676899
Afton Mine

eResearch

Analyst: **Chris Rockingham, M.Sc., P. Geo.**

March 4, 2003

Recommendation
Speculative Buy
Target Price
$7.50
Risk
High
Ave. Monthly Trading Vol.
149,767

Quick Facts

Recent Price	$4.90
Symbol	DRC:TSX
Shares O/S	9.1 million
52 Wk. Range	$5.78-$3.65
Fiscal Year End	Dec. 31

	EPS	CFPS
2000	n.a.	n.a.
2001	n.a.	n.a.
2002e	n.a.	n.a.
2003e	n.a.	n.a.

STRENGTHS

- **Afton Copper Gold project is located in a mining friendly environment with very little permitting risk**
- **Project provides exposure to copper, gold and a basket of other precious metals**

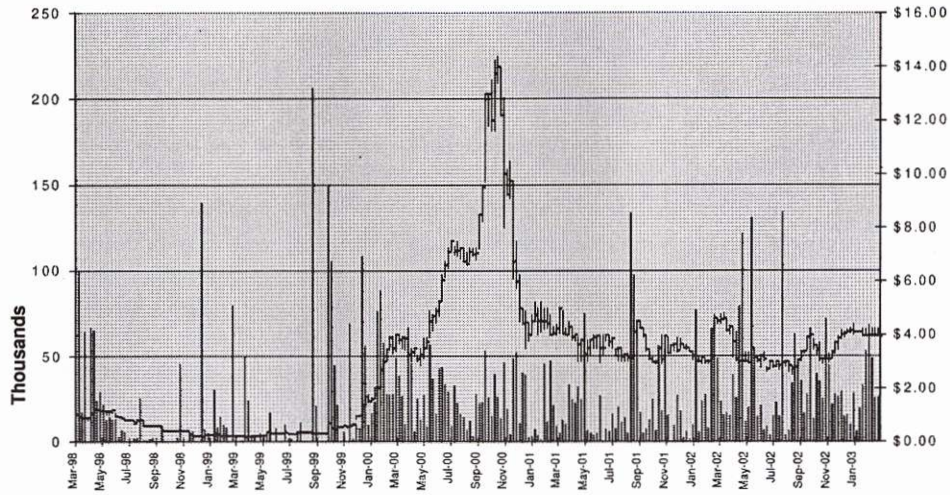
RISKS

- **Inherent risks of investing in a mineral exploration company with only "Indicated and Inferred Resources" rather than "Proven Reserves"**

CONCLUSION

- **Excellent near term exploration and development play with 60 % exposure to copper and 40 % exposure to precious metals**

DRC Resources Corporation



Data Source: www.wallstreetcity.com

DRC Resources Corporation is a junior exploration and development company with a single project focus on a potentially substantial copper/gold project located in south central British Columbia.

SUMMARY AND RECOMMENDATION

We are recommending DRC Resources Corporation as a Speculative Buy to investors who are seeking exposure to copper and precious metals, primarily gold. The Company's Afton Main Zone is an exploration and development project below and beyond the former Afton open pit. With an Indicated Mineral Resource of 34.3 million tonnes (37.7 million tons) grading 1.55% copper, 1.14 grams gold, 0.125 grams palladium, and 3.42 grams silver that is open along strike and to depth, there is still room to increase the overall resources size. Located beside the Trans Canada highway, near Kamloops, south central British Columbia, this project within the foot print of the past producing copper gold mine, is likely to be granted operating licences without a protracted permitting process and could achieve production in the near term. The main issue for the Company in the immediate future will be the completion of the Pre-Feasibility Study to address the mining method, mining rate, mineral processing options and permitting issues, as well as capital and operating costs.

DRC Resources Corporation is a publicly traded exploration company, located in Vancouver, British Columbia and recently listed on the TSX exchange. Founded in 1980 the Company has focussed on highly active exploration areas where management has judged the potential for discovery of new deposits to be quite high. Based on the Company's activity in the Kamloops area DRC was made aware of the opportunity to acquire mineral rights to the past producing Afton Copper Gold mine and the previously known mineralized zone. Since the acquisition of this project, it has become the Company's main focus.

Under the terms of the Option Purchase agreement the Company must spend $6.5 million dollars on exploration by 2009, place the mine in production at a minimum rate of 500 tons per day, subject to a 10% Net Profits Royalty, after recovery of all costs, and issue two million shares. To date the Company is in compliance with all of these requirements.

The Company is currently well funded with $4.0 million dollars of working capital. This money has been raised in the last two years through share and warrant issues at prices between $3.00 and $4.00. These funds are adequate for completion of the Pre-Feasibility Study and the exploration programs for the coming year.

We are recommending the shares a Speculative Buy with a 12-month target of $7.50.

THE COMPANY

The Company was incorporated in 1980, and has been exclusively involved in the acquisition and exploration of mineral resource properties in Canada, except for a period between 1997 and mid 1999. At that time, like many other junior exploration companies, DRC was unable to attract any significant amount of venture capital for mineral exploration, and it tried to diversify into other ventures. The Company allowed several of its non-core properties to lapse, and its then key property holding, the Python claim group in the Kamloops district, was option / joint ventured to a third party. This option has subsequently lapsed and the Company retains 100% of the Python claims.

In September 1999 metal prices, gold in particular, recovered somewhat and investor interest returned to the exploration sector with the collapse of the dot.com speculations. At that time DRC was made aware of the Afton opportunity, through its president John Kruzick, who along with a partner had staked the property when the former operator had allowed the mining leases to lapse. Since that time the Company has devoted almost all of its energy and resources to advancing the property.

PROJECTS

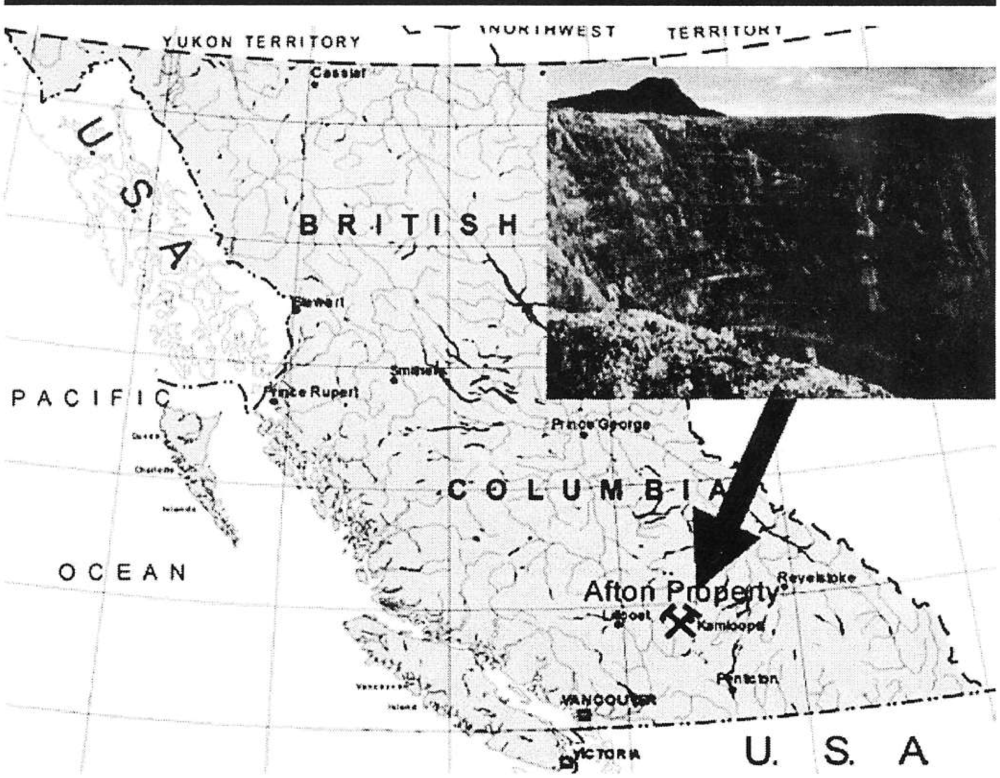
Afton Mine Property

The property is located 350 kilometres north east of Vancouver and 10 kilometres west of Kamloops British Columbia (Figure 1). The Trans Canada Highway passes through the middle of the property and power, water and road infrastructure are in place. The Afton Mine Property (3,150 hectares) covers the past producing Afton mine that operated between 1978 and 1987, producing 24 million tons with an overall grade of approximately 1% copper with by-product gold and silver. Afton Mines retains all environmental liabilities pertaining to their operations and DRC will be responsible for any disturbances created by their activity. In general the mining activity is relatively benign, as the low pyrite and high carbonate content results in alkaline waters rather than the more common acidic mine waters that create longer term environmental liabilities.

The Company may earn a 100% interest in the property, subject to a 10% Net Profits Interest (after recovery of all costs and subject to a buyout provision), by placing the property into production at a rate of 500 tons per day by 2009, issuing two million shares and incurring expenditures of $6.5 million dollars over this same time period. So far the Company is in compliance with these terms and is not likely to default in this respect.

Geologically the Afton mine is located at the northern end of the late Triassic to early Jurassic Iron Mask Batholith (200 Million years old), that is known to host at least twelve other mineralized zones or mined deposits. The original Afton deposit was interpreted to be a typical alkali (sodium and potassium rich) intrusive related copper gold porphyry system (a low grade disseminated copper deposit) similar to many others in south central British Columbia, such as Ingerbelle and Mt. Polley. These are distinguished from more copper rich porphyry deposits such as the nearby Highland Valley deposit. Between 1977 and 1988 Afton Mines Limited mined and milled 27 million tons of ore producing in excess of 450,000 ounces of gold and 450 million pounds of copper from the two open pits on the property (Afton and Pothook). Over the life of the mine several holes were drilled into what is now the main focus of DRC's work. Five holes in 1980 tested the copper gold zone beneath the pit floor and on the basis of these holes and two drilled in 1973 a mineral resource of 6.5 million tons of 1.55% copper, 0.047 ounces gold and 0.20 ounces silver was indicated. It was further noted that the zone was open at depth. Although it is uncertain as to why Afton did not continue exploration, one may speculate that a combination of low metal prices, the presumed small size of the deposit indicated at that time, its depth and other corporate priorities dissuaded Afton from further work. In any event the mining leases were allowed to lapse and DRC acquired the property.

Figure 1. Property Location Map



Source: Company reports

DRC's work suggests that their deposit is not a typical porphyry system but rather it is related to a magmatic origin. The consequence of this is that size of the deposit may be more related to the size of the magmatic body, suggesting potential for a large mineralized zone. A more direct magmatic origin than the previously interpreted copper gold porphyry model also suggests the possibility of a significant Platinum Group

The Main zone is 70 metres wide, 600 metres long and about 775 metres deep

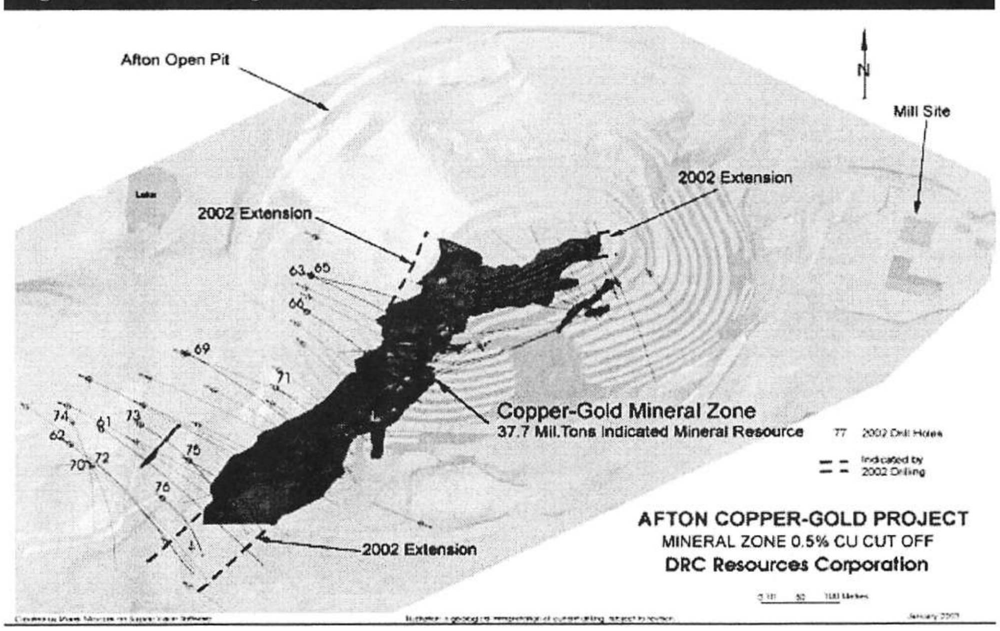
Metal component. As currently defined by the 2002 drilling, the mineralized body (Figure 2) has been traced for over a 1000 metre strike length, with widths up to 150 metres in the southwest, and is open along strike both to the north east and south west. It is currently known to a depth of 775 metres. Within this the Main zone is 70 metres wide, 600 metres long and about 775 metres deep. A second zone, the Northeast extension, about 30 metres wide is presumed to be an extension of the Main zone. Based on drill results, up to the end of the 2001 drilling campaign, an Indicated Mineral Resources as listed below has been calculated.

Zone (Resource)	Million Tonnes (Tons)	% Copper	Au g/t (oz/t)	Pd g/t (oz/t)	Ag g/t (oz/t)
Main Indicated	34.3 (37.7)	1.55	1.14 (0.0366)	0.125 (0.004)	3.42 (0.11)
Northeast Indicated	1.1 (1.2)	1.02	0.86 (0.027)	0.1 (0.003)	5.49 (0.17)
Main Inferred	4.4 (4.8)				

2002 drilling results should increase the mineral resource

A revised mineral resource estimate including data from the 2002 drilling is ongoing and is expected within the next month or so. By reference to the diamond drill plan posted on the company web site it is expected that there will be an increase in the overall resource and that the mineral zone is still open for further exploration.

Figure 2. 2002 Drilling Extends Afton-Copper Gold Zone



Source: Company reports

At this point the reader should bear in mind that an "Indicated Mineral Resource" is a resource calculation (more of an estimate than a precise calculation) for which the information is sufficient to allow the quantity, grade and shape of the mineral deposit to be estimated with sufficient confidence to allow mine planning for the purposes of preliminary economic evaluation. In this context, this would be in contrast to an "Inferred Resource" in which there is insufficient information to allow these parameters to be determined. At the other end of the spectrum would be "Proven and Probable

Reserves". The difference for these categories would be a much higher degree of certainty and a much more rigorous economic analysis, to the point that the deposit has been judged to be continuous enough and of sufficient recoverable grade to be economically minable.

The categorization of a mineral deposit as having an "Indicated Mineral Resource" is no assurance that the deposit will withstand the more rigorous evaluation required for the deposit to be classified as a "Reserve". This is one of the inherent risks in investing in a company with "Resource" level assets. Notwithstanding, based on the information available, the Main Zone will more than likely stand up, as far as the overall grade and tonnage are concerned, to the more detailed examination required at the Feasibility Study stage. Whether or not the economic parameters withstand the more rigorous valuation may be more a function of global metal prices and the operating costs projected.

After the overall grade of a mineral deposit, the second most important feature is arguably the metallurgy, the ability to recover the minerals into a saleable product. In this respect the preliminary work is very positive. Recoveries of approximately 90% for copper, gold and silver and 76% for palladium are still subject to more detailed testing but at this stage of development this is a very positive indication. Preliminary floatation testing has indicated that high quality copper concentrate can be produced. The high grade is largely a function of the mineralogy of the deposit, namely chalcopyrite, bornite, chalcocite and native copper, all high copper minerals. This is in contrast to most of the world's copper sulphide mines where chalcopyrite (the lowest copper content of the above mentioned minerals) is the dominant or only copper sulphide mineral. This and the high precious metal content of the concentrate will be a distinct advantage in selling to the smelters.

Attractive copper-gold concentrate, with other precious metals for smelters

Preliminary economic analysis has been undertaken in the form of a Scoping Study by the well known engineering company Behre Dolbear and Company Ltd. Bearing in mind that a Scoping Study is subject to considerable uncertainty, usually expressed as plus or minus 30%, and that certain critical assumptions may not stand up to more detailed information, a Scoping Study should be used as an indication of what might be achieved and how this can be realized. As in the case of the transformation from an Indicated Mineral Resource to a Proven or Probable Reserve this is one of the inherent risks of investing in mineral exploration companies with only Indicated and Inferred Mineral Resources. Again notwithstanding these cautionary notes, which are much more than lawyers' "weasel words" but true limitations to the study, Behre Dolbear has concluded the following, based on the mineral resource at the time being transformed into a Proven Reserve.

At this stage of development this is extremely encouraging and the recently announced Pre-Feasibility study will go a long way towards identifying the critical success factors and areas for focus prior to a full Feasibility Study.

On the permitting side, it is expected that this will be relatively straight forward, or as straight forward as environmental permitting ever gets. The site is clearly a "disturbed site" and as such renewed mining activity is not likely to raise any show stopping concerns. The existing tailings dam is reported to have room for expansion and the waste rock that has been mined to date has been demonstrated to be acid consuming rather than acid generating.

Favourable economic possibilities and low environmental concerns suggest a potentially short lead time to production

"Ore Reserve"	25 million tons	2.0% Cu, 0.045 opt Au	0.20 opt Ag, 0.004 opt Palladium
Mining Method	Block Caving		
Mining Rate	4,500 tons/day		
Milling Rate	4,500 tons/day	365 days per year	90% availability
Recoveries	Copper	87%	
	Gold	90%	
	Silver	75%	
	Palladium	74%	
Life of Mine Prices	Copper	US$0.85/lb.	
	Gold	US$280/oz.	
	Silver	US$5.00/oz.	
	Palladium	US$1,000/oz.	
Operating Cost	Total per ton milled	C$16.28-17.42	
Capital Investment		C$91.1 million	
Sustaining Capital		C$41.5 million	
Net Present Value (10% discount rate)		C$117.8 million	
IRR		32.3%	

Confidentiality agreements have been executed with a number of mining companies

On the operational side as the Company moves further along the path towards a production decision, Company management is getting further away from their core competency of mineral exploration. At some point management will either have to hire an experienced start up management team or bring in the expertise of mid-tier to large mining company. In this respect the Company has signed confidentiality agreements with a number of mining companies. From a shareholder perspective the latter option is probably the preferred route as historically very few exploration companies have been able to make this transition successfully.

OTHER PROPERTIES

Good exploration potential to increase mineral resources

The Company has several other mineral exploration properties, none of which are being actively explored at this time. The most relevant is the Ajax-Python property, which is also located within the Iron Mask Batholith adjacent to Ajax property from which 30 million tons of copper / gold ore was mined from two open pits. The Ajax-Python property has the ground between the two open pits and three copper-gold-silver zones that have been identified by previous exploration. Reeent work has involved basic mapping and compilation of data with the idea of finding an extension or similar deposits. Any discovery on this ground will benefit the overall project.

Other properties include a diamond property in Alberta, a 25 % interest in a small oil and gas producer in Texas and claims in the Timmins area.

DIRECTORS AND MANAGEMENT

Experienced management team and advisory group with operational and financial capabilities

Mr. John Kruzick, B.Sc. President CEO and Director
John has been with the company since its incorporation in 1980. Since graduating from the University of British Columbia in 1969 he has been a self-employed consultant and has supervised exploration programs throughout North America.

Ms. Sharon Ross, Corporate Secretary and Director
Sharon is a self-employed corporate administrator and has been with the company since 1981.

Mr. Mike Muzylowski, B.Sc. Director
Mike has been a director of the company since September 2000. Since graduating from the University of Manitoba, Mike has over 35 years of experience with numerous junior resource and major mining companies. Projects that he has been involved with cover the full spectrum from grass roots exploration to discovery and production. He is currently president of Callinan Mines Limited, a base metal mining operation that produces 600,000 tons per year.

Mr. Craig D. Thomas, LLB Director
Craig is a Harvard and University of Alberta Law School graduate. He has been a member of the British Columbia Bar since 1979 and is a principal of the law firm Thomas Rondeau specializing in corporate and securities laws. Craig has served as a director of a number of public resource companies trading on North American exchanges.

Mr. C. Robert Edington, Director
Robert has been with the company since 1992 as a director. Robert is currently employed by an SNC Lavalin company as a ship manager.

Mr. Ian M. Beardmore, C.A., C.F.O.
Ian has been a member of The Institute of Chartered Accountants of British Columbia since 1972 and is presently in public practice.

Mr. Bruno Mosimann, Vice President Finance and Corporate Development
Brunno has been a self-employed investment counsellor and portfolio manager operating as Romofin AG of Zurich Switzerland. Brunno also holds positions as Finance Vice President with two other CDNX companies.

Mr. Maurice Lee, BBA, Vice President Business Development
Maurice joined the company in 2002. He has been involved in corporate finance and business development for 30 years at a number of levels with First Canada Securities, CT Securities and Dominik & Dominik Securities Ltd.

PROJECT ADVISORY GROUP

DRC has assembled a project advisory group that collectively has the experience and contacts to guide the company through the next stages of the feasibility study and development. Mr. James J. McDougall, M.Sc. P.Eng. has over 50 years of mineral exploration experience, including 30 years with Falconbridge as Western Canada Exploration Manager. During this time he supervised exploration on numerous properties some of which contained reserves and resources of over 300,000,000 tons. Several of these attained production. Mr. McDougall is the company's Qualified Person with respect to Mineral Resources. Mr. James Little, P. Eng. has over 40 years mining experience, the most relevant of which for DRC is his involvement with several large British Columbia mines operated by Placer Dome and as director of Afton Mines Ltd. Mr. Douglas Knight, B.A.Sc. is a metallurgist with over 40 years experience including test work design and development of the milling process at five major mines around the world for Placer Dome. Mr. A.D. McCutcheon, P.Eng. has over 40 years experience as president of a large Canadian contract mining and engineering company.

FINANCIAL FORECAST AND VALUATION

As of December 30, 2002 the Company had issued 9,131,766 common shares, (Fully Diluted 10,691,766) for a market capitalization of $45.5 million. Options and warrants outstanding total 960,000 shares. All of these are exercisable at prices between $3.00 and $3.50 and expire by late 2004. As part of the Option agreement the Company also has to issue 600,000 shares in 200,000 share instalments over the next four years. Management holds 2.8 million shares or approximately 30% of the outstanding shares.

Low market capitalization, no debt and $4.0 million working capital

Working Capital is currently $4.0 million; if the outstanding options and warrants are exercised these will add another $2.9 million which is sufficient for the current exploration and Pre-Feasibility study. If the Company proceeds to a full Feasibility Study as seems likely additional funds would have to be raised.

We have valued the Company at $7.50 per share. This is a 50 % premium to the recent price of just below $5.00 and almost double the last twelve months trading range, although considerably below the historic high of $14.00 in late 2000. This premium is based on the expectation that there will be an incremental gain in the overall resource when the 2002 drill results are incorporated into the resource calculation, an expectation that the Pre-Feasibility Study will indicate that a higher mining rate, perhaps double, is more optimal than the Scoping Study rate and a generally positive outlook for precious metals and / or copper.

CONCLUSIONS

DRC Resources is a Speculative Buy for an investor seeking exposure to copper, gold and a basket of other precious metals. It is anticipated that the project will continue along the track to development and an agreement may be reached with a mid-tier or larger mining company to take on the developmental and operational risk. Naturally there are inherent risks in the project, particularly the ability to convert the Indicated and Inferred Resources into Proven and Probable Reserves. Probably the biggest risk in this respect is the cost of the mining method that is judged to be most appropriate to the deposit configuration and ground conditions, as well as external factors such as world metal prices, particularly for copper and gold.

NOTES

NOTES

eResearch Recommendation System

Buy:	Expected total return within the next 12 months is at least 20%
Speculative Buy:	Expected total return within the next 12 months is at least 40%. Risk is High (see below)
Hold:	Expected total return within the next 12 months is between 20% and the T-Bill rate
Sell:	Expected total return within the next 12 months is less than the T-Bill rate

eResearch Risk Rating System

A company may have some but not necessarily all of the following characteristics of a specific risk rating to qualify for that rating:

High Risk: Financial - Little or no revenue and earnings, limited financial history, weak balance sheet, negative free cash flows, poor working capital solvency, no dividends.

Operational - Weak competitive market position, high cost structure, industry consolidating, business model/technology unproven or out-of-date.

Medium Risk: Financial - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend.

Operational - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry

Low Risk: Financial - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock.

Operational - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.

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