

DRC RESOURCES CORPORATION

2003

FIRST QUARTER REPORT

Content

- ***Report to Shareholders***
- ***Management Discussion and Analysis***
- ***Financial Statements (Unaudited) March 31, 2003***

***#601 - 595 Howe Street, Vancouver, B. C. V6C 2T5
Telephone: (604) 687-1629 ~ Fax: (604) 687-2845
E-mail address: drcresources@uniserve.com
Website: drcresources.com
TSX Symbol – DRC***

To Our Shareholders:

Corporate Highlights

- Toronto Stock Exchange Listings
- Standard & Poor's Investor Program
- Behre Dolbear Pre-Feasibility Study
- 2003 Afton Diamond Drill Program

During this period, DRC Resources Corporation continued with its strategy of addressing both the corporate and the project requirements for the Company. The Company acquired a listing for its common shares on the Toronto Stock Exchange and contracted with Standard & Poor's Investor Relations Services.

The Toronto Stock Exchange's listing is providing the Company's common shares with a senior trading venue and better facility for future financings. Since trading began on the TSX, DRC's common shares have appreciated 25% and there is an increased interest to finance the Company's Afton Project.

The Investor Relations Program of Standard & Poor's, Wall Street's leading provider of independent, objective research and information, includes DRC Resources' corporate profile in Standard & Poor's Corporation Records, S & P Daily News, S & P MarketScope, and S & P Market Access Website, plus entry into the S & P Stock Guide Database. The Standard and Poor's program also provides a manual exemption for secondary trading transactions for 35 U.S. states which has increased the interest and liquidity in the company's common shares.

The Afton Copper-Gold Project is proceeding on schedule. The 2003 Diamond Drill Program has commenced with two diamond drills initially focusing on surface infill drilling to upgrade the mineral resource. The current drilling results are confirming the continuity of mineral grade for the Afton Mineral Zone. Additional drilling will continue to explore the Afton Mineral Zone along strike and to depth.

The Company has engaged mining consultants, Behre Dolbear & Company Ltd. of Vancouver, British Columbia to undertake a Pre-Feasibility Study for the Afton Copper-Gold Property, Kamloops, British Columbia. The study is addressing the mineral resource, a number of mining methods, mineral processing, permitting, and an estimate of capital and operating costs.

The Company is moving forward with the advancement of the Afton Project. The improvement of metal prices is enhancing the project value. DRC's working capital of \$3.6 million is sufficient for the completion of the pre-feasibility study and the surface diamond drill exploration program.

Management is continuing to work towards bringing the Afton Copper-Gold Project to the feasibility stage and expects to confirm and increase the mineral resource through further exploration. Management is taking the necessary steps to increase the value of the Afton Project which should enhance shareholder value. (Please refer to the 2002 Annual Report for additional information on the Company and the Afton Project.)

John H. Kruzick
President & CEO
May 23, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The interim Management's Discussion and Analysis ("MD&A") for the quarter ended March 31, 2003 should be read in conjunction with the Company's MD&A for the year ended December 31, 2002 and the consolidated interim financial statements and corresponding notes for the period ending March 31, 2003. The focus of this discussion is on material changes and information relating to the current period and may exclude certain information disclosed in the previous year's discussion.

Description of Business

DRC Resources Corporation with head office located in Vancouver, British Columbia, was incorporated in 1980. The Company is a development stage, junior resource company engaged in the location, acquisition, evaluation, exploration and development of mineral properties. The company presently has 9.13 million issued shares and is listed on the Toronto Stock Exchange (TSX symbol DRC). The main project of the Company is the Afton Copper-Gold Property, located 10 kilometers west of Kamloops, British Columbia. The Company also owns resource properties in Ontario and Texas which are being maintained with no further work programs 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 engineers retained to advise the Company on its main project.

Progress and Outlook

During 2003 the Company plans to focus on the exploration of the Afton Copper-Gold Project, located near Kamloops, British Columbia. As a mineral exploration company, the future liquidity of DRC Resources will be affected principally by the level of exploration expenditures and by its ability to raise capital through the equity markets. In management's view, the Company's cash position is more than sufficient to fund planned exploration expenditures and meet ongoing obligations as they become due.

The Company intends to move forward with the advancement of the Afton Copper-Gold Project with the increase of mineral resources, and the completion of the pre-feasibility study.

The Mineral Resource Study dated April 17, 2002, prepared by an independent qualified person, James J. McDougall, P.Eng. in compliance with National Instrument 43-101, stated that the exploration to the end of 2001 indicated the mineral resources to be in excess of 39 million tons. The Afton Main Zone is estimated to have a current Indicated Mineral Resource of 37.7 Million Tons (34.3 Million Tonnes) of 2.32% Copper Equivalent (1.55% cu, 1.14 g/tonne [0.0366 oz/tonne] Au, 0.125 g/tonne [0.004 oz/tonne] Pd, 3.42 g/tonne [0.11 oz/tonne] Ag). The Afton Northeast Zone is estimated to have a current Indicated Mineral Resource of 1.2 Million Tons (1.1 Million Tonnes) of 1.40% Copper Equivalent (1.02%, 0.86 g/tonne [0.027 oz/tonne] Au, 0.10 g/tonne [0.003 oz/tonne] Pd, 5.49 g/tonne [0.17 oz/tonne] Ag). There is an additional estimated Inferred Mineral Resource, up-dip and down-dip of the Main Zone, of 4.8 Million Tones (4.4 Million Tonnes) of an assumed grade of 2.32% Copper Equivalent, similar to the grade of the Main Zone. *Assumed Metal Prices (US\$): Copper \$1540/tonne (\$0.70/pound), Gold \$8.75/gram (\$300/oz) Palladium \$11.67/gram (\$400/oz), Silver \$0.13/gram (\$4.50/oz).*

During the quarter the Company engaged mining consultants, Behre Dolbear & Company Ltd. of Vancouver, British Columbia to undertake a Pre-Feasibility Study for the Afton Copper-Gold Property, Kamloops, B.C. The study will address the mineral resource, a number of mining methods, mineral processing, and permitting for the Afton Project. The study will provide an estimate of capital and operating costs related to the potential development of an underground bulk tonnage mining operation at Afton.

DRC Resources' 2003 Afton Copper-Gold Exploration Program commenced in late March, 2003. The Company is utilizing two diamond drills to initially focus on a surface infill diamond drill program to upgrade the mineral resource. Additional drilling will continue to explore the Afton Mineral Zone along strike and to depth.

The Company has held and is continuing discussions with senior members of the mining industry with the objective of moving the project beyond the exploration stage. The Company has signed confidentiality agreements with a number of mining companies and financial institutions.

In January 2003 the Company contracted to participate in the Standard and Poor's Investor Relation Program which includes profiling DRC Resources in Standard & Poor's Corporation Records, S & P Daily News, S&P MarketScope, and S&P Market Access Website, plus entry into the S&P Stock Guide Database

Operating Results

During the quarter ended March 31, 2003, DRC incurred a loss after income taxes of \$119,800 (\$0.01 per share) compared to a net loss after taxes of \$48,180 (\$0.01 per share) for the same period in 2002. Income for the quarter ended March 31, 2003 decreased significantly to (\$4,615) from \$33,438 in the corresponding period in 2002 due

to the losses on foreign exchange reflected by the strengthening of the Canadian dollar against its US counterpart during the first quarter of 2003. Administration costs for the quarter ended March 31, 2003 increased to \$99,241 compared to \$94,346 for the same period in 2002 due to the increased professional, consulting and regulatory fees related to the Toronto Stock Exchange listing and increased activity due to the advancement of the Afton Copper-Gold Project.

Foreign exchange gains and losses result primarily from the translation of US dollar denominated monetary assets to Canadian dollars.

The Afton drilling program was shut down for the winter during most of this quarter, 2002 drill results were evaluated and technical reports compiled which accounts for the increase in administrative costs indicated below:

Quarterly Budget – For Period Ending March 31, 2003

| <u>Administration</u> | <u>Budget</u> | <u>Actual</u> | <u>Over (Under)</u> |
|---|----------------------|----------------------|----------------------------|
| Office Supplies and expenses | \$ 9,000 | 9,329 | 329 |
| Salaries of support staff | 15,750 | 15,147 | (603) |
| Management salaries & Expenses | 27,750 | 32,219 | 4,469 |
| Regulatory and transfer agent fees | 4,500 | 8,858 | 4,358 |
| Utilities and telephone | 4,500 | 981 | (3,519) |
| Rent | 6,000 | 6,456 | 456 |
| Legal, accounting and professional fees | 22,500 | 23,234 | 734 |
| Total | \$90,000 | 96,224 | 6,224 |

Financial Condition - Liquidity & Capital Resources

At March 31, 2003, DRC had cash and cash equivalents of \$3,712,530 compared to \$3,885,602 as at March 31, 2002. Of the foregoing, at March 31, 2003 approximately \$1,533,462 is committed to exploration expenditures pursuant to agreements under which flow through shares were issued. Working capital at March 31, 2003 was \$3,831,788 compared to working capital of \$4,134,172 at March 31, 2002. An improving trend in gold and copper prices has prompted DRC to review all potential courses of action beneficial to all shareholders by attracting financial participation in the Afton Copper-

Gold Project. Discussions are on-going with a number of mining companies, international smelters and financial institutions that have expressed an interest in project participation.

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.

Related Party Transactions

During the quarter ending March 31, 2003, the Company paid \$15,147 compared to \$12,136 in the same period of 2002, for secretarial and accounting services invoiced by Allshare Holdings Ltd., a private company in which a director has a 50% interest. During the quarter March 31, 2003 the Company paid \$32,625 compared to \$26,600 in the same period of 2002 for consulting and deferred exploration costs invoiced by Westridge Enterprises Ltd., a private company owned by a director of the Company. A related person of the President was paid \$16,875 for consulting services during the first quarter.

Marketable Securities

As at March 31, 2003, DRC owned 25,000 common shares of Planet Ventures Inc., a junior resource company listed on the TSX Venture Exchange. The cost at date of acquisition was \$5,750; the market value of these securities at March 31, 2003 was \$1,500.

On February 18, 2003 the Normal Course Issuer Bid, approved by the CDNX (predecessor to the TSX Venture Exchange) on February 18, 2002, and extended on August 23, 2002 expired. The total number of shares purchase and cancelled was 252,000 shares for a total purchase price of \$726,083.

Exploration and Development

During the quarter ending March 31, 2003, DRC incurred exploration and development expenditures of \$84,300 compared to \$58,717 for the same period in 2002.

The \$4,700,000 Exploration Program Budget recommended by J.J. McDougall & Associates in their January 24th, 2001 2000 Diamond Drill Exploration Report on the Afton Mine Project and disclosed in the August 3rd, 2001 Final Prospectus was adopted by the Company as its Afton Copper-Gold Project budget. The J.J. McDougall & Associates' report did not break down project cost estimates on a month by month basis.

The following is a breakdown of budgeted and actual expenditures for the quarter and the year, with budget remainder (overage) at March 31, 2003.

| <i>Exploration</i> | Budget Amount for Entire Program | Expended During Quarter Ending March 31, 2003 | Total Expended To March 31, 2003 | Budget Remainder (Overage) |
|------------------------------|---|--|---|---|
| Diamond Drilling | \$2,500,000 | 6,360 | 2,029,512 | 470,488 |
| Assaying | 200,000 | 276 | 133,884 | 66,116 |
| Accommodation and Meals | 100,000 | 5,656 | 88,976 | 11,024 |
| Technical personnel salaries | 500,000 | 48,755 | 854,670 | (354,670) |
| Support personnel salaries | 100,000 | 3,381 | 110,153 | (11,153) |
| Vehicles and fuel | 50,000 | 719 | 37,815 | 12,185 |
| Metallurgical testing | 50,000 | 8,275 | 20,275 | 28,725 |
| Pre-feasibility study | 700,000 | 8,718 | 8,718 | 691,282 |
| Contingencies | 500,000 | 2,160 | 72,642 | 427,358 |
| Total | \$4,700,000 | \$ 84,300 | \$3,356,645 | \$1,343,285 |

Project costs during this quarter were slightly lower than previous periods due to the fact that the project was shut down during most of the quarter. Drilling commenced in the last week of the quarter.

The budget for diamond drilling originally recommended 80,000 ft (262,400 metres) of drilling to be done at an estimated \$2,500,000. To March 31, 2003, 84 NQ Diamond Drill Holes totaling 127,450 ft (38,850 metres). of diamond drilling has been completed at a total drilling cost of \$2,029,512. The average drilling cost per foot was \$15.92. The amount remaining in the property exploration budget for diamond drilling was \$470,488. Due to strict budget supervision and the present competitive nature of the drilling industry, DRC's drilling costs are substantially lower than originally anticipated when budgeting for the Afton Exploration Program.

In late March, 2003 the Company continued the \$4.7 million Diamond Drill Exploration Program recommended by the Company's independent engineer in the January 24, 2001 technical report. To the end of this quarter \$3,356,645 has been expended on the Afton Copper-Gold Project.

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 properties. Excellent surface indications and drill results are no guarantee of finding an economical mineral deposit at depth. Mineral commodity prices and exchange rates can fluctuate and affect the economics of mineral deposits. Financial markets can sometimes be negative toward junior exploration companies.

Subsequent Events

Subsequent to the end of the quarter, 25,000 Stock Options and 65,000 Broker's Warrants were exercised at an exercise price of \$3.00 per share.

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.*