

Schedule "A"

**DRC RESOURCES CORPORATION
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2000 AND 1999
(Prepared by Management)**

	<u>2000</u>	<u>1999</u>
ASSETS		
CURRENT ASSETS		
Cash and term deposits	\$ 696,175	\$ 592,708
Accounts receivable	9,603	3,519
Marketable Securities	5,750	-
	711,528	596,227
 CAPITAL ASSETS, depreciated		
Office equipment and vehicles	16,458	22,931
Mining, Oil and Gas Interest	532,497	364,952
	\$1,260,483	\$ 984,110
 LIABILITIES		
CURRENT LIABILITIES		
Account payable and accruals	\$ 11,208	\$ 2,688
MORTGAGES PAYABLE		
	4,810	13,142
	16,018	15,830
 SHAREHOLDERS' EQUITY		
SHARE CAPITAL	2,497,789	2,150,189
DEFICIT	(1,253,324)	(1,181,909)
	1,244,465	968,280
	\$ 1,260,483	\$ 984,110

APPROVED BY DIRECTORS

"John H. Kruzick", Director

"Sharon L. Ross", Director

DRC RESOURCES CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
FOR SIX MONTH PERIOD ENDING JUNE 30, 2000 AND 1999

(Prepared by Management)

	<u>2000</u>	<u>1999</u>
INCOME		
Interest and Foreign exchange (loss) gain	\$ 24,921	\$ (9,740)
Oil and gas royalties	874	434
Agricultural lease payments	718	718
	26,513	(8,588)
EXPENSES		
Bank Charges	96	92
Consulting	-	6,925
Dues and Subscriptions	3,290	3,480
Mortgage Interest	482	941
Office, Secretarial services	18,018	16,505
Printing and Stationery	3,029	277
Professional fees	5,983	5,000
Regulatory fee/Sedar fees	5,120	4,290
Rent	8,595	8,480
Telephone	2,085	1,593
Transfer Agent	1,720	1,196
Travel, Auto and Pomotion	6,201	5,264
eBid, Internet Development	195	4,353
	54,804	58,396
LOSS FOR THE PERIOD	28,291	66,985
Deficit, beginning of year	1,225,032	1,114,924
DEFICIT, END OF PERIOD	\$1,253,323	\$1,181,909

DRC RESOURCES CORPORATION
CONSOLIDATED STATEMENT OF CHANGE IN FINANCIAL POSITION
For the Six Month Period Ending June 30, 2000 and 1999
(Prepared by Management)

	<u>2000</u>	<u>1999</u>
OPERATING ACTIVITIES		
Loss for the period	\$(28,291)	\$ (66,985)
Items not involving cash	-	-
	(28,291)	(66,985)
Cash provided (used) by changes in working capital items, net	(4,524)	(1,188)
FUNDS USED BY OPERATING ACTIVITIES	(32,815)	(68,174)
INVESTING ACTIVITIES		
Additions to Fixed Assest (Equipment)	(966)	-
Additions to Resource Properties	(151,847)	2,790
FUNDS USED BY INVESTING ACTIVITIES	(152,813)	2,790
FINANCING ACTIVITIES		
Issuance of shares	212,600	200,000
Increase (decrease) in mortgage principal	(3,786)	(7,826)
FUNDS PROVIDED(USED) BY FINANCING ACTIVITIES	208,814	192,174
INCREASE (DECEASE) IN CASH DURING THE PERIOD	23,185	126,791
Cash, beginning of year	672,990	465,918
CASH, AT END OF PERIOD	\$696,175	\$592,709

SCHEDULE "B"**DRC RESOURCES CORPORATION**
SECOND QUARTERLY REPORT FOR THE PERIOD ENDING JUNE 30, 2000

Item 1.

Deferred Costs: Deferred costs are included in the total cost of Mining, Oil and Gas Interests on the Consolidated Financial Statement Balance Sheet attached as Schedule A.

Exploration Development costs: \$532,497 in acquisition, exploration and development are included in the total Mining, Oil and Gas Interests on the Consolidated Financial Statement Balance Sheet attached as Schedule A. Exploration costs for expenditures on the Kamloops properties for the year period from July 1, 1999 - June 30, 2000 were \$167,545.

General and Administrative Expenses: \$54,804 were expended during the fiscal year to date for general expenses pertaining to the day to day administration of a public company as indicated in the Operating Costs on the Statement of Operation attached as Schedule A.

Non Arms Length Transactions: During the fiscal year to date the Company paid \$12,680 for secretarial and accounting services invoiced by a private company of which a director has a 50% interest therein. Payments totaling \$31,500 for consulting, deferred exploration costs and property investigation services were billed by a private company which a director controls.

Subsequent to period end, 500,000 commons shares were issued to a private company which a director controls. Theses shares were part the first option payment for the acquisition of 100% interest in the Afton Mineral Claims. The terms and condition of this acquisition were approved by the Canadian Venture Exchange on December 13, 1999 and received independent shareholder approval on June 19, 2000.

Item 2.

During the quarter April 1, 2000 to June 30, 2000

- (a) 1,033,000 securities were issued.
- (b) No stock options were granted.
- (c) 33,000 common shares were issued pursuant to the exercise of the remainder of a Stock Options at a price of \$.20 per share for total proceeds of \$6,600.
- (d) 1,000,000 common shares were issued pursuant to the exercise of 1,000,000 warrants at an

exercise price of \$0.20 per share.

- (e) No options or warrant expired.

Item 3.

(a) Authorized Capital

20,000,000 common shares of no par value

10,000,000 Class "A" preferred shares ,
par value \$10.00 each

10,000,000 Class "B" preferred shares,
par value \$50.00 each

Issued and outstanding: 5,519,016 common shares at June 30, 2000

- (b) At June 30, 2000 the following options and warrants were outstanding:

TYPE OF SECURITY	NUMBER ISSUED	EXERCISE PRICE	EXPIRY DATE
Options	235,000	\$0.20 per share	April 19, 2001*
Options	125,000	\$0.30 per share	September 15, 2001*

* Options Exercised after the end of the quarter.

50,000 @ \$0.20 per share

74,000 @ \$0.30 per share

- (c) 393,750 shares are held under Escrow Agreement for property acquisition.

- (d) Board of Directors

John H. Kruzick	President/Director
Sharon L. Ross	Secretary/Director
C. Robert Edington	Director
Robert Young	Director

SCHEDULE "C"**DRC RESOURCES CORPORATION**
QUARTERLY REPORT FOR PERIOD ENDING JUNE 30, 2000**MANAGEMENT DISCUSSION****AFTON MINE PROJECT**

In April, 2000 the Company commenced a diamond drill program on the Afton Mine Property. Six drill holes have been completed with all drill holes intersecting sulphide mineralization.

Drill intersections indicate the mineral zone has a northeast - southwest trend and dips to the southeast, rather than to the west as previously reported, which gives the drill intersections a greater true width. The zone has been intersected along trend for approximately 350 feet and to 1000 feet below the pit floor. The apparent width of 300 feet, indicated from the drill intersections, appears consistent with the width outlined on the pit floor.

A summary of assay drill core results are as follows:

DDH2K-1 @ -72°/315° suspended at 675 ft., intersected the zone for 230 ft. (445-675 ft.)

Assay Intersections for DDH2K-1 include:

<u>Length</u>	<u>Depth</u>	<u>Copper</u>	<u>Gold</u>	<u>Palladium</u>	<u>Silver</u>	<u>*Copper Equivalent</u>
220 feet	455-675 ft	1.92%	0.038 oz/t	0.003 oz/t	0.196 oz/t	2.74%
Including 10 feet	460-470 ft	6.73%	0.237 oz/t	0.008 oz/t	0.100 oz/t	11.17%
Including 10 feet	665-675 ft	8.38%	0.070 oz/t	0.001 oz/t	0.100 oz/t	9.67%

DH2K-2 @ -74°/329° drilled to 1455 ft., intersected the zone for 770 ft. (485-1255 ft).

Assay Intersections for DDH 2K-2 include:

<u>Length</u>	<u>Depth</u>	<u>Copper</u>	<u>Gold</u>	<u>Palladium</u>	<u>Silver</u>	<u>*Copper Equivalent</u>
770 feet	485-1255 ft	2.37%	0.031 oz/t	0.003 oz/t	0.026 oz/t	3.03%
Including 520 feet	735-1255 ft	2.80%	0.037 oz/t	0.003 oz/t	0.315 oz/t	3.63%
Including 120 feet	965-1085 ft	3.61%	0.031 oz/t	0.002 oz/t	0.353 oz/t	4.29%
Including 50 feet	1035-1085 ft	4.50%	0.046 oz/t	0.002 oz/t	0.366 oz/t	5.49%
Including 70 feet	1185-1255 ft	3.10%	0.044 oz/t	0.005 oz/t	0.367 oz/t	4.11%

DDH2K-3 @ -79°/329° drilled to 1511 feet, intersected the mineral zone for 970 feet at a downhole depth from 390 to 1360 ft.

Assay Intersections for DDH2K-3 include:

<u>Length</u>	<u>Depth</u>	<u>Copper</u>	<u>Gold</u>	<u>Palladium</u>	<u>*Copper Equivalent</u>
860 feet	390-1250 ft	2.35%	0.031 oz/t	0.003 oz/t	3.01%
Including 600 feet	570-1170 ft	2.70%	0.034 oz/t	0.003 oz/t	3.40%
Including 140 feet	720-860 ft	3.96%	0.061 oz/t	0.004 oz/t	5.19%
Including 90 feet	770-860 ft	4.31%	0.064 oz/t	0.004 oz/t	5.58%

DDH2K-4 @ -79°/295° drilled to 1367 feet, intersected the mineral zone for 830 feet at a downhole depth from 380 to 1210 ft.

Assay Intersections for DDH2K-4 include

<u>Length</u>	<u>Depth</u>	<u>Copper</u>	<u>Gold</u>	<u>Palladium</u>	<u>Silver</u>	<u>*Copper Equivalent</u>
380-570 ft	190 ft	2.14%	0.024 oz/t	0.004 oz/t	0.218 oz/t	2.76%
590-1200 ft (Including) 720-920 ft	610 ft	2.31%	0.021 oz/t	0.002 oz/t	0.215 oz/t	2.82%
	200 ft	3.13%	0.027 oz/t	0.003 oz/t	0.300 oz/t	3.80%

* Copper \$.80/lb, Gold \$280./oz, Palladium \$600/oz ** Ag Geochem converted to oz/t

DDH 2K-5 and DDH 2K-6 have been completed with assays pending. DDH 2K-5 @ -84°/325° intersected the mineral zone for 884 feet at a downhole depth from 435-1319 feet. DDH2K-6 @ -77°/270° intersected the mineral zone for 852 feet for a down-hole depth from 418 - 1270 feet.

The diamond drill program is continuing with DDH 2K-7 @ -86°/270° to intersect the mineral zone below DDH 2K-6 to test the zone to depth and confirm the attitude of the zone.

A petrographic study of mineralized core samples was conducted by J.F. Harris, PhD. In his conclusions he states, " The style of intergrowth of the three Copper sulfide species in all these samples is of hypogene aspect, suggestive of unmixing of primary solid solutions - as distinct from the sequential formation features associated with secondary enrichment under supergene conditions.

There is notable absence of associated introduced gangue, or of reaction/ contact effects between the sulfides and the host silicates, and the relationship resemble those characterising the net-textured mineralization seen in certain gabbroic or anorthositic rocks - where sulfides are thought to be of magmatic origin. No consistent evidence was seen for sulfide replacement of mafic silicates (which are rare in these rocks)."

The magmatic origin for this mineralization and the disseminated nature of the sulphides throughout the host rock indicates a new interpretation for the mineral system. The concentration of sulphides is not dependent on the amount of fracturing but on the size of the mineralized magmatic body indicating the potentials for good size to the mineral zone.

Advisor/Consultants Team

DRC Resources has assembled a team of top-level Geological and Mining Engineers to advise the company on the exploration and development of the Afton Mine Project. The Company has retained independent consultants James J. McDougall & Associates, P.Eng., James Douglas Little, P.Eng,

Douglas A. Knight, B.A.Sc. and A.D. McCutcheon, P.Eng.

Professional Engineer James (Jim) McDougall, with over 50 years mineral exploration experience - 30 years as Exploration Manager with Falconbridge Ltd., will be overseeing the Geological Fieldwork and Diamond Drilling.

Doug Little's distinguished career includes positions as Executive Vice-President and Director of Placer Dome, Craigmont Mines and Gibraltar Mines. He has also been President & CEO of Cassiar Asbestos and Director of Afton Mines. He has over 40 years experience in mining - 30 years with Placer Dome.

Douglas A. Knight is a senior mineral processing engineer with over 40 years of international experience, 30 years with Placer Dome involved with the development of a number of mines. He supervised test work, design, equipment purchase and start-up of 5 major mines in the 1990's with an aggregate value of \$1.8 Billion (Porgera, New Guinea; Zaldivar, Mexico; Pipeline, Nevada; Musselwhite, Ontario and Dome Expansion, Ontario).

A.D. McCutcheon was President/General Manager of Canadian Mine Services Ltd. and American Mine Services Inc. He brings to the Company over 40 years of hands-on international operating experience in mining and engineering.

IN CONCLUSION

The Afton Deposit is unique to North American porphyry deposits as gold grades increase rather than decrease in the sulphide rock beneath the oxide cap. Drilling is testing the size and grade of higher grade zones intersected in previous drill holes such as 0.1 ounce/ton gold over 230ft. in DDH80-4 and 2.5% copper over 660ft. in DDH73-32. There is excellent exploration potential to increase the 10.5 million tons of 1.52% Copper and .03 oz/ton Gold by extending the zone to depth and along strike.

An important features of the Afton Property is its location along the TransCanada Highway 10Kms West of the City of Kamloops; well serviced with good road access, water, power, infrastructure, mine-site and a local experienced mine labor force which gives this area one of the lowest mining costs in North America; location in a existing mining district where all government levels are supportive; no outstanding Aboriginal Land Claim issues to address; Government Mining Permits and Mine-Site facility are available which further reduces capital cost and lead time to have the mine back in production.

OUTLOOK

The management of DRC Resources are committed to the exploration of the Afton Mine Property. Management believes this is an excellent exploration project with estimated resources of at least 10.5 million tons of 1.5% Copper and .03 oz/ton Gold. We feel by testing the zone along strike and to

depth, this tonnage could be increased 2 to 3 times as well as increasing the Copper-Gold Grades. By utilizing proven low-cost bulk mining technology we feel this resource could be mined economically.

With cash reserves in excess of \$700,000 and the anticipated completion of a \$5 million financing, DRC Resources will have the working capital to carry out the exploration of the Afton Mine Project.

The directors and management of DRC Resources are committed to building a profitable resource company and creating wealth for our shareholders.

YEAR 2000

Like any other company, advances and changes in available technology can significantly impact the business and operations of the Company. For example, a challenging problem existed as many computer systems worldwide did not have the capability of recognizing year 2000 or years thereafter. The Company computer systems were reprogrammed and updated in time to effectively deal with transactions to the year 2000 and beyond. This "Year 2000" problem creates risks for the Company from unforeseen problems in its own computer systems and from third parties with whom the Company deals on financial transactions worldwide. Such failures of the Company and/or third party's computer systems could have a material impact on the Company's ability to conduct its business.