

DRC RESOURCES CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

**BEAUCHAMP & COMPANY
CHARTERED ACCOUNTANTS
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AUDITORS' REPORT

To the Shareholders of
DRC Resources Corporation

We have audited the consolidated balance sheets of DRC Resources Corporation as at December 31, 2002 and 2001 and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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, 2002 and 2001 and the result of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

Vancouver, B.C.
February 17, 2003

"BEAUCHAMP & COMPANY"
Chartered Accountants

**DRC RESOURCES CORPORATION
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,872,144	\$ 3,816,120
Marketable security	1,500	3,750
Amounts receivable - government	173,452	447,799
Prepaid expenses	-	13,276
	4,047,096	4,280,945
RESOURCE PROPERTIES - SCHEDULE (Notes 2 and 3)	2,404,194	1,603,871
CAPITAL ASSETS (Notes 2 and 4)	41,535	14,367
	\$ 6,492,825	\$ 5,899,183

LIABILITIES

CURRENT LIABILITIES		
Account payable and accruals	\$ 45,169	\$ 36,202
	113,767	296,410

SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 6)	8,086,803	7,133,578
DEFICIT	(1,752,914)	(1,567,007)
	6,333,889	5,566,571
	\$ 6,492,825	\$ 5,899,183

COMMITMENTS (Note 13)

APPROVED BY THE BOARD:

"JOHN KRUZICK" Director

"SHARON ROSS" Director

See accompanying notes.

DRC RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
INCOME		
Interest and other	\$ 116,676	\$ 232,801
Oil and gas royalties	1,743	2,123
Foreign exchange gain (loss)	(4,159)	20,231
	114,260	255,155
EXPENSES		
Bank charges	437	306
Consulting and management	85,641	49,905
Amortization	12,068	11,032
Dues and subscriptions	11,920	3,584
Financing and sponsorship	52,000	-
Office, secretarial services and stationary	81,469	54,828
Professional fees	57,644	15,001
Regulatory fees	52,855	8,433
Rent	19,861	18,119
Telephone	4,826	4,038
Transfer agent	7,379	5,092
Travel and promotion	88,462	21,841
Write-off of mineral claim interests	5,999	96,360
Write-down of marketable security	2,250	2,000
	482,811	290,539
LOSS FOR THE YEAR BEFORE INCOME TAXES	(368,551)	(35,384)
FUTURE INCOME TAXES (Note 5)	182,644	(79,425)
LOSS FOR THE YEAR	(185,907)	(114,809)
DEFICIT, BEGINNING OF YEAR	(1,567,007)	(1,452,198)
DEFICIT, END OF YEAR	\$ (1,752,914)	\$ (1,567,007)
LOSS PER SHARE	\$ (0.02)	\$ (0.02)

See accompanying notes.

DRC RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Loss for the year	\$ (185,907)	\$ (114,809)
Items not requiring cash:		
Amortization	12,068	11,032
Write-off of mineral claim interests	5,999	96,360
Write-down of marketable security	2,250	2,000
Future income taxes	(182,644)	79,425
	(348,234)	74,008
Net change in non-cash working capital items	407,102	(121,647)
	58,868	(47,639)
Cash (Used For) Provided By Operating Activities	58,868	(47,639)
INVESTING ACTIVITIES		
Payments of resource property costs	(1,173,040)	(1,209,278)
Acquisition of capital assets	(39,236)	(8,477)
	(1,212,276)	(1,217,755)
Cash Used For Investing Activities	(1,212,276)	(1,217,755)
FINANCING ACTIVITIES		
Special warrants issued for cash, net of costs	-	(45,575)
Share capital issued for cash	1,209,432	47,300
	1,209,432	1,725
Cash Provided By Financing Activities	1,209,432	1,725
INCREASE (DECREASE) IN CASH	56,024	(1,263,669)
CASH, BEGINNING OF YEAR	3,816,120	5,079,789
CASH, END OF YEAR	\$ 3,872,144	\$ 3,816,120
CASH COMPRISES:		
Cash	\$ 65,781	\$ 4,375
Cash equivalents	3,806,363	3,811,745
	\$ 3,872,144	\$ 3,816,120

See accompanying notes.

DRC RESOURCES CORPORATION
SCHEDULE OF RESOURCE PROPERTIES
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

Acquisition Costs

	<u>2002</u>	<u>2001</u>
Kamloops "Afton" Claims	\$ 421,734	\$ 301,733
Kamloops Ajax - Python Claims	48,732	48,621
Alberta Mineral Permits	1	6,000
Timmins, Ontario Claims	1	1
Texas Oil and Gas Property	110,867	110,867
Balance, End Of Year	581,335	467,222

Deferred Exploration Costs

	<u>Afton Claims</u>	<u>Ajax - Python Claims</u>	<u>2002</u>	<u>2001</u>
Balance, Beginning Of Year	\$ 1,077,464	\$ 59,185	1,136,649	657,641
Assays and testing	46,256	-	46,256	44,905
Drilling	738,557	-	738,557	809,873
Engineering	98,170	-	98,170	116,996
Geological consulting	163,705	-	163,705	268,462
Labour	39,512	-	39,512	36,918
Supplies and equipment	26,869	-	26,869	7,818
Travel and accommodation	38,477	-	38,477	52,157
Staking and filing fees	-	-	-	11,617
Miscellaneous	7,206	-	7,206	3,698
Grant recoveries	(96,335)	-	(96,335)	(412,375)
Tax effect of flow through shares	(376,207)	-	(376,207)	(396,200)
	686,210	-	686,210	543,869
Costs written-off	-	-	-	(64,861)
	686,210	-	686,210	479,008
Balance, End Of Year	\$ 1,763,674	\$ 59,185	1,822,859	1,136,649
Resource Properties			\$ 2,404,194	\$ 1,603,871

See accompanying notes.

DRC RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

1. NATURE OF BUSINESS

DRC Resources Corporation is a public company incorporated under the Company Act (British Columbia). The common shares of the Company were traded on the TSX Venture Exchange ("TSXV") until December 30, 2002, then on December 31, 2002 they were listed on the Toronto Stock Exchange.

The Company is in the process of exploring its resource properties 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 resource properties 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 resource properties.

Although the Company has taken steps to verify title to mineral properties 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) Principals of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Dynamic Resources Corporation, Inc. All significant inter-company transactions and balances have been eliminated on consolidation.

b) 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 resource properties and related deferred exploration costs, future site restoration costs, and 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.

DRC RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

c) Resource Properties

i) Mineral Interests

The Company capitalizes acquisition and related exploration costs of mineral interests until such time as the mineral property 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 property 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 period they are incurred.

ii) Oil and Gas Interests

The acquisition, drilling and completion costs of oil and gas interests are capitalized when incurred. If proven to be productive, these costs are charged to operations over the producing life of the property by annual provisions for depletion calculated on a unit of production basis; otherwise, if abandoned, the costs less accumulated amortization are charged to operations. All oil and gas property interests are owned in the United States and provide income from royalty interests.

d) Marketable Securities

The following portfolio investments are recorded at the lower of cost and market value:

Name Of Issuer	Class Of Security	Quantity	Cost Of Securities	Market Value Of Securities 2002	Market Value Of Securities 2001
Planet Ventures Inc.	Common shares	25,000	\$ 5,750	\$ 1,500	\$ 3,750

e) Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is calculated using the straight-line method at a rate of 20% per annum.

DRC RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

f) 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 period's operations.

g) 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 considered more likely than not.

h) Adoption of New Accounting Standards

Share capital includes flow-through shares issued pursuant to certain provisions of the Income Tax Act of Canada ("the Act"). The Act provides that, where the share issuance proceeds are used for exploration and development expenditures, the related income tax deductions may be renounced to subscribers. Accordingly, these expenditures provide no tax deduction to the Company.

The Company reduces share capital and deferred exploration costs for the year by the estimated amount of the related future tax liability when the capital expenditures are incurred.

i) Stock-based Compensation

The Company grants stock options to executive officers and directors, employees and consultants. Effective January 1, 2002, the Company adopted the new Canadian Institute of Chartered Accountants accounting standards for stock-based compensation and other stock-based payments. These new standards establish the method for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments.

The Company has elected to adopt the intrinsic value method, which recognizes compensation cost for awards to employees only when the market price exceeds the exercise price at the date of the grant, but requires pro-forma disclosure of earnings and earnings per share as if the fair value method had been adopted. Any consideration paid by the option holders to purchase shares is credited to share capital.

DRC RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i) Stock-based Compensation

Had the Company followed the fair value method of accounting, the Company would have recorded a compensation expense of \$115,281 pursuant to the share options issued during the year. Pro-forma loss information determined under the fair value method of accounting for stock options is as follows:

		<u>Year 2002</u>
Loss for the year	As reported	\$ 185,907
	Pro Forma	\$ 301,188
Loss per share	As reported	\$ 0.02
	Pro forma	\$ 0.03

The pro-forma amounts exclude the effect of stock options granted prior to January 1, 2002. The fair value of each stock option grant was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

- risk free interest rate of 2.8%, dividend yield of 0%, expected life of 2 years, and volatility of 56%.

j) Loss Per Share

Loss per share data is computed by dividing the loss by the weighted average number of common shares and common share equivalents outstanding during the year. Shares issuable upon the exercise of share purchase warrants and stock options were excluded from the computation of loss per share because their effect would be anti-dilutive.

3. RESOURCE PROPERTIES

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

The Company entered into an option agreement dated September 22, 1999 to acquire the Afton Mineral Claims Group, in the Kamloops Mining Division of B.C. Consideration is the issuance of 2,000,000 common shares of the Company in stages, being 1,000,000 shares on effective date of the shareholders' approval of the agreement, and 200,000 shares annually for the next five years beginning in year 2, a work commitment of \$6,500,000 over nine years and a 10% net profit royalty. The Company can purchase back the 10% net profit royalty interest, on or before December 1, 2010 for \$2,000,000. Minimum work commitments vary from \$400,000 to \$1,000,000 each year and are \$600,000 in year 2001 and \$1,000,000 in year 2002.

DRC RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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3. RESOURCE PROPERTIES (CONT'D)

- Kamloops, B.C. "Afton" Mineral Property (Cont'd)

On July 19, 2000, 1,000,000 common shares of the Company were issued in accordance with the agreement. During the first quarter ending March 31, 2002, the Company issued 200,000 common shares in accordance with the agreement for year 2 and in the final quarter ending December 31, 2002 the Company issued 200,000 common shares in accordance with the agreement for year 3. The value as per the terms of the agreement was \$0.30 per share for a total cost to the Company of \$120,000. Claim work completed has extended the claims in good standing until March 8, 2011.

The President 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., Mineral Property

The Company owns a 100% interest in the Ajax - Python Claim Group, subject to a 2% net smelter royalty, consisting of 62 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 fair value of \$0.50 per share. Claim work completed has extended the claims in good standing until September 26, 2004 - 2007.

The Company entered into a joint venture agreement dated April 4, 1999 with Planet Ventures Inc. (formerly Footwall Explorations Inc.), a TSXV listed public company, for them to acquire a 50% interest in the Python Claim Group. Consideration to be received was 100,000 common shares of Planet Ventures Inc. (25,000 shares per year) and they were to incur cumulative exploration expenditures of \$400,000 over four years. The Company received 25,000 shares of Planet Ventures Inc. upon signing the agreement, subject to a one-year hold period, and Planet Ventures Inc. incurred exploration expenditures of \$29,675 during the year. The Company and Planet Ventures Inc. by mutual agreement, terminated the option agreement on March 29, 2000.

- Alberta Mineral Property

The Company acquired, on October 23, 2000, twelve metallic and industrial mineral permits located in Northern Alberta. These permits are in good standing until April 12, 2003.

- Timmins, Ontario, Mineral Property

The Company has a 100% interest in 11 units (440 acres) located in the Porcupine Mining division of Ontario. The mineral claims are in good standing until October 14, 2005.

DRC RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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3. RESOURCE PROPERTIES (CONT'D)

- Oil and Gas Property, Texas, U.S.A.

The Company owns a 25% interest in approximately 358 acres of land located in Texas, U.S.A., which land provide its oil and gas property royalty interests.

4. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
			<u>2002</u>	<u>2001</u>
Transportation vehicles	\$ 29,690	\$ 5,938	\$ 23,752	\$ -
Office equipment	32,990	15,207	17,783	14,367
	<u>\$ 62,680</u>	<u>\$ 21,145</u>	<u>\$ 41,535</u>	<u>\$ 14,367</u>

5. INCOME TAXES

- a) Profit (loss) before income taxes are as follows:

	2002	2001
Canada	\$ (368,353)	\$ (36,625)
U.S.A.	(198)	1,241
TOTAL	\$ (368,551)	\$ (35,384)

- b) The provision for income taxes consist of the following:

	2002	2001
Future		
Canada	\$ (182,644)	79,425
U.S.A.	-	-
TOTAL FUTURE INCOME TAX EXPENSE (RECOVERY)	\$ (182,644)	\$ 79,425

DRC RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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5. INCOME TAXES (CONT'D)

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

	2002	2001
Long-term future tax liability		
Resource Properties	\$ (126,838)	\$ (302,166)
Capital Assets	13,071	5,756
TOTAL LONG-TERM FUTURE INCOME TAX LIABILITY	\$ (113,767)	\$ (296,410)

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

	2002	2001
Long-Term Future Income Tax Assets		
Loss carry forwards	\$ 363,267	\$ 165,536
Share issue costs	142,505	132,326
Total Long-Term Future Income Tax Assets	505,772	297,862
Less valuation allowance	505,772	297,862
NET LONG-TERM FUTURE INCOME TAX ASSETS	\$ -	\$ -

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

	2002	2001
Canadian Exploration Expenses	\$ 400,283	\$ 316,748
Canadian Development Expenses	\$ 623,408	\$ 413,596
Undepreciated Capital Costs	\$ 70,455	\$ 29,165
Share Issue Costs	\$ 359,679	\$ 333,988
Non-Capital Losses, expiring at various dates to 2009	\$ 877,358	\$ 417,810

DRC RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

6. SHARE CAPITAL

a) Authorized
40,000,000 common shares without a par value

b) Issued

	<u>2002</u>		<u>2001</u>	
	<u>Number Of Shares</u>	<u>Amount</u>	<u>Number Of Shares</u>	<u>Amount</u>
Balance, beginning of year	8,283,766	\$ 7,133,578	6,680,516	\$ 2,669,341
Issued for cash:				
Exercise of options	-	-	211,000	47,300
Exercise of special warrants and flow-through entitlements	-	-	1,392,250	4,813,137
Private placement flow- through shares	700,000	1,935,515	-	-
Repurchase for cancellation	(252,000)	(726,083)	-	-
Tax effect of flow-through shares/special warrants	-	(376,207)	-	(396,200)
Issued for mineral property	400,000	120,000	-	-
Balance, end of year	9,131,766	\$ 8,086,803	8,283,766	\$ 7,133,578

- Year 2002

During the year, the Company repurchased a total of 252,000 shares for cancellation at a cost of \$726,083. The Company is authorized to repurchase up to a total of 440,000 shares. This right expired on February 19, 2003.

During the first quarter ending March 31, 2002, 200,000 shares were issued at a price of \$0.30 per share for the 2001 year option payment. On December 1, 2002, 200,000 shares were issued at a price of \$0.30 per share for the 2002 year option payment. Both payments were in accordance with the Afton property option agreement.

On July 24, 2002 the Company, by a brokered private placement, issued 700,000 flow through common shares at a price of \$3.00 per share with the net proceeds of \$1,935,515 credited to the treasury.

DRC RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

6. SHARE CAPITAL (CONT'D)

b) Issued (Cont'd)

- Year 2001

The Company issued 160,000 common shares for share options exercised at \$0.20 per share and 51,000 common shares for options exercised at \$0.30 per share.

1,392,250 special warrants were exercised during the year. The net proceeds were transferred to share capital.

c) Stock Options

The Company does not have an established share purchase option plan. However, from time to time, the board of directors may grant options to directors, officers, employees or consultants subject to the approval of the regulatory authorities.

Stock Options Outstanding

	Options Outstanding	Option Price
Balance, December 31, 2000	664,000	
Cancelled	(25,000)	\$7.00
Exercised	(160,000)	\$0.20
Exercised	(51,000)	\$0.30
Granted	90,000	\$4.00*
<hr/>		
Balance, December 31, 2001	518,000	
Granted	100,000	\$3.05
Granted	320,000	\$3.00
Granted	50,000	\$3.50
Expired	(33,000)	\$3.00
Cancelled	(65,000)	\$3.00
<hr/>		
Balance, December 31, 2002	890,000	

*option price amended from \$4.00 to \$3.00 in current year.

The expiry dates of the options are:

September 13, 2004	395,000	options @ \$3.00* (extended from Sept. 13, 2002)
May 9, 2003	25,000	options @ \$3.00
February 1, 2004	320,000	options @ \$3.00
September 18, 2004	100,000	options @ \$3.05
December 5, 2004	50,000	options @ \$3.50

DRC RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

6. SHARE CAPITAL (CONT'D)

c) Stock Options (Cont'd)

On September 18, 2002, 100,000 options @ \$3.05 per share were granted for ongoing financial consulting services to a related person of the President. The options expire on September 18, 2004.

7. SPECIAL WARRANTS

On August 3, 2000 the Company, by a brokered private placement, issued 1,304,750 special warrants and 100,000 agents special warrants at a price of \$4.00 per special warrant. Each special warrant was exchangeable for one common share and one non-transferable share purchase warrant at an exercise price of \$5.00 up to December 15, 2001 entitling the holder to purchase one common share. The special warrants issued to Ontario residents were exchanged for common shares pursuant to a final prospectus dated August 3, 2001. During the year ended December 31, 2001, 1,392,250 warrants were exercised for common shares (See Note 6(b)). No share purchase warrants were exercised and all expired December 15, 2001.

8. BROKER WARRANTS

On July 24, 2002 the Company by a private placement, issued 70,000 broker warrants exchangeable on or before July 24, 2003 into common shares at a purchase price of \$3.00 per warrant. No warrants were exercised in the year 2002.

9. RELATED PARTY TRANSACTIONS

	<u>2002</u>	<u>2001</u>
For consulting, administration and exploration costs charged by a private company controlled by the President/Director of the Company	\$ 112,845	\$ 113,440
For shares issued in payment on "Afton" property option agreement to the President/Director of the Company. 200,000 shares were issued during the year (cumulative total is 700,000 shares to date)	\$ 60,000	\$ -
For consulting services charged by a related person of the President	\$ 11,250	\$ -
For secretarial and administrative services charged by a private company which a director has a 50% interest in addition to a director's fee paid of \$1,000	\$ 41,405	\$ 33,481

DRC RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

10. SUPPLEMENTARY CASH FLOW INFORMATION

The statement of cash flows reflected the new requirement under Section 1540 of the Canadian Institute of Chartered Accountants Handbook.

For the year ended 2002, the Company conducted non-cash activities as follows:

Financing Activities	
Common shares issued for mineral properties	<u>\$ 120,000</u>

11. SEGMENTED INFORMATION

The Company's operations consist of two business segments - oil and gas, which is in the United States and mineral exploration which is in Canada. The other principal assets which are held in Canada consist primarily of cash, term deposits, and corporate notes.

	<u>2002</u>	<u>2001</u>
CANADA		
Current Assets	\$ 4,035,551	\$ 4,278,201
Resource Properties	2,293,327	1,493,004
Capital Assets	41,535	14,367
	<hr/> 6,370,413	<hr/> 5,785,572
U.S.A.		
Current Assets	11,545	2,744
Resource Property	110,867	110,867
	<hr/> 122,412	<hr/> 113,611
TOTAL ASSETS	<hr/> <u>\$ 6,492,825</u>	<hr/> <u>\$ 5,899,183</u>

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, term deposits, corporate notes, amounts receivable and accounts 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.

DRC RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

13. COMMITMENTS

The Company, under the terms of the option agreement to acquire the “Afton” Mineral Property, is required to issue an additional 600,000 shares in 200,000 share instalments over the next three years and, to perform a work commitment of \$6,500,000 over nine years. To date \$3,227,373 has been expended.

960,000 common shares are reserved for issuance for stock options and brokers warrants. (See notes 6(c) and 8)

14. ENVIRONMENTAL RISKS

Existing and possible future environmental legislation, regulations and action could give rise to additional expense, 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 properties 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 property.