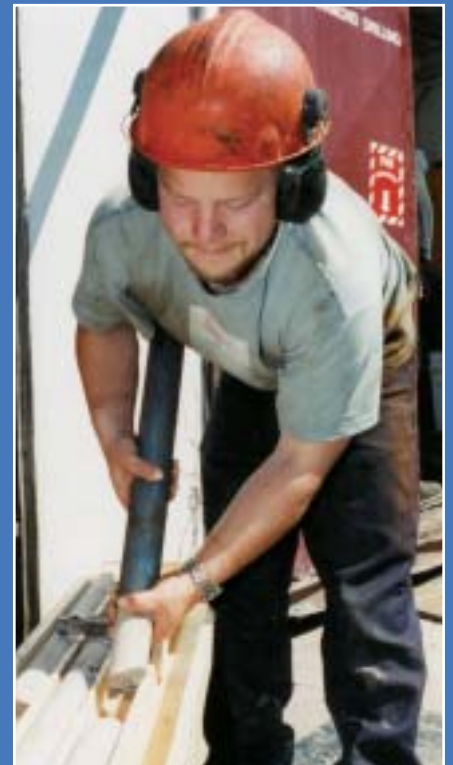


DRC RESOURCES CORPORATION DRC - TSX



2003 ANNUAL REPORT

Letter to Shareholders

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

Highlights: Advance Scoping Study

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

Copper	1.15 Billion Pounds
Gold	1.25 Million Ounces

(For Complete Report [SEDAR])

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

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

Achievements for 2003

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

Outlook for 2004

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

2004 Strategy and Focus

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

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

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

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

Corporate Governance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Corporate Information

HEAD OFFICE

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

DIRECTORS AND OFFICERS

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

STOCK INFORMATION

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

SHARE CAPITALIZATION

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

PROPERTIES

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

AUDITORS

Beauchamp & Company, Vancouver, B.C.

REGISTRAR AND TRANSFER AGENT

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

BANK

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

SUBSIDIARY COMPANY (U.S.A.)

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

ADVISORY BOARD

Douglas A. Knight, B.A.Sc.
James Douglas Little, P.Eng

CONSULTANTING ENGINEERS

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



DRC RESOURCES CORPORATION

595 Howe Street, Suite 601
Vancouver, British Columbia
Canada, V6C 2T5

Phone: (604) 687-1629 Fax: (604) 687-2845

Email: drcresources@uniserve.com

Website: drcresources.com