

DRC RESOURCES CORP /FI
Form 20FR12B/A
May 13, 2004

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UNITED STATES

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE
SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 200_____

OR

TRANSITIONAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission file number _____

DRC RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

British Columbia, Canada

(Jurisdiction of incorporation or organization)

#601 - 595 Howe Street

Vancouver, BC V6C 2T5

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class

Name of each exchange on which registered

None

None

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Securities registered or to be registered pursuant to Section 12(g) of the Act.

Title of class

Common Shares without par value

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Title of class

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by a check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

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FORWARD LOOKING-STATEMENTS

This registration statement of DRC Resources Corporation (herein referred to as "DRC Resources" or "the Company") contains forward-looking statements with reference to: (i) Mineral Resources, (ii) certain plans, strategies and objectives of DRC Resources' management, and (iii) expected costs of exploration and development programs. Such forward-looking statements are not guarantees of future performance, which may be affected by risk factors and other uncertainties, many of which are beyond the control of DRC Resources, which may cause actual results to differ materially from those expressed in the statements contained in this registration statement.

Historical financial information as to costs of exploration and administration may not be indicative of DRC Resources' future cost performance. All statements which are not statements of historical fact may be deemed to be forward-looking statements. The use of words such as "potential", "possible", "indicated", "inferred", "estimated" or statements such as "may", "expect", "believe", "anticipate" and "intend" (and the negative or variations of, or comparable terminology) are intended to identify forward-looking statements.

GLOSSARY OF TERMS AND DEFINITIONS

The following is a glossary of technical terms which are used in this registration statement to describe the DRC Resources' business.

"Ag" means silver

"anomaly" and "anomalous" mean a value higher or lower than the expected; outlining a zone of potential exploration interest but not necessarily of commercial significance

"argillite" is a sedimentary rock composed of compacted mud and clay particles

"Au" means gold

"batholith" is a large body of igneous rock formed by intrusion and solidification of magma

"blebs" are small rounded to elongate inclusions

"bornite" is an important copper sulphide mineral(Cu₅FeS₄)

"chalcocite" is a copper sulphide mineral (Cu_2S)

"chalcopyrite" is a copper sulphide mineral (Cu_5FeS_4)

"copper equivalent" means the percentage of marketable metals or minerals contained in mineralized material, determined by converting all other metals other than copper to equivalent copper on the basis of a market price for such metals at a given time

"Cu" means copper

"cuprite" is a copper oxide (Cu_2O)

"diamond drill" means a type of rotary drill, the bit of which is set with diamonds that cut by abrasion rather than percussion. The hollow-centred cutting bit is attached to the end of long hollow drill rods that are rotated and through which water is pumped to the cutting face of the bit. The drill cuts a circle, the rock core of which is recovered in long cylindrical sections, an inch or more in diameter.

"dilution" means the incorporation of waste or low grade rock with ore during the mining process resulting in lower grade

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"disseminated ore" means a scattered distribution of generally fine-grained metal bearing minerals throughout a rock body, in sufficient quantity to make the deposit an ore

"dollars" or "\$" means Canadian currency unless otherwise indicated

"exploration" means prospecting, diamond drilling and other work involved in searching for ore bodies

"fault" means a fracture or fracture zone along which there has been displacement of the sides

"feeder zone" means conduits facilitating the movement of magma or mineral bearing fluids

"grade" the weight of valuable minerals in each tonne of ore

"g/t" means grams per tonne

"hypogene" means primary mineral deposits formed by generally ascending solutions in or from below the earth's crust

"hydrothermal" means any process associated with igneous activity involving the action of very hot aqueous solutions

"Indicated Mineral Resource" is a term defined by the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") and adopted in Canadian National Instrument NI 43-101 *Standards for Disclosure of Mineral Projects* as meaning that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological

and grade continuity to be reasonably assumed.

"Inferred Mineral Resource" is a term defined by the CIM and adopted in NI 43-101 as meaning that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

"intrusive" a rock formed by the process of emplacement of magma in pre-existing rock

"magmatic" means rock derived from cooling magma emplaced in the earth's crust

"Measured Mineral Resource" is a term defined by the CIM and adopted in NI 43-101 as meaning that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics, are so well established that they can be estimated with sufficient confidence to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of economic viability of the deposit. The estimate is based on detailed and reliable exploration sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that spaced closely enough for geological and grade continuity.

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"mineralization" means rock containing an undetermined amount of minerals or metals

"Mineral Reserve" is a term defined by the CIM and adopted in NI 43-101 as meaning the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined. (Note below the definition of "Reserve" found in the U.S. Securities and Exchange Commission Industry Guide 7).

"Mineral Resource" is a term defined by the CIM and adopted in NI 43-101 as meaning a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

"mineral zone" means a mineral-bearing belt or area

"Mo" means molybdenum

"Ore" is a natural aggregate of one or more minerals which, at a specified time and place, may be mined, processed and sold at a profit, or from which some part may profitably be separated

"oz/t" means Troy ounces per short ton

"Pd" means palladium

"percussion drill" means a drill that operates by having the drill bit fall with force onto the rock

"petrographic study" is the identification of minerals with the aid of a microscope

"plutonic" means a phaneritic igneous rock that has crystallized at depth within earth's crust

"porphyry" means an igneous rock containing conspicuous crystals or phenocrysts in a fine-grained groundmass; it refers to a type of mineral deposit in which ore minerals are widely disseminated, generally of low grade but large tonnage

"porphyry copper" is a type of deposit in which the copper mineralization occurs as discrete grains and veins throughout a large volume of rock

"preliminary assessment" means an assessment that may be disclosed under NI 43-101 if made by a qualified person, notwithstanding that it includes an economic evaluation which uses inferred mineral resources, provided that such disclosure includes a proximate statement that the assessment is preliminary in nature, that it includes inferred mineral resources that are too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that the preliminary assessment will be realized; a preliminary assessment is sometimes referred to as a "scoping study"

"Reserve" is a term defined by Industry Guide 7 of the U.S. Securities and Exchange Commission (SEC) as meaning that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Industry Guide 7 classifies reserves as either "Proven (Measured)" or "Probable (Indicated)". Proven (measured) reserves are those for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established. Probable (indicated) reserves are those for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation. *Note: SEC staff has traditionally required a "bankable" or "final" feasibility study before reserves may be designed for purposes of meeting the requirements of Industry Guide 7.*

"resource" or "Mineral Resource" is a term defined by the CIM and adopted in NI 43-101 as meaning a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

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"short ton" a unit of weight which equals 2000 pounds

"sulphides" or "sulfides" are a group of minerals consisting of metals combined with sulphur; common metallic ores

"supergene" means a secondary enrichment of a rock body by a re-precipitation of oxides and sulphides from descending ground water

"tonne" means metric tonne (2,204 pounds)

Measurements stated in metric units covert to imperial equivalents is as follows:

Metric Units	Multiplied by	=Imperial Units
hectares	2.471	=acres
metres	3.281	=feet
kilometres	0.621	=miles (5,280 feet)
grams	0.032	=ounces (troy; 12 troy ozs/lb)
tonnes	1.102	=tons (short or 2,000 lbs)
grams/tonne	0.029	=ounces (troy)/ton

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

A. Directors and senior management

The following are the directors and executive officers of DRC Resources:

Name & business address	Position or Function
John Harvey Kruzick #601 - 595 Howe Street Vancouver, BC Canada V6C 2T5	Director President & Chief Executive Officer
Sharon Lynne Ross #601 - 595 Howe Street Vancouver, BC Canada V6C 2T	Director Secretary
Charles Robert Edington Unit 1 - 929 Ellery Street Victoria, BC, Canada V8Z 6M1	Director
Mike Muzylowski Suite 1160, 1040 West Georgia St. Vancouver, BC, Canada V6E 4H1	Director
Thomas O'Toole Taylor 1358 232 nd Steet Langley, BC, Canada V2Z 2W9	Director
Craig Dalton Thomas Suite 1525, 625 Howe Street West Vancouver, BC V6C 2T6	Director
Bruno Johann Mosimann Herbstacerstr 27 CH-8472 Seauzach, Switzerland	Vice-President, Corporate Development & Finance
	Vice-President, Business Development

Maurice Delamore Lee 789 West 66 th Avenue Vancouver, BC, Canada V6P 2R4	
Ian Mackenzie Beardmore Suite 1400, 701 West Georgia Street Vancouver, BC Canada V7Y 1C6	Chief Financial Officer

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B. Advisers

The following are DRC Resources' principal advisers:

Name & business address	Function
HSBC Bank Canada 885 West Georgia Street Vancouver, BC Canada V6C 3E9	Banker
Dundee Securities Corporation 320 Bay Street, Suite 800 Toronto ON Canada M5H 4A6	Sponsor for listing of DRC Resources on the Toronto Stock Exchange
Donald W.J. Specht 4130 Ripple Road, West Vancouver, BC, Canada V7V 3L2	Legal counsel

C. Auditors

Beauchamp & Company
Chartered Accountants
#205 - 788 Beatty Street, Vancouver, BC Canada V6B 2M1
email: beauchamp@telus.net
Members of the Institute of Chartered Accountants of British Columbia

Item 2. Offer Statistics and Expected Timetable - NOT APPLICABLE

Item 3. Key Information

A. Selected financial data.

The selected financial data appearing below for the fiscal years ending December 31, 2003, 2002, 2001, 2000 and 1999 are set forth in Canadian dollars and extracted from the audited Consolidated Financial Statements of DRC Resources that appear elsewhere herein.

DRC Resources' financial statements are prepared in accordance with generally accepted accounting principles (GAAP) that apply in Canada. The selected financial data appearing in the first table below is presented in accordance with Canadian GAAP. The second table sets out the selected financial data in accordance with US GAAP. The principle differences between Canadian GAAP and US GAAP that affect DRC Resources' income and shareholders' equity relate to those items described in Note 16 of the DRC Resources' December 31, 2003 financial statements appearing elsewhere herein.

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 appearing elsewhere in this registration statement.

SELECTED FINANCIAL DATA UNDER CANADIAN GAAP

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000	Year Ended December 31, 1999
Net Operating Revenue	108,482	114,260	255,155	176,527	984
Net Income (Loss)	(1,218,371)	(185,907)	(114,809)	(227,166)	110,108
Income (Loss) per Share	(0.13)	(0.02)	(0.02)	(0.04)	(0.02)
Total Assets	28,470,396	6,492,825	5,899,183	6,380,707	1,076,948
Net Assets	27,427,076	6,333,889	5,566,571	6,075,855	1,060,157
Deferred Income Taxes	875,935	113,767	296,410	216,985	0
Cash Dividends per share	Nil	Nil	Nil	Nil	Nil
Deficit	(2,971,285)	(1,752,914)	(1,567,007)	(1,452,198)	(1,225,032)
Capital Stock	30,398,361	8,086,803	7,133,578	7,528,053	2,285,189
Weighted Average Number of Shares	9,746,722	8,828,466	7,792,620	5,742,938	4,456,016

SELECTED FINANCIAL DATA UNDER US GAAP

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Other Income and Expenses	108,482	114,260	255,155
Net (Loss)	(2,412,340)	(986,230)	(563,384)
Income (Loss) per Share	(0.24)	(0.11)	(0.07)
Total Assets	24,983,100	4,199,498	4,406,179
Net Assets	23,939,780	4,040,562	4,073,567
Deferred Income Taxes	875,935	113,767	296,410

Cash Dividends per share	Nil	Nil	Nil
Deficit	(6,458,581)	(4,026,241)	(3,060,011)
Capital Stock	30,398,361	8,086,803	7,133,578
Weighted Average Number of Shares	9,746,722	8,828,466	7,792,620

On April 30, 2004 a Canadian dollar (C\$1.00) was exchangeable for US\$0.75 on the basis applied in the following table, which sets forth, for the periods and dates indicated, information concerning the rates of exchange of one Canadian dollar (C\$1.00) into the US\$ based on the noon buying rate in New York City for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York ("Noon Buying Rate").

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Period	At Period End	Average Rate (1)	High	Low
	(all figures in US\$ per C\$)			
Month ending April 30, 2004	0.7453	0.7449	0.7670	0.7249
Month ending March 31, 2004	0.7530	0.7528	0.7659	0.7369
Month ended February 29, 2004	0.7525	0.7525	0.7652	0.7401
Month ended January 31, 2004	0.7548	0.7716	0.7885	0.7485
Month ended Decemeber 31, 2003	0.7713	0.7617	0.7789	0.7452
Month ended November 30, 2003	0.7698	0.7619	0.7723	0.7457
Year ended December 31, 2003	0.7713	0.7135	0.7789	0.6338
Year ended December 31, 2002	0.6329	0.6368	0.6546	0.6237
Year ended December 31, 2001	0.6279	0.6458	0.6671	0.6268
Year ended December 31, 2000	0.6669	0.6733	0.6948	0.6397
Year ended December 31, 1999	0.6925	0.6730	0.6859	0.6563
Year ended December 31, 1998	0.6504	0.6743	0.7075	0.6452

B. Capitalization and Indebtedness

The following tables set out the capitalization of DRC Resources at December 31, 2003 in accordance with Canadian and US GAAP

Under Canadian GAAP

At December 31,
2003

(all figures in C\$)

Shareholders' Equity

Common Shares	30,398,361
Retained earnings (deficit)	(2,971,285)
Total shareholders' equity	27,427,076
Indebtedness (direct, indirect, contingent) Note 1	
Short term debt - unsecured (current accounts payable)	167,385
Long term debt - unsecured (deferred income taxes)	<u>875,935</u>
Total indebtedness	1,043,320

Under US GAAP

At December 31,
2003

(all figures in C\$)

Shareholders' Equity	
Common Shares	30,398,361
Retained earnings (deficit)	(6,569,448)
Total shareholders' equity	23,828,913
Indebtedness (direct, indirect, contingent) Note 1	
Short term debt - unsecured (current accounts payable)	167,385
Long term debt - unsecured (deferred income taxes)	<u>875,935</u>
Total indebtedness	1,043,320

Note 1: There has been no other significant change in the Company's other indebtedness since December 31, 2003 and there were no accounts payable as at April 30, 2004.

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C. Reasons for the offer and use of proceeds

Not applicable

D. Risk factors

This section describes some of the risks and uncertainties faced by DRC Resources'. The factors below should be considered in connection with any forward-looking statements in this registration statement. The risks described below are considered to be the significant or material ones, but they are not the only risks faced by DRC Resources. Some risks may not be known to DRC Resources and others that are not considered significant or material may turn out to be material. Investment in the common shares of DRC Resources must be considered speculative and risky, since any one or more of the risks could materially impact DRC Resources' business, its revenues, income, ability to raise required capital and the market price of its common shares.

- ***No Ongoing Operations and No Production History*** DRC Resources has no current ongoing mining operations and no significant income. 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 operation from which it may derive significant income.

- ***Risks Specific to the Afton Copper-Gold Project***

- ***Potential Increase in Surface Costs of Site*** The owner of the surface rights, a previous operator, may deny DRC Resources use or purchase at a reasonable rental or price, of an existing mill building, assay laboratory, administration building, power line and other surface facilities, which would require DRC Resources to build new facilities. (see further discussion of this point under Item 4.B on page 20 of this registration statement) DRC Resources does not own any surface rights (fee lands) to the area comprising the Afton Copper-Gold Project. To date, access to the Company's property has been over the previous operator's fee lands. Alternate, though somewhat less convenient, access is readily available over government lands. The *Mineral Tenure Act* (British Columbia) provides for a free miner or the holder of a mineral claim to have a right of way to entry over surface areas for the location, exploration and development or production of minerals, by arbitrated access order if necessary, subject to compensating a surface owner for such disturbances or use of surface area.

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- ***Increased Tailings System Costs*** Since DRC Resources does not have rights to use the existing tailings facility, it may be put to the cost of developing a new tailings system or employing a dry tailings process, which is slightly more costly than processing tailings in the conventional way.

- ***Limited Geotechnical Study*** Though geotechnical studies by SRK Consulting supports a panel (block) caving method of mining, the limited scope of such studies means that there is a risk that panel caving will not be feasible and that DRC Resources will have to employ another, somewhat more costly, mining method such as sublevel mining.
- ***Potential Dilution*** DRC Resources estimated that it would have to provide at least 10% of the \$140 million required to commence the development stage of the Afton Copper-Gold Project. In November 2003 DRC Resources raised \$24 million by issue of 3.45 million shares, which constituted a 24% dilution of the company's then equity. If DRC Resources is required to raise further equity to attract project debt financing, further shareholder dilution may be required.
- ***Management Inexperience*** DRC Resources' management is experienced in exploring for minerals, but lacks technical training and experience with developing and operating a mine. With no direct training or experience in these areas, management may not be fully aware of many of the specific requirements related to working within this area of industry and their decisions and choices may not take into account standard engineering or managerial approaches mine operating companies commonly use. Consequently, DRC Resources' operations, earnings and ultimate financial success could suffer irreparable harm due to management's lack of operating experience.
- ***Potential Drilling Cost Increase*** Key drill sites being used by DRC Resources to conduct its exploration program are situated on an existing open pit slope, which may be subject to failure. If instability of the pit slope requires DRC Resources to drill from alternate locations, the cost of drilling

yet to be done could be significantly increased.

- **Existing Site Hazards** The open pit left by the previous mining operation constitutes an inherent safety hazard to on-site operations of DRC Resources, in addition to which, by assuming control of surface areas used by a previous operator, DRC Resources may also become liable for consequent environmental and personal safety problems related to such things as slope failure, soils contamination, etc.
- **Exploration** The business of the exploration for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, there are no known bodies of commercially mineable ore on any of the mineral properties in which DRC Resources has an interest.
- **Additional Funding Requirements** Though DRC Resources currently has funds sufficient to meet its obligations and to carry out its exploration plans for at least the next 24 months, there is no assurance that DRC Resources 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 Resources are the sale of equity capital, or the offering by DRC Resources of an interest in its properties to be earned by another party or parties carrying out further exploration or development of the properties.
- **Amount of Property Cost is not Evidence of Value** Expenditures made by DRC Resources in the exploration or development of its mineral properties are included in the balance sheet value of its resource properties. The amounts described as "RESOURCE PROPERTIES" in the balance sheets of DRC Resources' financial statements cannot be taken to reflect realizable value.

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- **Competition**

Competition for mineral prospects and financing required for exploration is intense. Many of the companies competing with DRC Resources have greater financial resources, larger staff and labour forces, more equipment for exploration and greater experience and may therefore be in a better competitive position than DRC Resources.

- **Title Matters** While DRC Resources has investigated title to its properties and is satisfied that, to the best of its knowledge, title to all its properties is in good standing, this should not be construed as a guarantee of title, which may be affected by undetected defects. DRC Resources' mineral claims comprising its principal property, the Afton Copper-Gold Project, have been validly staked in accordance with applicable legislation, the legal corner post of four key claims has been located by survey, but DRC Resources has not surveyed the boundaries of its mineral claims. Until that is done, one cannot be certain of the precise location and whether or not there are any internal, unstaked fractions. DRC Resources does not hold title insurance.
- **Potential Conflicts of Interest** Mike Muzykowski and Craig D. Thomas, directors of DRC Resources, are also directors and/or officers of other natural resource companies. (see Item 6.A on pages 35-37 for names of other companies where these directors hold positions as directors) John H. Kruzick and Sharon L. Ross, the only members of management of DRC Resources subject to employment contracts, devoting most but not all of each work day to the Company, in the case of Mr. Kruzick 50 to 60 hours per week and in the case of Ms. Ross 40 to 50 hours per week. No member of management devotes full time to DRC Resources' affairs. Directors and officers are aware of their fiduciary obligations to DRC Resources and its shareholders. However, conflicts with respect to corporate opportunities may arise between the obligations of these directors and officers of DRC Resources and such other natural resource companies. DRC Resources'

incorporating documents and applicable legislation require all material transactions between DRC Resources and its directors and officers to be approved by a majority of DRC Resources' disinterested directors. Any decision made by any of such directors and officers involving DRC Resources is made in accordance with their duties and obligations to deal fairly and in good faith with DRC Resources. The directors of DRC Resources must disclose, and refrain from voting on, any matter in which such directors may have a conflict of interest.

In the past, President of the Company, John H. Kruzick and Mike Muzylowski, directors of DRC Resources, have been involved as independents in the business of acquiring mineral properties. As directors and/or officers of other companies, Messrs. Muzylowski and Craig D. Thomas provide management services (directorship) and consulting (legal services) to other mineral exploration companies. If those directors or officers learn of mineral exploration opportunities, they will not necessarily present them to DRC Resources, but may pursue them through other vehicles or present them to others. Mr. Muzylowski presently provides management and consulting services only to Callinan Mines Limited and Mr. Thomas is legal counsel to Intercontinental Mining Corporation, Golden Raven Resources, Anglo-Andean Exploration Inc., Terramin Mining Inc., Rystar Communications Ltd. and Cogent Technologies Inc. (see also Item 6.A on pages 36-38 of this document). By the terms of their engagement and their disclosure of all potentially conflicting property interests and acquisitions, this practice complies with these directors' duties to the Company under the *Company Act* (British Columbia). It is determined on the facts of each case as the same arises and is disclosed whether or not a conflict exists and, if so, whether the benefit in the conflict is to be resolved in the Company's favour. In the past, no conflict has arisen that has adversely affected the Company's business operations.

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• ***Dependence on Key Emplo***

yees DRC Resources depends on John H. Kruzick and Sharon L. Ross as key employees, the loss of any one of whom could have an adverse effect on DRC Resources' administrative operations.

• ***Environmental Liability***

Mineral exploration is subject to potential risks and liabilities associated with pollution of the environment. Breach of regulations may result in the imposition of fines or penalties, or prevent the conduct of exploration completely.

• ***Requirement for Permits and Licenses***

DRC Resources believes that it presently holds or has applied for all necessary licenses and permits to carry on the activities in which it is currently engaged under applicable laws and regulations in respect of its properties, and DRC Resources believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to changes in regulations and in various operational circumstances. A substantial number of additional permits and licenses will be required should DRC Resources proceed beyond exploration. There can be no guarantee that DRC Resources will be able to obtain such licenses and permits.

• ***Market Risks***

If DRC Resources' stock trades in the OTC Bulletin Board or the Pink Sheets, but not on national exchanges, such as the New York Stock Exchange or NASDAQ, at a price below US\$5.00 per share, it will be subject to the "penny stock" rules of the Securities and Exchange Commission. These rules require that, before a broker or dealer can sell a

penny stock to persons other than established customers and accredited investors (generally those with assets in excess of \$1 million or annual income exceeding \$200,000), the firm must make a determination as to the suitability of the purchase of such securities for the customer and obtain the customer's written consent to the transaction prior to the purchase. Unless a penny stock transaction is exempt under the rules, the broker or dealer must furnish the customer a document describing the risks of investing in penny stocks. The broker or dealer must give the customer the current market quotation, if any, for the penny stock and disclose the compensation to the firm and registered representative. The firm must send monthly account statements showing the recent market price of penny stocks in the account. The penny stock rules will tend to restrict the ability of brokers and dealers to sell DRC Resources stock, which could have an adverse effect on liquidity and market price of DRC Resources' stock.

- **Legal Remedies** Because DRC Resources is incorporated in British Columbia, Canada and all its assets and business operations are located outside the United States, as is the residence of all members of its management, the bringing of an action, the service of process, proof of a case and the enforcement of judgments will be more difficult.
- **Risks Associated with Mining Operations** If DRC Resources ever commenced actual mining operations, such operations would face the risk of changing circumstances, including but not limited to:
 - ◆ failure of production to achieve metal recovery levels indicated by pre-production testing of drill core and bulk samples;
 - ◆ estimates of reserves being adversely affected by encountering unexpected or unusual geological formations;
 - ◆ production costs being adversely affected by unforeseen factors such as substantial adverse changes in exchange rates or changes in environmental protection requirements, breakdowns and other technical difficulties, slides, cave-ins or other natural disasters, work interruptions or labour strikes;
 - ◆ the grade of ore actually mined being lower than that indicated by drilling results;
 - ◆ persistently lower market prices of the products mined than those used to determine the feasibility of mining a mineral occurrence;
 - ◆ adverse changes in interest rates that may apply to project development debt.

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Item 4. Information on the Company

A. History and Development of DRC Resources

1. Name of the Company

The Company's legal and commercial name is: DRC Resources Corporation

2. Incorporation

DRC Resources was incorporated on January 31, 1980

3. Domicile and form of Company

DRC Resources exists as a limited liability corporation pursuant to Certificate of Incorporation issued by the Registrar of Companies and registration of its Memorandum and Articles under the *Company Act* (British Columbia), Canada.

DRC Resources' registered office for service in Canada and its principal place of business are located at Suite #601 - 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

DRC Resources is a reporting issuer under the *Securities Acts of the Provinces of British Columbia, Alberta and Ontario*. Its Common Shares are listed under the symbol "DRC" on the Toronto Stock Exchange.

4. Important events in development of Company's Business

DRC Resources is in the business of acquiring and exploring natural resource properties. Exploration work on the properties has been limited to prospecting, sampling, research and drilling. To date, no property has been the subject of development work to bring it into production. A mineral property is abandoned if exploration results do not appear to warrant further expenditure on the property. Upon abandonment, DRC Resources writes off its investment in the property. Administrative expenditures are related primarily to maintaining corporate existence and meeting filing requirements, as there have been no mining operations. As properties are not acquired on a regular or periodic basis there can not be said to be observable trends in DRC Resources' business and year-to-year comparisons of accounting information may not be meaningful. As an exploration company, DRC Resources' success is generally measured by the extent and quality of mineralization (if any) discovered and this information is not contained in financial statements.

From incorporation in 1980 until 1998, DRC Resources was exclusively in the business of acquiring and exploring mineral resource properties in Canada.

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Diversification Attempt

For a period from June 1998 until September 1999, due to poor economic conditions in the mining industry, DRC Resources took steps to change the nature of its business, by diversifying and de-emphasizing mineral exploration. Several mineral properties were allowed to lapse and a joint venture was concluded to allow another company to acquire 50% of the Python claim group, DRC Resources' then major mineral property holding. e-Bid Online Inc. was incorporated under the *Company Act* (British Columbia) to reserve the corporate name as reflected in the domain (internet) address. DRC Resources secured shareholder approval for its plan to change its name and business to reflect its then e-commerce business direction. Consultants in that area of activity were engaged to assist in the transition. An e-commerce website was designed and developed during 1999 but commercialization was not achieved and the project was discontinued.

DRC Resources' President, John H. Kruzick, acted as nominee subscriber, holding in trust for the Company the one issued share of e-Bid Online Inc., which was incorporated on August 27, 1999 by registration of its Memorandum and Articles under the *Company Act*, British Columbia. e-Bid Online Inc. was never recorded in the financial statements as a subsidiary, but as a project expense subsequently written off.

Return to Mineral Exploration Business

While the Company pursued its change of direction to e-commerce, in 1998 and 1999 John H. Kruzick privately continued his long-time interest in mineral exploration with a colleague, John C. Ball by, among other activities, staking in June 1999 in their joint names the mineral claims that subsequently came to comprise the Afton Copper-Gold Project. Messrs. Kruzick and Ball shared the costs of their staking, which was approximately \$10,000. When metal prices showed signs of recovery in September 1999, Mr. Kruzick persuaded his colleague to offer the Afton mineral claims to DRC Resources for a price of 2,000,000 million common shares with payment to be spread

over six years and a retained 10% Net Profits Royalty (see also Item 7.B on page 46 and Item 4.B on pages 22-23 of this registration statement). The directors decided to acquire the property and refocus the Company's activities on mineral property exploration, the current area of interest. Consistent with that decision, the Python mineral property option (covering ground in the same general area as the Afton Project) was terminated when the optionee decided not to proceed with required expenditures.

5. Principal Business and Capital Investment in the Last Three Years

Since 1999 DRC Resources' principal capital expenditures have been on or in connection with the Afton Copper-Gold Project, a copper-gold mineral exploration prospect located near Kamloops, British Columbia, Canada. There have been no significant divestitures.

In the three years ended December 31, 2002 the Company raised over \$7.1 million, of which \$4.1 million has been expended in exploration of the Afton Copper-Gold Project. On November 6, 2003 the Company raised a further \$24.15 million. As of January 31, 2004, approximately \$26 million is retained as working capital.

6. Principal Capital Expenditures in Progress

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 Resources.

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7. Takeover Offers

While there have been friendly discussion with several majors in the industry, there have been no indication of public takeover offers in respect of DRC Resources' shares.

B. Business Overview

1

General

The Company was formed in British Columbia under its present name by registering its Memorandum and Articles under the British Columbia *Company Act* on January 31, 1980. The same year the Company filed articles of amendment to remove the private company restrictions from its articles and made its first public stock distribution December 12, 1980. By amendment of its Memorandum on July 10, 1987 the Company's capital was increased from 5,000,000 common shares without par value so that it was authorized to issue 20,000,000 common shares without par value, 10,000,000 Class "A" preferred shares with a par value of \$10.00 each and 10,000,000 Class "B" preferred shares with a par value of \$50.00 each. By further amendment of its Memorandum on July 11, 2001 the Company's capital was altered by deleting all preferred shares and increasing the number of common shares without par value to 40,000,000. The Company's registered office and principal place of business are located at Suite #601 - 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

1

The Business of the Company

Except for a period from September 1998 until September 1999 when it attempted to change its business to an e-commerce direction, DRC Resources has been exclusively in the business of acquiring and exploring resource properties in Canada and elsewhere. A brief foray into oil and gas exploration in the early 1980s resulted in the Company acquiring a small royalty interest in a Texas gas play. However, since 1999 the Company has devoted itself exclusively to the business of acquiring and exploring mineral properties in Canada. The object of its acquisition and exploration activity was to find, stake or option, advance through exploration and turn such properties to account by farm-out, joint venture or sale to a senior mining company.

DRC Resources is an exploration company, whose work on its properties has been limited to prospecting, sampling, research and drilling. While it has not yet determined that any of its properties contain economically recoverable reserves, the Company received a favourable preliminary assessment that includes an economic evaluation in respect of its principal mineral prospect, the Afton Copper-Gold Project in October, 2003. The economic evaluation delineated additional exploration work required to advance the Afton Copper-Gold Project from exploration state to feasibility or development stage.

Mineral exploration tends to be a seasonal activity, though the location of the Afton Copper-Gold Project permits the Company to conduct its exploration work year round. Mineral exploration in British Columbia, Canada, the geographical area in which the Company's activities are focused, is relatively free of government regulation, except in the area of environmental protection. As an experienced exploration company, DRC Resources has not encountered difficulties in complying with regulations regarding environmental protection.

1

Effect of Government Regulation

Mineral exploration in British Columbia, Canada, the geographical area in which the Company's activities are focused, is relatively free of government regulation, except in the area of environmental protection. As an experienced exploration company, DRC Resources has not encountered difficulties in complying with regulations regarding environmental protection. The Company's experience in exploration has required that it keep abreast of regulatory requirements, that it engage experienced contractors who are familiar with governmental requirements and good practices in the area of environmental protection and compliance and that it take pains to research exploration prospects insofar as their potential for becoming problem areas as acid producers.

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C. Organizational Structure

DRC Resources is an independent resource and mineral exploration company. It has only one subsidiary, Dynamic Resources Corporation Inc., incorporated as such on December 12, 1980 under the laws of the State of Nevada, United States of America.

D. Property, Plant and Equipment

Afton Copper-Gold Project

The Afton Copper-Gold Project is DRC Resources' principal mineral property. After acquiring an option of the property in 1999, the Company undertook several exploration programs, which culminated in the engagement in 2000 of mine engineering firm, Behre Dolbear and Company Ltd., to review the results of the Company's initial \$800,000 diamond drilling program with the object of determining the scope of potential mine development. A February 2001

Behre Dolbear and Company Ltd. scoping study anticipated potential mine production at 4,500 tons per day, based on the then estimated 25 million ton Indicated Mineral Resource, which was based on a copper equivalent cut-off grade of 1%. NOTE: A Resource is not a reserve.

Following a further \$2,400,000 of diamond drilling in 2001 and 2002, Behre Dolbear was engaged to update the resource estimate that formed the basis of their 2001 scoping study. On completion of a 2003 infill diamond drilling program, a study entitled "Mineral Resource Estimate for the Afton Copper-Gold Project, Kamloops, B.C." was received from Behre Dolbear in May 2003. The Behre Dolbear study was authored by independent consulting engineer, James A. Currie, P.Eng., who is a Qualified Person within the definition set out in NI 43-101 as having at least five years experience in mineral exploration, mine development or mineral assessment, as having experience relevant to the subject matter of the mineral project and as being a member in good standing of a professional association.

In June 2003 Behre Dolbear was engaged to prepare and in October, 2003 delivered a preliminary assessment or advanced scoping study, which after some amendment was accepted by the British Columbia Securities Commission in November, 2003 as being within the definition set out in NI 43-101. This advanced scoping study was updated in February, 2004. The preliminary assessment is based on computer simulation of a 9,125 tonne per day panel (block) caving mine plan carried out by Behre Dolbear sub-consultant, Metalica Consultores S.A. of Chile, under supervision of Behre Dolbear Qualified Person, James A. Currie, P.Eng.

1

Location and Means of Access The Afton Copper-Gold Project is located on the south side of the Thompson River Valley 350 kilometres (220 miles) northeast of Vancouver and 10 kilometres (6 miles) west of the city Kamloops, in the south-central interior of British Columbia, within NTS Quadrangles 92-I-9W/10E. The Trans-Canada Highway passes through the middle of the property, just west of its junction with Highway 5 (the Coquihalla Highway). Access is by mine-site roads off the Trans-Canada Highway. Kamloops has an airport with daily air service from Vancouver and Calgary. Railroads belonging to both Canadian National and Canadian Pacific Railways service Kamloops, with a line belonging to Canadian National crossing the northern portion of the property.

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Physical access to the property off the main highway is by mine-site roads on private and crown lands. DRC has entered into access agreements with Afton Operating Corporation, (a subsidiary of Teck Cominco Ltd., who is also the parent of Afton Mines Ltd.) to cross that portion of private lands that lie within the DRC Resources claims. By Access Agreement dated April 7, 2000, subsequently extended from time to time, between DRC Resources and Afton Operating Corporation, the owner of the surface rights ("the lands"), DRC Resources was given the right to enter upon the lands of the former operator of the Afton Mine to conduct exploration. The Access Agreement requires DRC Resources to compensate the owner for damage to disruption or damage to any surface facilities, to reclaim areas disturbed by DRC Resources' operations, to post bond (which was done) against any failure to reclaim, to be responsible for any hazardous substances introduced to the lands and to insure (which has been done) and indemnify the owner against liabilities arising from any activities of DRC Resources in and about the lands. Less convenient access is available to DRC Resources over crown owned (government) land.

Surface Title DRC Resources did not acquire, and does not own, any surface rights to the area covered by the mineral claims comprising the Afton Copper-Gold Project property. The surface area overlying DRC Resources' mineral zones is Crown land (British Columbia government owned land). Other fee interests in the surface overlying and surrounding the claims of DRC Resources belong to the crown (government) and a number of private owners, including the former operator of the Afton mine, who also has fee ownership of some of the surface area on which the tailings pond and dam are located. DRC Resources does not own the surface of lands that would provide the easiest access to the resource. However, if the owner of those lands denied DRC Resources access to explore, develop or commence production from the Afton Copper-Gold Project, DRC Resources could use a less convenient and somewhat more costly access over government owned lands. Alternatively, DRC Resources could make application to the gold commissioner to settle any dispute with the owner and, if necessary, refer the matter to the Mediation and Arbitration Board as provided by the *Mineral Tenure Act*, British Columbia for an order as to the terms of entry, taking of right of way, use or occupation, and the security, rent and compensation to be paid to the owner therefor.

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Surface Facilities Teck Cominco Ltd., the owner of the mill building and most of the fee land comprising the tailing facility (all of which have been shut down since 1997) made an offer in 2002 to sell these facilities to DRC Resources. DRC Resources made a conditional counter proposal in 2003. Negotiations continue, while DRC Resources considers the several alternative to purchase of the existing surface facilities.

1 *Title to Minerals* The mineral property consists of eight 4-post mineral claims and twenty-four 2-post mineral claims comprising 131 units covering 3150 hectares (7783 acres). There has been no legal survey of DRC Resources' mineral claims beyond location of the legal corner post for the Afton 1, 2, 4 and 5 mineral claims.

All of the claims are contiguous and overlie expired mining leases held by the previous operator and current owner of part of the surface, Afton Operating Corporation. In February 2001, the claims were grouped as the "Afton Claim Group" for the purpose of recording exploration work. A "Statement of Work" in the amount of \$207,000 was filed and the claim group now has work recorded to a common expiry date of March 8, 2011.

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

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

Note:

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

While the mineral claims comprising the Afton Copper-Gold Project have been transferred into the name of DRC Resources, title is subject to reverting to the optionors if the Option is not exercised according to its terms.

On June 27, 2002 DRC Resources acquired an option exercisable on or before December 1, 2010 to purchase the optionors' 10% Net Profit Royalty for a cash consideration of \$2 million and the Option was amended by removing the exclusive right of the optionors to act as the operators of the Afton Copper-Gold Project. (see also Item 7.B on page 46 of this registration statement)

The Option requires DRC Resources to maintain the mineral claims in good standing, which under the *Mineral Tenure Act*, British Columbia requires certain minimum work to be carried out each year. Work done to date has caused all the mineral claims comprising this property to be in good standing until at least March 8, 2011. Sufficient work has been completed by DRC Resources to maintain the Option in good standing until November 10, 2004.

1

History of the Property The first documentation of mineralization in the area was in 1898, *History of the Property* The first documentation of mineralization in the area was in 1898, when an English company sunk a 300 foot shaft near the current Pothook Pit.

From 1949 to 1960 the property was owned by Axel Bergland who optioned it to Kennco Explorations, Graham-Bousquet Gold Mines, Noranda and New Jersey Zinc, all of whom encountered limited exploration success before the title was dropped.

In 1964 Chester Millar staked the property, optioned it once to Colonial Mines, who terminated after drilling 11 holes around the Pothook shaft. Millar then formed Afton Mines Ltd. and completed a public offering in 1969 to finance drilling that intersected 170 ft. of 0.4% copper in 1970 in what became the Afton open pit. Subsequent options to Duvall Corporation and Quintana Minerals were dropped.

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Canex Placer Ltd. optioned the property in 1972. That year Teck Corporation and affiliate, Iso Mines Ltd., acquired an equity interest in Afton Mines Ltd. through the stock market. In 1973 Teck Corporation and Iso Mines Ltd. acquired Canex Placer's rights to the property and commenced production from the Afton open-pit in 1977 on a stated reserve of 34 million tons of 1% copper, 0.016 oz/t (0.58 g/t) gold, and 0.12 oz/t (4.2 g/t) silver. The Afton open-pit mine closed in 1987 after mining 24 million tons (21.8 million tonnes) of predominantly supergene native copper and chalcocite, with minor covellite and chalcopyrite at an overall grade of about 1% copper. The Afton mill operated until 1997, processing ores from various deposits in the vicinity including the Ajax and Pothook.

In 1999 the mining leases at Afton then held by Afton Mines Ltd. (a subsidiary of Teck Cominco Ltd.) expired and Westridge Enterprises Ltd. and Indo-Gold Development Ltd. staked the claims covering the area of these mining leases. The located claims were subsequently optioned to DRC Resources Corporation which staked additional claims on its own account.

1

Present Condition of Property The Afton site has rolling topography with elevations ranging from 2450 feet above sea level (ASL) to approximately 1100 feet ASL at the Thompson River, with the elevation of the old Afton mill being approximately 2170 feet ASL. The Thompson River (which widens into Kamloops Lake) is located along the northern periphery of the claim group. The most significant features are the Afton and Pothook open pits.

Major utilities and mine infrastructure are accessible and available on site. Electric power from the main grid feeding Kamloops (pop. 80,000) is linked to the old mine sub-station, and a pipeline is used to transport water 4 km from Kamloops Lake at a point adjoining the Canadian Pacific Railway at 343 meters (1100 ft) elevation. A natural gas pipeline crosses the mine site. The Afton mill building, workshop, office, assay-lab, and administration buildings, still owned by Afton Mines Ltd., remain on site. Much of the production equipment has been removed from the Afton mill building. The nearby Afton Mines tailings pond is capable of expansion. All sites are encircled by wire-fences and locked gates. DRC Resources has no interest in the buildings and other installations on the property.

Since optioning the property in 1999, DRC Resources has drilled 105 diamond core holes comprising a total of 160,000 feet (48,780 m). All except four of these holes were NQ (5 cm drill core) holes with the remainder being BQ (4 cm drill core). All drill core samples were prepared by DRC Resources' personnel under the supervision of a Qualified Person and were shipped for analysis to Eco Tech Laboratories Ltd., a certified laboratory. This exploration work was done at an overall cost of \$4.4 million.

In June 2003 Behre Dolbear & Company Ltd. was engaged to carry out, and in November 2003 delivered, an advanced scoping study, and in February 2004 updated the advanced scoping study at a cost of \$245,000. Including the deemed value of common shares paid on the option to acquire the property, total cost of the property to DRC Resources to date is in excess of \$4.9 million.

1

Rock Formations and Mineralization The Afton mineral zones are located at the northern end of the late Triassic to early Jurassic Iron Mask Batholith in contact with Tertiary volcanic and sediments to the north along an unconformable and faulted contact. The Iron Mask Batholith is a northwest-elongated composite sub-alkaline to alkaline pluton made-up of several different mafic to felsic intrusive phases and is contained within older Triassic-aged volcanic rocks of the Nicola Group. Copper mineralization at Afton is contained in the early Jurassic-aged Cherry Creek Unit, a sub-unit of the Iron Mask Batholith.

The principal metallic constituents of the occurrence are copper minerals that range from disseminated chalcopyrite and bornite together with native copper and chalcocite to disseminated chalcopyrite with only very minor isolated bornite and no native copper or chalcocite. Precious metals associated with this mineralization include significant gold, silver and palladium.

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The Afton mineralization is in a low sulphide environment and is hosted by a carbonate rich rock which makes it non-acid generating due to the neutralizing effect of the lime.

When the open pit mine was brought into production in 1978, it was assumed to be a supergene-enriched porphyry type copper deposit, in which surface water percolating down through the rock had oxidized and enriched low grade copper minerals near surface. Open pit mining operations ceased in 1987, when at a depth of 900 feet, supergene native copper, chalcocite and chalcopyrite ores could no longer be economically mined by open-pit methods. Subsequent drilling below the pit bottom indicated higher copper and precious metals grades at depth, a factor inconsistent with most porphyry copper deposits, which decrease in grade with depth. Mineralogical and petrographic examination of the deeper mineralization suggests that the Afton deposit might be analogous to a magmatic copper-nickel deposit.

Cautionary Note to U.S. Investors concerning estimates of Measured and Indicated Resources

This section uses the terms "measured" and "indicated resources." We advise U.S. investors that, while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. **U.S. investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves.**

The exploration drilling by DRC Resources disclosed two mineralized zones: the Main Zone and the Northeast Zone. DRC Resources engaged the independent mine engineering firm of Behre Dolbear and Company Ltd. to prepare an estimate of mineral resources of the Afton Copper-Gold Project. The estimate was done under the direction of Behre Dolbear's James A. Currie, P. Eng., a Qualified Person. Copper equivalent grades of the following Measured and Indicated Mineral Resources of in-place material were estimated for the Main Zone assuming 90% recovery of copper and gold, 75% recovery of silver and 74% recovery of palladium and the following metal prices: Copper \$US 0.85/lb, Gold \$US 375/oz, Silver \$US 5.25/oz and Palladium \$US 200/oz. The estimate was done for underground exploration program planning purposes using a cut off grade of 0.7% copper equivalent.

The terms "measured mineral resource" and "indicated mineral resource" as defined by the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) indicate the relative quality, reliability and risk associated with each group of estimates. "Measured" means so well established as to support production planning and evaluation of the economic viability of the deposit. "Indicated" is less well established, but at a level of confidence sufficient to support mine planning and evaluation of the economic viability of the deposit. The reader is referred to the glossary for the full CIM

definitions.

The following estimates were selected on the basis of a copper equivalent cut off grade expected to apply to the panel (block) cave underground mining method considered for the project in the Behre Dolbear advanced scoping study.

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Tonnes > Cutoff (tonnes)	Grade > Cutoff ⁽¹⁾				
	Au (g/t)	Ag (g/t)	Pd (g/t)	Cu _{Eq} (g/t)	Au _{Eq} (g/t)
9,540,000	1.289	0.945	3.438	0.117	1.956