DRC RESOURCES CORPORATION

DRC - TSX

2003 ANNUAL REPORT

Letter to Shareholders

2003 was a pivotal year for DRC Resources as the Afton Copper Gold Project, located near Kamloops, British Columbia, advanced towards feasibility stage. The Company received results of an independent advanced scoping study prepared by international mining industry consultant, Behre Dolbear & Company Ltd. The study indicates that panel cave mining and conventional flotation technology are viable methods for application to the Afton Project, and recommended the Company proceed with an underground exploration program and complete a feasibility study. To finance the feasibility study, the Company completed a very successful private placement to raise $24.15 million in late 2003.

Highlights: Advance Scoping Study

- Advanced Scoping Study Indicates Favorable Economics
- 68.7 Million Tonne Measured & Indicated Mineral Resource
- 51.5 Million Tonne Resource Incorporated in Mine Plan
- Total Metals to be Produced under Mine Plan:

Copper	1.15 Billion Pounds
Gold	1.25 Million Ounces

(For Complete Report [SEDAR])

Commencement of the Afton feasibility study is a significant step for the Company as it moves the Project towards development stage and closer to the production phase. A $12 million underground exploration program is planned for 2004. The economic evaluation in the scoping study indicates that the Project has favorable economics, based on US$0.85/pound for Copper and US$375/ounce for Gold. A steadily increasing world demand for the red metal has sharply reduced world inventories of copper, raising the price of that metal dramatically to more than US$1.20 per pound. A sustained copper price of US$1.00 would have a very significant positive impact on the economics of the Afton Project.

The Company has opened discussions with a number of the world's leading smelter operators, who have expressed strong interest in the Afton concentrates, which are desirable for their high copper content and precious metal credits. The Company believes a long-term smelter sales contract can be linked to production financing for the Afton Project. DRC will continue to develop these relationships in 2004.

Achievements for 2003

- Received positive independent scoping study on Afton Project
- $24.15 Million Financing Completed
- Afton Project is funded for advance to Feasibility
- Confirmation of a significant Mineral Resource
- $1.7 Million Exploration Program Completed
- Initiated discussions with major international smelters

Outlook for 2004

Completion of the Afton feasibility study and advancement of the Project through development and production stage will be the main focus of the Company in 2004. The Company is expanding its management and engineering team for this next phase. DRC has $25 million in working capital to complete the Afton feasibility study and continue exploration at the Ajax and Pothook mineral zones located within the land holdings of the Afton area.

2004 Strategy and Focus

- Enhance Management Team
- Complete Feasibility Study
- Convert Resources to Reserves
- Optimize Production Profile
- Advance Afton through Feasibility to Development Stage
- Advance discussions on Strategic Alliances
- Explore Pothook and Ajax Mineral Zones

Management is committed to delivering on its 2004 strategy, designed to unlock the value of the Afton Project in a favourable metal price environment, that we believe will result in strong returns for our shareholders.

On behalf of the board of directors, I would like to extend my appreciation to the shareholders, financiers, exploration personnel, project advisors and consultants for their continued support of the Company and the Afton Project. In 2004, we look forward to another rewarding and productive year.

On Behalf of the Board of Directors
"John H. Kruzick"
John H. Kruzick, President & CEO

Corporate Governance

DRC Resources' executive and board of directors believe that effective corporate governance is essential to the well-being of the Company and are committed to high standards of corporate governance.

Toronto Stock Exchange ("TSX") guidelines for effective corporate governance require that listed companies annually disclose their practices with respect to matters such as the composition and independence of a company's board of directors, its role, its committees and the effectiveness of it members.

DRC is in conformance with the corporate governance requirements of the Toronto Stock Exchange.

A point by point description of our governance practices is outlined in the information circular issued for our annual meeting of shareholders.

Board responsibilities – The DRC board of directors is responsible for overseeing the business and affairs of the Company, providing guidance and direction to management in order to attain corporate objectives and maximize shareholder value.

The board's strategic management process consists of an annual review of DRC's business plan and budget, and quarterly reviews of and discussions with management relating to strategic and budgetary issues. The board reviews the principal risks inherent in DRC's business, including financial risks, and assesses the systems established to manage those risks. The DRC board maintains four committees: the executive committee (EC), audit committee (AC), corporate governance committee (CGC) and the nominating committee (NC).

The board of directors and its committees are each responsible for elements of corporate governance in accordance with their respective mandates. The corporate governance committee monitors and guides the corporate governance approach and practices of DRC. Directly and through its audit committee, the board also assesses the integrity of DRC's internal financial controls and management information systems.

Board composition – The board derives its strength from the background, diversity, qualities, skills, and experience of its members. Director nominees are selected for qualities such as business judgment; integrity; business, financial and professional expertise; and familiarity with the mining industries. Annually, the directors are elected by our shareholders.

As of December 31, 2003, there were 6 DRC directors. Four out of six directors (or 67% of the total number of directors) are independent of the company and its affiliates. All of the independent DRC directors are unrelated.

Director	Independence	Committees	Office
John H. Kruzick		EC, CGC & NC	President, CEO
Sharon L. Ross		EC	Corporate Secretary
C. Robert Edington	✓		
Mike Muzylowski	✓	AC, CGC, & NC	
Craig D. Thomas	✓	AC & CGC	
Thomas O Taylor	✓	AC, CGC & NC	

The board holds regularly scheduled meetings with additional meetings held as required.

Information – The board has timely access to the information it needs to carry out its duties. Directors are asked to assist in setting agendas for board and committee meetings and receive a comprehensive package of information prior to each board and committee meeting. Directors communicate informally with management on a regular basis and management solicits the advice of board members on matters falling within their special knowledge or experience.

Ethical behavior - The DRC code of conduct sets high standards for ethical behavior throughout the Company. At DRC it is recognized that maintaining the trust and respect of its investors and the general public is essential to continued success. The DRC code of conduct applies to everyone in the Company, at all times.

Communications - DRC is committed to excellence and timeliness in its communications. The Company provides comprehensive information to current and potential investors and responds to their inquiries. DRC posts copies of its annual report, annual information form, management proxy circular, quarterly financial reports, news releases and other investor information on its website at www.drcresources.com

DRC RESOURCES CORPORATION
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003

AUDITORS' REPORT

To the Shareholders of
DRC Resources Corporation

We have audited the consolidated balance sheets of DRC Resources Corporation as at December 31, 2003 and 2002 and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the result of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

Beauchamp & Company

Vancouver, B.C.
February 20, 2004

Chartered Accountants

DRC RESOURCES CORPORATION
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2003 AND 2002

	2003	2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 24,737,161	$ 2,254,144
Restricted cash (Note 3)	-	1,618,000
Marketable security	1,500	1,500
Accrued interest receivable	25,741	9,212
Amounts receivable - government	58,832	164,240
Prepaid expenses	20,000	-
	24,843,234	4,047,096
MINERAL CLAIM INTERESTS		
- SCHEDULE (Notes 2 and 4)	3,487,296	2,293,327
INVESTMENT PROPERTY (Note 5)	110,867	110,867
EQUIPMENT (Notes 2 and 6)	28,999	41,535
	$ 28,470,396	$ 6,492,825
LIABILITIES		
CURRENT LIABILITIES		
Account payable and accruals	$ 95,940	$ 45,169
Capital taxes payable	71,445	-
	167,385	45,169
FUTURE INCOME TAXES (Note 7(c))	875,935	113,767
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 8)	30,398,361	8,086,803
DEFICIT	(2,971,285)	(1,752,914)
	27,427,076	6,333,889
	$ 28,470,396	$ 6,492,825

COMMITMENTS (Note 14)
SUBSEQUENT EVENTS (Note 16)

APPROVED BY THE BOARD:

_________________ **Director**

Shawn Ross _________________ **Director**

See accompanying notes.

DRC RESOURCES CORPORATION
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
INCOME		
Interest and other income	$ 181,698	$ 116,676
Oil and gas royalties	1,713	1,743
Foreign exchange gain (loss)	(74,929)	(4,159)
	108,482	114,260
EXPENSES		
Bank charges	572	437
B.C. capital tax	30,945	-
Consulting and management fees	118,155	85,641
Amortization	12,536	12,068
Financing and sponsorship	-	52,000
Insurance	14,000	11,503
Office, secretarial services and stationary	83,163	81,886
Professional fees	109,007	57,644
Regulatory fees	66,871	52,855
Rent	22,103	19,861
Telephone	4,541	4,826
Transfer agent	9,031	7,379
Travel and promotion	53,259	88,462
Write-off of mineral claim interests	1	5,999
Write-down of marketable security	-	2,250
	524,184	482,811
LOSS FOR THE YEAR BEFORE INCOME TAXES	(415,702)	(368,551)
INCOME TAXES (Note 7)	(802,669)	182,644
LOSS FOR THE YEAR	$ (1,218,371)	$ (185,907)
WEIGHTED AVERAGE NUMBER OF SHARES ISSUED	9,746,722	8,828,466
LOSS PER SHARE	$ (0.13)	$ (0.02)

See accompanying notes.

DRC RESOURCES CORPORATION
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF DEFICIT
YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
DEFICIT, BEGINNING OF YEAR	$ (1,752,914)	$ (1,567,007)
LOSS FOR THE YEAR	(1,218,371)	(185,907)
DEFICIT, END OF YEAR	$ (2,971,285)	$ (1,752,914)

See accompanying notes.

DRC RESOURCES CORPORATION
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Loss for the year	$ (1,218,371)	$ (185,907)
Items not requiring cash:		
Amortization	12,536	12,068
Write-off of mineral claim interests	1	5,999
Write-down of marketable security	-	2,250
Future income taxes	762,169	(182,644)
	(443,665)	(348,234)
Net change in non-cash working capital items	191,095	407,102
Cash (Used For) Provided By Operating Activities	(252,570)	58,868
INVESTING ACTIVITIES		
Payments for mineral claim interests exploration costs	(1,742,663)	(1,173,040)
Acquisition of equipment	-	(39,236)
Cash Used For Investing Activities	(1,742,663)	(1,212,276)
FINANCING ACTIVITIES		
Share capital issued for cash, net of issue costs	22,860,250	1,209,432
Cash Provided By Financing Activities	22,860,250	1,209,432
INCREASE IN CASH AND CASH EQUIVALENTS	20,865,017	56,024
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,872,144	3,816,120
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 24,737,161	$ 3,872,144
CASH AND CASH EQUIVALENTS COMPRISES:		
Cash	$ 27,760	$ 65,781
Term deposits and short-term discount notes	24,709,401	3,806,363
	$ 24,737,161	$ 3,872,144

See accompanying notes.

DRC RESOURCES CORPORATION
(An Exploration Stage Company)
SCHEDULE OF MINERAL CLAIM INTERESTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

Acquisition Costs

	2003	2002
Kamloops "Afton" Claims	$ 481,734	$ 421,734
Kamloops "Ajax - Python" Claims	48,732	48,732
Alberta Mineral Permits	-	1
Timmins, Ontario Claims	1	1
Balance, End Of Year	530,467	470,468

Deferred Exploration Costs

	Afton Claims	Ajax - Python Claims	2002	2001
Balance, Beginning Of Year	$ 1,763,674	$ 59,185	1,822,859	1,136,649
Assays and testing	77,018	-	77,018	46,256
Drilling	984,845	-	984,845	738,557
Engineering	437,603	-	437,603	98,170
Geological consulting	158,050	-	158,050	163,705
Labour	32,542	-	32,542	39,512
Supplies and equipment	5,500	-	5,500	26,869
Travel and accommodation	36,111	-	36,111	38,477
Staking and filing fees	500	111	611	-
Miscellaneous	5,994	-	5,994	7,206
Grant recoveries (Note 2(f))	4,388	-	4,388	(96,335)
Tax effect of flow through shares	(608,692)	-	(608,692)	(376,207)
	1,133,859	111	1,133,970	686,210
Costs written-off	-	-	-	-
	1,133,859	111	1,133,970	686,210
Balance, End Of Year	$ 2,897,533	$ 59,296	2,956,829	1,822,859
Mineral Claim Interests			$ 3,487,296	$ 2,293,327

See accompanying notes.

DRC RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. NATURE OF BUSINESS

DRC Resources Corporation is a public company incorporated under the Company Act (British Columbia). The common shares of the Company are traded on the Toronto Stock Exchange("TSX").

The Company is in the process of exploring its mineral claim interests to determine whether the properties contain ore reserves that are economically recoverable.

The continued operations of the Company and the recoverability of the amounts shown as mineral claim interests are dependent upon the existence of recoverable reserves, the ability of the Company to obtain financing to complete the developments, and upon future profitable production or proceeds from disposition of its mineral claim interests .

Although the Company has taken steps to verify title to its mineral claim interests in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Principals of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Dynamic Resources Corporation, Inc. All significant inter-company transactions and balances have been eliminated on consolidation.

b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest bearing securities with maturities at purchase dates of four months or less.

c) Marketable Securities

The following portfolio investments are recorded at the lower of cost and market value:

Name Of Issuer	Class Of Security	Quantity	Cost Of Securities	Market Value Of Securities 2003	Market Value Of Securities 2002
Planet Ventures Inc.	Common shares	25,000	$ 5,750	$ 8,250	$ 1,500

In January 2004, the 25,000 common shares of Planet Ventures Inc. were sold for proceeds of $9,790.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d) Mineral Claim Interests

The Company records its mineral claim interests at cost. Exploration expenditures relating to mineral claim interests that have economically recoverable reserves or significant mineralization, which in the view of management, justify additional exploration, as well as interest and costs to finance those expenditures, are deferred until such time as the mineral claim interest to which they relate is brought into production, or is sold, allowed to lapse or abandoned. The costs will be amortized on a unit of production basis following commencement of production or written off to operations if the mineral claim interest is abandoned. Mineral option payments are recorded when received and are expensed in the period they are incurred.

The Company reviews capitalized costs on its mineral claim interests on a period, or annual, basis and will recognize an impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the mineral claim interest's estimated current fair market value may also be based upon a review of other mineral claim interest transactions that have occurred in the same geographic area as that of the mineral claim interest under review.

e) Equipment

Equipment is stated at cost less accumulated amortization. Amortization is calculated using the straight-line method at a rate of 20% per annum.

f) Grant Recoveries

Grant recoveries represent British Columbia Mining Exploration Tax Credit claim refunds of 20% of eligible Canadian exploration expenditures. These grants are for qualifying exploration expenditures at a grassroots level for mineral claim interests in the Province of B.C.

g) Loss Per Share

Basic loss per common share is computed by dividing the loss by the weighted average number of common shares outstanding during the year. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options, warrants and other dilutive instruments. No dilutive loss per share has been presented as the effect would be anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

h) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. Significant areas of estimate relate to mineral claim interests and related deferred exploration costs, future site restoration costs, and future income tax asset valuation allowance. Actual results could differ from those estimates. By their nature, these estimates are subject to measurement uncertainty, and the impact on the consolidated financial statements of future changes in such estimates could be material.

i) Income Taxes

The Company recognizes and measures, as assets and liabilities, income taxes currently payable or recoverable as well as future taxes which will arise from the realization of assets or settlement of liabilities at their carrying amounts, which differ from their tax bases. Future tax assets and liabilities are measured using substantially enacted or enacted tax rates expected to apply to taxable income in the years in which such temporary differences are expected to be recovered or settled. A valuation allowance is recognized to the extent the recoverability of future income tax assets is not considered more likely than not.

j) Foreign Currency Translation

The Company's foreign operation is considered fully integrated with the Company and is translated into Canadian dollars using the weighted average rates for the period for items included in the statement of operations and deficit, except for amortization which is translated at historical rates, the rate prevailing at the balance sheet date for monetary assets and liabilities, and historical rates for all other items. Exchange gains or losses on translation are included in the current period's operations.

k) Adoption of New Accounting Standards

Share capital includes flow-through shares issued pursuant to certain provisions of the Income Tax Act of Canada ("the Act"). The Act provides that, where the share issuance proceeds are used for exploration and development expenditures, the related income tax deductions may be renounced to subscribers. Accordingly, these expenditures provide no tax deduction to the Company.

The Company reduces share capital and deferred exploration costs for the year by the estimated amount of the related future tax liability when the capital expenditures are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

l) Stock-based Compensation

The Company grants stock options to executive officers and directors, employees and consultants. Effective January 1, 2002, the Company adopted the new Canadian Institute of Chartered Accountants accounting standards for stock-based compensation and other stock-based payments. These new standards establish the method for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments.

The Company has elected to adopt the intrinsic value method, which recognizes compensation cost for awards to employees and non-employees only when the market price exceeds the exercise price at the date of the grant, but requires pro-forma disclosure of earnings and earnings per share as if the fair value method had been adopted. Any consideration paid by the option holders to purchase shares is credited to share capital.

There were no stock options granted to directors, employees or consultants during 2003. Last year, had the Company followed the fair value method of accounting, the Company would have recorded a compensation expense of $115,281 pursuant to the share options issued during the year. Pro-forma loss information determlned under the fair value method of accounting for stock options is as follows:

		Year 2003	Year 2002
Loss for the year	As reported	$ 1,218,371	$ 185,907
	Pro Forma	$ 1,218,371	$ 301,188
Loss per share	As reported	$ 0.13	$ 0.02
	Pro forma	$ 0.13	$ 0.03

The pro-forma amounts exclude the effect of stock options granted prior to January 1, 2002. The fair value of each stock option grant was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

- risk free interest rate of 2.8%, dividend yield of 0%, expected life of 2 years, and volatility of 56%.

3. RESTRICTED CASH

During the years ended December 31, 2000 - 2002, the Company raised a total of $3,935,515 in proceeds from the private placement of flow-through common shares. These proceeds can only be used on exploration of Canadian mineral claim interests and the tax benefits flow-through to the subscribers. As at December 31, 2003, the unspent cash balance was Nil (2002 - $1,618,000).

4. MINERAL CLAIM INTERESTS

- Kamloops, B.C. "Afton" Mineral Property

The Company entered into an option agreement dated September 22, 1999 to acquire the Afton Mineral Claims Group, in the Kamloops Mining Division of B.C. Consideration is the issuance of 2,000,000 common shares of the Company in stages, being 1,000,000 shares on effective date of the shareholders' approval of the agreement, and 200,000 shares annually for the next five years beginning in year 2, a work commitment of $6,500,000 over nine years and a 10% net profit royalty. The Company can purchase back the 10% net profit royalty interest, on or before December 1, 2010, for $2,000,000. Minimum work commitments vary from $400,000 to $1,000,000 each year and are $1,000,000 in year 2002 and $1,000,000 in year 2003.

On July 19, 2000, 1,000,000 common shares of the Company were issued in accordance with the agreement. During the first quarter ending March 31, 2002, the Company issued 200,000 common shares in accordance with the agreement for year 2 and in the final quarter ending December 31, 2002 the Company issued 200,000 common shares in accordance with the agreement for year 3. During the final quarter ending December 31, 2003, the Company issued 200,000 common shares in accordance with the agreement for year 4. The value as per the terms of the agreement was $0.30 per share for a total cost to the Company of $60,000. Claim work completed has extended the claims in good standing until March 8, 2011.

The President of the Company has a one-half interest in the option agreement above as one of the optionors. (See Notes 10 and 14)

- Kamloops, B.C., Mineral Property

The Company owns a 100% interest in the Ajax - Python Claim Group, subject to a 2% net smelter royalty, consisting of 62 mineral claims and 5 crown grants in the Kamloops Mining Division of B.C. The cost of the claims acquired was 100,000 common shares of the Company at a market value of $0.50 per share. Claim work completed has extended the claims in good standing until September 26, 2004 - 2007.

- Alberta Mineral Property

The Company acquired, on October 23, 2000, twelve metallic and industrial mineral permits located in Northern Alberta. These permits lapsed on April 12, 2003.

- Timmins, Ontario, Mineral Property

The Company has a 100% interest in 11 units (440 acres) located in the Porcupine Mining Division of Ontario. The mineral claims are in good standing until October 14, 2006.

5. INVESTMENT PROPERTY

The Company owns a 25% interest in approximately 358 acres of land located in Texas, U.S.A., which land provide its oil and gas property royalty interests. The market value of the property approximates the value of the property reported in the consolidated financial statements.

6. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value 2003	Net Book Value 2002
Transportation vehicles	$ 29,690	$ 11,876	$ 17,814	$ 23,752
Office and computer equipment	32,990	21,805	11,185	17,783
	$ 62,680	$ 33,681	$ 28,999	$ 41,535

7. INCOME TAXES

a) Profit (loss) before income taxes are as follows:

	2003	2002
Canada	$ (415,736)	$ (368,353)
U.S.A.	34	(198)
TOTAL	$ (415,702)	$ (368,551)

b) The provision for income taxes consist of the following:

	2003	2002
Large Corporations tax		
Canada	$ 40,500	$ -
U.S.A.	-	-
Future		
Canada	762,169	(182,644)
U.S.A.	-	-
TOTAL INCOME TAX EXPENSE (RECOVERY)	$ 802,669	$ (182,644)

c) Temporary differences that give rise to future income taxes are as follows:

	2003	2002
Long-term future tax liability		
Mineral Claim Interests	$ 886,423	$ 126,838
Equipment	(10,488)	(13,071)
TOTAL LONG-TERM FUTURE INCOME TAX LIABILITY	$ 875,935	$ 113,767

7. INCOME TAXES (CONT'D)

d) Temporary differences that could give rise to future income tax assets:

	2003	2002
Long-Term Future Income Tax Assets		
Loss carry forwards	$ 646,062	$ 363,267
Share issue costs	612,791	142,505
Total Long-Term Future Income Tax Assets	1,258,853	505,772
Less valuation allowance	1,258,853	505,772
NET LONG-TERM FUTURE INCOME TAX ASSETS	$ -	$ -

e) Subject to confirmation by the income tax authorities, the Company has the following undeducted tax pools:

	2003	2002
Canadian Exploration Expenses	$ 539,559	$ 438,721
Canadian Development Expenses	$ 591,480	$ 531,480
Undepreciated Capital Costs	$ 56,879	$ 70,455
Share Issue Costs	$ 1,546,671	$ 359,679
Non-Capital Losses, expiring at various dates to 2010	$ 1,717,336	$ 868,799

8. SHARE CAPITAL

a) Authorized
40,000,000 common shares without a par value

b) Issued

	2003		2002	
	Number Of Shares	Amount	Number Of Shares	Amount
Balance, beginning of year	9,131,766	$ 8,086,803	8,283,766	$ 7,133,578
Issued for cash:				
Exercise of options	50,000	150,000	-	-
Exercise of broker warrants	70,000	210,000	-	-
Private placement	3,450,000	22,500,250	-	-
Private placement flow-through shares	-	-	700,000	1,935,515
Repurchase for cancellation	-	-	(252,000)	(726,083)
Tax effect of flow-through shares/special warrants	-	(608,692)	-	(376,207)
Issued for mineral claim interests	200,000	60,000	400,000	120,000
Balance, end of year	12,901,766	$ 30,398,361	9,131,766	$ 8,086,803

8. SHARE CAPITAL (CONT'D)

b) Issued (Cont'd)

- Year 2003

On November 6, 2003 the Company completed a private placement financing with a syndicate of underwriters. The Company realized gross proceeds of $24,150,000 (net - $22,500,250) on the issuance of 3,450,000 common shares, which included 450,000 underwriter options exercised, all at a price of $7.00 per share. The Company paid a commission of $1,569,750 and incurred fees of $80,000.

During the year the Company issued 50,000 shares upon the exercise of stock options at $3.00 per share. Cash proceeds of $150,000 were received by the Company

During the year the Company issued 70,000 shares upon the exercise of broker warrants at $3.00 per share. Cash proceeds of $210,000 were received by the Company.

During the last quarter ending December 31, 2003, 200,000 shares were issued at a price of $0.30 per share for the 2003 year option payments in accordance with the Afton mineral claim option agreement.

- Year 2002

On July 24, 2002 the Company, by a brokered private placement, issued 700,000 flow through common shares at a price of $3.00 per share with the net proceeds of $1,935,515 credited to the treasury.

During the year, the Company repurchased a total of 252,000 shares for caneellation at a cost of $726,083. The Company is authorized to repurchase up to a total of 440,000 shares. This right expired on February 19, 2003.

During the first quarter ending March 31, 2002, 200,000 shares were issued at a price of $0.30 per share for the 2001 year option payment. On December 1, 2002, 200,000 shares were issued at a price of $0.30 per share for the 2002 year option payment. Both payments were in accordance with the Afton mineral claim option agreement.

c) Stock Options

The Company presently has 840,000 stock options outstanding. These stock options were granted prior to the implementation of the new stock option plan approved by the regulatory authorities in the year 2003. The new plan allows the Company to grant up to a total of 1,000,000 stock options. The existing stock options outstanding do not form part of the new plan and will cease upon being exercised or upon expiry. All future stock options granted must be under the new stock option plan. The term of the stock options granted are fixed by the board of directors and are not to exceed ten years. The exercise prices of the stock options are determined by the board of directors but shall not be less than the closing price of the Company's common shares on the day preceding the day on which the directors grant

8. SHARE CAPITAL (CONT'D)

c) Stock Options (Cont'd)

the stock option, less any discount permitted by the TSX. The stock options vest immediately on the date of grant unless otherwise required by the exchange, however, a four month hold period applies to all shares issued under each stock option, commencing on the date of grant.

Other terms and conditions are as follows: all stock options are non-transferable; no more than 5% of the issued shares may be granted to any one individual in any 12 month period; disinterested shareholder approval must be obtained for (i) any reduction in the exercise price of an outstanding option, if the holder is an insider, (ii) any grant of stock options to insiders, within a 12 month period, exceeding 5% of the Company's issued shares; and stock options will be reclassified in the event of any consolidation, subdivision, conversion or exchange of the Company's common shares.

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Balance, December 31, 2001	518,000		0.00
Granted	100,000	$3.05	
Granted	320,000	$3.00	
Granted	50,000	$3.50	
Expired	(33,000)	$3.00	
Cancelled	(65,000)	$3.00	
Balance, December 31, 2002	890,000	$3.04	1.95
Exercised	(50,000)	$3.00	
Balance, December 31, 2003	840,000	$3.03	0.90

The expiry dates of the options are:

February 1, 2004	295,000	options @ $3.00
September 13, 2004	395,000	options @ $3.00
September 18, 2004	100,000	options @ $3.05
December 5, 2004	50,000	options @ $3.50

On September 18, 2002, 100,000 options @ $3.05 per share were granted for ongoing financial consulting services to a related person of the President. The options expire on September 18, 2004.

d) Underwriter Compensation Options

As at December 31, 2003, there are 345,000 non-assignable compensation options outstanding and exercisable entitling the syndicate of underwriters to purchase 345,000 shares of the Company at an exercise price of $7.50 per share expiring on November 6, 2005. (See Note 8(b))

DRC RESOURCES CORPORATION
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003

9. BROKER WARRANTS

On July 24, 2002 the Company by a private placement, issued 70,000 broker warrants exchangeable on or before July 24, 2003 into common shares at a purchase price of $3.00 per warrant. These warrants were exercised during the year 2003 for cash proceeds of $210,000.

10. RELATED PARTY TRANSACTIONS

	2003	2002
For consulting, administration and exploration costs charged by a private company controlled by the President/Director of the Company	$ 146,375	$ 112,845
For shares issued in payment on "Afton" mineral claim interest option agreement to the President/Director of the Company. 100,000 shares were issued during the year (cumulative total is 800,000 shares to date)	$ 30,000	$ 60,000
For consulting services charged by a related person of the President of the Company	$ 63,875	$ 11,250
For secretarial and administrative services charged by a private company which a director has a 50% interest in addition to a director's fee paid of $1,000	$ 59,362	$ 41,405

11. SUPPLEMENTARY CASH FLOW INFORMATION

The statement of cash flows reflected the new requirement under Section 1540 of the Canadian Institute of Chartered Accountants Handbook.

For the years ended 2003 and 2002, the Company conducted non-cash activities as follows:

	2003	2002
Financing Activities		
Common shares issued for mineral claim interests	$ 60,000	$ 120,000

12. SEGMENTED INFORMATION

The Company's operations consist of two business segments - oil and gas, which is in the Untied States and mineral exploration which is in Canada. The other principal assets which are held in Canada consist primarily of cash, term deposits, and corporate notes.

12. SEGMENTED INFORMATION (CONT'D)

	2003	2002
CANADA		
Current Assets	$ 24,833,006	$ 4,035,551
Mineral Claim Interests	3,487,296	2,293,327
Equipment	28,999	41,535
	28,349,301	6,370,413
U.S.A.		
Current Assets	10,228	11,545
Investment Property	110,867	110,867
	121,095	122,412
TOTAL ASSETS	$ 28,470,396	$ 6,492,825

13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, term deposits, corporate notes, amounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of cash, term deposits, corporate notes, amounts receivable and accounts payable approximate their carrying values due to the relatively short period to maturity of these instruments.

14. COMMITMENTS

The Company entered into an executive services contract with the President of the Company on April 23, 2003 to provide services as chief executive officer of the Company for a five year term on a per diem fee basis at $500 per day during 2003. The per diem fee will be increased annually, by board approval as deemed appropriate for executive services performed.

The Company, under the terms of the option agreement to acquire the "Afton" Mineral Property, is required to issue an additional 400,000 shares in 200,000 share instalments over the next two years and, to perform a work commitment of $6,500,000 over nine years. To date $4,969,993 has been expended.

1,185,000 common shares are reserved for issuance for stock options and underwriter compensation options. (See Notes 8(c) and 8(d))

15. ENVIRONMENTAL RISKS

Existing and possible future environmental legislation, regulations and action could give rise to additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Regulatory requirements and environmental standards are subject to constant evaluation and may be significantly increased, which could materially and adversely affect the business of the Company or its ability to develop its mineral properties on an economic basis. Before production can commence on any property, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals will be obtained on a timely basis or at all. The cost of compliance with changes in government regulations has the potential to reduce the profitability of operations or preclude entirely the economic development of property.

16. SUBSEQUENT EVENTS

a) Subsequent to December 31, 2003, the Company issued 295,000 common shares for cash proceeds of $885,000 upon the exercise of 295,000 stock options at $3.00 per share.

b) See Note 2(c).

17. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITIONS AND RESULTS OF OPERATION AT DECEMBER 31, 2003

DATED APRIL 15, 2004

Management's Discussion and Analysis ("MD&A") of financial condition and results of operation of DRC Resources Corporation ("the Company" or "DRC") for the year ended December 31, 2003 should be read in conjunction with the Company's consolidated financial statements and corresponding notes for the period ending December 31, 2003. The focus of this discussion is on material changes and information relating to the current period and may exclude certain information disclosed in the previous period's discussion.

DRC prepares and files its consolidated financial statements and MD&A in Canadian ("CDN") dollars and in accordance with Canadian generally accepted accounting principles ("GAAP").

Overview
DRC Resources Corporation with head office located in Vancouver, British Columbia, was incorporated in 1980. The Company is a development stage, resource company engaged in the location, acquisition, evaluation, exploration and development of mineral interests. The Company's presently issued 13,236,766 million issued shares are listed on the Toronto Stock Exchange (TSX symbol DRC). The main project of the Company is the Afton Copper-Gold Project, located 10 kilometers west of Kamloops, British Columbia. The Company also owns a mineral interest in Ontario which is being maintained with no further work program presently planned.

The Company's business is managed by directors and executives with professional backgrounds and many years experience in the mining industry, augmented by independent geological and mining professionals (qualified persons) retained to advise the Company on its main project.

In evaluating the Company's financial condition and performance, management looks at DRC's relative position in the context of reporting mineral exploration companies in Canada. In that context, management sees the Company as emerging from junior to advanced exploration stage, in which its decision making capabilities will undergo more rigorous testing as DRC moves toward the development and production stages on its advanced Afton Copper-Gold Project. How effectively the Company meets the new issues and challenges will depend upon some planned staff additions and the management of priorities in conduct of the Afton Copper-Gold Project. Management perceives the advancement of DRC's status as due to selection of highly qualified technical advisors, on-site attention of management to conduct of exploration work, understanding of what constitutes a successful exploration attempt and careful cash management. All of those qualities must continue and be improved to meet the challenges of higher cost activities (underground vs surface exploration). While a generally improved economic climate in the mining industry has greatly assisted in the money raising area, the main risks to achievement of objectives will be increased competition for both expert personnel and contract labour is expected to result in a general increase in costs and, possibly, delay in getting jobs done. Hence, staffing and cost management are expected to be the main challenges to company stewardship in the near term.

Progress and Outlook

During 2003 the Company focused on the exploration of the Afton Copper-Gold Project ("Afton Project"), located near Kamloops, British Columbia. As a mineral exploration company, the future liquidity of DRC will be affected principally by the level of exploration expenditures and by its ability to raise capital through the equity markets. Completion of a $24.15 million financing at the beginning of November, 2003 put the Company in a cash position more than sufficient to fund planned exploration expenditures and meet ongoing obligations as they become due.

The Company is moving forward with its plan to advance the Afton Project through the feasibility stage by carrying out an underground exploration and development program.

In the fourth quarter 2003 Behre Dolbear & Company Ltd. of Vancouver, British Columbia completed an advanced Scoping Study that included an economic evaluation of the Afton Project, Kamloops, B.C in compliance with National Policy 43-101. The study addressed the mineral resource, a number of possible mining methods, mineral processing, and permitting for the Afton Project. The study provided an estimate of capital and operating costs related to the potential development of an underground bulk tonnage mining operation at Afton. The advanced Scoping Study was filed on SEDAR in November, 2003. Subsequent to year end Behre Dolbear & Company updated the advanced Scoping Study to reflect an update of the mineral resource calculations completed near the end of 2003. This study was also filed on SEDAR. The relevant project statistics are outlined below:

Afton Project Statistics			
Mineral Resource	Measured and Indicated[1]	68,700,000 tonnes	1.68% Cu_{Eq}
	Inferred Resource	7,450,000 tonnes	1.61% Cu_{Eq}
Mineral Resource Within the Proposed Mine Plan	Measured and Indicated	46,983,000 tonnes	1.72% Cu_{Eq}
	Inferred Resource	4,543,000 tonnes	1.72% Cu_{Eq}
Total Material to be Mined	All Categories[2]	51,526,000 tonnes	1.72% Cu_{Eq}
Metallurgical Recovery	Copper		90%
	Gold		90%
	Silver		75%
	Palladium		74%
Mining Method			Underground Panel (Block) Caving
Production Rate (Mine & Mill)			9,000 tonnes per day
Mine Life			17.8 years
Average Annual Production	Copper		29,350 tonnes
	Gold		71,000 ounces
	Silver		178,100 ounces
	Palladium		7,700 ounces
Initial Capital Cost[3]			$140,034,000
Working Capital and Initial Inventory			$9,700,000
On-going Capital			$191,351,000
Unit Operating Cost	(at full production)		$9.77/tonne milled
Net Present Value	0%		$418,206,437

	5% 7.5% 10%	$203,578,770 $140,373,936 $94,306,153
Internal Rate of Return	(pre-tax) (after tax)	26.68% 19.94%
Payback Period		3.7 years
Notes: 1 2 3	Afton Main Zone Only (@ 0.7% Cu $_{Eq}$ cut-off grade) See Note on Page 17, Section 3.0 Currency used throughout is $Canadian	

A Mineral Resource Study completed by Behre Dolbear established the Afton Project as a large high-grade copper-gold mineral deposit with potential of developing additional tonnage through further exploration. The study estimates significant tonnage and grade for the Afton Project using cutoff grades ranging from 0.1% to 4.0% Copper Equivalent. This Mineral Resource Study was incorporated in the Afton Advanced Scoping Study.

Afton Main Zone

Measured, indicated and inferred resources were calculated using a geological block model with 10 x 10 x 10 meter blocks and ordinary kriging. A resource summary is presented below for the Afton Main Zone at a cut off grade of 0.7% Cu $_{Eq}$.

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

The copper and gold equivalents are based on the following metal price assumptions:

Metal	Price (US$)	Recovery
Copper	$0.85/lb.	90%
Gold	$375/oz.	90%
Silver	$5.25/oz.	75%
Palladium	$200/oz.	74%

The Afton mineral resource estimates, based on 2000-2003 diamond drill results from 90 drill holes totaling 42,450 metres, were calculated by Mr. Gary Giroux, P. Eng., and incorporated into the Advanced Scoping Study under the direction of Mr. James A.

Currie, P. Eng.. Both Mr. Giroux and Mr. Currie are independent Qualified Persons as defined under the National Instrument 43-101. All drill hole samples were prepared under the supervision of DRC personnel and shipped to Eco Tech Laboratories Ltd., a British Columbia Certified Assayer, for analysis. DRC employs a comprehensive QA/QC program including the use of standards and internal and external check samples. Behre Dolbear has reviewed the QA/QC program and is of the opinion that it meets or exceeds industry standards. Industry-accepted methods were used for grade estimation using ordinary kriging (a method of determining a weighted average in such a way that the geostatistical estimation variance of the weighted average is minimized). The assays were composited into 10 metre down-hole composites. Reasonableness of grade interpolation was reviewed by visual inspection of sections displaying bloek model grades, drill-hole composites and geology with good agreement being observed. In accordance with National Instrument 43-101, both the updated Mineral Resource Study and the updated advanced Scoping Study were filed on SEDAR.

The resources developed by DRC Resources are not reserves and, until such time as resources are proven to be reserves, there is a risk that the Company may not achieve ongoing operations from which it may derive significant income

The Company has held and is continuing discussions with senior members of the mining and minerals processing industries with the objective of moving the Afton Project through the feasibility stage. The Company has signed confidentiality agreements with a number of mining companies and financial institutions.

On March 22, 2003, Mr. Michael W.P. Hibbitts joined the executive team as a senior officer, Vice President of Exploration & Development for the Afton Copper-Gold Project. He will be responsible for managing the design, implementation and supervision of the underground exploration program to advance the Afton Project through the feasibility stage.

Mr. Hibbitts is a Professional Geoscientist with over 25 years of mining and exploration experience, including six years with Northgate Exploration Ltd. where he was instrumental in the development of British Columbia's Kemess Mine from the initial stages to production at 53,000 tonnes per day. He gained extensive surface and underground mining experience through other key positions with major mining companies, including Noranda Mines and Sherritt Gordon Mines where he supervised feasibility studies and developed mines for production. He is the co-recipient of the 2002 E.A. Scholz Award for Excellence in Mine Development, presented by BC and Yukon Chamber of Mines, for his work on the Kemess Mine Project.

To assist Mr. Hibbitts in this final stage of exploration, the Company has retained SRK Consulting (Steffen Robertson and Kirsten) to provide engineering services for the final design of the underground exploration decline and subsequent development drilling for the feasibility study. The Company will be tendering the underground development work to mining contractors upon completion of the SRK engineering design.

Selected Annual Information

The selected financial data appearing below for the fiscal years ending December 31, 2003, 2002, and 2001 are set forth in Canadian dollars and extracted from the audited Consolidated Financial Statements (filed on SEDAR).

DRC's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) that apply in Canada. The selected financial data appearing in the first table below is presented in accordance with Canadian GAAP.

The following selected financial data should be read in conjunction with, and is qualified in its entirety by reference to DRC Resources' audited Consolidated Financial Statements.

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Net Operating Revenue	108,482	114,260	255,155
Net Income (Loss)	(1,218,371)	(185,907)	(114,809)
Income (Loss) per Share	(0.13)	(0.02)	(0.02)
Total Assets	24,470,396	6,492,825	5,899,183
Net Assets	27,427,076	6,333,889	5,566,571
Deferred Income Taxes	875,935	113,767	296,410
Cash Dividends per share	Nil	Nil	Nil
Deficit	(2,971,285)	(1,752,914)	(1,567,007)
Capital Stock	30,398,361	8,086,803	7,133,578
Weighted Average Number of Shares	9,746,722	8,704,716	7,792,620

During the fourth quarter of 2003, DRC completed an equity financing of $24.15 million by the issuance of 3,450,000 common shares of the Company at $7.00. With approximately $25 million in cash assets, DRC currently has sufficient funds to meet its obligations and to carry out its exploration plans for at least the next 24 months. There is no assurance that DRC will in the future be able to obtain all the financing it requires on acceptable terms and conditions, or at all. The only sources of future funds presently available to DRC are the sale of equity capital, or the offering of an interest in its properties to be earned by another person or firm carrying out further exploration or development of the properties.

Operating Results

During 2003 the main focus of the Company has been the exploration of the Afton Project in Kamloops, B.C. as described in the Progress and Outlook section above. DRC's exploration program in 2003 was also designed to test several other areas of the Afton Project property by geophysical, geochemical and electro-magnetic surveys, followed up with diamond drilling where indicated. The exploration program is being paid for out of working capital.

The advanced Scoping Study on the Afton Main Mineral Zone prepared by Behre Dolbear and Company Ltd., is based on a Mineral Resource (all categories) of 76 million tonnes and indicates that panel cave mining and conventional flotation technology are viable methods of application for mining and processing of a 51.5 Million Tonne Mineral Resource. The Study indicates an estimated life of mine cash operating cost of US$0.15 per pound of copper and a total operating cost of less than US$0.40 per pound of copper, both costs being net of precious metal credits. A copper price of US$0.85/lb was used in the economic calculation for this study. Persistence of the current robust metals market, in which copper prices have exceeded US$1.20 per pound, would enhance the economic potential of the Afton Project. The Company is procceding directly to the feasibility stage and is reviewing the final design of the underground workings with engineers and mining contractors to implement Behre Dolbear's recommendation.

Including accruals for the cost of an economic evaluation by the Company's mine engineering consultants, Behre Dolbear & Company Ltd. and additional metallurgical test work and geophysical surveys all carried out in the period June to November 2003, to date approximately $5 million has been expended on the Afton Project exploration program.

Behre Dolbear's Advanced Scoping Study, estimated the costs to take the Afton Project to feasibility study and through permitting over a period of 18 months will involve the following work:

Item	Cost
Underground Development	$13,626,000
Definition Drilling from Underground	1,862,000
Metallurgical Testing	250,000
Environmental/Permitting	610,000
Technical Studies	250,000
Feasibility Study	750,000
DRC Supplied Personnel	400,000
Total	$ 17,748,000

This program will be funded by a $24 million financing completed in November 2003. The Company feels that the costs may be modified and adjusted downward to reflect the exact method of underground development implemented.

Note: Certain technical reports outlining the above have been filed on SEDAR. A direct link to SEDAR may be found on the Company's website: www.drcresources.com.

Summary of Quarterly Information

The selected financial data appearing below for the last completed 8 quarterly periods beginning March 31, 2002 and ending December 31, 2003 are set forth in Canadian dollars and extracted from the audited and interim Consolidated Financial Statements (filed on SEDAR).

DRC's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) that apply in Canada. The selected financial data appearing in the first table below is presented in accordance with Canadian GAAP.

The following selected financial data should be read in conjunction with, and is qualified in its entirety by reference to DRC's audited and interim Consolidated Financial Statements.

The Afton Copper-Gold Project exploration programs are the only significant expenditures in progress. All exploration has been funded by external financing through issue of securities of DRC. The Company has no current ongoing mining operations and no significant income.

Some economies achieved by DRC in the conduct of its exploration program were in part attributable to a persistent downturn in British Columbia's mineral exploration sector that resulted in diamond drilling units and other exploration facilities being available at favourable rates.

Foreign currency fluctuations had a very limited negative effect on DRC other income and expenses. The impact of a rising Canadian dollar (or devaluing US dollar) could have significant effect on concentrate product sales in the future, since all such sales are conducted in US currency, while costs are incurred in Canadian dollars. Decrease in interest income is primarily due to lower interest rates earned on working capital. Foreign exchange gains and losses result primarily from the translation of US dollar denominated monetary assets to Canadian dollars.

For purposes of illustrating management explanation and discussion of the Company's financial condition and results of operations, please refer to the following table of selected financial information that appears in more detail in the financial statements that accompany this application.

Quarter Ending	Dec 31 2003	Sept 30 2003	Jun 30 2003	Mar 31 2003	Dec 31 2002	Sept 30 2002	Jun 30 2002	Mar 31 2002
Net Operating Revenue (Loss)	38,893	21,613	(8,747)	(4,615)	26,306	30,085	3,400	33,438
(Loss) Before Taxes	(99,528)	(70,410)	(141,907)	(103,856)	(170,387)	(51,973)	(85,283)	(60,908)
(Loss) per Share	(0.01)	(0.01)	(0.02)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)
Net Income(Loss)	(809,697)	(105,943)	(182,930)	(119,800)	(100,616)	(62,734)	25,623	(48,180)
(Loss) per Share	(0.08)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)

Liquidity & Capital Resources

Working Capital at Year-end DRC Resources had working capital of $24,700,000, $4,000,000 and $5,800,000 and no debt at December 31st in, respectively, the years 2003, 2002 and 2001. Net equity financings of $4,904,120 in 2000, $1,935,515 in 2002 and $22,500,250 in 2003 were the principal sources of working capital.

During 2003 interest income, a small oil and gas royalty and foreign exchange gains provided for approximately 34.98% of the Company's administrative costs. In 2002 and 2001 interest, royalty income and a foreign exchange gains provided for, respectively, approximately 24.52% and 87.82% of the Company's administrative costs.

In 2000 DRC Resources' working capital increased significantly due to funding provided by a $5 million Special Warrants Private Placement Offering, which put the Company in a position to make a commitment to a large exploration program on its Afton Copper-Gold Project. In 2002 a $2.1 million private placement of flow-through shares was added to exploration funding and in 2003 a $24.5 million private place of common shares significantly increased the working capital.

Interest income on its working capital combined with a favourable exploration cost experience on the Afton Copper-Gold Project leave DRC with working capital adequate to meet its administrative costs and property maintenance programs through the year 2003. DRC's working capital is sufficient to meet all its present requirements as an exploration company. In order to be in a position to move to the development stage of its Afton Copper-Gold Project, DRC realized that it would be expected to raise as much as 10% of the expected capital requirement of about $140 million, in order to attract an institutional lender or mine financing partner, such as a smelter, to the project. The $24.1 million financing in November 2003 achieved this objective, with the result that the Company is now engaged in discussions concerning project financing, project participation and concentrate sales arrangements with a number of mining companies, international smelters and financial institutions that have expressed an interest in the Afton Copper-Gold Project.

Contractual Obligation for Acquisition of the Afton Copper-Gold Property

By Option to Purchase Agreement ("the Option") dated September 22, 1999 DRC Resources acquired the exclusive right for 90 days to purchase a 100% undivided working interest in the Afton 1 – 11, incl. mineral claims, Record Nos. 372023 – 372026 incl. and 372641 – 372647 incl. (the "Original Claims") as to 50% from Westridge Enterprises Ltd., a non-reporting British Columbia company wholly owned by John H. Kruzick, a director, the President and CEO of the Company, and as to 50% from Indo-Gold Development Ltd., a non-reporting British Columbia company owned by John Ball, a geologist. The Option provided for consideration to be a 10% Net Profit Royalty to and a property management agreement with the optionors, with exercise to be by carrying out exploration work and paying Common Shares of DRC Resources as follows:

Due Date[(1)]	***Option Payment***	**Status**	**Exploration ($)**	**Status**
On regulatory approval	1,000,000 Shares	Paid		
Year 1 (2000)	-		400,000	Performed
Year 2 (2001)	200,000 Shares	Paid	600,000	Performed
Year 3 (2002)	200,000 Shares	Paid	1,000,000	Performed
Year 4 (2003)	200,000 Shares	Paid	1,000,000	Performed
Year 5 (2004)	200,000 Shares		1,000,000	
Year 6 (2005)	200,000 Shares		1,000,000	
Year 7 (2006)			500,000	
Year 8 (2007)			500,000	
Year 9 (2008)			500,000	
TOTALS	2,000,000 Shares		6,500,000	

Note: (1) The initial option payment was due and paid following acceptance of the filing of the Formal Option by the then governing regulatory body, the Canadian Venture Exchange. Subsequent option payments are due to be paid in full on or before the anniversary of the Due Date on November 10th in all future years unless otherwise agreed upon by both parties.

Other than relatively nominal property maintenance costs on projects does not have any other commitments for material expenditures in either the near or long term.

The Company's source of liquidity is its cash and cash equivalents. However, this is supplemented by interest earned and these sources of cash are considered sufficient to meet near-term financial requirements.

Off-Balance Sheet Arrangements

The Company has concluded service contracts with two persons who are directors and/or members of administrative, supervisory or management bodies.

Since founding DRC Resources, John H. Kruzick has provided the Company's direction and management as a consultant through a private company, Westridge Enterprises Ltd., controlled by him and paid on a per diem services basis with reimbursed for out-of-pocket expenses. By Services Agreement made and approved April 23, 2003 by the Board of Directors, John H. Kruzick's engagement as President and Chief Executive Officer was formalized on a retainer basis on the following terms and conditions:

- Term: Five years commencing April 2003 through March 2007.
- Cash compensation: He was paid a base retainer fee $500 per day served during year 2003 (beginning in April, 2003). The base retainer fee is to be increased annually as deemed appropriate for services performed subject to approval by a majority of the board of directors.
- Director's Fees: As member of the Board of Directors he is to be entitled to any approved directors' fees.
- Retainer during Illness: He will be paid the per diem fee on the basis of 20 days per month for up to six months from the date when any illness renders him unable to fulfill his duties.
- Benefits During Illness: he will receive benefits other than contract fees for up to 2 years after any illness renders him unable to fulfill his duties.
- Stock Options: He may be granted options to purchase its stock in accordance with DRC Resources' Stock Option Plan.
- Expenses: He will be reimbursed all reasonable out-of-pocket expenses incurred by him in carrying out his duties.
- Termination: The Board of Directors may terminate Kruzick's employment at any time, with or without cause.
- Termination by Company Without Cause: If his services are terminated without cause, Mr. Kruzick will receive accrued service fees and a lump sum payment equal to the average monthly fee paid for the previous year times the number years he has been with the Company.
- Termination Without Cause by Kruzick: If Mr. Kruzick terminates his employment without cause prior to the expiration of the Agreement, he will be paid all accrued, but unpaid fees and expenses.
- Termination With Cause by DRC Resources: If Mr. Kruzick's employment is terminated by DRC Resources for cause, other than moral turpitude or dishonesty on

Kruzick's part, prior to the expiration of this Agreement, he will be paid a lump sum severance payment equal to the compensation of one month of service fees for each year of past contract services rendered (based on the average monthly fee paid for the previous year), together with any accrued, but unpaid expenses

- Reporting: Mr. Kruzick is to be a permanent member and chairman of the Executive Committee, report to the Board of Directors at regular quarterly Board meetings and at the annual general meeting of DRC Resources and otherwise be acconntable to the Board of Directors.

Since May 12, 1981, Sharon L. Ross has provided the Company with secretarial and office administrative services as a consultant through a private company, Allshare Holdings Ltd., controlled by her and paid on a per diem services basis with reimbursed for out-of-pocket expenses. By Services Agreement made and approved April 23, 2003 by the Board of Directors, Sharon L. Ross' engagement as Corporate Secretary to perform the duties customary to that position was formalized on the following terms and conditions:

- Term: Five years commencing April 2003 through March 2007.
- Cash compensation: She was paid a base fee of $35 per hour served during year 2003 (beginning in April, 2003), The base fee is to be increased annually as deemed appropriate for services performed subject to approval by a majority of the board of directors.
- Director's Fees: As member of the Board of Directors she is to be entitled to any approved directors' fees.
- Retainer during Illness: Mrs. Ross will be paid the per diem fee on the basis of 128 hours per month for up to six months from the date when any illness renders her unable to fulfill her duties.
- Benefits During Illness: She will receive benefits other than contract fees for up to 2 years after any illness renders her unable to fulfill her duties.
- Stock Options: She may be granted options to purchase its stock in accordance with DRC's Stock Option Plan.
- Expenses: She will be reimbursed all reasonable out-of-pocket expenses incurred by her in carrying out her duties.
- Termination: the Board of Directors may terminate Mrs. Ross' engagement at any time, with or without cause.
- Termination by Company Without Cause: If her services are terminated without cause, Mrs. Ross will receive accrued service fees and a lump sum payment equal to the average monthly fee paid for the previous year times the number years she has been with the Company.
- Termination Without Cause by Ross: If Mrs. Ross terminates her engagement without cause prior to the expiration of the Agreement, she will be paid all accrued, but unpaid fees and expenses.
- Termination With Cause by DRC Resources: If Mrs. Ross' engagement is terminated by DRC Resources for cause, other than moral turpitude or dishonesty on her part, prior to the expiration of the Agreement, she will be paid a lump sum severance

payment equal to the compensation of one month of service fees for each year of past contract services rendered (based on the average monthly fee paid for the previous year), together with any accrued, but unpaid expenses

- Function and Reporting: Mrs. Ross reports to the President, is to be a member and act as secretary of the Executive Committee of the Board of Directors, is to consult with the Executive Committee, as required, in respect of extraordinary matters arising in the course of day-to-day business and be accountable to the Board of Directors.

Related Party Transactions

During the year ending December 31, 2003, the Company paid $59,362 compared to $41,405 in the same period of 2002, for secretarial and accounting services invoiced by Allshare Holdings Ltd., a private company in which a director has a 50% interest. During the year December 31, 2003 the Company paid $146,375 compared to $112,845 in the same period of 2002 for consulting and deferred exploration costs invoiced by Westridge Enterprises Ltd., a private company owned by a director of the Company. A related person of the President was paid $63,875 for consulting services during the year ending December 31, 2003.

Fourth Quarter

In November 2003, DRC Resources arranged a private placement of $24 million to provide its base requirement of equity financing through issue of 3.45 million shares of the Company at $7.00 per share.

The $4,700,000 Exploration Program recommended by J.J. McDougall & Associates in their January 24th, 2001 2000 Diamond Drill Exploration Report on the Afton Mine Project was completed in the fourth quarter of 2003. The following is a breakdown of budgeted and actual expenditures.

Exploration	Budget Amount for Entire Program	Total Expended to End of 4th Quarter 2003	Budget Remainder (Overage)
Diamond Drilling	2,500,000	2,964,997	(464,997)
Assaying	200,000	210,626	(10,626)
Accommodation and Meals	100,000	106,339	(6,339)
Technical personnel*	500,000	1,153,375	(653,675)
Support personnel salaries	100,000	139,315	(39,315)
Vehicles and fuel	50,000	49,319	681
Metallurgical testing	50,000	42,786	7,895

Pre-Feasibility study costs	700,000	241,190	466,705
Contingencies	500,000	106,909	393,091
Totals	**$4,700,000**	**$4,965,537**	**$ (265, 537)**

- Fees for consulting engineers, geologists and all other technical personnel are including under this heading

Project costs during the fourth quarter were higher than pervious periods due to the excavation and for an underground decline and construction of the portal facility. The decline will provide underground access for the 25,000 metre (80,00ft) definition diamond drill program, bulk sampling and technical studies related to the completion of a feasibility study on the Afton Copper-Gold Project.

A total of 11 diamond drill holes completed on the Pothook mineral zone intersected shallow porphyry gold mineralization and the construction of a decline and portal facility for the underground exploration project at Afton were not included in the initial budget of $4,700,000 set out in 2001. Approximately 29,000 metres(95,000 ft) of additional diamond drilling was completed for the budget amount.

Risks

Mineral exploration is a high risk business and there is no assurance that economic mineral deposits will be found on any of DRC's mineral interests. Positive surface indications and drill results are no guarantee that an economic mineral deposit exists at depth. Fluctuating mineral commodity prices and exchange rates may adversely affect the economics of a mineral deposit. Financial markets can sometimes be negative toward junior exploration companies.

Capital

The information below relating the capital structure of the company is at April 15, 2004.

Authorized share capital: 40,000,000 common shares without par value

Issued and outstanding: 13,236,766 common shares without par value

Incentive Stock Options Outstanding

Number of Options	Exercise Price	Expiry Date
395,000	$3.00	September 13, 2004
60,000	$3.05	September 18, 2004
50,000	$3.50	December 5, 2004
345,000 (Broker's Compensation Options)	$7.50	November 6, 2005

Additional Information

Additional information on the Company may be found on SEDAR at www.sedar.com or the Company's website at www.drcresources.com .

Disclaimer

The information contained herein is prepared by the company and believed to be accurate but has not been independently audited or verified and is provided for informational purposes. This information is not to be construed as an offer nor as a recommendation to buy or sell securities. DRC Resources Corporation, its officers and directors assume no responsibility for use of this information in any way whatsoever and do not guarantee its accuracy.

Cautionary Note

It should be noted that some of the statements contained in this presentation are not historical facts but may be forward-looking statements. Estimates and statements that describe the Company's future plans, objectives or goals are examples of forward-looking statements and such statements may include words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statement address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements by reason of factors such as the productivity of the Company's mining properties, changes in general economic conditions and conditions in the financial markets, changes in demand and prices for the minerals, legislative, environmental and other regulatory, political and competitive developments in areas in which the Company operates.

US Investors Should Note: *The United States Securities and Exchange Commission permits mining companies, in their filings with the SEC to disclose only those mineral deposits that a company can economically and legally extract or produce. We may use certain terms in our publications such as "resources", that are prescribed by Canadian regulatory policy and guidelines but are not provided for in the SEC guidelines on publications and filings.*

Corporate Information

HEAD OFFICE

Suite #601-595 Howe Street
Vancouver, B.C., V6C 2T5
Telephone: (604) 687-1629
Facsimile: (604) 687-2845
E-mail:drcresources@uniserve.com
Website www.drcresources.com

DIRECTORS AND OFFICERS

John H. Kruzick, B.Sc. - President/CEO /Director
Sharon L. Ross - Secretary/ Director
C. Robert Edington - Director
Mike Muzylowski, B.Sc. - Director
Thomas O'Toole Taylor - Director
Craig D. Thomas, LLB - Director
Ian M. Beardmore, CA - Chief Financial Officer
Bruno J. Mosimann –Vice President of Finance & Development
Maurice Lee, BBA – Vice President of Business Development.
Michael WP Hibbitts, P.Geo. – Viee President of Exploration & Development

STOCK INFORMATION

Toronto Stock Exchange (TSX) - DRC
CUSIP NO. 233296 10 2
U.S. Rule 12g3-2(b) Exemption #82-713
Standard & Poor's Manual Exemption
SEDAR Profile Number 00004818

SHARE CAPITALIZATION

Authorized:	40,000,000 common
Issued:	13,236,766 common

PROPERTIES

British Columbia (Afton & Ajax-Python) Copper-Gold Properties
Ontario (Timmins) – Polymetallic Property
Texas – Oil Production

AUDITORS

Beauchamp & Company, Vancouver, B.C.

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company, Vancouver, B.C. & Toronto, Ontario

BANK

HSBC Bank Canada, Main Branch, Vancouver, B.C.
RBC Dominion Securities Inc., Main Branch, Vancouver, B.C.

SUBSIDIARY COMPANY (U.S.A.)

Dynamic Resources Corporation, Inc.
#601-595 Howe Street,Vancouver, B.C.

ADVISORY BOARD

Douglas A. Knight, BASc
James Douglas Little, P.Eng

CONSULTANTING ENGINEERS

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

DRC RESOURCES CORPORATION

595 Howe Street, Suite 601
Vancouver, British Columbia
Canada, V6C 2T5
Phone: (604) 687-1629 Fax: (604) 687-2845
Email: drcresources@uniserve.com
Website: drcresources.com

Printed in Canada