were not thinking about underground mining in a copper-gold porphyry."

Between acquiring Afton and starting feasibility work last November, the company has spent \$5 million on the property. "It's a decent amount of money," Bradbrook said. "Considering what was found with that money, it is quite a spectacular use of exploration funds."

### Scoping study indicates feasible underground project

In addition to drill work, the company commissioned an advanced scoping study completed in February 2004 by Behre Dolbear and Co., Ltd. That work indicates that panel cave mining and conventional flotation are viable methods for mining and processing a 51.5-million-tonne mineral resource grading 1.72% Cu equivalent. Estimated mine life is

17.8 years, based on the mineral resource.

At a mine and mill production rate of 9,000 tonnes/day, average annual production is estimated at 29,000 tons of copper, 71,000 oz of gold, 178,000 oz of silver and 7,700 oz of palladium.

Initial capital costs are estimated at \$150 million, with cash costs of US\$0.15 and total operating costs estimated at US\$0.40/lb of copper. Estimated internal rates of return are nearly 27% pre-tax, and 20% after tax, with a payback period estimated at 3.7 years.

Estimates are based gold and copper recoveries of 90% each, 75% for silver and 74% for palladium. Assumed metal prices are US\$0.85/lb of copper, US\$375/oz for gold, US\$5.25/oz for silver and US\$200/oz of palladium.

Development of Afton would be aided by the existing mine infrastructure and its location near the Trans-Canada Highway, 10 km west of Kamloops. "It's definitely a plus for us," Bradbrook said. "Some projects can be hardship assignments for people...we'll never have a problem getting people to work (at Afton)."

Water and power are available at the site, as well as an experienced labour force in the area. A mine operating permit may be available from the former owner (now Teck Cominco), although the two companies would have to come to an agreement about usage.

"The existing permits would have to be updated," Bradbrook said. "To the extent we can use them and upgrade them to make adjustments as needed, we are not starting from scratch on permitting."

All of these factors could play into an accelerated development schedule for the brownfield property. Depending on the progress of financing, construction and permitting, Bradbrook said, "...if everything lines up and works on a good pace, within three years of starting the feasibility study we would like to start up production."

### DRC preps for solo development

At this point, DRC Resources is not looking for partners on the project. The company has cash available to cover feasibility costs.

"I think you have to look at these projects with the intention of building them," Bradbrook said. "We will do what we need to build the company and team and to



Richard Keane, shift supervisor from Procon Mining & Tunneling (left foreground) oversees continued work on an underground decline at the Afton copper-gold project in southeastern British Columbia. A 2-km decline is planned for the property, allowing drillers to complete 20,000 m of core from the underground workings, an effort designed to upgrade the measured and indicated resource to reserves.

develop the skills to assess the orebody. If we believe it is economic, we'll gradually build that team up to operate it."

Should that happen, DRC Resources will look very different, he said, a sort of hybrid between a copper company and a gold company. Of the existing resource, 65% of its estimated US\$3-billion value comes from copper. "There is so much gold in such a high proportion to the copper," Bradbrook said. "Diversity is good, because weakness in one price can be offset by strength in another. From a marketing perspective, we have leverage in two bull markets."

Bradbrook joined DRC Resources last October, after last serving as vice-president of corporate development at Goldcorp Inc. DRC's capital base, share structure, cash position and the Afton asset drew him in. "I view this as an excellent platform to build a serious company," he said. "It's chasing a dream to build something from scratch." **CMJ**

Patricia Liles is a freelance business writer based in Fairbanks who specializes in mining, oil and gas and alternative energy reporting; she can be reached at pliles@alaska.net.



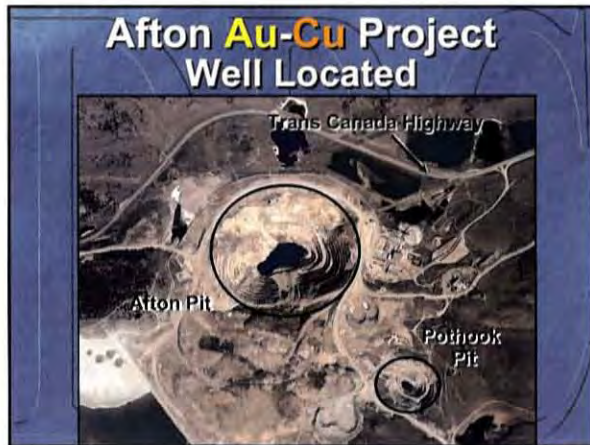
### Capital Structure\*

Issued:	13.9 million shares
Fully Diluted:	15.2 million shares
52 Week Range:	C\$4.30 - C\$8.05
Market Capitalization:	C\$88M
Cash:	C\$25M
Major Shareholders:	Management 20%

\*March 2nd, 2005



C\$5 Million Expenditures



### Afton Au-Cu Project Mineral Resources

Afton Main Zone Mineral Resource Estimate Summary (Behre Dolbear & Company Ltd. – January 2004)

Category	Tonnes (Millions)	Grade		Contained Product In-situ	
		Cu (%)	Au (g/t)	Cu (M lbs)	Au (M ozs)
Measured + Indicated	68.7	1.1	0.9	1,600	1.9
Inferred	7.5	0.9	0.8	152	0.2

Assumptions: Cut Off Grade 0.7% Copper Equivalent. Recovery: Copper & Gold 80%, Silver 70% and Palladium 74%. Copper US\$ 0.86/lb, Gold US\$ 375/oz, Silver US\$ 5.26/oz, Palladium US\$ 200/oz.

US\$3 Billion In-Situ Value!

### Afton Au-Cu Project Potential Production Scenario<sup>(1)\*</sup>

- Average Annual Production:
  - Cu 75 million lbs**
  - Au 80,000 oz**
- Mine Life: 18 years

\*Metal Prices of US\$0.85 Cu / US\$375 Au  
<sup>(1)</sup> Behre Dolbear & Company Ltd. Updated Advanced Scoping study 2004.

### Afton Au-Cu Project Potential Operating Costs<sup>(1)\*</sup>

Initial Capex:	US\$120 Million
<b>As a Cu Mine:</b>	
Operating Costs (LOM): (net of precious metal credits)	Cash Cost US\$0.15/lb Total Cost US\$0.40/lb
<b>As a Au Mine:</b>	
Operating Costs: (net of copper credits)	Cash Cost - ve

\*Metal Prices of US\$0.85 Cu / US\$375 Au  
<sup>(1)</sup> Behre Dolbear & Company Ltd. Updated Advanced Scoping study 2004.



### Afton Au-Cu Project Advantages

- Excellent Infrastructure
- Adjacent to Trans Canada Hwy
- Water, Power Available
- Existing Mine Site (Permit Available)
- All levels of Government Support
- Available Labour Force
- Historical Mining Area Kamloops, B.C.

### Afton Au-Cu Project Exploration Decline

**Geotech/ Metallurgy X-Cut**

**Exploration Decline**

**Copper-Gold Mineral Zone**

**AFTON COPPER-GOLD PROJECT MINERAL ZONE @ 0.5% CU CUT OFF DRC Resources Corporation**

**An Undervalued Golden Copper Company**

### Exploration Upside Current Resource with Decline Viewed From North

**Strong Intersections at Western Edge**  
2.65% Cu Eq. / 214m  
2.25% Cu Eq. / 78m

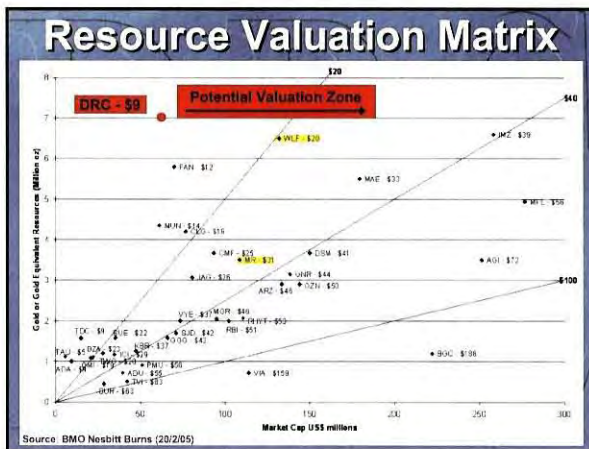
### Surface Exploration Targets

**Afton Pit**

**Untested Potential**

**Pothook Pit**

Contact: [www.drcresources.com](http://www.drcresources.com); [juliayoung@drcresources.com](mailto:juliayoung@drcresources.com); 1-604-687-1629



### Potential News Flow?

**Commencing End Q1, 2005**

**Steady Stream of Exploration Results!**



TSX:DRC

# DRC Resources Corporation

## Afton Facts:

- Infrastructure Advantages
- High Grade / Low Cost
- Quick Lead time to Production

## Investor Relations:

Tel: 604-687-1629

Fax: 604-687-2845

## Website:

[www.drcresources.com](http://www.drcresources.com)

## Email:

[drcresources@uniserve.com](mailto:drcresources@uniserve.com)

Head Office:  
595 Howe Street  
Suite 601  
Vancouver, BC  
V6C 2T5

## Afton Copper-Gold Project, Kamloops, B.C.

DRC Resources Corporation (TSX:DRC), incorporated in 1980, is focused on the exploration and development of the Afton Copper-Gold Project, located 6 miles (10 km) west of Kamloops, British Columbia. The Company is debt free and well financed to carry out the next phase of exploration with working capital of \$25 Million. Over the past year, DRC continued to deliver on its successful strategy of strengthening and expanding the mineral resource base with the intent of creating shareholder value.



The main focus for the Afton Project is defining and expanding the mineral resource and completing the feasibility study to address production criteria. With strengthening metal prices, the Company continues to attract the interest of financial institutions and mining companies.

## Corporate Highlights

- \$24.15 Million Financing Completed
- Afton Studies Indicate Favourable Economics
- 68.7 Million Tonne Measured and Indicated Mineral Resource
- Afton Mineral Zone Extended to 1,000 metres (33,000 ft)
- 109 Diamond Drill Holes – 53,000 metres (175,000 ft)



## Stock Information

Exchange: TSX  
Ticker: DRC

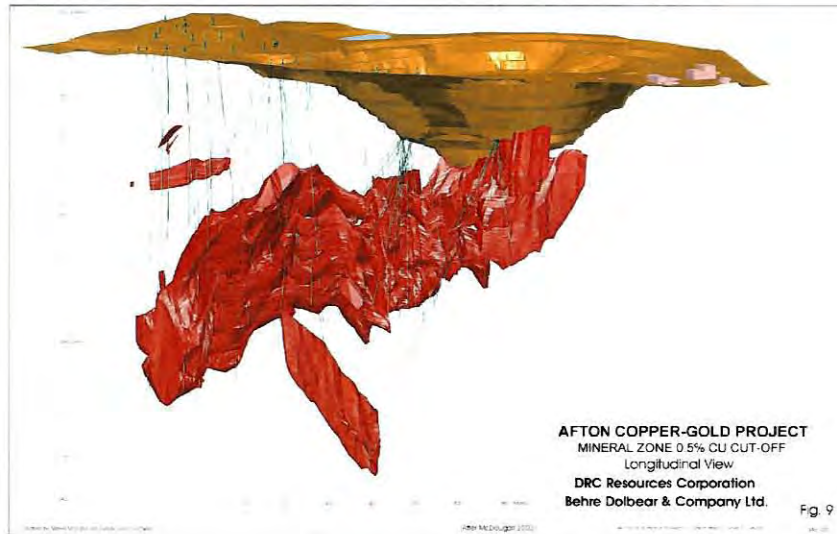
52 Week High: C\$9.50  
52 Week Low: C\$4.65

Market Cap: C\$110 Million

Shares O/S: 13.2 Million  
Full Diluted: 14.5 Million



**Mineral Resource Study**



Adjacent to the previously mined Afton open-pit, 53,000 metres of diamond drilling during the 2000 to 2003 period, has indicated a significant copper-gold mineral resource.

Highlights of an Updated Mineral Resource Study by Behre Dolbear & Company Ltd. (January 2004) as follows:

**Afton Mineral Resource Estimate**

Resource Category	Tonnes > Cutoff (tonnes)	Grade > Cutoff		Contained Product In-situ	
		CuEQ%	AuEQ(g/t)	Copper (lb)	Gold (oz)
Measured	9,540,000	1.956	3.039	271,000,000	290,000
Indicated	59,160,000	1.635	2.541	1,368,000,000	1,577,000
Measured and Indicated	68,700,000	1.679	2.609	1,639,000,000	1,866,000
Inferred	7,450,000	1.480	2.300	151,790,000	188,000

**“Largest Advanced Exploration in B.C.”**



British Columbia Ministry of Energy & Mines' Exploration 2002 Review identifies the Afton Project as the province's largest advanced exploration project. To date the Company had expended \$5 Million on exploration which has increased and confirmed the size of the Afton Mineral Zone beyond the previously indicated mineral resource boundary. Diamond Drilling has tested the Afton Mineral Zone for 3,300 ft (1,000 m) in length and to 2,550 ft (775 m) in depth, and still open for exploration. Diamond Drilling on other areas of the property have indicated a shallow porphyry gold zone.

**Advanced Scoping Study**

A recent Advanced Scoping Study by Behre Dolbear & Company Ltd. (filed on SEDAR) indicates that panel block cave mining and conventional flotation technology are viable methods of application for mining and processing of a 50 Million Tonne Mineral Resource.

**Highlights of Afton Proposed Mine Plan**

Total Resource To Be Mined All Categories 50 Million tonnes 1.75% Cu Eq.

Mining Method - Underground Panel (Block) Caving

Production Rate (Mine & Mill)		9,000 tonnes per day
Total Metals Produced	Copper	1.135 Billion lbs
	Gold	1.250 Million ozs
Avg. Annual Production	Copper (at full production)	75 Million lbs
	Gold (at full production)	80,000 ounces

Initial Capital Cost	\$149.7 Million
Unit Operating Cost (at full production)	\$9.77/tonne milled
Life of Mine: Cash Cost*	US\$0.15/lb Cu
Total Cost*	US\$0.40/lb Cu

\*Cost of copper net of precious metal credits

**NOTES**

- Metal Prices Used: Copper \$US 0.85/lb, Gold \$US 375/oz, Silver \$US 5.25/oz and Palladium \$US 200/oz.
- Assumed Metal Recovery: Copper 90%, Gold 90%, Palladium 74%, and Silver 75%.
- Cutoff grade of 0.70% copper equivalent for application in the mine plan.
- Blocks greater than cut-off for tonnes and grade are included in the calculation for the specified grade cut-off.
- Not all tonnage will be recovered in mining, nor will all metal be recovered in milling and processing.
- Currency used is Canadian, unless otherwise indicated.

**Afton Advantage**

- High Copper-Gold Grade, Low Budget Project, Quick Lead time to Production
- Measured and Indicated Mineral Resource: 68.7 Million Tonnes
- Copper Equivalent 1.68%; Gold Equivalent 2.61g/t
- Scoping Study indicates favorable economics, moderate capital requirements and low environmental concerns (under certain parameters & assumptions)
- Metallurgical Study indicates excellent metal recovery: Copper 90%, Gold 90%
- Existing mining district, Trans-Canada Hwy, infrastructure, water, power, mine-site and local experienced mine labor force
- Government supportive of mining, Mining Permits and Incentive Grants available



## Afton Underground Exploration Commences

### **DRC Resources Corporation**

595 Howe Street  
Suite 601  
Vancouver, BC  
V6C 2T5

**PHONE:**

604-687-1629

**FAX:**

604-687-2845

**E-MAIL:**

[drcresources@uniserve.com](mailto:drcresources@uniserve.com)

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**Website:**

[www.drcresources.com](http://www.drcresources.com)



In December 2003, DRC Resources initiated the excavation for an underground decline and construction of the portal facility. The decline will provide underground access for the proposed 25,000 metre (80,000 ft) definition diamond drill program, bulk sampling and technical studies related to the completion of a feasibility study on the Afton Copper-Gold Zone.

Competent rock conditions encountered in the early stages of excavation are encouraging geotechnically for continuation of the underground program.

#### **OFFICERS AND DIRECTORS**

John H. Kruzick – President/CEO  
Sharon L. Ross - Secretary/Director  
C. Robert Edington - Director  
Mike Muzylowski - Director  
Thomas O. Taylor - Director  
Craig D. Thomas - Director  
Ian M. Beardmore - CFO  
Bruno J. Mosimann - VP, Corp. Fin.  
Maurice Lee - VP, Bus. Dev.

#### **CONSULTANTS / ADVISORS**

Behre Dolbear & Company Ltd.  
Process Research Associates Ltd.  
SRK Consultants  
Dynatec Corporation  
Metalica Consultores SA  
J.J. McDougall & Associates  
James Douglas Little, P.Eng.  
Douglas A. Knight, BASc.

