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2004 Annual Report

DRC RESOURCES CORPORATION

TSX: DRC AMEX: DRJ

DRC RESOURCES CORPORATION

Key Asset - Afton Project, Kamloops, B.C.

- > US$3 billion in-situ value
- > 1.6 billion lbs of copper[1]
- > 2.0 million ounces of gold[1]
- High grade copper-gold porphyry
- Outstanding infrastructure
- Deposit still open
- Feasibility study underway

Financial Strength

- CDN$25 million cash[2]
- No debt

Afton Project ★

1) Measured, indicated and inferred resources
2) At 31/12/04

LETTER TO SHAREHOLDERS

(All dollar amounts in Canadian dollars unless otherwise stated)

2004 – A YEAR OF CHANGE

Last year was an extremely important one for the Company as we embarked on an exciting voyage of discovery and change, which we believe has the potential to transform DRC Resources Corp. from a junior exploration company into a producing mining company.

It is a big dream, which is made possible by the significant copper and gold resource which we have outlined at our Afton Project, located 10 kilometers west of Kamloops, British Columbia. In November, 2004 we commenced work on a feasibility study for the project. When complete this study will provide the information required to accurately determine the nature and economics of a mining operation which could be supported by this resource. This study will also provide us with a document with which we can discuss project financing with potential lenders.

FEASIBILITY STUDY ON TRACK

We are pleased with the progress made to date on the feasibility study. The project site is certainly a lot more active now than this time last year. Currently there are more than 30 DRC employees and contract workers on site. Our Vice President Exploration and Development, Mike Hibbitts, and his team on site are to be congratulated on achieving such a smooth and rapid start to this work.

The feasibility study will include completion of a 2000 metre exploration decline, 20,000 meters of underground drilling and detailed technical and economic analyses. When complete the study will tell us the most suitable mining and processing methods, in addition to capital and ongoing mining costs. It will tell us the value of this project to our shareholders. Total budgeted costs for this study are $18 million. We are therefore fully funded to complete this work.

We started work on the exploration decline in November, 2004 and currently we have completed approximately 500 metres of the decline. Diamond drilling commenced in February, 2005 and we now have two diamond drill rigs operating underground. This drilling has two purposes, 1) to complete infill drilling to allow conversion of resources to reserves, and 2) to conduct exploration for both extensions of the known zone of mineralization and for additional zones of mineralization. We have also commenced the process of selecting independent experts to complete the various technical studies required.

METAL PRICES REMAIN STRONG

While our 2004 Advanced Scoping Study indicated positive economics for the Afton project at prices of US$0.85/lb for Copper, and US$375 per ounce of gold, the project's potential is greatly enhanced by higher prices for both metals. During 2004 the gold price continued to climb, reaching in excess of US$450 per ounce. Copper remained strong throughout the year, and has climbed above US$1.50 per pound in 2005.

While we cannot foretell the future we do believe what many experts are saying, namely that both copper and gold remain in potentially long term bull markets. Our Afton Project contains a substantial resource of both copper and gold, and as such will benefit from this scenario. Copper's price appreciation is being driven by China and India as they build out their industrial and residential infrastructure. This process will not be completed overnight, but will take a number of years. New copper projects will be in demand, and we believe this places DRC Resources and our Afton Project in an extremely attractive competitive position.

Many financial experts believe gold is undergoing a fundamental and long term revaluation against paper currencies and that this process will take several years to unfold and potentially take gold to substantially higher prices.

ACCELERATING EXPLORATION
We believe that there is excellent potential to find additional mineralization on the Afton Property. Consequently we intend to initiate an aggressive exploration program of surface diamond drilling on the Property outside of the area containing the currently outlined copper and gold mineralization. In addition, we intend to recommence diamond drilling on the Ajax Property, located 10 kilometres east of the Afton Property. During 2004 we completed 6 diamond drill holes on the Ajax Property. Three of these intersected wide zones of low grade copper and gold mineralization. We continue to be excited by the exploration potential on both of these properties.

EXCELLENT CAPITAL STRUCTURE
This makes us the envy of many other junior companies. With only 13.9 million shares outstanding, cash (at year end 2004) of $25 million, and no debt, we are in excellent financial shape. We intend to jealously guard this capital structure and aim to develop the Afton project and maximize shareholder value by minimizing dilution.

TELLING INVESTORS OUR STORY
We believe DRC Resources has an exciting story to tell, yet relatively few investors know of us. In 2004 we began a systematic effort to introduce the Company, and the investment opportunity it presents, to institutional and retail investors in Canada, the USA and Europe. A key milestone in this process was reached when we were listed on the AMEX (under the symbol DRJ) on November 18, 2004. The shares of DRC Resources are now readily available to investors in the USA, who represent an extremely large pool of potential investors. We have only just started telling our story and intend to accelerate our investor relations efforts in 2005.

BUILDING BENCH STRENGTH
I joined the Company in October, 2004. One of my principal mandates was to build a team capable of building a mine at the Afton Project, and turning DRC Resources into a high quality mining company. I believe that this project represents an outstanding opportunity, and that because of what and where it is, we will be able to attract top quality people.

This process has started. The recent addition of Cliff Davis to our board of directors demonstrates the quality of people that we can hope to attract. Cliff brings extremely important mining expertise to the company. His wealth of experience with bulk underground mining will be of great help to us as we move the project forward. We were also pleased to recently add the expertise of Greg Laing to the board. Greg's practical knowledge of securities and corporate law will a valuable asset as the Company grows. At site our technical team is strong, we have experienced employees with expertise in project development and exploration in British Columbia and internationally. We will continue the process of bringing the necessary skills and experience into the Company.

2005 – A NEW NAME FOR A NEW ERA
At our Annual Meeting on May 4, 2005 we will be asking shareholders to approve our name change to **New Gold Inc.** We chose this name because we are making a new start, we have discovered a substantial new copper and gold resource, and copper could be regarded as the "new gold". A new name is appropriate as we charter new territory and meet new challenges and grasp new opportunities. We hope you will all embrace these sentiments with us.

Our goals for 2005 are as follows:-

- Accelerate Feasibility Study
- Accelerate Surface Exploration Program on both the Afton and Ajax Properties
- Initiate discussions with potential project financiers

- Continue to enhance skills and expertise of the Company
- Analyze strategic options for the Company
- Maximize shareholder value

It has been with great pleasure that I have written my first annual letter to shareholders. I feel extremely privileged and lucky to be the President and CEO of a Company with, what I believe, is such a bright future. I would like to acknowledge our Chairman – John Kruzick's role in acquiring the Afton Project and the support he continues to give to myself and the rest of the DRC team as we grow the company.

I would like to thank all of our shareholders for their continued support, and look forward to welcoming many new shareholders in the year ahead.

On behalf of the Board of Directors

Chris J. Bradbrook, President & CEO
March 11, 2005

CORPORATE GOVERNANCE

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

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 its members.

DRC conforms to 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 industry. Annually, the directors are elected by our shareholders.

As of December 31, 2004, there were 7 DRC directors. Four out of seven directors (or 57% of the total number of directors) are independent of the company and its affiliates. All the independent DRC directors are unrelated. See table below for 2004 director information.

Director	Independence	Committees	Office
Christopher J. Bradrook		EC	President, CEO
John H. Kruzick		EC, CGC & NC	Chairman of the Board
Sharon L. Ross		EC	Corporate Secretary
C. Robert Edington	✓	NC, CGC	
Mike Muzylowski	✓	AC, CGC, & NC	
Craig D. Thomas	✓	AC & CGC	Audit Committee Chair
Thomas O. Taylor	✓	AC & 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 behaviour 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.

The Company's Audit Committee, in compliance with Multilateral National Instrument 52-110, has recommended the Company retain the services of Report It Anonymous Hotline Services & Solutions to act as the Company's independent source for the receipt, retention, and treatment of complaints regarding auditing matters, including the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters. These compliance services were established in March, 2005 and may be located by a link from the Company's Website (drcresources.com) under the Contact Us button.

DRC RESOURCES CORPORATION
[An Exploration Stage Company]

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

AUDITORS' REPORT

To the Shareholders of DRC Resources Corporation

We have audited the balance sheet of DRC Resources Corporation as at December 31, 2004 and the consolidated statements of operations and deficit, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (Unites States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at and for the year ended December 31, 2003 and 2002 were audited by other auditors who expressed opinions without reservation on those financial statements in their reports to the shareholders dated February 20, 2004 and February 17, 2003.

De Visser Gray

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
March 2, 2005

DRC RESOURCES CORPORATION
[An Exploration Stage Company]
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2004 AND 2003

	2004	2003
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 25,029,585	$ 24,737,161
Marketable security	—	1,500
Accrued interest receivable	71,912	25,741
Amounts receivable - government	170,636	58,832
Prepaid expenses	81,442	20,000
	25,353,575	24,843,234
MINERAL CLAIM INTERESTS - SCHEDULE [Notes 2 and 3]	5,933,932	3,487,296
INVESTMENT PROPERTY [Note 4]	—	110,867
PROPERTY AND EQUIPMENT [Notes 2 and 5]	508,138	28,999
	$ 31,795,645	$ 28,470,396
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accruals	$ 1,164,350	$ 95,940
Capital taxes payable	—	71,445
Current portion of capital lease payable [Note 6]	22,671	—
	1,187,021	167,385
CAPITAL LEASE PAYABLE [Note 6]	30,228	—
FUTURE INCOME TAXES [Note 7[c]]	922,675	875,935
	2,139,924	1,043,320
SHAREHOLDERS' EQUITY		
SHARE CAPITAL [Note 8]	33,008,361	30,398,361
CONTRIBUTED SURPLUS	868,190	—
DEFICIT	(4,220,830)	(2,971,285)
	29,655,721	27,427,076
	$ 31,795,645	$ 28,470,396

COMMITMENTS AND CONTINGENT LIABILITIES [Note 13]

APPROVED BY THE BOARD:

_______________ **Director**

_______________ **Director**

See accompanying notes.

DRC RESOURCES CORPORATION
[An Exploration Stage Company]
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

	2004	2003	2002
INCOME			
Interest income	$ 559,404	$ 181,126	$ 116,239
Oil and gas royalties	1,211	1,713	1,743
Gain on sale of marketable security	8,290	—	—
Gain on sale of investment property	32,801	—	—
Foreign exchange gain [loss]	(36,689)	(74,929)	(4,159)
	565,017	107,910	113,823
EXPENSES			
Amortization	40,518	12,536	12,068
B.C. capital tax	—	30,945	—
Consulting and management fees	270,848	118,155	85,641
Financing and sponsorship	—	—	52,000
Insurance	36,794	14,000	11,503
Office, secretarial services and stationary	131,667	83,163	81,886
Professional fees	116,328	109,007	57,644
Regulatory and filing fees	84,088	66,871	52,855
Rent	39,631	22,103	19,861
Stock-based compensation [Note 8[c] and [d]]	868,190	—	—
Telephone	5,114	4,541	4,826
Transfer agent	9,632	9,031	7,379
Travel and promotion	165,012	53,259	88,462
Write-off of mineral claim interests	—	1	5,999
Write-down of marketable security	—	—	2,250
	1,767,822	523,612	482,374
LOSS FOR THE YEAR BEFORE INCOME TAXES	(1,202,805)	(415,702)	(368,551)
FUTURE INCOME TAXES [Note 7]	(46,740)	(802,669)	182,644
LOSS FOR THE YEAR	(1,249,545)	(1,218,371)	(185,907)
DEFICIT, BEGINNING OF YEAR	(2,971,285)	(1,752,914)	(1,567,007)
DEFICIT, END OF YEAR	$ (4,220,830)	$ (2,971,285)	$ (1,752,914)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	13,390,604	9,746,722	8,828,466
LOSS PER SHARE	$ (0.09)	$ (0.13)	$ (0.02)

See accompanying notes.

DRC RESOURCES CORPORATION
[An Exploration Stage Company]
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

	2004	2003	2002
CASH PROVIDED BY [USED FOR]:			
OPERATING ACTIVITIES			
Loss for the year	$ (1,249,545)	$ (1,218,371)	$ (185,907)
Items not involving cash:			
Amortization	40,518	12,536	12,068
Stock-based compensation	868,190	—	—
Gain on sale of marketable security	(8,290)	—	—
Gain on sale of investment property	(32,801)	—	—
Write-off of mineral claim interests	—	1	5,999
Write-down of marketable security	—	—	2,250
Future income taxes	46,740	762,169	(182,644)
	(335,188)	(443,665)	(348,234)
Net change in non-cash working capital items	777,548	191,095	407,102
Cash Provided By [Used For] Operating Activities	442,360	(252,570)	58,868
INVESTING ACTIVITIES			
Proceeds on sale of marketable security	9,790	—	—
Proceeds on sale of investment property	143,668	—	—
Payments for mineral claim interest exploration costs	(2,386,636)	(1,742,663)	(1,173,040)
Acquisition of property and equipment	(451,644)	—	(39,236)
Cash Used For Investing Activities	(2,684,822)	(1,742,663)	(1,212,276)
FINANCING ACTIVITIES			
Payments on capital lease	(15,114)	—	—
Repurchase of shares for cancellation	—	—	(726,083)
Cash proceeds from shares issued	2,550,000	24,510,000	2,100,000
Share issue costs	—	(1,649,750)	(164,485)
Cash Provided By Financing Activities	2,534,886	22,860,250	1,209,432
INCREASE IN CASH AND CASH EQUIVALENTS	292,424	20,865,017	56,024
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	24,737,161	3,872,144	3,816,120
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 25,029,585	$ 24,737,161	$ 3,872,144
CASH AND CASH EQUIVALENTS COMPRISES:			
Cash	$ 60,461	$ 27,760	$ 65,781
Term deposits and short-term discount notes	24,969,124	24,709,401	3,806,363
	$ 25,029,585	$ 24,737,161	$ 3,872,144

* Supplemental disclosure of non-cash financing and investing activities: refer to note 10

See accompanying notes.

DRC RESOURCES CORPORATION
[An Exploration Stage Company]
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

	Common Stock		Contributed		Total Shareholders'
	Shares	Amount	Surplus	Deficit	Equity
Balance as at December 31, 2001	8,283,766	$ 7,133,578	$ —	$ (1,567,007)	$ 5,566,571
Issued by private placement for cash	700,000	2,100,000	—	—	2,100,000
Repurchase for cancellation	(252,000)	(726,083)	—	—	(726,083)
Share issue costs	—	(164,485)	—	—	(164,485)
Tax effect on flow-through shares/ special warrants	—	(376,207)	—	—	(376,207)
For mineral claim interests	400,000	120,000	—	—	120,000
Loss for the year	—	—	—	(185,907)	(185,907)
Balance as at December 31, 2002	9,131,766	8,086,803	—	(1,752,914)	6,333,889
Issued for cash					
Exercise of stock options	50,000	150,000	—	—	150,000
Broker warrants	70,000	210,000	—	—	210,000
Issued by private placement for cash	3,450,000	24,150,000	—	—	24,150,000
Share issue costs	—	(1,649,750)	—	—	(1,649,750)
Tax effect on flow-through shares/ special warrants	—	(608,692)	—	—	(608,692)
For mineral claim interests	200,000	60,000	—	—	60,000
Loss for the year	—	—	—	(1,218,371)	(1,218,371)
Balance as at December 31, 2003	12,901,766	30,398,361	—	(2,971,285)	27,427,076
Issued for cash					
Exercise of stock options	840,000	2,550,000	—	—	2,550,000
For mineral claim interests	200,000	60,000	—	—	60,000
Value assigned to options granted	—	—	868,190	—	868,190
Loss for the year	—	—	—	(1,249,545)	(1,249,545)
Balance as at December 31, 2004	13,941,766	$ 33,008,361	$ 868,190	$ (4,220,830)	$ 29,655,721

See accompanying notes.

DRC RESOURCES CORPORATION
[An Exploration Stage Company]
SCHEDULE OF MINERAL CLAIM INTERESTS
YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
Acquisition Costs		
Kamloops "Afton" Claims	$ 541,734	$ 481,734
Kamloops "Ajax-Python" Claims	48,732	48,732
Timmins, Ontario Claims	1	1
Balance, End Of Year	590,467	530,467

Deferred Exploration Costs

	Afton Claims	Ajax-Python Claims	2004	2003
Balance, Beginning Of Year	$ 2,897,533	$ 59,296	$ 2,956,829	$ 1,822,859
Above-ground Exploration Costs				
Assays and testing	250	10,769	11,019	77,018
Drilling	10,014	121,930	131,944	984,845
Engineering	17,430	19,950	37,380	437,603
Geological consulting	26,420	25,195	51,615	158,050
Labour	3,367	5,981	9,348	32,542
Miscellaneous	1,698	5,580	7,278	5,994
Staking and filing fees	—	4,781	4,781	611
Supplies and equipment	983	2,846	3,829	5,500
Travel and accommodation	7,001	3,528	10,529	36,111
Grant recoveries [Note 2[e]]	(5,873)	(34,438)	(40,311)	4,388
Tax effect of flow-through shares	—	—	—	(608,692)
	61,290	166,122	227,412	1,133,970
Underground Exploration Costs				
Assays and testing	1,049	—	1,049	—
Drilling	59,556	—	59,556	—
Engineering	184,494	—	184,494	—
Geological consulting	233,552	—	233,552	—
Insurance	36,161	—	36,161	—
Labour	22,651	—	22,651	—
Miscellaneous	6,728	—	6,728	—
Road construction and maintenance	221,240	—	221,240	—
Supplies and equipment rental	49,636	—	49,636	—
Travel and accommodation	24,990	—	24,990	—
Tunnelling and decline costs	1,319,167	—	1,319,167	—
	2,159,224	—	2,159,224	—
Balance, End Of Year	$ 5,118,047	$ 225,418	$ 5,343,465	$ 2,956,829
Mineral Claim Interests			$ 5,933,932	$ 3,487,296

See accompanying notes.

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") and the American Stock Exchange ["AMEX"].

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 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] Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its U.S. wholly-owned subsidiary, Dynamic Resources Corporation, Inc. All significant inter-company transactions and balances have been eliminated on consolidation. Effective January 1, 2005, the operations of the wholly-owned subsidiary were wound up.

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 five months or less.

c] 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 and 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 charged against the related mineral claim interest cost. General exploration, overhead and administration costs are expensed in the year they are incurred.

The Company reviews capitalized costs on its mineral claim interests on a periodic, 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 interests or from the sale of the mineral claim interests. Management's assessment of 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.

2. SIGNIFICANT ACCOUNTING POLICIES [CONT'D]

c] Mineral Claim Interests [Cont'd]

The Company has accounted for its mineral interests as tangible assets under the Canadian GAAP CICA Accounting Standards 3061. The standard states that "mining interests are items of property, plant and equipment represented by the capitalized costs of acquired mineral rights and the costs associated with exploration for and development of mineral reserves."

Upon the issuance of CICA Accounting Standards 3062 for goodwill and other intangible assets the Company's management concluded that the definition given of an intangible asset ["an asset, other than a financial asset, that lacks physical substance". [3062.05[c]] does not apply to its mineral claim interests and therefore is not applicable to the Company.

Under the Canadian GAAP Accounting Standards CICA 3061, the amortization of the asset would be over its useful life once the asset is in production. Under the Canadian GAAP Accounting Standard CICA 3062 a recognized intangible asset should be amortized over its useful life. Under each of these standards the amortization process would be the same in respect to the Company's mineral interests.

d] Property and Equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is calculated using the straight-line method at a rate of 5% per annum for building, 20% per annum for transportation vehicles and 20% per annum for mining, office and computer equipment. Amortization is recorded when the asset is fully operational.

e] 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.

f] 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 antidilutive.

g] 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 the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

h] 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 likely.

i] 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 year's operations.

j] Flow-Through Shares

The Company has adopted the new accounting pronouncement relating to flow-through shares effective for all flow-through share renunciations occurring after March 19, 2004. Under the Canadian Income Tax Act an enterprise may issue securities referred to as flow-through shares whereby the investor may claim the tax deductions arising from the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective corporate tax rate), thereby reducing share capital. As the Company did not issue any flow through shares during the year, there is no impact on the financial statements for the current year.

k] Asset Retirement Obligations

The Company recognizes a liability for an asset retirement obligation when it is determinable and calculates the liability based upon undiscounted future payments to be made. A corresponding amount is added to the carrying amount of the related long-lived asset, and this amount is subsequently allocated to expense over its expected life. Adjustments will also be made in subsequent periods to changes on asset retirement obligations due to changes in estimates. As at December 31, 2004, the Company does not have any asset retirement obligations.

l] Stock-Based Compensation

The Company adopted the recommendations of CICA Handbook Section 3870, stock-based compensation and other stock-based payments, effective to all awards granted on or after January 1, 2003. This established standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services as the options vest with the recipients.

As encouraged by CICA Handbook Section 3870, the Company has enacted prospectively early adoption of the fair value based method of accounting for awards issued to employees for the fiscal year beginning January 1, 2003.

The new standard requires that all stock-based awards made to employees and non-employees be measured and recognized using a fair value based method. In prior years, stock-based compensation expense was only recognized when stock-based compensation awards were made to non-employees, while pro-forma disclosure was acceptable for awards made to employees and directors.

3. MINERAL CLAIM INTERESTS

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

The Company entered into an option agreement dated September 22, 1999 to acquire the Afton Mineral Claims Group, located in the Kamloops Mining Division of B.C. Consideration is the issuance of 2,000,000 common shares of the Company in stages, with 1,000,000 shares issuable on the effective date of shareholders' approval of the agreement, and 200,000 shares annually for the next five years thereafter. The Company also agreed to complete an aggregate work commitment of $6,500,000 over nine years and the vendor retains a 10% net profit royalty in the property. The Company can purchase back the 10% net profit royalty interest on or before December 1, 2010 for $2,000,000.

On July 19, 2000, 1,000,000 common shares of the Company were issued in accordance with the agreement. During the quarter ending March 31, 2002, the Company issued 200,000 common shares in accordance with the agreement for year two and in the quarter ending December 31, 2002, the Company issued 200,000 common shares in accordance with the agreement for year three. During the quarter ending December 31, 2003, the Company issued 200,000 common shares in accordance with the agreement for year four. During the quarter ended December 31, 2004, the Company issued 200,000 common shares in accordance with the agreement for year five. The cost per share issued pursuant to the terms of the agreement was $0.30, for a total acquisition cost to the Company of $60,000. Claim work completed has extended the claims in good standing until March 8, 2011.

A director of the Company has a one-half interest in the option agreement above as one of the optionors. [See Notes 9 and 13]

- Kamloops, B.C., "Ajax" Mineral Interest

The Company owns a 100% interest in the Ajax - Python Claim Group, subject to a 2% net smelter royalty, consisting of 72 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, 2011.

- Timmins, Ontario, Mineral Interest

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

4. INVESTMENT PROPERTY

During the second quarter ending June 30, 2004, the Company sold its 25% interest in approximately 358 acres of land located in Texas, U.S.A., for cash proceeds of $143,668 ($107,698 U.S.), resulting in a gain of $32,801.

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value 2004	Net Book Value 2003
Land	$ 56,900	$ —	$ 56,900	$ —
Building	104,700	5,235	99,465	—
Transportation vehicles	130,071	32,420	97,651	17,814
Mining equipment	212,926	—	212,926	—
Office and computer equipment	77,741	36,545	41,196	11,185
	$ 582,338	$ 74,200	$ 508,138	$ 28,999

6. CAPITAL LEASE PAYABLE

	2004	2003
GMAC, 0%, repayable in monthly instalments of $1,889, matures April 30, 2007	$ 52,899	$ —
Less: current portion due within one year	(22,671)	—
	$ 30,228	$ —

7. INCOME TAXES

a] Profit [loss] before income taxes are as follows:

	2004	2003	2002
Canada	$ (1,222,636)	$ (415,736)	$ (368,353)
U.S.A.	19,831	34	(198)
TOTAL	$ (1,202,805)	$ (415,702)	$ (368,551)

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

	2004	2003	2002
Future			
Canada	$ 46,470	$ 762,169	$ (182,644)
U.S.A.	—	—	—
Large Corporations Tax			
Canada	—	40,500	—
U.S.A.	—	—	—
TOTAL INCOME TAX EXPENSE [RECOVERY]	$ 46,470	$ 802,669	$ (182,644)

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

	2004	2003
Long-term future tax liability		
Mineral Claim Interests	$ 909,057	$ 886,423
Equipment	13,618	(10,488)
TOTAL LONG-TERM FUTURE INCOME TAX LIABILITY	$ 922,675	$ 875,935

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

	2004	2003
Long-Term Future Income Tax Assets		
Loss carry forwards	$ 948,462	$ 646,062
Share issue costs	403,265	612,791
Total Long-Term Future Income Tax Assets	1,351,727	1,258,853
Less Valuation Allowance	(1,351,727)	(1,258,853)
NET LONG-TERM FUTURE INCOME TAX ASSETS	$ —	$ —

7. INCOME TAXES [CONT'D]

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

		2004		2003
Canadian Exploration Expenses	$	2,866,209	$	539,559
Canadian Development Expenses	$	651,480	$	591,480
Undepreciated Capital Costs	$	451,039	$	56,879
Share Issue Costs	$	1,071,942	$	1,546,671
Non-Capital Losses, expiring at various dates to 2011	$	2,521,165	$	1,717,336

8. SHARE CAPITAL

a] Authorized

40,000,000 common shares without par value

b] Issued

	Number Of Shares		Amount
Balance, December 31, 2002	9,131,766	$	8,086,803
Issued for cash			
Private placement, net of share issue costs	3,450,000		22,500,250
Issued for cash			
Exercise of brokers warrants	70,000		210,000
Exercise of stock options	50,000		150,000
Issued for mineral claim interests	200,000		60,000
Tax effect of flow-through shares/special warrants	—		(608,692)
Balance, December 31, 2003	12,901,766		30,398,361
Issued for cash			
Exercise of stock options	840,000		2,550,000
Issued for mineral claim interests	200,000		60,000
Balance, December 31, 2004	13,941,766	$	33,008,361

- Year 2004

During the year the Company issued 690,000 shares upon the exercise of stock options at $3.00 per share. Cash proceeds of $2,070,000 were received by the Company.

During the year the Company issued 100,000 shares upon the exercise of stock options at $3.05 per share. Cash proceeds of $305,000 were received by the Company.

During the year the Company issued 50,000 shares upon the exercise of stock options at $3.50 per share. Cash proceeds of $175,000 were received by the Company.

During the last quarter ending December 31, 2004, 200,000 shares were issued at a price of $0.30 per share for the 2004 option payments in accordance with the Afton mineral claim option agreement.

8. SHARE CAPITAL [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.

c] Stock Options

The Company presently has 700,000 stock options outstanding. The 2003 stock option plan allows the Company to grant up to a total of 1,000,000 stock options. 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 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 a 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, 2002	890,000	$3.04	1.95
Exercised	(50,000)	$3.00	
Balance, December 31, 2003	840,000	$3.03	0.90
Granted	100,000	$6.50	
Granted	600,000	$4.60	
Exercised	(690,000)	$3.00	
Exercised	(100,000)	$3.05	
Exercised	(50,000)	$3.50	
Balance, December 31, 2004	700,000	$4.87	4.25

The expiry dates of the options are:

April 13, 2006	100,000	options @ $6.50
October 12, 2009	600,000	options @ $4.60

8. SHARE CAPITAL [CONT'D]

c] Stock Options [Cont'd]

On April 13, 2004, the Company granted the Vice President of Exploration and Development the option to purchase 100,000 common shares at an exercise price of $6.50 per share in accordance with the Company's Stock Option Plan. The options vest as to 50,000 on January 1, 2005 and 50,000 on January 1, 2006, and expire on April 13, 2006.

On October 12, 2004, the Company granted the new President and chief executive officer the option to purchase 600,000 common shares at an exercise price of $4.60 per share in accordance with the Company's Stock Option Plan. The options are exercisable on or before October 12, 2009. The fair value of these options was $823,440 with the Company expensing this assigned value. The value was arrived at by using the Black-Scholes option pricing model with the following weighted-average assumptions: risk-free rate of 3.44%; volatility factor of the expected market price of the Company's common stock at 43%; option lives of 2.5 years; and no expected dividends.

d] Compensation Options

The expiry dates of the options are:

November 6, 2005	345,000	options @ $7.50
October 13, 2006	50,000	options @ $4.60

As at December 31, 2004, 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]]

On October 13, 2004, the Company granted Orion Securities Inc. a compensation stock option for services rendered with respect to recruiting the new President and chief executive officer for the Company. The Company granted an option to purchase 50,000 common shares at an exercise price of $4.60 per share expiring on October 13, 2006. The fair value of these options was $44,750 with the Company expensing this assigned value. The value was arrived at by using the Black-Scholes option pricing model with the following weighted-average assumptions: risk-free rate of 3.21%; volatility factor of the expected market price of the Company's common stock of 36%; option lives of 1.5 years; and no expected dividends.

9. RELATED PARTY TRANSACTIONS

	2004	2003	2002
For consulting services charged by the President/Director of the Company.	$ 46,460	$ —	$ —
For consulting, administration and exploration costs charged by a private company controlled by the former President/Director of the Company.	$ 153,000	$ 146,375	$ 112,845
For shares issued in payment on "Afton" mineral claim option agreement to a director of the Company. 100,000 shares were issued during 2004 [cumulative total is 900,000 shares to date].	$ 30,000	$ 30,000	$ 60,000
For consulting services charged by a related person of a Director.	$ 72,600	$ 63,875	$ 11,250
For geological consulting services on mineral claim interests charged by an Officer of the Company.	$ 101,060	$ —	$ —

9. RELATED PARTY TRANSACTIONS [CONT'D]

	2004	2003	2002
For secretarial and administrative services charged by a private company which a director has a 50% interest.	$ 64,446	$ 59,362	$ 41,405

10. SUPPLEMENTARY CASH FLOW INFORMATION

The Company conducted non-cash investing and financing activities as follows:

	2004	2003	2002
Value assigned to options granted	$ 868,190	$ —	$ —
Common shares issued for mineral claim interests	60,000	60,000	120,000
Vehicle acquired via capital lease	68,013	—	—
	$ 996,203	$ 60,000	$ 120,000

11. SEGMENTED INFORMATION

The Company's operations consist of mineral exploration in Canada. The other principal assets which are held in Canada consist primarily of cash, term deposits, and corporate notes.

	2004	2003
CANADA		
Current Assets	$ 25,353,575	$ 24,833,006
Mineral Claim Interests	5,933,932	3,487,296
Property and Equipment	508,138	28,999
	31,795,645	28,349,301
U.S.A.		
Current Assets	—	10,228
Investment Property	—	110,867
	—	121,095
TOTAL ASSETS	$ 31,795,645	$ 28,470,396

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, term deposits, corporate notes, amounts receivable, accounts payable and capital lease 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. At December 31, 2004 the Company had $321,263 in US dollars, comprised of $21,263 in a current account and $300,000 in a term deposit, due January 31, 2005.

13. COMMITMENTS AND CONTINGENT LIABILITIES

The Company awarded a contract totalling $10,811,066 for underground development work on the "Afton" Mineral Property in October 2004. The work is expected to be completed by November 15, 2005.

13. COMMITMENTS AND CONTINGENT LIABILITIES [CONT'D]

The Company entered into an executive services contract with the new President on October 12, 2004 to provide services as chief executive officer of the Company at a base salary of $250,000 per annum to be reviewed in June 2005. In addition, an annual performance bonus will be paid of up to 40% of the base salary upon the achievement of certain individual and corporate targets. In the event of termination of employment, without cause, or, in the event of a change of control by merger or purchase of the Company, a severance payment equal to three times the annual compensation will be paid.

The Company entered into an executive services contract with its former President 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 is subject to review on an annual basis at the discretion of the board of directors. When a new President and Chief Executive Officer was appointed on October 18, 2004, this contract was amended to provide for services as chair of the Board of Directors. In the event of termination of employment without cause, a lump sum severance payment equal to one month base retainer fee [$10,000] times the number of years in which he held the position of President [24 years] will be paid.

Under the terms of the option agreement to acquire the "Afton" Mineral Property, the Company is required to issue an additional 200,000 shares in 2005 and to perform a work commitment of $6,500,000 over nine years. To December 31, 2004, $7,191,924 has been expended.

The Company is committed to an operating lease for office premise rentals in the aggregate of $89,300. The future minimum lease payments as at December 31, 2004 are as follows:

2005	$	21,825
2006		24,735
2007		26,190
2008		14,550
	$	87,300

1,095,000 common shares are reserved for issuance for stock options and compensation options. [See Notes 8[c] and 8[d]]

14. ENVIRONMENTAL RISKS

Existing and possible future environmental legislation, regulations and action could give rise to additional expense, including those for future removal and site restoration costs, 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 claim interests 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 mineral claim interests.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against operations as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against operations over the estimated remaining life of the related business operation, net of expected recoveries.

15. DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES

These consolidated financial statements are prepared in accordance with accounting principles accepted in Canada. The United States Securities and Exchange Commission ["SEC"] requires that financial statements of foreign companies contain a reconciliation presenting the statements on the basis of accounting principles generally accepted in the United States. Any differences in accounting principles as they pertain to the accompanying consolidated financial statements are not material except as follows:

[a] Mineral Claim Interests

Under Canadian GAAP applicable to junior exploration companies, outlays related to the acquisition of mineral claim interests and all related exploration expenditures may be carried as deferred costs if the mineral claim interests have economically recoverable reserves or significant mineralization which in the view of management justify additional exploration. [See Note 2[c]]

Under U.S. GAAP, the recoverability of capitalized mineral claim interests expenditures are generally considered insupportable until a commercially mineable deposit is determined; therefore, all mineral claim interests expenditures are expensed as incurred.

[b] Stock Option Compensation

United States Statement of Financial Accounting Standards No. 123 ["SFAS 123"], "Accounting for Stock-Based Compensation", requires that stock-based compensation be accounted for based on a fair value methodology, although, in certain instances, it allows the effects to be disclosed in the notes to the financial statements rather that in the statement of operations. SFAS 123 also allows an entity to continue to measure compensation costs for stock-based compensation plans using the intrinsic value based method of accounting as prescribed by APB Opinion No. 25 ["APB 25"], which is comparable to Canadian GAAP prior to January 1, 2003. To December 31, 2002, the Company had elected to measure compensation cost for those plans using APB 25 for US GAAP purposes.

United States Statement of Financial Accounting Standards 148 ["SFAS 148"], "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123", permits the Company to adopt a fair value methodology on a prospective basis. Effective January 1, 2003, for US GAAP purposes the Company prospectively adopted the fair value method of accounting for stock-based compensation, a treatment consistent with the accounting treatment used for Canadian GAAP.

Under APB 25, compensation cost must be recognized for all compensatory stock options granted whenever the market price of the Company's shares on the date of grant exceeds the exercise price. The policies of the TSX Exchange permit the issuance of options with exercise prices discounted up to 25% from the closing market value at the date of granting. Such a discount, if provided option holders, would give rise to a compensation expense under US GAAP as noted above. However, the Company has to date only granted stock options where the exercise price is based on the fair value of the stock at the date of the grant and, accordingly, under US GAAP, would not have recognized any compensation costs.

Item [c] which follows presents the mandatory pro-forma disclosure under SFAS 123 that was applicable to the Company under US GAAP in 2002.

15. DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES

[c] Pro Forma Information on Stock-Based Compensation

For the 2002 fiscal year, the weighted-average fair values for stock options were estimated at the date of grant or amendment using a Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rate of 2.8%, volatility factor of the expected market price of the Company's common stock of 56%; option lives of two years; and no expected dividends.

The following is a summary of the Company's net loss and basic and diluted loss per share as reported and pro forma as if the fair value based method of accounting defined in SFAS 123 had been applied for the 2002 fiscal year:

	2002	
	As Reported	Pro Forma
Net loss for the year	$ (185,907)	$ (301,188)
Basic and diluted loss per share	$ (0.02)	$ (0.03)

[d] Application of U.S. GAAP to Financial Statements

The impact of the application of U.S. GAAP to the Company's financial statements are summarized as follows:

BALANCE SHEETS

	2004	2003	2002
Assets			
Mineral claim interests under Canadian GAAP	$ 5,933,932	$ 3,487,296	$ 2,293,327
Add back write-off of mineral claim interests under Canadian GAAP	—	1	5,999
Mineral claim interests expenditures expensed under U.S. GAAP	(2,446,636)	(1,193,970)	(806,322)
Cumulative historical adjustments	(3,487,296)	(2,293,327)	(1,493,004)
Mineral claim interests under U.S. GAAP	—	—	—
Total Assets Under U.S. GAAP	$ 25,861,713	$ 24,983,100	$ 4,199,498
Shareholders' Equity			
Deficit under Canadian GAAP	$ (4,220,830)	$ (2,971,285)	$ (1,752,914)
Deduct net loss under Canadian GAAP	1,249,545	1,218,371	185,907
Add net loss under U.S. GAAP	(3,696,181)	(2,412,340)	(1,064,130)
Cumulative historical adjustments	(3,487,296)	(2,293,327)	(1,493,004)
Deficit under U.S. GAAP	(10,154,762)	(6,458,581)	(4,124,141)
Total Shareholders' Equity Under U.S. GAAP	$ 23,721,789	$ 23,939,780	$ 3,962,662

15. DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES

[d] Application of U.S. GAAP to Financial Statements [Cont'd]

STATEMENTS OF OPERATIONS

	2004	2003	2002
Loss for the year under Canadian GAAP	$ (1,249,545)	$ (1,218,371)	$ (185,907)
Add back write-off of mineral claim interests under Canadian GAAP	—	1	5,999
Mineral claim interests expenditures expensed under U.S. GAAP	(2,446,636)	(1,193,970)	(806,322)
Stock option compensation 15[b]	—	—	(72,500)
Loss for the year under U.S. GAAP	$ (3,696,181)	$ (2,412,340)	$ (1,064,130)

STATEMENTS OF CASH FLOWS

	2004	2003	2002
Operating Activities			
Loss for the year under U.S. GAAP	$ (3,696,181)	$ (2,412,340)	$ (1,064,130)
Non-cash issue of shares for mineral claim interests	60,000	60,000	120,000
Non-cash stock compensation costs	868,190	—	72,500
Other components of operating activities which are similar under Canadian and U.S. GAAP	823,715	965,801	244,775
Net cash used for operating activities under U.S. GAAP	$ (1,944,276)	$ (1,386,539)	$ (626,855)

[e] Loss Per Share

Under U.S. GAAP, the presentation of both basic and diluted earnings per share ("EPS") is required for all entities with complex capital structures including a reconciliation of each numerator and denominator. Basic EPS excludes dilutive securities and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding in the year. Diluted EPS reflects the potential dilution that could occur if dilutive securities were converted into common shares and is computed similarly to fully diluted EPS pursuant to previous accounting pronouncements. These requirements under U.S. GAAP apply equally to loss per share presentations.

The following is a reconciliation of the numerators and denominators of the basic and diluted loss per share calculations:

	2004	2003	2002
Numerator, net loss for the year under U.S. GAAP	$ (3,696,181)	$ (2,412,340)	$ (1,064,130)
Denominator:			
Weighted-average number of shares under Canadian GAAP	13,390,604	9,746,722	8,704,716
Weighted-average number of shares under U.S. GAAP	13,390,604	9,746,722	8,704,716
Basic and diluted loss per share under U.S. GAAP	$ 0.28	$ 0.25	$ 0.12

Stock options and warrants outstanding were not included in the computation of diluted loss per share as their inclusion would be antidilutive.

15. DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES

[f] Flow-Through Shares

Under U.S. GAAP, a liability is recognized on the sale of flow-through shares for the premium obtained by the Company, if any, of the sale price per share over the market value at the time of issuance. Under Canadian GAAP, no such premium is recognized. Upon renunciation of the flow-through share proceeds to investors, the liability under U.S. GAAP is reversed and the Company recognizes a deferred tax benefit for this amount. The Company follows the policy or renouncing fully to investors the proceeds of all flow-through financings received during the year, whether the underlying exploration expenditures have been incurred or not, as at its fiscal year end, which coincides with the personal taxation year of individuals in Canada. Accordingly, the Company under a pro-forma application of U.S. GAAP would have recognized no deferred tax benefits or amounts included in current operations, in connection with issuances of flow-through shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITIONS AND RESULTS OF OPERATION AT DECEMBER 31, 2004

DATED MARCH 22, 2005

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, 2004 should be read in conjunction with the Company's consolidated financial statements and corresponding notes for the period ending December 31, 2004. 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") with a note to the financial statement reconciling the figures to United States generally accepted accounting principles ("USGAAP").

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 13,941,766 shares are listed on the Toronto Stock Exchange (TSX symbol DRC) and the American Stock Exchange (AMEX symbol DRJ). The main project of the Company is the Afton Copper-Gold Project, located 10 kilometres 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 October, 2004, Mr. Christopher J. Bradbrook joined the management of the Company as President & CEO, replacing Mr. John Kruzick, founder of the Company, who moved to the position of Chairman of the Board. Mr. Bradbrook's 25 year career in the mining industry includes experience in many aspects of the industry, including exploration, mine development, corporate development work, financial analysis, investor relations and marketing. Most recently he was Vice President of Corporate Development for Goldcorp Inc. (TSX:G; NYSE:GG).

On March 22, 2004, Mr. Michael W.P. Hibbitts joined the executive team as a senior officer, Vice President of Exploration & Development with the principal responsibility for managing the design, implementation and supervision of the underground exploration program to advance the Afton Copper-Gold Project through the feasibility stage.

In August, 2004 the Company received a United States Securities and Exchange (SEC) Form 20F registration pursuant to Section 12(b) of the Securities Exchange Action of 1934. The shares of the Company were listed for trading on the American Stock Exchange on November 12, 2004 under the trading symbol DRJ. The quorum requirements for U.S. listed issuers pursuant to Amex requirements is recommended to be 33 1/3% of shares issued and outstanding and entitled to vote. DRC Resources' quorum requirements, as outlined in the Company's By-Laws, are two shareholders present in person or by proxy holding at least $1/20^{th}$ of the shares entitled to vote at a meeting. DRC Resources has received from Amex an exemption from the Quorum requirements for listed issuers.

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 recently made and 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 exploration work, understanding of what constitutes a successful exploration attempt and careful cash management. All of those qualities must continue, and be improved upon, 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 which is expected to result in a general increase in costs and, possibly, delay in getting jobs completed. Hence, staffing and cost management are expected to be the main challenges to company stewardship in the near term.

Progress and Outlook

During 2004 the Company focused on the exploration of the Afton Copper-Gold Project ("Afton Project") and the Ajax/Python Claim Group (Ajax Property), 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. The Company's cash position is more than sufficient to fund planned exploration expenditures at Afton and meet ongoing obligations as they become due. However, additional financing may be required to conduct further exploration on the Ajax Property, also located near Kamloops, British Columbia and to expand the Company's inventory of mineral resource properties and conduct future exploration. Several financial institutions have approached the Company with proposals to further strengthen the Company's working capital. Management is investigating the ways in which it may advantageously maximize these financing proposals.

AFTON COPPER-GOLD PROJECT

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 2004 the Company engaged the services of Procon Mining and Tunnelling Ltd. to complete the 2000 metre Afton Exploration Decline. This is an essential step in advancing the project through completion of a bankable feasibility study by providing underground working access to conduct additional exploration work and confirmation sampling and probing of the known deposit in cross-cutting the Afton Mineral Zone. Definition diamond drilling, bulk sampling and technical studies will be carried on concurrently with development of the decline to complete the Afton Feasibility Study. The underground definition diamond drilling is designed to provide the information necessary to upgrade resources to the reserve category. The bulk sampling program taken in cross-cut of the mineral zone will provide grade continuity data required for final mine design and metallurgical information for refinement of mill and process design as well as reserve estimates. The Feasibility Study will include commissioning an independent mine engineering consulting group to finalize a plan for placing the Afton Copper-Gold Project into production. The decline excavation comprises the major part of an $18 Million final feasibility program that includes extensive definition drilling.

In early 2004 Behre Dolbear & Company Ltd. of Vancouver, British Columbia finalized an advanced Scoping Study that included an economic evaluation of the Afton Project, Kamloops, BC 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. This study was 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%		$203,578,770
	7.5%		$140,373,936
	10%		$94,306,153
Internal Rate of Return	(pre-tax)		26.68%
	(after tax)		19.94%
Payback Period			3.7 years
Notes: 1	Afton Main Zone Only (@ 0.7% Cu_{Eq} cut-off grade)		
2	See Note on Page 17, Section 3.0		
3	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 metre 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 block 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.

AJAX PROPERTY

owned by Abacus

During the 2004 field season six diamond drill holes were completed on the Company's Ajax property located on the Company's 100% owned Ajax Property, located 10 km east of the Afton Property, Kamloops, BC. The purpose of the diamond drill program was to test for sulphide mineralization between the two Ajax open pits and below the previously mined depths. Drilling successfully indicated a large near-surface copper sulphide system with an associated gold credit between and deeper than the previously mined Ajax East and Ajax West pits. The Ajax Property, consisting of 77 mineral claims, covering 4500 acres, is connected by an existing 10 km mine haulage road to the Afton Copper-Gold Property to the west.

The results of the Company's exploration programs prompted a geological interpretation of the area that represents a significant departure from the concept on which the shallow surface pits of copper-gold ore were developed and mined by the previous operator in the early nineteen nineties. The exploration drill program has outlined copper-gold mineralization with an interpreted vertical depth of 300 metres below surface and with an apparent thickness of 400 metres which is consistent with the zone mined in the two open pits. Three of the six drill holes were drilled over a strike length of approximately 400 metres. Two drill holes completed to the northwest of the Ajax East and West pits did not intersect the mineralized zone as the holes were collared too far in the foot wall of the zone.

The Ajax East and West pits have been described as porphyry deposits in geological publications. The Company is encouraged by the size and depth of the system and intends to continue to explore for a higher grade core.

Significant assay results for three drill holes intersecting the mineral zone over a length of 400 metres and to a depth of 300 metres below surface are as follows:

ASSAY INTERSECTIONS FOR AX-01 @ -55°/121°

Core Length (m)	Depth (m)	Copper (%)	Gold (g/t)
51	75-126	0.232	0.145
121	156-277	0.240	0.169
63	307-370	0.362	0.165
31.2	421-452.2	0.249	0.126

ASSAY INTERSECTIONS FOR AX-02 @ -52°/120°

Core Length (m)	Depth (m)	Copper (%)	Gold (g/t)
194	26-220	0.223	0.141
123	277-400	0.221	0.082

ASSAY INTERSECTION FOR AX-04 @ -55°/120°

Core Length (m)	Depth (m)	Copper (%)	Gold (g/t)
278	27-305	0.233	0.159

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.

Selected Annual Information

The selected financial data appearing below for the fiscal years ending December 31, 2004, 2003, and 2002 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 with a note to the financial statement reconciling the figures to United States generally accepted accounting principles ("USGAAP"). 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 Dec 31, 2004	Year Ended Dec 31, 2003	Year Ended Dec 31, 2002
Net Operating Revenue	565,506	108,482	114,260
Net Income (Loss)	(1,249,545)	(1,218,371)	(185,907)
Income (Loss) per Share	(0.09)	(0.13)	(0.02)
Total Assets	31,795,645	28,470,396	6,492,825
Net Assets	29,655,721	27,427,076	6,333,889
Deferred Income Taxes	922,675	875,935	113,767
Cash Dividends per share	Nil	Nil	Nil
Deficit	(4,220,830)	(2,971,285)	(1,752,914)
Capital Stock	33,008,361	30,398,361	8,086,803
Weighted Average Number of Shares	13,390,604	9,746,722	8,704,716

During 2004 incentive stock options totaling 865,000 common shares were exercised at prices between $3.00 and $3.50 netting $2,550,000 to the treasury. With approximately $23 million in cash assets, DRC currently has sufficient funds to meet its obligations and to carry out its exploration plans and complete the feasibility study. 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 2004 the main focus of the Company has been the exploration of the Afton Project in Kamloops, BC as described in the Progress and Outlook section above.

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$1.40 per pound, would enhance the economic potential of the Afton Project. The Company has now proceeded to the feasibility stage. This will enable a more detailed analysis of all potential mining methods and economic scenarios (including that envisaged in the scoping study) in order to determine the optimum method of developing a mine at the Afton Project site.

To the beginning of 2004, a total of $5 million had been expended to take the Afton Project through the initial exploration stage which included the 2000-2003 diamond drill programs. Preparation, engineering studies and government approvals for the start-up of the underground development began in early 2004, with the physical work on underground ancillary decline commencing in early November 2004. Approximately $9 million has been expended on the Afton Project to date.

Behre Dolbear's Advanced Scoping Study completed in 2004, estimated the additional 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 feasibility study is fully funded as the result of a $24 million financing completed in November 2003. To date, approximately $4 million has been expended on the feasibility study.

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 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.

Foreign currency fluctuations had a limited negative effect on DRC's 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 2004 (YE) figures	Sept 30 2004	June 30 2004	Mar 31 2004	Dec 31 2003 (YE) figures	Sept 30 2003	Jun 30 2003	Mar 31 2003
Net Operating Revenue (Loss)	565,506	94,883	199,304	171,306	108,482	21,613	(8,747)	(4,615)
(Loss) Before Taxes	(1,202,805)	140,903	(18,310)	71,505	(415,702)	(70,410)	(141,907)	(103,856)
(Loss) per Share	(0.09)	(0.01)	(0.01)	(.0.01)	(0.04)	(0.01)	(0.02)	(0.01)
Net Income(Loss)	(1,249,545)	146,626	(20,422)	62,395	(1,218,371)	(105,943)	(182,903)	(119,800)
(Loss) per Share	(.0.09)	(0.01)	(0.01)	(0.01)	(0.13)	(0.01)	(0.02)	(0.01)

Liquidity & Capital Resources

Working Capital at Year-end DRC Resources had working capital of \$24,200,000, \$24,700,000 and \$4,000,000 and no debt at December 31st in, respectively, the years 2004, 2003 and 2002. Net equity financings of \$4,904,120 in 2000, \$1,935,515 in 2002 and \$22,500,250 in 2003 and options exercised totaling \$2,550,000 in 2004 were the principal sources of working capital.

During 2004 interest income, sale of investment property, gain of marketable securities and a small oil and gas royalty, provided for approximately 62.83% of the Company's administrative costs. In 2003 and 2002, interest, royalty income and a foreign exchange gains provided for, respectively, approximately 34.98% and 24.52% 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 \$24.1 million private place of common shares significantly increased the working capital. In 2004 the exercise of director and employee stock options infused \$2,550,000 into the Company's working capital.

Interest income on its working capital combined with the infusion of capital by the exercise of options enabled the Company to meet its administrative costs and property maintenance programs through the year 2004 without significantly depleting its working capital. 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 at least 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.

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 Chairman of the Board 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	Paid	1,000,000	Performed
Year 6 (2005)	200,000 Shares		1,000,000	Performed
Year 7 (2006)			500,000	Performed
Year 8 (2007)			500,000	Performed
Year 9 (2008)			500,000	Performed
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, the only commitment for material expenditures in either the near or long term is the contractual obligations for completion of the Afton Underground Ancillary Decline, totaling approximately $18 million.

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 three 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 basis with reimbursement for out-of-pocket expenses until December 31, 2004. On January 1, 2005 Mr. Kruzick was made a salaried employee. By Services Agreement made and approved April 23, 2003 by the Board of Directors and amended October 18, 2004 and January 1, 2005, John H. Kruzick's employment as Chairman of the Board was formalized.

- 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 basis with reimbursement for out-of-pocket expenses until December 31 2004. On January 1, 2005 Ms. Ross was made a salaried employee. By Services Agreement made and approved April 23, 2003 by the Board of Directors and amended January 1, 2005, Sharon L. Ross' employment as Corporate Secretary to perform the duties customary to that position was formalized.

- On October 12, 2004, Christopher J. Bradbrook was retained to provide the Company with services pertaining to the position of President and CEO as a consultant paid on an annual basis with re-imbursement for out-of-pocket expenses until December 31, 2004. On January 1, 2005 Mr. Bradbrook was made a salaried employee and continued in his role as President and CEO.

Related Party Transactions
During the year ending December 31, 2004, the Company paid $64,446 compared to $59,362 in the same period for 2003, for secretarial and accounting services invoiced by Allshare Holdings Ltd., a private company in which a director has a 50% interest.

During the year ending December 31, 2004 the Company paid $153,000 compared to $146,375 in the same period for 2003 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 Chairman was paid $72,600 for consulting services during the year ending December 31, 2004 compared to $63,875 in the same period of 2003.

A director and officer of the Company was paid $46,460.00 for consulting services relating to the office of President from October 12, 2004 – December 31, 2004.

An officer of the Company was paid $101,600 for services as Vice President of Exploration and Development for the Afton Project.

Fourth Quarter
In October 2004, DRC Resources commenced the Afton Underground Ancillary Decline.

During the fourth quarter project costs increased to the budgeted average cost of approximately $1.2 million per month due to the commencement of the 2000 metre underground ancillary decline and construction of the portal facility. The decline provides access for the underground diamond drilling program which is designed to achieve two very important goals. Firstly, it will enable completion of infill drilling in order to upgrade current resources to the reserve category. Secondly, it will facilitate an aggressive exploration program to search for extensions of the known mineralization, and to investigate the potential for additional zones of mineralization. To date, the currently identified mineralization remains open.

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 March 22, 2005.

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

Issued and outstanding: 13,941,766 common shares without par value

Incentive Stock Options Outstanding:

Number of Options	Exercise Price	Expiry Date
100,000	$6.50	April 13, 2009
600,000	$4.60	October 12, 2009
50,000	$6.81	March 10, 2009
50,000 (Compensation Options)	$4.60	October 13, 2006
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 statements 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

Office Locations

595 Howe Street, Suite 601
Vancouver, B.C. V6C 2T5
Canada
Phone: 604-687-1629 Fax: 604-687-2845

Suite 810, Box 4
1 First Canadian Place
Toronto, Ontario M5X 1A9
Canada
Phone: 416-361-4779 Fax: 416-361-1790

Email: drcresources@uniserve.com
www.drcresources.com

Directors and Officers

John H. Kruzick, B.Sc. - Chairman/Director
Chris J. Bradbrook, M.Sc - President and Chief Executive Officer/Director
Sharon L. Ross - Secretary/ Director
Clifford J. Davis - Director*
C. Robert Edington - Director
R. Gregory Laing, BA, LLB - Director*
Mike Muzylowski, B.Sc. - Director
Thomas O'Toole Taylor - Director
Craig D. Thomas, LLB - Director
Ian M. Beardmore, CA - Chief Financial Officer
Michael W.P. Hibbitts, P.Geo. - Vice President of Exploration & Development

Stock Information

Toronto Stock Exchange (TSX) - DRC
American Stock Exchange (AMEX) – DRJ
CUSIP NO. 233296 10 2
SEDAR Profile Number 00004818

Share Capitalization

Authorized: 40,000,000 common
Issued: 13,941,766 common

Properties

British Columbia (Afton & Ajax-Python) Copper-Gold
Ontario (Timmins) – Polymetallic

Auditors

DeVisser Gray Chartered Accountants, Vancouver, BC

Registrar and Transfer Agent

Computershare Trust Company, Vancouver, BC and Toronto, ON

Bank

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

* Appointed 2005

DRC Resources Corporation
595 Howe Street, Suite 601
Vancouver, B.C. V6C 2T5
Canada
Phone: 604-687-1629 Fax: 604-687-2845

Suite 810, Box 4
1 First Canadian Place
Toronto, Ontario M5X 1A9
Canada
Phone: 416-361-4779 Fax: 416-361-1790

Email: drcresources@uniserve.com

www.drcresources.com