CANARC RESOURCE CORP
Form 20-F
April 29, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

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 fiscal year ended December 31, 2018

OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____ to _____
OR
SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report:

Commission file number: 0-18860

CANARC RESOURCE CORP.
(Exact name of Registrant as specified in its charter)

Province of British Columbia, Canada
(Jurisdiction of incorporation or organization)

Suite #810 – 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6
(Address of principal executive offices)

Philip Yee, Chief Financial Officer, Phone: (604) 685-9700, Fax: (604) 685-9744, e-mail: philip@canarc.net
Canarc Resource Corp., Suite #810 – 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Shares, without par value

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the Registrant's classes of capital or common stock as of the close of the period covered by the annual report: 218,355,144 common shares as at December 31, 2018

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

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 check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Accelerated filer
Non-accelerated filer
Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark which basis of accounting the Registrant has used to prepare the financial statements included in this filing:

U.S. GAAP	International Financial Reporting Standards as issued by the International Accounting Standards Board	Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow: Item 17 Item 18

If this is an annual report, indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

TABLE OF CONTENTS

CAUTION – FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F and the exhibits attached hereto contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Such forward looking statements concern the Company’s anticipated results and developments in the Company’s operations in future periods, planned exploration and development of its mineral property interests, plans related to its business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates” or “intends”, stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved) are no statements of historical fact and may be forward-looking statements. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation:

risks related to our exploration and development activities;

risks related to the financing needs of our planned operations;

risks related to estimates of mineral deposits, resources and reserves;

risks related to fluctuations in mineral prices;

risks related to the titles of our mineral property interests;

risks related to competition in the mineral exploration and mining industry;

risks related to potential conflicts of interest with our officers and directors;

risks related to environmental and regulatory requirements;

risks related to foreign currency fluctuations;

risks related to our possible status as a passive foreign investment company;

risks related to the volatility of our common stock; and

risks related to the possible dilution of our common stock.

This list is not exhaustive of the factors that may affect our forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the sections titled “Risk Factors” and “Information on the Company” of this annual report. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events other than as may be specifically required by applicable securities

laws and regulations.

We qualify all the forward-looking statements contained in this annual report by the foregoing cautionary statements.

Unless the context otherwise requires, all references to “we” or “our” or the “Company” or “Canarc” refer to Canarc Resource Corp. and/or its subsidiaries. All monetary figures are in terms of United States dollars unless otherwise indicated.

EXPLANATORY NOTE REGARDING PRESENTATION OF FINANCIAL INFORMATION

The annual audited consolidated financial statements contained in this Annual Report on Form 20-F are reported in United States dollars. For the years ended December 31, 2018, 2017 and 2016, as presented in the annual audited consolidated financials contained in this Annual Report on Form 20-F, we prepared our consolidated financial statements in accordance with International Financial Reporting Standards (‘‘IFRS’’) as issued by the International Accounting Standards Board (“IASB”). For the year ended December 31, 2014, which annual audited consolidated financial statements is not presented in this Annual Report, we prepared our consolidated financial statements in accordance with IFRS as issued by the IASB. Statements prepared in accordance with IFRS are not comparable in all respects with financial statements that are prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”).

CURRENCY

Unless we otherwise indicate in this Annual Report on Form 20-F, all references to "Canadian Dollars" or "CAD$" are to the lawful currency of Canada, and all references to "U.S. Dollars" or "US$" are to the lawful currency of the United States.

GLOSSARY OF MINING TERMS

The following is a glossary of some of the terms used in the mining industry and referenced herein:

1933 Act - means the United States Securities Act of 1933, as amended.
adit – a horizontal tunnel in an underground mine driven from a hillside surface.
Ag – silver.
alluvial mining - mining of gold bearing stream gravels using gravity methods to recover the gold, also known as placer mining.
andesite - a volcanic rock of intermediate composition, the extrusive equivalent of diorite.
arsenopyrite – an ore mineral of arsenic, iron, and sulphur, often containing gold.
assay – a precise and accurate analysis of the metal contents in an ore or rock sample.
Au - gold.
auger drill – a handheld machine that produces small, continuous core samples in unconsolidated materials.
autoclave – a mineral processing vessel operated at high temperature and pressure in order to oxidize sulfide and carbon compounds, so the contained metals can be leached and concentrated.
Banka drilling - a hand operated drill specifically designed for sampling alluvial deposits. The drill rods (10-12 centimetres in diameter) are forced into the gravel and then the core sample is extracted from the rods.
Commission - United States Securities and Exchange Commission, or S.E.C.
concentrate – a concentrate of minerals produced by crushing, grinding and processing methods such as gravity or flotation.
contained gold – total measurable gold in grams or ounces estimated to be contained within a mineral deposit. Makes no allowance for economic criteria, mining dilution or recovery losses.
Cu – copper.
cut-off grade – deemed grade of mineralization, established by reference to economic factors, above which material is considered ore and below which is considered waste.
diamond drill – a large machine that produces a continuous core sample of the rock or material being drilled.
diorite – a plutonic rock of intermediate composition, the intrusive equivalent of andesite.
dorė – bullion of gold, with minor silver and copper produced by smelting, prior to refining.
epithermal – used to describe hydrothermal mineral deposits, typically in veins, formed at lower temperatures and pressures within 1 km of the earth surface.
Exchange Act – means the United States Securities Exchange Act of 1934, as amended.
feasibility study – a detailed report assessing the feasibility, economics and engineering of placing a mineral deposit into commercial production.
flotation – a mineral recovery process using soapy compounds to float finely ground metallic minerals into a concentrate.
garimpeiros – a Brazilian term used in South America referring to small scale, artisanal miners and prospectors.
gold deposit - means a mineral deposit mineralised with gold.
gold equivalent - a method of presenting combined gold and silver concentrations or weights for comparison purposes. Commonly involves expressing silver as its proportionate value in gold based on the relative values of the two metals.
gold resource – see mineral resource.
gpt - grams per tonne.
grams per cubic meter - alluvial mineralisation measured by grams of gold contained per cubic meter of material, a measure of gold content by volume not by weight.
greenstone - a field term for any compact dark-green altered or metamorphosed basic igneous rock that owes its colour to green minerals such as chlorite, actinolite or epidote.
indicated resource - means 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. Cautionary Note to U.S. Investors: Please review the "Cautionary Note to U.S. Investors Regarding Reserve and Resource Estimates" below.

inferred resource - means 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. Cautionary Note to U.S. Investors: Please review the "Cautionary Note to U.S. Investors Regarding Reserve and Resource Estimates" below.

laterite - highly weathered residual superficial soils and decomposed rocks, rich in iron and aluminum oxides, that are characteristically developed in tropical climates.
lode mining – mining of ore, typically in the form of veins or stockworks.
measured resource means that part of a mineral resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the 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 are spaced closely enough to confirm both geological and grade continuity. Cautionary Note to U.S. Investors: Please review the "Cautionary Note to U.S. Investors Regarding Reserve and Resource Estimates" below.
mesothermal – used to describe hydrothermal mineral deposits, typically in veins, formed at higher temperatures and pressures deeper than 1 km of the earth's surface.
mineral reserve means the economically mineable part of a measured or indicated resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other 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. Cautionary Note to U.S. Investors: Please review the "Cautionary Note to U.S. Investors Regarding Reserve and Resource Estimates" below.
mineral resource – a body of mineralized material which has not yet been determined to be ore, and the potential for mining of which has not yet been determined; categorized as possible, probable and proven, according to the degree of certainty with which their grade and tonnage are known; sometimes referred to as a "geological resource" or "mineral inventory". Cautionary Note to U.S. Investors: Please review the "Cautionary Note to U.S. Investors Regarding Reserve and Resource Estimates" below.
net profits interest or NPI – a royalty based on the net profits generated after recovery of all costs.
net smelter royalty or NSR - a royalty based on the gross proceeds received from the sale of minerals less the cost of smelting, refining, freight and other related costs.
nugget effect – an effect of high variability of gold assays, due to the gold occurring in discreet coarse grains such that their content in any given sample is highly variable.
ore – a naturally occurring rock or material from which economic minerals can be extracted at a profit.
ounce or oz. - a troy ounce or 20 pennyweights or 480 grains or 31.103 grams.
opt – troy ounces per ton.
porknockers - a local term used in Guyana and Suriname to refer to small scale artisanal miners and prospectors.
porphyry – an igneous rock containing coarser crystals in a finer matrix.
probable reserve - the economically mineable part of an indicated, and in some circumstances a measured resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. Cautionary Note to U.S. Investors: Please review the "Cautionary Note to U.S. Investors Regarding Reserve and Resource Estimates" below.
professional association, for the purposes of the definition of a Qualified Person below, means a self-regulatory organization of engineers, geoscientists or both engineers and geoscientists that (a) has been given authority or recognition by statute; (b) admits members primarily on the basis of their academic qualifications and experience; (c) requires compliance with the professional standards of competence and ethics established by the organization; and (d) has disciplinary powers, including the power to suspend or expel a member.
prospect – an area prospective for economic minerals based on geological, geophysical, geochemical and other criteria
proven reserve means the economically mineable part of a measured resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified. Cautionary Note to U.S. Investors: Please review the "Cautionary Note to U.S. Investors Regarding Reserve and Resource Estimates"

below.
pyrite – an ore mineral of iron and sulphur.
Qualified Person means an individual who (a) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these; (b) has experience relevant to the subject matter of the mineral project and the technical report; and (c) is a member in good standing of a professional association.
quartz – a rock-forming mineral of silica and oxygen, often found in veins also.
raise – a vertical or inclined tunnel in an underground mine driven upwards from below.
ramp – an inclined tunnel in an underground mine driven downwards from surface.
reverse circulation drill – a large machine that produces a continuous chip sample of the rock or material being drilled.
saprolite - a soft, earthy, clay rich and thoroughly decomposed rock with its original textures intact, formed in place by chemical weathering of igneous, sedimentary or metamorphic rocks.

scoping study – a conceptual report assessing the scope, economics and engineering of placing a mineral deposit into commercial production.
shaft – a vertical or inclined tunnel in an underground mine driven downward from surface.
shear – a tabular zone of faulting within which the rocks are crushed and flattened.
stibnite – an ore mineral of antimony and sulphur.
stock or pluton – a body of intrusive rock that covers less than 40 square miles, has steep dips and is discordant with surrounding rock.
stockwork – multiple small veins of mineralisation that have so penetrated a rock mass that the whole rock mass can be considered mineralised.
strike length - the longest horizontal dimensions of a body or zone of mineralisation.
stripping ratio - the ratio of waste material to ore that is estimated for or experienced in mining an ore body.
sulphide – an ore mineral compound linking sulphur with one or more metals.
ton - short ton (2,000 pounds).
tonne - metric tonne (2,204.6 pounds).
trenching – the surface excavation of a linear trench to expose mineralization for sampling.
vein – a tabular body of rock typically of narrow thickness and often mineralized occupying a fault, shear, fissure or fracture crosscutting another pre-existing rock.
winze – an internal shaft in an underground mine.

For ease of reference, the following conversion factors are provided:

1 mile	= 1.609 kilometres	1 pound	= 0.4535 kilogram
1 yard	= 0.9144 meter	2,000 pounds/1 short ton	= 0.907 tonne
1 acre	= 0.405 hectare	1 troy ounce	= 31.103 grams

CAUTIONARY NOTE TO U.S. INVESTORS REGARDING MINERAL RESERVE AND RESOURCE ESTIMATES

The mineral reserve and resource information in this annual report on Form 20-F has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ materially from the requirements of United States securities laws. The terms “mineral reserve”, “proven mineral reserve” and “probable mineral reserve” are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) and the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) - CIM Definition Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended. These definitions differ materially from the definitions in the United States Securities and Exchange Commission (“SEC”) Industry Guide 7 (“SEC Industry Guide 7”) under the United States Securities Act of 1933, as amended. Under SEC Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this report and the documents incorporated by reference herein containing descriptions of our mineral deposits may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder, including SEC Industry Guide 7.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A Selected Financial Data

The following selected financial data and information (stated in United States dollars) with respect to the last five fiscal years ended December 31, 2018, 2017, 2016, 2015 and 2014 have been derived from Canarc's audited consolidated financial statements which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 are set out and included in Item 18 of this annual report on Form 20-F. The selected financial data and the information of the Company as at December 31, 2015 and 2014 and for the years then ended in the following table was derived from the audited consolidated financial statements of the Company which are not presented in this Annual Report on Form 20-F.

The selected historical consolidated financial information presented below is condensed and may not contain all of the information that you should consider. This selected financial data should be read in conjunction with our annual audited consolidated financial statements, the notes thereto and the sections entitled "Item 3. Key Information – D. Risk Factors" and "Item 5 — Operating and Financial Review and Prospects".

Selected Financial Information (stated in thousands of U.S. dollars, except per share amounts)	IFRS As at and for the years ended December 31, 2018	2017	2016	2015	2014
(a) Total revenues (1)	$ -	$ -	$ -	$ -	$ -
(b) Other (losses) incomes (2)	$ (140)	$ (293)	$ 3,205	$ -	$ -
(c) (Loss) income before discontinued operations and extraordinary items:					
(i) Total	$ (1,125)	$ (1,960)	$ 1,965	$ (927)	$ (1,831)
(ii) Basic earnings (loss) per share	$ (0.01)	$ (0.01)	$ 0.01	$ (0.01)	$ (0.01)
(iii) Diluted earnings (loss) per share	$ (0.01)	$ (0.01)	$ 0.01	$ (0.01)	$ (0.01)
(c) Income (loss) from discontinued operations:					
(i) Total	$ -	$ -	$ 4,826	$ (5)	$ -
(ii) Basic earnings (loss) per share	$ -	$ -	$ 0.02	$ -	$ -
(iii) Diluted earnings (loss) per share	$ -	$ -	$ 0.02	$ -	$ -
(d) Net (loss) income:					
(i) Total	$ (1,125)	$ (1,960)	$ 6,791	$ (932)	$ (1,831)
(ii) Basic earnings (loss) per share	$ (0.01)	$ (0.01)	$ 0.03	$ (0.01)	$ (0.01)
(iii) Diluted earnings (loss) per share	$ (0.01)	$ (0.01)	$ 0.03	$ (0.01)	$ (0.01)
(e) Total assets	$ 17,511	$ 19,763	$ 19,708	$ 11,941	$ 12,564
(f) Total long-term debt (3)	$ 130	$ 136	$ -	$ 117	$ -
(g) Shareholders' equity (net assets)	$ 17,084	$ 19,380	$ 19,607	$ 10,814	$ 11,650
(h) Dividends per share	No cash dividends declared in any of these periods.				
(i) Shares:					
Diluted number of common shares	246,510,498	274,341,533	269,990,736	234,349,675	207,901,803
Number of common shares	218,355,144	218,779,144	217,189,597	191,620,557	157,436,305

(1)
Canarc has no sources of operating revenues.

(2)
Other (loss) income includes changes in the fair values of marketable securities and (losses) gains from the disposition of marketable securities, if any, and investment and other income.

(3)
Canarc has no preferred shares.

The Company is involved with mineral exploration and does not have any sources of operating revenues.

On April 23, 2019, the Bank of Canada closing rate for the conversion of one United States dollar into Canadian dollars was CAD$1.3421.

The following table reflects the monthly high and low exchange rates for U.S.$1.00 to the Canadian dollar for the following periods:

Month	Year	High (CAD$)	Low (CAD$)
October	2018	1.3142	1.2803
November	2018	1.3302	1.3088
December	2018	1.3642	1.3191
January	2019	1.3600	1.3144
February	2019	1.3298	1.3095
March	2019	1.3438	1.3260
April 1 to 23	2019	1.3421	1.3316

The following table lists the high, low, average and closing exchange rates for U.S.$1.00 to the Canadian dollar for the last five years:

Year	High (CAD$)	Low (CAD$)	Average Rate (CAD$)	Close (CAD$)
2014	1.1672	1.0589	1.1045	1.1601
2015	1.4003	1.1679	1.2787	1.3840
2016	1.4661	1.2497	1.3248	1.3427
2017	1.3743	1.2128	1.2986	1.2545
2018	1.3642	1.2288	1.2957	1.3642
2019 (January 1 to April 23, 2019)	1.3600	1.3095	1.3306	1.3421

3.B Capitalization and Indebtedness

Not applicable.

3.C Reasons for the Offer and Use of Proceeds

Not applicable.

3.D Risk Factors

The following is a brief discussion of those distinctive or special characteristics of the Company’s operations and industry that may have a material impact on, or constitute risk factors in respect of, the Company’s future financial performance.

Risks Related to the Company's Business

The Company's exploration activities may not be commercially successful, which could lead it to abandon its plans to develop its mineral property interests and its investments in exploration and there is no assurance given by the Company that its exploration and development programs and mineral property interests will result in the discovery, development or production of a commercially viable ore body.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of bodies of commercial ore. Unusual or unexpected geological structures or formations, fires, power outages, labour disruptions, floods, explosions, cave-ins, land slides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. The Company has relied and may continue to rely upon consultants and others for construction and operating expertise. The economics of developing gold and other mineral properties are affected by many factors including capital and operating costs, variations of the grade of ore mined, fluctuating mineral markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Depending on the price of gold or other minerals produced, the Company may determine that it is impractical to commence or continue commercial production. Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that funds required for development can be obtained on a timely basis. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, the global marketing conditions for precious and base metals, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for an exploitation concession. There can be no guarantee that such a concession will be granted.

The Company's ability to continue as a going concern is in doubt and the Company's planned operations will require future financing and there is no assurance given by the Company that it will be able to secure the financing necessary to explore, develop and produce its mineral property interests.

The Company does not presently have sufficient financial resources or operating cash flows to undertake by itself all of its planned exploration and development programs. The development of the Company's mineral property interests may therefore depend on the Company's joint venture partners, if any, and on the Company's ability to obtain additional required financing. There is no assurance the Company will be successful in obtaining the required financing, the lack of which could result in the loss or substantial dilution of its interests (as existing or as proposed to be acquired) in its mineral property interests as disclosed herein. In addition, the Company does not have sufficient experience in developing mining properties into production and its ability to do so will be dependent upon securing the services of appropriately experienced personnel or entering into agreements with other major mining companies which can provide such expertise.

As noted in its audited consolidated financial statements for the year ended December 31, 2018 the Company has no operating revenues, has incurred significant operating losses in fiscal years prior to 2018, and has an accumulated deficit of approximately $46.7 million at December 31, 2018. Furthermore, the Company lacks sufficient funds to achieve the Company's planned business objectives. The Company's ability to continue as a going concern is dependent on continued financial support from its shareholders and other related parties, the ability of the Company to raise

equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company's liabilities as they become payable.

The report of our independent registered public accounting firm on the December 31, 2018 consolidated financial statements includes an additional paragraph that states the existence of material uncertainties that cast substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include adjustments that might result from the outcome of this uncertainty.

The figures for the Company's resources are estimates based on interpretation and assumptions and may yield less mineral production under actual conditions than is currently estimated and there is no assurance given by the Company that any estimates of mineral deposits herein will not change.

Although all figures with respect to the size and grade of mineralized deposits included herein have been carefully prepared by the Company, or, in some instances have been prepared, reviewed or verified by independent mining experts, these amounts are estimates only and no assurance can be given that any identified mineralized deposit will ever qualify as a commercially viable mineable ore body that can be legally and economically exploited. Estimates regarding mineralized deposits can also be affected by many factors such as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. There can be no assurance that gold recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions. Material changes in mineralized tonnages, grades, stripping ratios or recovery rates may affect the economic viability of projects. The existence of mineralized deposits should not be interpreted as assurances of the future delineation of ore reserves or the profitability of future operations. The refractory nature of gold mineralization at New Polaris and Fondaway projects may adversely affect the economic recovery of gold from mining operations.

Changes in the market price of gold, silver and other metals, which in the past have fluctuated widely, will affect the profitability of the Company's planned operations and financial condition and there is no assurance given by the Company that mineral prices will not change.

The mining industry is competitive and mineral prices fluctuate so that there is no assurance, even if commercial quantities of a mineral resource are discovered, that a profitable market will exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of precious and base metals fluctuate on a daily basis, have experienced volatile and significant price movements over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the U.S. dollar relative to other currencies), interest rates, central bank transactions, world supply for precious and base metals, international investments, monetary systems, and global or regional consumption patterns (such as the development of gold coin programs), speculative activities and increased production due to improved mining and production methods. The supply of and demand for gold are affected by various factors, including political events, economic conditions and production costs in major gold producing regions, and governmental policies with respect to gold holdings by a nation or its citizens. The exact effect of these factors cannot be accurately predicted, and the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. There is no assurance that the prices of gold and other precious and base metals will be such that the Company's properties can be mined at a profit.

Mineral operations are subject to market forces outside of the Company's control which could negatively impact the Company's operations.

The marketability of minerals is affected by numerous factors beyond the control of the entity involved in their mining and processing. These factors include market fluctuations, government regulations relating to prices, taxes, royalties, allowable production, imports, exports and supply and demand. One or more of these risk elements could have an impact on costs of an operation and if significant enough, reduce the profitability of the operation and threaten its continuation.

There is no assurance given by the Company that it owns legal title to its mineral property interests.

The acquisition of title to mineral property interests is a very detailed and time-consuming process. Title to any of the Company's mining concessions may come under dispute. While the Company has diligently investigated title considerations to its mineral property interests, in certain circumstances, the Company has only relied upon representations of property partners and government agencies. There is no guarantee of title to any of the Company's mineral property interests. The mineral property interests may be subject to prior unregistered agreements or transfers, and title may be affected by unidentified and undetected defects. In British Columbia and elsewhere, native land claims or claims of aboriginal title may be asserted over areas in which the Company's mineral property interests are located. To the best of the knowledge of the Company, although the Company understands that comprehensive land claims submissions have been received by Indian and Northern Affairs Canada from the Taku Tlingit (Atlin) Band (which encompasses the New Polaris property) and from the Association of United Tahltans and the Nisga'a Tribal Council (which may encompass the Eskay Creek property), no legal actions have been formally served on the Company to date asserting such rights with respect to mining properties in which the Company has an interest. Three First Nations bands (namely, Cheslatta Carrier Band, Nee-Tahi-Buhn Band and the Skin Tyee Nation Band) have claims in the Windfall Hills property.

The Company competes with larger, better capitalized competitors in the mining industry and there is no assurance given by the Company that it can compete for mineral properties, future financings and technical expertise.

Significant and increasing competition exists for the limited number of gold acquisition opportunities available in North, South and Central America and elsewhere in the world. As a result of this competition, some of which is with large established mining companies which have greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive gold mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company's exploration and acquisition programs will yield any new resources or reserves or result in any commercial mining operation.

The Company may also encounter increasing competition from other mining companies in its efforts to hire experienced mining professionals. Competition for exploration resources at all levels can be very intense, particularly affecting the availability of manpower, drill rigs, mining equipment and production equipment. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

A shortage of equipment and supplies could adversely affect the Company's ability to operate its business.

The Company is dependent on various supplies and equipment to carry out its mineral exploration and, if warranted, development operations. Any shortage of such supplies, equipment and parts could have a material adverse effect on the Company's ability to carry out its operations and therefore limit or increase the cost of potential future production.

The Company's directors and officers may have conflicts of interest as a result of their relationships with other companies and there is no assurance given by the Company that its directors and officers will not have conflicts of interest from time to time.

The Company's directors and officers may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In particular, Bradford Cooke, a Director of the Company, is also a Director of Aztec Metals Corp. ("AzMet"), Aztec Minerals Corp. ("AzMin") and Endeavour Silver Corp. ("Endeavour"), companies in which the Company previously owned or currently owns shares. The interests of these companies may differ from time to time. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against any resolution involving any such conflict. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another company due to the financial position of the company making the assignment. In accordance with the laws of the Province of British Columbia, Canada, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in any particular exploration or mining project at any given time, the directors will primarily consider the upside potential for the project to be accretive to shareholders, the degree of risk to which the Company may be exposed and its financial position at that time.

The Company does not insure against all risks which we may be subject to in our planned operations and there is no assurance given by the Company that it is adequately insured against all risks.

The Company may become subject to liability for cave-ins, pollution or other hazards against which it cannot insure or against which it has elected not to insure because of high premium costs or other reasons. The payment of such liabilities would reduce the funds available for exploration and mining activities.

The Company is subject to significant governmental and environmental regulations and there is no assurance given by the Company that it has met all environmental or regulatory requirements.

The current or future operations of the Company, including exploration and development activities and commencement of production on its mineral property interests, require permits from various foreign, federal, state and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal,

toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required in order for the Company to commence production on its various mineral property interests will be obtained. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, are necessary prior to operation of the other properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. New laws or regulations or amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation of current laws, regulations or permits, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

As a current and prior holder of interests in U.S. mineral properties, the Company may be subject to the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended ("CERCLA"). CERCLA, along with analogous statutes in certain states, imposes strict, joint and several liability on owners and operators of facilities which release hazardous substances into the environment. CERCLA imposes similar liability upon generators and transporters of hazardous substances disposed of at an off-site facility from which a release has occurred or is threatened. Under CERCLA's strict joint and several liability provisions, the Company could potentially be liable for all remedial costs associated with property that it currently or previously owned or operated regardless of whether the Company's activities are the actual cause of the release of hazardous substances. Such liability could include the cost of removal or remediation of the release and damages for injury to the natural resources. The Company's one prior property was located in a historic mining district and may include abandoned mining facilities (including waste piles, tailings, portals and associated underground and surface workings). Releases from such facilities or from any of the Company's current and prior U.S. properties due to past or current activities could form the basis for liability under CERCLA and its analogs. In addition, off-site disposal of hazardous substances, including hazardous mining wastes, may subject the Company to CERCLA liability. The Company's current and prior U.S. properties are not, to the Company's knowledge, currently listed or proposed for listing on the National Priority List and the Company is not aware of pending or threatened CERCLA litigation which names the Company as a defendant or concerns any of its current or prior U.S. properties or operations. The Company cannot predict the potential for future CERCLA liability with respect to its current or prior U.S. properties, nor can it predict the potential impact or future direction of CERCLA litigation in the area surrounding its current and prior properties.

To the best of the Company's knowledge, the Company is operating in compliance with all applicable environmental and regulatory regulations.

Regulations and pending legislation governing issues involving climate change could result in increased operating costs, which could have a material adverse effect on the Company's business.

A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to various climate change interest groups and the potential impact of climate change. Legislation and increased regulation regarding climate change could impose significant costs on the Company, and its suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting and other costs to comply with such regulations. Any adopted future climate change regulations could also negatively impact the Company's ability to compete with companies situated in areas not subject to such limitations. Given the emotion, political significance and uncertainty around the impact of climate change and how it should be dealt with, the Company cannot predict how legislation and regulation will affect our financial condition, operating performance and ability to compete. Furthermore, even without such regulation, increased awareness and any adverse publicity in the global marketplace about potential impacts on climate change by the Company or other companies in its industry could harm its reputation. The potential physical impacts of climate change on the Company's operations are highly uncertain, and would be particular to the geographic circumstances in areas in which it operates. These may include

changes in rainfall and storm patterns and intensities, water shortages, changing sea levels and changing temperatures. These impacts may adversely impact the cost, potential production and financial performance of the Company's operations.

Land reclamation requirements for the Company's properties may be burdensome.

There is a risk that monies allotted for land reclamation may not be sufficient to cover all risks, due to changes in the nature of the waste rock or tailings and/or revisions to government regulations. Therefore additional funds, or reclamation bonds or other forms of financial assurance may be required over the tenure of the project to cover potential risks. These additional costs may have material adverse impact on the financial condition and results of the Company.

Mining is inherently dangerous and subject to conditions or events beyond the Company's control, which could have a material adverse effect on the Company's business.

Mining involves various types of risks and hazards, including:

environmental hazards,

power outages,

metallurgical and other processing problems,

unusual or unexpected geological formations,

structural cave-ins or slides,

flooding, fire, explosions, cave-ins, landslides and rock-bursts,

inability to obtain suitable or adequate machinery, equipment or labour,

metals losses, and

periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury, environmental damage, delays in mining, increased production costs, monetary losses and possible legal liability. The Company may not be able to obtain insurance to cover these risks at economically feasible premiums. Insurance against certain environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from production, is not generally available to the Company or to other companies within the mining industry. The Company may suffer a material adverse effect on its business if it incurs losses related to any significant events that are not covered by its insurance policies.

The Company will be required to locate mineral reserves for its long-term success.

None of the Company's properties currently have any proven and probable mineral reserves. The Company's long-term success will depend on the Company establishing mineral reserves on its properties and receiving revenue from the production of gold and other base and precious metals. If and when the Company begins production, the Company will have to continually replace and expand its mineral reserves, if any. The Company's ability to maintain or increase its annual production of gold and other base or precious metals once its current properties are producing, if at all, will be dependent almost entirely on its ability to acquire, explore, and develop new properties and bring new mines into production.

The Company's properties may be located in foreign countries and political instability or changes in the regulations in these countries may adversely affect the Company's ability to carry on its business.

Certain of the Company's properties are located in countries outside of Canada, and mineral exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political attitudes may vary from country to country and are beyond the control of the Company and may adversely affect its business. Such changes have, in the past, included

nationalization of foreign owned businesses and properties. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income and other taxes and duties, expropriation of property, environmental legislation and mine safety. These uncertainties may make it more difficult for the Company and its joint venture partners to obtain any required production financing for its mineral properties.

Fluctuations in foreign currency exchange rates may adversely affect the Company's future profitability.

In addition to CAD dollar currency accounts, the Company maintains a portion of its funds in U.S. dollar denominated accounts. Certain of the Company's mineral property interests and related contracts may be denominated in U.S. dollars. Accordingly, the Company may take some steps to reduce its risk to foreign currency fluctuations. However, the Company's operations in countries other than Canada are normally carried out in the currency of that country and make the Company subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. In addition future contracts may not be denominated in U.S. dollars and may expose the Company to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. In addition, the Company is or may become subject to foreign exchange restrictions which may severely limit or restrict its ability to repatriate capital or profits from its mineral property interests outside of Canada to Canada. Such restrictions have existed in the past in countries in which the Company holds property interests and future impositions of such restrictions could have a materially adverse effect on the Company's future profitability or ability to pay dividends.

The Company is reliant on third parties.

The Company's rights to acquire interests in certain mineral properties may have been granted by third parties who themselves hold only a property option to acquire such properties. As a result, the Company may have no direct contractual relationship with the underlying property holder.

Jurisdiction and Enforcement in U.S. and Canadian Courts.

The enforcement of civil liabilities under the U.S. federal and state securities laws may be affected adversely by the fact that the Company is incorporated under the laws of a foreign country, that certain of its officers and directors are residents of a foreign country, that the independent registered public accounting firm and some or all of the experts named in this report may be residents of a foreign country and that all or a substantial portion of the assets of the Company and said persons may be located outside the U.S. In particular, uncertainty exists as to whether Canadian courts would entertain claims or enforce judgments based on the civil liability provisions of the U.S. federal and state securities laws.

The Company's possible PFIC status may have possible adverse tax consequences for United States Investors.

Potential investors who are United States taxpayers should be aware that Canarc may be classified for United States tax purposes as a passive foreign investment company ("PFIC") for the current fiscal year and may also have been a PFIC in prior years, and may also be a PFIC in subsequent years. This status arises due to the fact that Canarc's excess exploration funds may be invested in interest bearing securities creating "passive income" which, while modest and ancillary to the exploration business, has been Canarc's only substantive source of income in the past. If Canarc is a PFIC for any year during a United States taxpayer's holding period, then such a United States taxpayer, generally, will be required to treat any so-called "excess distribution" received on its common shares, or any gain realized upon a disposition of common shares, as ordinary income and to pay an interest charge on a portion of such distribution or gain, unless the taxpayer makes a qualified electing fund ("QEF") election or a mark-to-market election with respect to the shares of Canarc. In certain circumstances, the sum of the tax and the interest charge may exceed the amount of the excess distribution received, or the amount of proceeds of disposition realized, by the taxpayer. A United States taxpayer who makes a QEF election generally must report on a current basis its share of Canarc's net capital gain and ordinary earnings for any year in which Canarc is a PFIC, whether or not Canarc distributes any amounts to its shareholders. A United States taxpayer who makes the mark-to-market election generally must include as ordinary income each year the excess of the fair market value of the common shares over the taxpayer's tax basis therein. Item 10.E provides further details.

While we believe we have adequate internal control over financial reporting, internal controls cannot provide absolute assurance that objectives are met.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we have furnished a report by management on our internal controls over financial reporting in this annual report on Form 20-F. Such report contains, among other matters, an assessment of the effectiveness of our internal control over financial reporting, including a statement as to whether or not our internal control over financial reporting is effective.

The Company's management does not expect that its disclosure controls and procedures or internal controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been

detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Differences in United States and Canadian reporting of reserves and resources.

The disclosure in this Annual Report on Form 20-F, including the documents incorporated herein by reference, uses terms that comply with reporting standards in Canada. The terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be used by the Company pursuant to NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and normally are not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of the measured mineral resources, indicated mineral resources, or inferred mineral resources will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility, pre-feasibility studies or other economic studies, except in rare cases.

Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC Industry Guide 7 standards as in place tonnage and grade without reference to unit measures.

Further, the terms “Mineral Reserve”, “Proven Mineral Reserve” and “Probable Mineral Reserve” are Canadian mining terms as defined in accordance with NI 43-101 and the CIM Standards. These definitions differ from the definitions in SEC Industry Guide 7. Under SEC Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and all necessary permits or governmental authorizations must be filed with the appropriate governmental authority.

Accordingly, information contained in this Annual Report on Form 20-F and the documents incorporated by reference herein containing descriptions of the Company’s mineral deposits may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

As a “foreign private issuer”, the Company is exempt from Section 14 proxy rules and Section 16 of the Securities Exchange Act of 1934.

The Company is a “foreign private issuer” as defined in Rule 3b-4 under the United States Securities Exchange Act of 1934, as amended (the “U.S. Exchange Act”). Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the U.S. Exchange Act pursuant to Rule 3a12-3 of the U.S. Exchange Act. Therefore, the Company is not required to file a Schedule 14A proxy statement in relation to the annual meeting of shareholders. The submission of proxy and annual meeting of shareholder information on Form 6-K may result in shareholders having less complete and timely information in connection with shareholder actions. The exemption from Section 16 rules regarding reports of beneficial ownership and purchases and sales of common shares by insiders and restrictions on insider trading in our securities may result in shareholders having less data and there being fewer restrictions on insiders’ activities in our securities.

Risks Related to the Company’s Common Shares

The Company does not intend to pay dividends.

The Company has not paid out any cash dividends to date and has no plans to do so in the immediate future. As a result, an investor’s return on investment will be solely determined by his or her ability to sell common shares in the

secondary market.

The volatility of the Company’s common shares could cause investor loss.

The market price of a publicly traded stock, especially a junior resource issuer like Canarc, is affected by many variables in addition to those directly related to exploration successes or failures. Such factors include the general condition of the market for junior resource stocks, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of the common shares on the Toronto Stock Exchange (the “TSX”) and NASD-OTC suggests that Canarc’s shares will continue to be volatile. Therefore, investors could suffer significant losses if Canarc’s shares are depressed or illiquid when an investor seeks liquidity and needs to sell Canarc’s shares.

Penny stock classification could affect the marketability of the Company's common stock and shareholders could find it difficult to sell their stock.

The Company's stock may be subject to “penny stock” rules as defined in the Exchange Act rule 3a51-1. The Securities and Exchange Commission has adopted rules which regulate broker-dealer practices in connection with transactions in penny stocks. The Company’s common shares may be subject to these penny stock rules. Transaction costs associated with purchases and sales of penny stocks are likely to be higher than those for other securities. Penny stocks generally are equity securities with a price of less than U.S.$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system).

The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer’s account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer’s confirmation.

Further, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from such rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the Company’s common shares in the United States and shareholders may find it more difficult to sell their shares.

Possible dilution to current shareholders based on outstanding options and warrants.

At December 31, 2018, Canarc had 218,355,144 common shares and 16,400,000 outstanding share purchase options and 11,755,354 share purchase warrants outstanding. The resale of outstanding shares from the exercise of dilutive securities could have a depressing effect on the market for Canarc’s shares. At December 31, 2018, securities that could be dilutive represented approximately 12.9% of Canarc’s issued shares. These dilutive securities were not exercisable at prices below the December 31, 2018 closing market price of CAD$0.05 for Canarc’s shares, which accordingly would not result in dilution to existing shareholders.

ITEM 4. INFORMATION ON THE COMPANY

The Company is a Canadian mineral exploration company and is subject to National Instrument 43-101, a National Instrument adopted by all of the Securities Commissions in Canada that deals with standards of disclosure for mineral

projects. It applies to all oral statements and written disclosure of scientific or technical information, including disclosure of a mineral resource or mineral reserve, made by or on behalf of a company in respect of its material mineral projects. In addition to other matters, it sets out strict guidelines for the classification of and use of the terms “mineral resource” and “mineral reserve” and it requires all technical disclosure on all material properties to be subject to review by a senior engineer or geoscientist in good standing with a relevant professional association. The full text of NI 43-101 can be found at http://www.bcsc.bc.ca/policy.asp?id=2884&scat=4&title=4%20-%20Distribution%20Requirements.

4.A History and Development of the Company

Incorporation and Reporting Status

The Company was incorporated under the laws of British Columbia, Canada, on January 22, 1987 under the name, “Canarc Resource Corp.”, by registration of its Memorandum and Articles with the British Columbia Registrar of Companies.

The Company was originally incorporated under the previous Company Act (British Columbia) and transitioned to the Business Corporations Act (British Columbia) in 2005; the Business Corporations Act (British Columbia) replaced the Company Act (British Columbia) on March 29, 2004.

The Company is a reporting company in British Columbia, Alberta, Saskatchewan, Ontario and Nova Scotia. The Company became a reporting issuer under the United States Securities Exchange Act of 1934, as amended, upon filing its registration statement on Form 20-F dated October 9, 1990 with the Securities and Exchange Commission.

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers, including the Company, that file electronically with the SEC at www.sec.gov. The Company’s website is at canarc.net.

Business Address

Office address: #810 – 625 Howe Street
Vancouver, British Columbia, Canada, V6C 2T6
Phone: (604) 685-9700

Registered address: #910 – 800 West Pender Street
Vancouver, British Columbia, Canada, V6C 2V6
Phone: (604) 685-6100

Introduction

The Company commenced operations in 1987 and, since inception, has been engaged in the business of the acquisition, exploration and, if warranted, development of precious metal properties. The Company currently owns or holds, directly or indirectly, interests in several precious metal properties, as follows:

- New Polaris property (British Columbia, Canada),
- Windfall Hills properties (British Columbia, Canada),
- Princeton property (British Columbia, Canada),
- Hard Cash and Nigel properties (Nunavut, Canada),
- Fondaway property (Nevada, USA), and
- Corral Canyon property (Nevada, USA).

of which the New Polaris and Fondaway Canyon properties are the material mineral properties of the Company.

In its consolidated financial statements prepared in accordance with IFRS, the Company has capitalized costs, net of recoveries and write-downs, of approximately $14.2 million in connection with the acquisition, exploration and development on its currently held properties as at December 31, 2018 and are summarized as follows for the past three fiscal years:

	2018			2017			2016		
(in terms of $000s)	Acquisition Costs	Exploration/ Development	Total	Acquisition Costs	Exploration/ Development	Total	Acquisition Costs	Exploration/ Development	Total
British Columbia (Canada):									
New Polaris	$3,888	$5,778	$9,666	$3,875	$6,431	$10,306	$3,858	$5,817	$9,675
Windfall Hills	344	630	974	374	522	896	349	447	796
Princeton (1)	-	69	69	-	-	-	-	-	-
FG Gold (2)	-	-	-	-	-	-	19	6	25
Nunavut (Canada):									
Hard Cash (3)	9	120	129	-	-	-	-	-	-
Nigel (3)	2	-	2	-	-	-	-	-	-
Nevada (USA):									
Fondaway Canyon (4)	2,010	1,353	3,363	2,173	1,090	3,263	-	-	-
Corral Canyon (5)	23	1	24	-	-	-	-	-	-
Other (6)	10	-	10	-	-	-	-	-	-
	$6,286	$7,951	$14,237	$6,422	$8,043	$14,465	$4,226	$6,270	$10,496

(1)

Canarc entered into a property option agreement in December 2018 for the Princeton property in which Canarc can earn up to an 80% interest. Item 4.D provides further details.

(2)
Canarc entered into a property option agreement in August 2016 for the FG Gold property in which Canarc can earn up to a 75% interest. The property was written off in 2017. Item 4.D provides further details.

(3)
Canarc entered into a property option agreement in November 2018 for the Hard Cash and Nigel properties in which Canarc can earn up to a 100% interest. Item 4.D provides further details.

(4)
The Fondaway Canyon property was acquired in March 2017. Item 4.D provides further details.

(5)
In 2018, the Company staked 92 mining claims covering 742 hectares in Nevada, USA. Item 4.D provides further details.

(6)
In December 2018, the Company entered into a Memorandum of Understanding for an exploration and development project in South America. Item 4.D provides further details.

Further information and details regarding Canarc's mineral property interests are provided in Item 4.D.

Developments over the Last Three Financial Years

Over the course of the past three years ended December 31, 2018 and to the date of this Form 20-F, the Company had been engaged in exploration and development of precious metal projects in Canada and more recently in the U.S. The major events in the development of the Company's business over the last three years are set out below. Information and details regarding the Company's properties are provided in Item 4.D.

Pre-Development and Earn-In Binding Agreement with PanTerra Gold (British Columbia) Limited

On February 24, 2015, Canarc entered into a Pre-Development and Earn-In Binding Agreement (the "Earn-In Agreement") with PanTerra Gold (British Columbia) Limited ("PanTerra"), a wholly-owned subsidiary of PanTerra Gold Limited pursuant to which PanTerra was granted a 30-month option to earn a 50% interest in the New Polaris project by spending a total of CAD$10 million in three stages of predevelopment activities including metallurgical test work, drilling, detailed mine planning, tailings dam design, environmental permitting, and completion of a definitive feasibility study. Canarc received the CAD$500,000 for Stage One in 2015. In August 2015, PanTerra had informed Canarc that it will not be able to commit to further expenditures to commence Stage Two exploration and permitting work on Canarc's New Polaris project until PanTerra received the approval from the Dominican Republic government for importing New Polaris gold concentrate into the country for processing. In September 2016, PanTerra provided 30-day notice of its intent to withdraw from the first option of the agreement, which agreement was effectively terminated on October 22, 2016.

Agreement for the Purchase of All the Shares of Oro Silver Resources Ltd. with Marlin Gold Mining Ltd. and Purchase and Sale Agreement with Endeavour Silver Corp.

In July 2015, Canarc and Marlin Gold Mining Ltd. ("Marlin Gold") entered into a letter of intent which resulted in the Agreement for the Purchase of All the Shares of Oro Silver dated October 8, 2015 (the "Share Purchase Agreement"), whereby Canarc acquired 100% of the shares of Marlin Gold's wholly owned subsidiary, Oro Silver Resources Ltd. ("Oro Silver"), which indirectly owned 100% of the El Compas gold-silver project located in Zacatecas, Mexico, in exchange for the issuance to Marlin Gold of 19 million common shares of Canarc. Canarc's acquisition of Oro Silver closed on October 30, 2015.

The El Compas property was a fully permitted gold silver project located in Zacatecas, Mexico and was comprised of 24 concessions totaling 3,900 hectares.

In October 2015, Canarc commissioned Mining Plus Canada Consulting Ltd. ("Mining Plus") to complete a NI 43-101 resource report and preliminary economic assessment ("PEA") for the El Compas project to determine the project's potential viability which was completed in January 2016. Their technical report entitled "NI 43-101 Technical Report for the El Compas Project" (the "El Compas Technical Report") was authored by J Collins PGeo, N Schunke PEng, S Butler PGeo, L Bascome MAIG and F Wright PEng, who are independent Qualified Persons as defined by NI 43-101, was dated January 19, 2016, and was prepared in compliance with NI 43-101.

In January 2016, Canarc signed a definitive agreement with the Zacatecas state government to lease and operate the permitted 500 tonne per day La Plata ore processing plant located in the city of Zacatecas, Mexico, approximately 20 kilometres from El Compas. Highlights of the lease agreement include the following:

Lease term was 5 years with the right to extend for another 5 years;

Canarc had assumed responsibility for the plant as of January 29, 2016;

Plant was to be exclusively operated by Canarc's Mexican subsidiary, Minera Oro Silver de Mexico SA de CV;

Canarc was to pay a monthly lease payment of MXP 136,000;

Grace period of 6 months was allowed for time for plant refurbishing;

Power and water were available for plant operations;

Plant capacity was 500 tonnes per day with the possibility to expand;

Permitted tailings facilities had a capacity for approximately 1 million tonnes;

Certain plant refurbishment costs was to be reimbursed to Canarc by lease payment offsets; and

Canarc was to reserve up to 100 tonnes per day for toll mining of ore produced by local small miners.

In March 2016, Canarc entered into an indicative term sheet for up to $10 million in debt financing by way of a gold prepaid facility to develop the El Compas gold-silver project subject to a 60 day due diligence period which did not advance due to the subsequent sale of the project to Endeavour in May 2016.

On May 6, 2016, Canarc entered into a Purchase and Sale Agreement with Endeavour pursuant to which Canarc sold to Endeavour 100% of the shares of Canarc's wholly-owned subsidiary, Oro Silver, which indirectly holds a 100% interest in the El Compas project in Zacatecas, Mexico, in consideration for 2,147,239 free-trading common shares of Endeavour, with an aggregate deemed value of CAD$10.5 million (the "Sale Transaction"). The Endeavour shares had a deemed price of CAD$4.89 per share, equal to the volume-weighted average trading price on the TSX for the 10 trading-day period immediately prior to May 6, 2016. As additional consideration, Endeavour assumed Canarc's obligation to deliver an aggregate of 165 troy ounces of gold (or the US dollar equivalent) to Marlin Gold in three equal payments of 55 troy ounces which were due in October 2016, 2017 and 2018. The foregoing gold delivery obligation was incurred by Canarc in connection with its acquisition of El Compas from Marlin Gold. The Sale Transaction closed on May 27, 2016 at which time Canarc received 2,147,239 free-trading common shares of Endeavour with a fair value of CAD$3.99 per share at that date.

Option Agreement regarding the FG Gold Property with Eureka Resources, Inc.

On August 24, 2016, Canarc entered into the Option Agreement regarding the FG Gold property with Eureka Resources, Inc., ("Eureka") which closed on October 12, 2016. In consideration for the grant of the property option agreement, Canarc issued 250,000 common shares at a value of CAD$0.10 per share to Eureka, and subscribed to Eureka's private placement for 750,000 units at a price of CAD$0.14 per unit for a total of CAD$105,000; each unit was comprised of one common share of Eureka and one-half of one common share purchase warrant with an exercise price of CAD$0.20 and expiry date of September 9, 2018. Canarc can earn up to a 75% interest in the FG gold property in two stages.

In the first stage, Canarc can earn an initial 51% interest over three years by:

- incurring CAD$1.5 million in exploration expenditures with an annual minimum of CAD$500,000;
- issuing 750,000 common shares in three annual tranches of 250,000 shares; and
- paying 50% of the annual BC mineral exploration tax credits ("BC METC") claimed by Canarc to Eureka to an aggregate maximum exploration expenditure of CAD$1.5 million.

In the second stage, Canarc can earn an additional 24% interest for a total interest of 75% over the following two years by:

- incurring CAD$1.5 million in exploration expenditures;
- issuing 1.5 million common shares in two annual tranches of 750,000 shares; and
- paying the greater of: (i) CAD$75,000 and (ii) 50% of the annual BC METC claimed by Canarc to Eureka to an aggregate maximum exploration expenditure of CAD$1.5 million.

If Canarc failed to satisfy the consideration necessary to exercise the second stage, then a joint venture will be deemed to have formed with Canarc having a 51% interest and Eureka with a 49% interest.

In 2017, Canarc wrote off the FG Gold project.

The FG Gold project is located in the historic Cariboo Gold Camp within the Quesnel Trough area of central British Columbia. Mineralization occurs as quartz veins and stringer zones containing coarse free gold and finer grained iron sulphides bearing gold in a broad shear zone conformable to bedding within deformed and metamorphosed Paleozoic sedimentary rocks. The property consists of 33 contiguous mineral claims totalling 10,400 hectares.

Purchase Agreement with American Innovative Minerals, LLC

On March 20, 2017, the Company entered into and closed the Membership Interest Purchase Agreement with AIM (the "Membership Agreement") whereby the Company acquired 100% legal and beneficial interests in mineral properties located in Nevada, Idaho and Utah (USA) for a total cash purchase price of $2 million in cash and honouring pre-existing NSRs.

AIM owns 11 gold properties in Nevada of which two properties (Fondaway Canyon and Dixie Comstock) contain historic gold resource estimates, and owns one gold property in Idaho, and has two royalty interests on other properties. These properties include the following:

Fondaway Canyon is an advanced exploration stage gold property located in Churchill County, Nevada. The land package contains 136 unpatented lode claims. The property has a history of previous surface exploration and mining in the late 1980s and early 1990s. The Fondaway Canyon district consists of shear-zone style gold mineralization developed along 3.7 km of strike with a width of up to 900 m. Multiple exploration targets exist along major structural zones, and mineralization is locally concealed by alluvial cover.

Dixie Comstock, also located in Churchill County, Nevada, consists of 26 unpatented lode claims. The property contains a range-front epithermal gold deposit with a non-43-101 compliant resource of 146,000 ounces of gold at 1.063 grams per tonne Au.

Clear Trunk property is located in Pershing and Humboldt Counties, Nevada on 4500 acres of fee mineral and unpatented claims in the Sonoma Range, south of Winnemucca and near the Goldbanks gold deposit. The property contains gold-bearing epithermal quartz veins, mesothermal quartz veins with high-grade gold and copper-gold intrusion-hosted mineralization.

Bull Run property is located in Elko County, Nevada on two large patented claim groups of 500 acres near near the Jerritt Canyon gold district..

Hot Springs Point property is located in Eureka County, Nevada on 160 acres of fee land on north end of the prolific Cortez Trend. Hecla Mining claims surround the project on three sides.

Jarbidge property is located in Elko County, Nevada on 8 patented claims along the east end of major gold veins in the Jarbidge mining district.

Lightning Tree property is located in Lemhi County, Idaho on 4 unpatented claims near the Musgrove gold deposit.

Silver King property is located in Humboldt County, Nevada on 4 patented claims in the Iron Point mining district. Previous exploration focused on low grade gold values but the property was never been explored for silver.

A&T property is located in Humboldt Co., Nevada on 2 patented claims on Winnemucca Mountain. The property contains gold-bearing veins in altered shale.

Eimis property is located in Elko County, Nevada on one 20 acre patented claim adjacent to the Coleman Canyon gold deposit controlled by Arnevut Resources. Gold anomalies extend onto Eimis property.

Silver Peak property is located in Esmeralda County, Nevada on 3 patented (57 acres) and 3 unpatented mining claims covering 50 acres. The property is adjacent to the Mineral Ridge mine controlled by Scorpio Gold Corporation..

In April 2017, Canarc commissioned Techbase International, Ltd (“Techbase”) of Reno, Nevada to complete a NI 43-101 resource report for the Fondaway Canyon project. Their technical report entitled “Technical Report for the Fondaway Canyon Project” (the “Fondaway Canyon Technical Report”) was prepared by Michael Norred, SME Registered Member 2384950, President of Techbase, and Simon Henderson, MSc, MAusIMM CP 110883 (Geology), Consulting Geologist with Wairaka Rock Services Limited of Wellington, New Zealand, who are independent Qualified Persons as defined by NI 43-101, was dated April 3, 2017, and was prepared in compliance with NI 43-101.

Confirmation and Agreement with Barrick Gold Inc. and Skeena Resources Ltd.

In December 2017, Canarc signed a Confirmation and Agreement with Barrick Gold Inc. (“Barrick”) and Skeena Resources Ltd. (“Skeena”) involving Canarc’s 33.3% carried interest in certain mining claims adjacent to the past-producing Eskay Creek Gold mine located in northwest British Columbia, whereby Canarc will retain its 33.33%

carried interest. Canarc and Barrick have respectively 33.33% and 66.67% interests in 6 claims and mining leases totaling 2323 hectares at Eskay Creek. Pursuant to an option agreement between Skeena and Barrick, Skeena has the right to earn Barrick's 66.67% interest in the property. Canarc had written off the property in 2005.

Property Option Agreement with Silver Range Resources Ltd.

In November 2018, Canarc entered into a property option agreement with Silver Range Resources Ltd. ("Silver Range") whereby Canarc has an option to earn a 100% undivided interests in the Hard Cash and Nigel properties by paying CAD$150,000 in cash and issuing 1.5 million common shares to Silver Range over a four year period. Upon Canarc's exercise of the option, Silver Range will retain a 2% NSR of which a 1% NSR can be acquired for CAD$1 million. Silver Range shall also be entitled to receive $1 per Au oz of measured and indicated resource estimate and $1 per Au oz of proven or probable reserve estimate, payable in either cash or common shares of Canarc at Canarc's election.

Hard Cash is located 310 km NE of Stony Rapids, Saskatchewan, on the shores of Ennadai Lake. Access is provided by float plane or helicopter, and there is an all-weather gravel strip at Ennadai Lake Lodge, 35 km east of the property. Nigel is located 15 km west of Hard Cash. Hard Cash is underlain by the Ennadai Greenstone Belt of the Churchill Province. Gold mineralization at Hard Cash and Nigel occurs in high grade quartz veins and lower grade shear zones hosted by basal mafic volcanics overlain by felsic volcanics metamorphosed to upper greenschist/lower amphibolite facies and intruded by granite.

Corral Canyon property (Nevada, USA)

In November 2018, Canarc staked 92 mining claims covering 742 hectares in Nevada, USA.

Corral Canyon property lies 35 km west of the town of McDermitt in Humboldt County along the western flank of the McDermitt caldera complex, an area of volcanic rocks that hosts significant lithium and uranium mineralization in addition to gold. It contains volcanic-hosted, epithermal, disseminated and vein gold mineralization evidenced by previous drilling.

Property Option Agreement with Tasca Resources Ltd., et al.

In December 2018, Canarc entered into a property option agreement jointly with Tasca Resources Ltd. (“Tasca”) and an individual whereby Canarc has an option to earn a 80% interest in the Princeton property by incurring exploration expenditures of CAD$900,000 over a two year period and granting a 1% NSR to Tasca which can be acquired for CAD$1 million and a honoring 2% NSR to the individual of which 1% NSR can be acquired for CAD$1 million.

The Princeton gold property consists of 14,650 hectares located 35 kilometers (km) south of Princeton, British Columbia, and is readily accessible by road. The property is underlain by volcanic rocks of both the Eocene Princeton Group and the Triassic-Jurassic Nicola Group.

Other Mineral Property

In December 2018, Canarc entered into a Memorandum of Understanding for an exploration and development project in South America whereby Canarc paid $10,000 in 2018 and another $10,000 is payable as a success fee to close on an acceptable agreement for such project.

Item 4.D provides further details regarding the Company’s mineral property interests.

Financings and Related Transactions

In March 2016, Canarc closed a private placement in two tranches totalling 22.7 million units at a price of CAD$0.09 per unit for gross proceeds of CAD$2.04 million. Each unit was comprised of one common share and one-half of one common share purchase warrant. Each whole warrant was exercisable to acquire one common share at an exercise price of CAD$0.12 per common share for a period of three years. On March 3, 2016, Canarc closed the first tranche of the private placement for 17.7 million units and gross proceeds of CAD$1.59 million. On March 14, 2016, Canarc closed the second tranche of the private placement for 5 million units and gross proceeds of CAD$449,500 with a finder’s fee of 311,111 units issued with the same terms as the units issued in the private placement.

In October 2016, Canarc received 576,503 common shares of AzMin, in which AzMet and AzMin completed a distribution by way of a reduction of AzMet’s paid up capital pursuant to Section 74 of the British Columbia Business Corporations Act whereby AzMet distributed all of its 11 million common shares of AzMin to its shareholders on the basis of one AzMin share for every two AzMet shares held.

On April 21, 2017, Canarc closed a private placement for 3.8 million flow through common shares at the purchase price of CAD$0.13 per share for gross proceeds of CAD$500,000. Canarc paid finder’s fees of CAD$32,500 in cash and 250,000 in warrants. Each warrant was exercisable to acquire one non-flow through common share at an exercise price of CAD$0.15 per share until April 21, 2019.

In July 2017, Canarc extended the expiry date of warrants for 8.45 million common shares with an exercise price of CAD$0.10 from July 31, 2017 to July 31, 2018. These warrants were originally issued pursuant to a private placement which closed on January 31, 2014.

Issuer Bids

In February 2017, Canarc received regulatory approval for a normal course issuer bid to acquire up to 10.9 million its common shares, representing approximately up to 5% of its issued and outstanding common shares at that time. The bid commenced on February 8, 2017 and terminated on February 7, 2018. The actual number of common shares purchased under the bid and the timing of any such purchases was at Canarc's discretion. Purchases under the bid did not exceed 86,128 common shares per day. Canarc paid the prevailing market price at the time of purchase for all common shares purchased under the bid, and all common shares purchased by Canarc were returned to treasury and cancelled. During the term of the normal course issuer bid, Canarc purchased an aggregate of 2.6 million common shares for an aggregate purchase price of CAD$220,400, resulting in an average price of CAD$0.08 per share; these shares have been returned to treasury and accordingly cancelled.

In June 2018, Canarc again proceeded with a normal course issuer bid which received regulatory approval to acquire up to 10.9 million common shares of Canarc representing approximately up to 5% of its issued and outstanding common shares at that time. The bid was effective on June 21, 2018 and will terminate on June 20, 2019, or on such earlier date as the bid was completed. The actual number of common shares purchased under the bid and the timing of any such purchases are at Canarc's discretion. Purchases under the bid shall not exceed 23,893 common shares per day. Canarc shall pay the prevailing market price at the time of purchase for all common shares purchased under the bid, and all common shares purchased by Canarc will be cancelled. From June to December 2018, Canarc purchased 438,000 shares for CAD$20,595 with an average price of CAD$0.05 per share, all of which were cancelled in 2018. No further shares were purchased by Canarc in 2019.

Forbearance Agreement

On February 12, 2018, Canarc entered into a Forbearance Agreement with a debtor in which the loan principal totaling $220,000, which was previously written off in 2014, will be repaid in full in 2018 as follows:

Date	Principal (1)
February 14, 2018	$25,000
June 30, 2018	25,000
September 30, 2018	85,000
December 31, 2018	85,000
	$220,000

(1)
Funds of $94,500 were received in 2018 with a balance of $59,500 received in January 2019, net of legal fees.

Directors and Officers

In January 2018, Mr. Jacob Margolis, PhD, was appointed Vice President of Exploration for Canarc.

In June 2018, Mr. Bradford Cooke replaced Mr. Catalin Kilofliski as the Chief Executive Officer of Canarc. In October 2018, Mr. Scott Eldridge replaced Mr. Bradford Cooke as Chief Executive Officer of Canarc. Mr. Cooke continues to be the Chairman and a Director of the Company, and Mr. Eldridge continues to be a Director and the

Chief Executive Officer of the Company.

At Canarc's annual general meeting on June 29, 2018, Mr. Leonard Harris did not stand for re-election as Director and retired from the Board. Messrs. Bradford Cooke, Martin Burian and Deepak Malhotra were re-elected to the Board of Directors for the ensuing year. Messrs. Scott Eldridge and Kai Hoffmann were elected as new Directors to the Board of Canarc.

4.B Business Overview

Nature of operations and principal activities

The Company's principal business activities are the acquisition, exploration and development of mineral resource property interests. The Company is in the process of exploring and developing its mineral property interests and has not yet determined whether these mineral property interests contain reserves. The recoverability of amounts capitalized for mineral property interests is dependent upon the existence of economically recoverable reserves in its mineral resource properties, the ability of the Company to arrange appropriate financing to complete further work on its mineral property interests, confirmation of the Company's interest in the underlying properties, the receipt of necessary permitting and upon future profitable activities on the Company's mineral property interests or proceeds from the disposition thereof. The Company has incurred significant operating losses and currently has no operating revenues. The Company has financed its activities principally by the issuance of equity securities. The Company's ability to continue as a going concern is dependent on continued financial support from its shareholders and other related parties, the ability of the Company to raise equity financing, and the attainment of profitable operations to fund its operations.

The Company and its management group have in the past been actively involved in the evaluation, acquisition and exploration of mineral properties in North, Central and South America. Starting with grass roots exploration prospects, it progressed to more advanced properties. To date, the Company has not received any operating revenues from its mineral property interests. The Company plans to continue exploring and developing its mineral property interests and, if appropriate, the Company intends to seek partners or buyers to purchase or to assist in further advancement (by way of joint venture or otherwise) of its mineral property interests. The Company seeks to identify properties with significant potential and to acquire those properties on the basis of property option agreements relying on the representations and warranties of the vendor as to the state of title, with limited or no title work being performed by the Company. Detailed title work is only undertaken once it has been determined that the property is likely to host a significant body of ore, which may not occur. Consequently, there is a significant risk that adverse claims may arise or be asserted with respect to certain of the Company's mineral property interests. Items 3.D and 4.A provide further details.

Further information and details regarding the Company's properties are provided in Item 4.D.

Sales and revenue distribution, sources and availability of raw materials, and marketing channels

As of the date of this annual report, the Company has not generated any operating revenues from its mineral property interests.

Competitive conditions

Significant competition exists for natural resource acquisition opportunities. As a result of this competition, some of which is with large, well established mining companies with substantial capabilities and significant financial and technical resources, the Company may be unable to compete for nor acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company will be able to acquire any interest in additional projects that would yield reserves or results for commercial mining operations.

Government and environmental regulations

The Company's operations are subject to governmental regulations in Canada and the USA, where the Company has interests in material mineral properties.

The exploration and development of a mining prospect are subject to regulation by a number of federal and state government authorities. These include the United States Environmental Protection Agency ("EPA") and the United States Bureau of Land Management ("BLM") as well as the various state environmental protection agencies. The regulations address many environmental issues relating to air, soil and water contamination and apply to many mining related activities including exploration, mine construction, mineral extraction, ore milling, water use, waste disposal and use of toxic substances. In addition, the Company is subject to regulations relating to labor standards, occupational health and safety, mine safety, general land use, export of minerals and taxation. Many of the regulations require permits or licenses to be obtained and the filing of Notices of Intent and Plans of Operations, the absence of which or inability to obtain will adversely affect the ability for us to conduct our exploration, development and operation activities. The failure to comply with the regulations and terms of permits and licenses may result in fines or other penalties or in revocation of a permit or license or loss of a prospect.

Mining Regulation

Federal

On lands owned by the United States, mining rights are governed by the General Mining Law of 1872, as amended, which allows the location of mining claims on certain federal lands upon the discovery of a valuable mineral deposit and compliance with location requirements. The exploration of mining properties and development and operation of mines is governed by both federal and state laws. Federal laws that govern mining claim location and maintenance and mining operations on federal lands are generally administered by the BLM. Additional federal laws, governing mine safety and health, also apply. State laws also require various permits and approvals before exploration, development or production operations can begin. Among other things, a reclamation plan must typically be prepared and approved, with bonding in the amount of projected reclamation costs. The bond is used to ensure that proper reclamation takes place, and the bond will not be released until that time. Local jurisdictions may also impose permitting requirements (such as conditional use permits or zoning approvals).

Nevada

In Nevada, initial stage surface exploration does not require any permits. Notice-level exploration permits (less than 5 acres of disturbance) are required (through the BLM) to allow for drilling. More extensive disturbance required the application for a receipt of a “Plan of Operations” from the BLM.

In Nevada, the Company is also required to post bonds with the State of Nevada to secure environmental and reclamation obligations on private land, with amount of such bonds reflecting the level of rehabilitation anticipated by the then proposed activities.

If the Company is successful in the future at discovering a commercially viable mineral deposit on our property interests, then if and when the Company commences any mineral production, the Company will also need to comply with laws that regulate or propose to regulate our mining activities, including the management and handling of raw materials, disposal, storage and management of hazardous and solid waste, the safety of our employees and post-mining land reclamation.

Environmental Regulation

The Company’s mineral projects are subject to various federal, state and local laws and regulations governing protection of the environment. These laws are continually changing and, in general, are becoming more restrictive. The development, operation, closure, and reclamation of mining projects in the United States requires numerous notifications, permits, authorizations, and public agency decisions. Compliance with environmental and related laws and regulations requires the Company to obtain permits issued by regulatory agencies, and to file various reports and keep records of our operations. Certain of these permits require periodic renewal or review of their conditions and may be subject to a public review process during which opposition to the Company’s proposed operations may be encountered. The Company is currently operating under various permits for activities connected to mineral exploration, reclamation, and environmental considerations. The Company’s policy is to conduct business in a way that safeguards public health and the environment. The Company believes that its operations are conducted in material compliance with applicable laws and regulations.

Changes to current local, state or federal laws and regulations in the jurisdictions where the Company operate could require additional capital expenditures and increased operating and/or reclamation costs. Although the Company is unable to predict what additional legislation, if any, might be proposed or enacted, additional regulatory requirements

could impact the economics of our projects.

U.S. Federal Laws

The Comprehensive Environmental, Response, Compensation, and Liability Act (“CERCLA”), and comparable state statutes, impose strict, joint and several liability on current and former owners and operators of sites and on persons who disposed of or arranged for the disposal of hazardous substances found at such sites. It is not uncommon for the government to file claims requiring cleanup actions, demands for reimbursement for government-incurred cleanup costs, or natural resource damages, or for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances released into the environment. The Federal Resource Conservation and Recovery Act (“RCRA”), and comparable state statutes, govern the disposal of solid waste and hazardous waste and authorize the imposition of substantial fines and penalties for noncompliance, as well as requirements for corrective actions. CERCLA, RCRA and comparable state statutes can impose liability for clean-up of sites and disposal of substances found on exploration, mining and processing sites long after activities on such sites have been completed.

The Clean Air Act ("CAA"), as amended, restricts the emission of air pollutants from many sources, including mining and processing activities. Any future mining operations by the Company may produce air emissions, including fugitive dust and other air pollutants from stationary equipment, storage facilities and the use of mobile sources such as trucks and heavy construction equipment, which are subject to review, monitoring and/or control requirements under the CAA and state air quality laws. New facilities may be required to obtain permits before work can begin, and existing facilities may be required to incur capital costs in order to remain in compliance. In addition, permitting rules may impose limitations on our production levels or result in additional capital expenditures in order to comply with the rules.

The National Environmental Policy Act ("NEPA") requires federal agencies to integrate environmental considerations into their decision-making processes by evaluating the environmental impacts of their proposed actions, including issuance of permits to mining facilities, and assessing alternatives to those actions. If a proposed action could significantly affect the environment, the agency must prepare a detailed statement known as an Environmental Impact Statement ("EIS"). The United States Environmental Protection Agency ("EPA"), other federal agencies, and any interested third parties will review and comment on the scoping of the EIS and the adequacy of and findings set forth in the draft and final EIS. This process can cause delays in issuance of required permits or result in changes to a project to mitigate its potential environmental impacts, which can in turn impact the economic feasibility of a proposed project.

The Clean Water Act ("CWA"), and comparable state statutes, impose restrictions and controls on the discharge of pollutants into waters of the United States. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA or an analogous state agency. The CWA regulates storm water mining facilities and requires a storm water discharge permit for certain activities. Such a permit requires the regulated facility to monitor and sample storm water run-off from its operations. The CWA and regulations implemented thereunder also prohibit discharges of dredged and fill material in wetlands and other waters of the United States unless authorized by an appropriately issued permit. The CWA and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized discharges of pollutants and impose liability on parties responsible for those discharges for the costs of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release.

The Safe Drinking Water Act ("SDWA") and the Underground Injection Control ("UIC") program promulgated thereunder, regulate the drilling and operation of subsurface injection wells. The EPA directly administers the UIC program in some states and in others the responsibility for the program has been delegated to the state. The program requires that a permit be obtained before drilling a disposal or injection well. Violation of these regulations and/or contamination of groundwater by mining related activities may result in fines, penalties, and remediation costs, among other sanctions and liabilities under the SWDA and state laws. In addition, third party claims may be filed by landowners and other parties claiming damages for alternative water supplies, property damages, and bodily injury.

Nevada

Other Nevada regulations govern operating and design standards for the construction and operation of any source of air contamination and landfill operations. Any changes to these laws and regulations could have an adverse impact on our financial performance and results of operations by, for example, requiring changes to operating constraints, technical criteria, fees or surety requirements.

The current and anticipated future operations of the Company, including further exploration and/or production activities may require additional permits from governmental authorities. Such operations are subject to various laws governing land use, the protection of the environment, production, exports, taxes, labour standards, occupational

health, waste disposal, toxic substances, mine safety and other matters. Unfavourable amendments to current laws, regulations and permits governing operations and activities of mineral exploration companies, or more stringent implementation thereof, could have a materially adverse impact on the Company and could cause increases in capital expenditures which could result in a cessation of operations by the Company. To the best of its knowledge, the Company is operating in compliance with applicable laws.

We cannot predict the impact of new or changed laws, regulations or permitting requirements, or changes in the ways that such laws, regulations or permitting requirements are enforced, interpreted or administered. Health, safety and environmental laws and regulations are complex, are subject to change and have become more stringent over time. It is possible that greater than anticipated health, safety and environmental capital expenditures or reclamation and closure expenditures will be required in the future. We expect continued government and public emphasis on environmental issues will result in increased future investments for environmental controls at our operations.

Trends

The cumulative annual prices for gold per ounce for each of the previous three years were as follows:

Cumulative annual prices for gold per ounce	2016	2017	2018
Average	$1,251	$1,257	$1,268
High	$1,366	$1,346	$1,355

On April 23, 2019, the price of gold per ounce closed at $1,270. As of April 23, 2019, the price of gold for 2019 reached a high of $1,344 per ounce on February 20, 2019, which suggests a trend of improving gold prices with reduced volatility.

During the period from January 2016 to December 2018, the closing market price for Canarc's shares slightly decreased from CAD$0.06 to CAD$0.05, with a high of CAD$0.15 on January 29, 2016. On April 23, 2019, the closing market share price was CAD$0.07. The market price of Canarc's shares strengthened in the latter half of 2015 from the acquisition of the El Compas project which was a near production mining asset, and such strength continued into 2016 as the project progressed but weakened from the subsequent sale of the project to Endeavour even though Canarc realized significant financial gains from such transaction. Canarc's share price again strengthened from the property option agreement with Eureka for the FG Gold property in August 2016 and the acquisition of AIM in March 2017 in which the latter resulted in a NI 43-101 resource report for the Fondaway Canyon project. In February 2017, the normal course issuer bid provided a certain baseline support for the market price for most of 2017. Canarc's cash resources and financial condition improved significantly since the disposition of the El Compas project along with stronger commodity prices have provided further support to the market price of Canarc's shares. Its market price nominally decreased and remained stagnant for the last half of 2018 as commodity prices fell during the same period, even though Canarc was active in entering into property option agreements and staking of claims in the fourth quarter and in its exploration programs in existing and recent interests in mineral properties, as Canarc also focused on acquisition of projects with potential for major discoveries. Similarly the market price increased in the first quarter of fiscal 2019 as commodity prices improved along with dissemination of the results of its exploration programs and revised preliminary economic assessment of the New Polaris project. Canarc was not active in its normal course issuer bid which is effective from June 2018 to June 2019 as it focused on preserving its cash in late 2018 and early 2019. Items 4.A and 4.D provide further details.

Risk factors in Item 3.D provide further details regarding competition and government regulations.

4.C Organizational Structure

Canarc carries on its business in large part through its subsidiaries. Canarc has a number of direct or indirect wholly or majority owned subsidiaries of which the active subsidiaries are as follows:

New Polaris Gold Mines Ltd. ("New Polaris") (formerly Golden Angus Mines Ltd. - name change effective April 21, 1997) is a corporation formed through the amalgamation of 2820684 Canada Inc. ("2820684"), a former wholly-owned subsidiary of Canarc incorporated under the Canada Business Corporation Act on May 13, 1992, and Suntac Minerals Inc. Canarc owns 100% of the issued and outstanding shares.

AIM U.S. Holdings Corp. is a corporation duly incorporated in the State of Nevada, USA, on March 14, 2017. Canarc owns 100% of its issued and outstanding shares.

American Innovative Minerals, LLC ("AIM") is a limited liability company existing pursuant to the laws of Nevada, USA, on January 20, 2011. Canarc owns 100% membership interest in AIM.

4.D Property, Plant and Equipment

Canarc Resource Corp.

Form 20-F

28

Description of Properties

Property Summary Chart (as of December 31, 2018):

Property Name	Location	Maximum % Interest Held (or to be earned) (1)	Capitalized Acquisition Expenditures (3)	Capitalized Exploration Expenditures (3)	Total Capitalized Expenditures (3)
New Polaris (2)	BC, Canada	100.00%	$3,888,000	$5,778,000	$9,666,000
Windfall Hills	BC, Canada	100.00%	$344,000	$630,000	$974,000
Princeton	BC, Canada	80.00%	$0	$69,000	$69,000
Hard Cash	Nunavut, Canada	100.00%	$9,000	$120,000	$129,000
Nigel	Nunavut, Canada	100.00%	$2,000	$0	$2,000
Fondaway Canyon	Nevada, USA	100.00%	$2,010,000	$1,353,000	$3,363,000
Corral Canyon	Nevada, USA	100.00%	$23,000	$1,000	$24,000
Other (4)	South America	n/a	$10,000	$0	$10,000

1
Subject to any royalties or other interests as disclosed below.
2
Previously known as “Polaris-Taku”.
3
Net of recoveries and write-downs.
4
In December 2018, Canarc entered into a Memorandum of Understanding for an exploration and development project in South America whereby Canarc paid $10,000 in 2018 and another $10,000 is payable as a success fee to close on an acceptable agreement for such project.

NOTE: All monetary figures are in terms of U.S.$ unless otherwise noted. See below for further details on each property.

The following is a more detailed description of the mineral properties listed above in which the Company has an interest.

Material Mineral Projects

We do not currently have any proven and probable reserves under Industry Guide 7 standards. The Company’s properties are currently in the exploratory stage. In order to determine if a commercially viable mineral deposit exists in any of such properties, further exploration work will need to be done and a final evaluation based upon the results obtained to conclude economic and legal feasibility. The following is a discussion of the Company’s material mineral properties.

Cautionary Note to U.S. Investors concerning estimates of Measured and Indicated Resources. This section and certain related exhibits may use the terms “measured resources” 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 SEC Industry Guide 7 reserves. See “Cautionary Note to U.S. Investors Regarding Reserve and Resource Estimates” at the beginning of this annual report.

Cautionary Note to U.S. Investors concerning estimates of Inferred Resources. This section and certain related exhibits may use the term “inferred resources”. We advise U.S. investors that while this term is recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize it. “Inferred resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. U.S. investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally minable. See “Cautionary Note to U.S. Investors Regarding Reserve and Resource Estimates” at the beginning of this annual report.

The New Polaris Gold and Fondaway Canyon properties are considered material mineral projects of Canarc.

New Polaris Gold Project (British Columbia, Canada)

Garry Biles, P.Eng, President & Chief Operating Officer for Canarc Resource Corp, is the Qualified Person for the purposes of the foregoing technical disclosure on the New Polaris Gold Project.

The economic analysis contained in the PEA is considered preliminary in nature and there is no certainty that the preliminary economic assessment will be realized. No inferred mineral resources form part of the PEA economic evaluation and no mineral reserves for the PEA have been established. Mineral resources are not mineral reserves and have not demonstrated economic viability. There is no certainty that economic forecasts outlined in the PEA will be realized. The PEA and the mineral resource may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant factors.

In April 2019, Canarc completed a preliminary economic assessment of the New Polaris property. The report which was dated February 28, 2019 is titled “The New Polaris Gold Project, British Columbia, Canada, 2019 Preliminary Economic Assessment” (the “New Polaris Technical Report”) by Moose Mountain Technical Services (“MMTS”). Marc Schulte, P.Eng., Robert J. Morris, M.Sc., P.Geo., Sue Bird, P.Eng., Michael A. Petrina, P.Eng., and Tracey Meintjes, P.Eng., were the Qualified Persons for the New Polaris Technical Report.

The following is extracted from, or is an accurate paraphrasing of, the executive summary, or other sections as indicated from the New Polaris Technical Report, the full copy of which is available online at www.sedar.com as filed on April 17, 2019. The New Polaris Technical Report is referenced herein for informational purposes only and is not incorporated herein by reference. Defined terms and abbreviations used herein and not otherwise defined shall have the meanings ascribed to such terms in the New Polaris Technical Report.

Extract of Selected Sections of the Summary from the New Polaris Technical Report

Summary

New Polaris (formerly Polaris-Taku Mine) is an early Tertiary mesothermal gold mineralized body located in northwestern British Columbia about 100 km south of Atlin, BC and 60 km northeast of Juneau, Alaska

Figure 1-1. The nearest roads in the area terminate twenty km south of Atlin, and approximately 100 km from the Project. Access at the present time is by aircraft. A short airstrip for light aircraft exists on the property. Shallow draft barges have been used in the past to access the site via the Taku River to transport bulk supplies and heavy equipment to site, as well as ship flotation concentrate from site.

Canarc Resource Corp.

Form 20-F

30

The New Polaris project area lies on the eastern flank of the steep, rugged, Coast Range Mountains, with elevations ranging from the sea level to 2,600 metres. The climate is one of heavy rainfalls during the late summer and fall months, and comparatively heavy snowfall, interspersed with rain during the winter.

Operations will include year-round underground mining activities and onsite processing to produce doré, and seasonal barge shipping of supplies to site. Onsite support for the operations and management of a camp with fly-in/fly-out service to an onsite landing strip have been planned.

Figure 1-1
Location Map

The property consists of 61 contiguous Crown-granted mineral claims and one modified grid claim covering 2,100 acres. All claims are 100% owned and held by New Polaris Gold Mines Ltd., a wholly owned subsidiary of Canarc Resource Corp. subject to a 15% net profit interest held by Rembrandt Gold Mines Ltd. Canarc can reduce this net profit interest to a 10% net profit by issuing 150,000 shares to Rembrandt.

The deposit is composed of three sets of veins (quartz-carbonate stringers in altered rock), the “A-B” veins are northwest striking and southwest dipping, the “Y” veins are north striking and dipping steeply east and finally the “C” veins are east-west striking and dipping to the south to southeast at 65º to vertical. The “C” veins appear to hook around to the north and south into the other two sets of veins so that their junctions form an arc. The gold is refractory and occurs dominantly in finely disseminated arsenopyrite grains that mineralize the altered wallrock and stockwork veins. The next most abundant mineral is pyrite, followed by minor stibnite and a trace of sphalerite. The zones of mineralization range from 15 to 250 metres in length and 0.3 to 14 metres in width.

The deposit was mined by underground methods from 1938 to 1942, and from 1946 to early 1951, producing a total of 740,000 tonnes of ore at an average grade of 10.3 g/t gold.

Canarc explored the “C” vein system between 1988 and 1997, and carried out infill drilling in 2003 through 2006, to better define the continuity and grade of the vein systems.

An updated Mineral Resource estimate has been prepared in 2019. The updated estimate uses drillhole data from 1989-2006 and excludes drilling prior to this, or for which the drill year is not known. The resource is based on 174 drillholes and 1,464 assay intervals which intersect the veins within the 1989-2006 data set. Ordinary kriging has been used to interpolate the gold grade of six veins as modelled by Canarc geologists.

The geologic continuity of the “C” vein system has been well established through historic mining and diamond drilling. Grade continuity has been quantified using a geostatistical semi-variogram, which is used to determine the distances (ranges) and directions of maximum continuity in the three principle directions. The four main veins in the semi-variogram model produced ranges between 60 and 120 m along strike and down plunge.

Capping of the assays in each vein has been evaluated using cumulative probability plots (CPPs).

For this study, the classification to Measured, Indicated or Inferred also required that the true thickness of the vein is at least 2 m. Blocks are considered Indicated if the average distance to the nearest two drillholes used in the interpolation is within 30 m, or if there is at least one drillhole within 10 m and at least two drillholes used in the interpolation. Veins 7 and 8 (Y19 and Y20) are considered Inferred due to lack of QA/QC documentation for the drilling within these veins.

A cutoff grade of 4.0 g/t gold, highlighted in the table below, is selected as the economic cutoff for the Project. The confining shape which targets material above this grade is used to define the “reasonable prospects of eventual economic extraction” for the Mineral Resource Estimate. The 4.0 g/t target includes the following considerations: gold price of US$1,300/oz, exchange rate of 0.77 US$:C$; Payable gold % of 99.9%, Offsite refining costs of US$7/oz, mining costs of C$65.20/t, process costs of C$62.70/t, G&A (General and Administration) costs of C$37.00, sustaining capital costs of C$19.83/t, and a 90.5% process recovery.

Table 1-1
New Polaris Indicated Resources

Confining Shape Target Grade (g/t Au)	In Situ Tonnage (tonnes)	In Situ Au Grade (g/t)	In Situ Au Content (Oz.)
2.0	1,880,000	10.0	605,000
3.0	1,798,000	10.4	599,000
4.0	1,687,000	10.8	586,000
5.0	1,556,000	11.3	567,000
6.0	1,403,000	12.0	540,000

7.0	1,260,000	12.6	509,000
8.0	1,105,000	13.3	472,000
9.0	947,000	14.1	428,000

Table 1-2
New Polaris Inferred Resources

Confining Shape Target Grade (g/t Au)	In Situ Tonnage (tonnes)	In Situ Au Grade (g/t)	In Situ Au Content (Oz.)
2.0	1,639,000	9.5	502,000
3.0	1,582,000	9.8	497,000
4.0	1,483,000	10.2	485,000
5.0	1,351,000	10.7	464,000
6.0	1,223,000	11.2	441,000
7.0	942,000	12.5	380,000
8.0	753,000	13.8	334,000
9.0	653,000	14.6	306,000

Notes for Mineral Resource Estimate:

The Mineral Resource Estimate was prepared by Sue Bird, P.Eng. in accordance with CIM Definition Standards (CIM, 2014) and NI 43-101, with an effective date of February 28, 2019.

Mineral Resources that are not mineral reserves do not have demonstrated economic viability.

Property Description and Location

The New Polaris property consists of a group of 61 contiguous crown grants, and one modified grid claim totaling, 1,196 ha (2,956 acres) located 96 km (60 miles) south of Atlin, BC and 64 km (40 miles) northeast of Juneau, Alaska. Located at approximately 133º37’W Longitude and 58º42’N Latitude, the deposit lies on the eastern flank of the Tulsequah River Valley (Figure 1-1).

The claims are 100% owned and held by New Polaris Gold Mines Ltd., a wholly owned subsidiary of Canarc Resource Corp. (Canarc), and subject to a 15% net profit interest held by Rembrandt Gold Mines Ltd. (Rembrandt), which Canarc has the right to reduce to 10% by issuing 150,000 shares to Rembrandt. Table 4-1 summarizes the claims and the locations are shown on Figure 4-1. Apart from the W.W.1 claim, the claims are crown granted and are kept in good standing through annual tax payments. The W.W.1 is a modified grid claim. The claim has sufficient work filed on it to keep it in good standing until February 4, 2020. The crown granted claims were legally surveyed in 1937. The mineralized areas are shown on Figure 4-2 and Figure 7-2, which shows the geology of the property on the mineral showings.

The Polaris No. 1, Silver King No. 1, Silver King No. 5, Black Diamond, Lloyd and Ant Fraction crown grants include the surface rights. Surface rights for the remainder of the property lie with the Crown, including the areas covered by the Co-Disposal Facility (CDF) and access road to the CDF, and will need to be obtained from the Province of British Columbia.

Mining of the AB Vein system and to a lesser extent the Y and C veins was carried out during the 1930s to early 1950s. Much of the former infrastructure has been reclaimed. A $249,000 reclamation bond is in place and it is the writer’s opinion that this adequately covers the cost of reclaiming the original mill site and infrastructure. Currently there is no legal or regulatory requirement to remove or treat the tailings on the property.

Prior to commencing further exploration on the property, a Notice of Work is required to be submitted to the Mining and Minerals Department of the BC Ministry of Energy and Mines. Work can only commence once approval has been

received.

Table 4-1
List of Claims

Claim Name	Lot No.	Folio No.	Claim Name	Lot No.	Folio No.
Polaris No. 1	6109	4472	Snow	3497	4545
Polaris No. 2	6140	5223	Snow No. 2	3495	5088
Polaris No. 3	6141	5223	Snow No. 3	3494	5495
Polaris No. 4	3498	4545	Snow No. 4	3499	5495
Polaris No. 5	6143	5223	Snow No. 5	6105	4472
Polaris No. 6	6144	5223	Snow No. 8	6107	4472
Polaris No. 7	6145	5223	Snow No. 7	3500	4472
Polaris No. 8	6146	5223	Snow No. 6	6106	4472
Polaris No. 9	6147	5223	Snow No. 9	6108	4472
Polaris No. 10	6148	5290	Black Diamond	3491	4472
Polaris No. 11	6149	5290	Black Diamond No. 3	6030	4944
Polaris No. 12 Fr	6150	5290	Blue Bird No. 1	5708	4545
Polaris No. 13 Fr	6151	5290	Blue Bird No. 2	5707	4545
Polaris No. 14	6152	5290	Lloyd	6035	5010
Polaris No. 15	6153	5290	Lloyd No. 2	6036	5010
Silver King No. 1	5489	4804	Rand No. 1	6039	5010
Silver King No. 2	5490	4804	Rand No. 2	6040	5010
Silver King No. 3	5493	4804	Minto No. 2	6033	4944
Silver King No. 4	5494	4804	Minto No. 3	6034	4944
Silver King No. 5	5491	4804	Jumbo No. 5	6031	4944
Silver King No. 6	5492	4804	Ready Bullion	6032	4944
Silver King No. 7	5495	4804	Roy	6042	5088
Silver King No. 8	5717	4545	Frances	6041	5010
Silver Queen No. 1	6026	4545	Eve Fraction	6170	5495
Silver Queen No. 2	6027	4545	Eve No. 1 Fraction	6171	5495
Silver Queen No. 3	6028	4944	P.T. Fraction	3493	5495
Silver Queen No. 4	6029	4944	Ant Fraction	3492	5088
Silver Strand No. 1	6037	5010	Atlin Fraction	3496	5088
Silver Strand No. 2	6038	5010	Powder Fraction	6043	5088
F.M. Fraction	6044	5088	Jay Fraction	6045	5088
Par Fraction	6154	5290			

W.W.1 Tenure No. 353540 Issue date February 4, 1997. Expiry date: February 4, 2020.

Accessibility, Climate, Locate Resources, Infrastructure and Physiography

The New Polaris project area lies on the eastern flank of the steep, rugged, Coast Range Mountains, with elevations ranging from the sea level to 2,600 metres.

Extensive recent glaciation was the dominant factor in topographic development. The Taku and Tulsequah Rivers are the most prominent topographic features: broad valleys bounded by steep mountains. Numerous tributary streams flow from valleys filled with glaciers. Most of the glaciers are fingers branching from the extensive Muir ice cap, lying to the northwest of the Taku River. The Tulsequah glacier, which terminates in the Tulsequah valley about 16 km north of the New Polaris mine site, is one of the largest glaciers in the immediate area. It forms a dam causing a large lake in

a tributary valley that breaks through the ice barrier (Jakülhlaup) during the spring thaw every year, flooding the Tulsequah and Taku valleys below for three to five days.

Small aircraft provide site access from the nearest population centers in Atlin, BC, 100 km north of the Property, or Juneau, Alaska, 60 km southwest of the Property. A short airstrip for light aircraft exists on the property. The nearest roads in the area terminate 20 km due south of Atlin and 10 km southeast of Juneau. Shallow draft barges have been used in the past to access the site via the Taku River to transport bulk supplies and heavy equipment to site, as well as ship flotation concentration from site. The property can be operated year-round.

The climate is one of heavy rainfalls during the late summer and fall months, and comparatively heavy snowfall, interspersed with rain during the winter. The annual precipitation is approximately 1.5 m of which 0.7 m occurs as rainfall. The snow seldom accumulates to a depth greater than 1.5 m on the level. Winter temperatures are not severe and rarely fall below –15ºC. Summer temperatures, in July, average 10ºC with daytime temperatures reaching the high 20's on occasion. The vegetation is typical of northern temperature rain forest, consisting primarily of fir, hemlock, spruce and cedar forest on the hillsides and aspen and alder groves in the river valley.

There is sufficient land available within the mineral tenure held by Canarc for installations such as the process plant and related mine infrastructure. Surface rights for the areas covered by the CDF, and access road to the CDF, lie with the Crown and will need to be obtained from the Province of British Columbia.

Historical Resource Estimates

Montgomery Consultants were commissioned to conduct a "Geostatistical Study of the Geological Resource" for the Polaris-Taku Deposit in 1991. The estimate, by G.H. Giroux, discounted much of the reserves around the old workings and did not include dilution and minimum mining width provisions. These estimates were based on both old and new drilling and extended the resource base down to roughly 1,200 feet (366 m) BSL.

Watts, Griffis, and McQuat were contracted to review the previous “reserves” in August 1992. Their review incorporated the residual reserves within the mine workings, as estimated by Beacon Hill in 1989, into their overall estimate. Their estimations were based upon a minimum mining width of 5 feet (1.5 m) or 15 % dilution and a cut-off grade of 0.25 oz/ton gold.

Giroux was further contracted to provide “resource” updates throughout 1992 and in February 1995 he re-estimated the “resources” for the newly drilled portions of the "C" Zone. Drilling also confirmed the existence of a new "North" Zone which, although it appears to be relatively low grade (0.18 oz/ton gold) has exhibited possible significant widths in the order of 6.5 m. Most of the C vein “resource” lies above 800 feet (244 m) BSL and within 200 feet (60 m) of the existing shaft bottom. Giroux’s estimates were in situ based on a 0.25 oz/ton gold cut-off and did not include dilution provisions as described below and considered to be relevant as they are based on a significant amount of data and were independently calculated.

Table 6-2 summarizes the variety of estimations identified above by the following: Beacon Hill’s 1988 estimation of residual “reserves” within and around the workings were totaled. To this total, the geostatistical resource estimation of Giroux was added after applying a general dilution factor of 25 % at zero grade to Giroux's figures for the " Y " Zone and 15% at zero grade for the "AB" and "C" Zones. The dilution factors were estimated based on vein characteristics. The "Y" Veins are described as being high grade, but narrow, which makes them prone to high dilution from over-break during mining as well as over mining. The "AB" veins in situ grade, as estimated by Giroux, already contains internal dilution from a parallel dike. To this total, an overall additional dilution of 15 % was added which is appropriate as the "C" vein would not experience much dilution since it is generally thought to be fairly thick. This estimate does not meet the definition requirements of NI 43 – 101 for a resource or reserve. The Author has not done sufficient work to classify them as current reserves or resources and is not treating them as current. This estimate therefore should not be relied upon but is included for historical purposes.

Geological Setting

The New Polaris Mine lies on the western edge of a large body of Upper Triassic Stuhini Group volcanic rocks, which has been intruded by a Jurassic-Cretaceous granodiorite body north of the mine. Older Triassic volcanic rocks and earlier sediments underlie the Stuhini volcanic rocks. The granodiorite is part of the Coast Plutonic Complex (Figure 7-1).

The structural trend in the area is northwest-southeast, paralleling major faults and folds to the east and intrusive alignment to the west. The Triassic volcanic rocks and older sedimentary rocks have been folded and sheared with the Stuhini Group rocks being deformed into broad to isoclinal, doubly plunging symmetrical folds with large amplitudes.

Canarc has carried out extensive mapping of the Polaris-Taku property since the early 1990’s. The work has been done by several employees and contractors and is shown in Figure 7-2. The gold deposit is hosted within an assemblage of mafic (basalt and andesite units) volcanic rocks altered to greenschist metamorphic facies. The orientation of these units is inconclusive because there are no marker beds in the sequence. It is thought that the units are steeply dipping (70º to 80º) to the north based on the orientation of the limestone/basalt interface at the southern portion of the property.

A serpentinite unit is located to the northeast, which was identified in recent (1996/97) drilling and underground mapping. This unit appears to form the eastern extent of the mineralization. The age relationship is unclear, but it is assumed that the serpentinite is a later stage feature possibly associated with tectonism in the area.

The ‘vein’ zones are structurally controlled shear zones and are typified by silicification and carbonatization cross cutting actual quartz-carbonate veins. These zones have sharp contacts with the wall rock and form anastamosing

ribbons and dilations. These zones have been deformed several times, which makes original textures difficult to determine. The zones are generally tabular in geometry forming en-echelon sheets within the more competent host lithologies.

All of the strata within the property have been subjected to compression, rotation and subsequent extension. The plunge of folds appears to be variable though generally shallow. Small-scale isoclinal folds strike north-northwesterly and plunge moderately to the north. Numerous faults are found on the property, the more significant of which are discussed below.

The possible extension of the Llewellyn fault, termed the South Llewellyn fault, continues south from the Chief Cross fault along mine grid coordinate 4400 East. Slightly north of Whitewater Creek it is offset to the west by an east-west fault, the 101 fault, to continue in a more southeast orientation of the opposite side of Whitewater Creek. This northwest-southeast orientation structure was named the Limestone Fault due to its bedding parallel attitude within a discontinuous limestone/marble horizon. It marks the southwest boundary of the “mine wedge”: the wedge-shaped package of rock within which all past production took place. The northern boundary of the “mine wedge” is further defined as mentioned above by the Whitewater Creek Schist Zone, a zone of schistose chlorite-amphibolite-serpentinite less than 100 m thick. A complex network of brittle faults is also found within this zone.

Three major faults, Numbers 1 and 5, and an unnamed fault, lie within the mine wedge. The No.1 and No.5 faults strike northwest-southeast, dipping approximately 45º to the northeast, and are sub-parallel to the unnamed fault, which dips steeply to the southwest. The No.1 fault has reverse displacement of up to 30 m while the displacement of the No.5 fault is poorly defined. The southwest dipping, unnamed fault showed no displacement, as it apparently parallels the A-B vein system. The mined-out areas indicate the wedge shape, the predominant orientations and continuity of the zones, and the overall plunge of the system to the southeast. An early interpretation of the structure showed that various veins appear to meet and form “junction arcs” where both thickness and grade improve.

Mineralization

Mineralization of the New Polaris deposit bears strong similarities to many Archean lode gold deposits such as the arsenical gold camp of Red Lake, Ontario where the gold-bearing arsenopyrite is disseminated in the altered rock and in quartz-carbonate stringers.

The vein mineralization consists of arsenopyrite, pyrite, stibnite and gold in a gangue of quartz and carbonates. The sulphide content is up to 10% with arsenopyrite the most abundant and pyrite the next important. Stibnite is fairly abundant in some specimens but overall comprises less than one-tenth of 1% of the vein matter. Alteration minerals include fuchsite, silica, pyrite, sericite, carbonate and albite.

In general, the zones of mineralization ranging from 15 to 250 m in length with widths up to 14 m appear to have been deposited only on the larger and stronger shears. Their walls pinch and swell showing considerable irregularity both vertically and horizontally. Gold values in the veins have remarkable continuity and uniformity and are usually directly associated with the amount of arsenopyrite present. The prominent strike directions are north-south and northwest-southeast, which is interpreted to be within a major shear zone. Up to 80% of the mine production was from “structural knots” or what is now known as “C” zones. In detail the “C” zones are arcuate structures. Figure 7-3 shows a 3D view of the “C” vein system.

The vein mineralization has well marked contacts with the wall rock. The transition from mineralized to non-mineralized rock occurs over a few centimeters. The mineralization consists of at least three stages of quartz veining. The initial stage of quartz-ankerite introduced into the structure was accompanied by a pervasive hydrothermal alteration of the immediately surrounding wall rock. Arsenopyrite, pyrite and lesser stibnite were deposited with the alteration. Later stages of quartz-ankerite veining are barren and have the effect of diluting the gold grades in the structure. The sulphide minerals are very fine-grained and disseminated in both the wall rock and early quartz and ankerite veins. Free gold is extremely rare and to the end of 2005 had not been recognized in core samples. The majority of the gold occurs in arsenopyrite and to a lesser extent in pyrite and stibnite. Because there is no visible gold and the host sulphides are very fine-grained and disseminated there is little nugget effect and gold values even over short intervals rarely exceed 1 oz/ton.

Mineralization was observed by Morris during the site visit both in drill core and underground. The description of the regional setting, local geology, and mineralization appears applicable to the New Polaris project and is sufficiently well understood to support the estimation of Mineral Resources.

Deposit Types

The New Polaris deposit is classified as a mesothermal lode-gold deposit (Hodgson, 1993).

In general, it is quartz-vein-related, with associated carbonatized wall rocks. The deposits are characterized by a high gold/silver ratio, great vertical continuity with little vertical zonation, and a broadly syn-tectonic time of emplacement. They are commonly associated with pyrite, arsenopyrite, tourmaline and molybdenite. Mineralization may occur in any rock type and ranges in form from veins, to veinlet systems, to disseminated replacement zones. Most mineralized zones are hosted by and always related to steeply dipping reverse- or oblique-slip brittle-fracture to ductile-shear zones.

The exploration target on the New Polaris project is orogenic lode gold deposits also known as Mesothermal vein deposits. Numerous examples of this type of deposit are known throughout the work including the Campbell Red Lake deposits in Ontario and the Bralorne deposit in British Columbia. Past exploration studies have demonstrated that the New Polaris vein systems have all the attributes of the orogenic vein gold deposit including, but not limited to association with major structural break, quartz-carbonate vein association, low-sulphide assemblage of pyrite and arsenopyrite, chloritic and sericitically altered wall rocks and persistent gold mineralization over a vertical distance of nearly 1 km.

The deposit type and model are considered by the QP as appropriate for a Mesothermal lode-gold deposit.

Drilling

Diamond drill programs were carried out on the New Polaris project when the project was reactivated in 1988 until 2006. Initially, the drilling focused on the down dip and along strike extensions of the Y veins. This work showed that the Y veins, while good grade were narrow and less continuous than the AB vein system. It also showed that the Y vein system is comprised of about 12 separate veins all of which are narrow and of short strike length.

In 1990, drilling shifted to the area beneath the lowest most C vein stopes. This drilling found that the vein system continued to depth and that gold grades in the 0.30 to 0.45 oz/ton range over an average true thickness of 3 m were present. From 1991 to 1993 most of the drillholes tested the C veins with fewer drilled on the Y vein system.

In 1994, the North Zone was discovered and was tested with a total of 30 drillholes during the 1994 and 1995 period. Although thicknesses of the North Zone are up to 6.7 m, the grades are relatively low compared to the C vein (less than 0.2 oz/ton). This combined with the limited extent due to structural termination of the zone by a fault resulted in a decision to terminate exploration of the North Zone.

Encouraging drill results from the C veins and to a lesser extent from the Y vein system led to further drilling on these two vein systems. Drilling on the C vein showed the veins to be open to depth and to have gold grades that ranged from 0.2 to 0.6 oz/ton over true thicknesses of 3 m. The increased interest in the C vein system was due to its greater continuity and thickness compared to the Y vein. The narrow width and lesser continuity of the Y vein system made it a secondary exploration target.

In 1996 and 1997 the Y, C and AB veins were explored from underground. The plan was to closely test the upper portions of the Y, C and AB veins in order to allow calculation of a resource that might form the basis for resumption of mining. The results of the underground drilling program were mixed. The underground workings were for the most part driven along the vein structures with few crosscuts from which holes could be drilled to cut the down dip and along strike extension of the veins. As a result, except for those holes that tested the area immediately below the workings, most cut the veins at shallow angles. The very shallow angles that in places approach parallel to the vein make the use of these intersections inappropriate for a resource calculation. Despite the number of holes drilled during 1996 and 1997, the work did little to expand the extent of the mineralization in the AB, C or Y vein systems. The work did confirm that the mineralized shoots in the lower most stopes on the Y and C veins were open to depth.

Drilling restarted on the property in 2003 with the objective of testing the extent of the C vein mineralization. Godfrey Walton, P. Geo., at the request of Canarc, undertook a review of the New Polaris project and recommended additional drilling in order to test the continuity of the “C” vein zone mineralization at depth below the lower most mine workings. To this end, limited drill programs were carried in 2003 to 2005 to target the “C” vein extensions below the existing mine workings.

The results of the 2003 to 2005 drilling of the C vein system confirmed the continuity of gold mineralization and the vein structure between the earlier drilled holes. As can be seen in the sections below, drill results show the C vein system to be an arc-like structure oriented east-west in the west swinging to a northeastern strike in the east. The change in strike occurs across the No.1 fault. To the east of the No.1 fault, the vein splays into two or more branches. The dip of the vein system is to the south and southeast and has an average dip of about 50º, although east of the No.1 fault the vein appears to flatten and thicken in a simoid-like feature. The exact nature of the apparent flattening of the vein's dip is not clear and requires additional drilling to be resolved.

The thickness of the C veins varies from 0.30 m to a maximum of 15.2 m. The thicker parts of the vein occur to the east of the No. 1 fault where the dip of the vein flattens due to an apparent folding of the vein.

Depending upon the angle of intersection, the true thickness of the core length of the vein material ranges from 100% to about 70%. The average core length thickness of the intersections is approximately 4.5 m and the average grade is 14.4 g/t (0.4 oz/ton) gold. The estimated average true thickness of the vein is 3.0 m.

All of the holes in this period were drilled from surface and intersected a similar geologic sequence. From the collar, the holes penetrated from 15.2 m to 79.2 m of overburden followed by inter-layered ash and lapilli tuff, volcanic wacke, and foliated andesite. The C vein system crosscuts the strike of the volcanic and volcaniclastic rocks at steep angles.

Mineral Processing and Metallurgical Testing

Gold in the New Polaris deposit is refractory and occurs dominantly in finely disseminated arsenopyrite grains. A 150-ton per day flotation mill was operated from 1937 to 1942 and again from 1946 to 1951 producing 231,604 oz of gold from a head grade of approximately 10 g/t.

Recent metallurgical test work has yielded positive results with a process flowsheet using flotation, bio-oxidation and CIL leaching.

The preliminary flowsheet for the New Polaris project is given below in Figure 13-8.

Test work has demonstrated that both BIOX and POX are potential pre-oxidation process options for New Polaris. BIOX has been selected by Canarc as the base case treatment route due to the lower capital cost and ease of operation compared to a POX circuit.

Various process stage recoveries are listed in Table 13-25.

Table 13-25
New Polaris Projected Metallurgical Recoveries

Area	Recovery (%)
Sulphide Flotation	94.9
BIOX and CIL Leach	95.6
Carbon Loss	0.1
EW	99.9

An overall gold recovery for the process flowsheet in Figure 13-8 is estimated at 90.5%.

Mineral Resource Estimates

The Mineral Resources for the New Polaris Project have been updated with revised estimates by Sue Bird, P. Eng of MMTS in accordance with updated Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards (CIM 2014). Updated CIM standards have resulted in changes to the Classification based on QA/QC. There are changes to the resource tonnage and grade based on updated prices, recoveries and on additional factors to control the “reasonable prospects of eventual economic extraction” including a minimum mining width and an applied underground shape confirming the Resource Estimate.

The Resource Estimate for the New Polaris deposit is summarized in Table 14-1. The resource has been summarized at various cutoff grades with the base case Au grade cutoff of 4.0 g/t highlighted. At each cutoff the total material within a potential confining mining shape is reported. Therefore, a separate mining shape has been created for each cutoff in the table.

The base case cutoff grade of 4.0 g/t Au is based on the following economic considerations: gold price of US$1,300/oz, exchange rate of 0.77 US$:C$; Payable gold % of 99.9%, Offsite refining costs of US$7/oz, mining

costs of C$65.20/t, process costs of C$62.70/t, G&A (General and Administration) costs of C$37.00, sustaining capital costs of C$19.83/t, and a 90.5% process recovery.

The “reasonable prospects for eventual economic extraction” confining shape also considers a minimum mining width of 2.0 m, and removes shapes considered too small and separated from the primary mining volumes. Previous underground mining has been accounted for by using stope and development solids to code a percent of the block outside of the mined out shapes.

MMTS is not aware of any known environmental, permitting, legal, title, taxation, socio-economic, marketing, or political factors that could materially affect the Mineral Resource Estimate. Factors that may affect the estimates include: metal price assumptions, changes in interpretations of mineralization geometry and continuity of mineralization zones, changes to kriging assumptions, metallurgical recovery assumptions, operating cost assumptions, confidence in the modifying factors, including assumptions that surface rights to allow mining infrastructure to be constructed will be forthcoming, delays or other issues in reaching agreements with local or regulatory authorities and stakeholders, and changes in land tenure requirements or in permitting requirement.

The effective date of this Resource estimate is February 28, 2019.

Table 14-1
Summary of Indicated and Inferred Total Resource

Indicated

Confining Shape Target Grade - (g/t Au)	In Situ Tonnage (Ktonnes)	In Situ Grades AU (g/t)	Au (koz.)
2.0	1,880	10.0	605
3.0	1,798	10.4	599
4.0	1,687	10.8	586
5.0	1,556	11.3	567
6.0	1,403	12.0	540
7.0	1,260	12.6	509
8.0	1,105	13.3	472
9.0	947	14.1	428

Inferred

Confining Shape Target Grade - (g/t Au)	In Situ Tonnage (Ktonnes)	In Situ Grades AU (g/t)	Au (koz.)
2.0	1,639	9.5	502
3.0	1,582	9.8	497
4.0	1,483	10.2	485
5.0	1,351	10.7	464
6.0	1,223	11.2	441
7.0	942	12.5	380
8.0	753	13.8	334
9.0	653	14.6	306

Notes for Mineral Resource Estimate:

The Mineral Resource Estimate was prepared by Sue Bird, P.Eng. in accordance with CIM Definition Standards and NI 43-101, with an effective date of February 28, 2019.

Mineral Resources that are not mineral reserves do not have demonstrated economic viability.

[End of Extract]

On February 24, 2015, Canarc entered into a Pre-Development and Earn-In Binding Agreement (the "Earn-In Agreement") with PanTerra Gold (British Columbia) Limited ("PanTerra"), a wholly-owned subsidiary of PanTerra Gold Limited, pursuant to which PanTerra was granted a 30-month option to earn a 50% interest in the New Polaris project by spending a total of CAD$10 million in three stages of predevelopment activities including metallurgical test work, drilling, detailed mine planning, tailings dam design, environmental permitting, and completion of a definitive feasibility study. PanTerra can increase its interest in the New Polaris project to 51% by purchasing 1% from Canarc within six months of completion of the definitive feasibility study at a cost of 1% of the net present value established by the definitive feasibility study using a 10% discount rate. The Albion process is a technology for recovering gold from refractory sulfide ores owned by Glencore Plc and used commercially under license by PanTerra. In 2015, Canarc received CAD$500,000 from PanTerra for the first stage of the predevelopment activities. In April 2015, 59 kg of gold concentrate was produced by an independent metallurgical lab from 500 kg of New Polaris project's prior drill core for metallurgical testing of the Albion process. In July 2015, the Albion testing had entered into the second and final phase aimed at further optimizing test conditions for improving gold recoveries. In August 2015, PanTerra informed Canarc that it will not be able to commit to further expenditures to commence Stage Two exploration and permitting work on the New Polaris project until PanTerra received the approval from the Dominican Republic government for importing New Polaris gold concentrate into the country for processing and it requested a 12 month extension of the Earn-In Agreement. In September 2016, PanTerra provided 30-day notice of its intent to withdraw from the first option of the Earn-In Agreement, which resulted in the effective termination of the same on October 22, 2016.

Canarc has been reviewing various processes for treating concentrates to produce gold doré bars at the New Polaris mine site to improve the economics and to possibly reduce certain risks to developing the project.

In the first half of 2018, Canarc assessed pressure oxidation to treat the refractory concentrate and produce dore bars at the mine site. The autoclave study concluded that it would be uneconomic due to excessively high capital and operating costs. In the latter half of 2018, bench-scale testing of New Polaris gold concentrate using bio-oxidation treatment process was conducted. Metallurgical test using bio-oxidation treatment on flotation concentrate resulted in gold extractions up to 96%. Bio-oxidation testing of New Polaris concentrates dramatically increased the cyanide-recoverable gold from 8% for un-oxidized concentrate up to 96% on bio-oxidized material.

Canarc continues with its efforts to seek a joint venture partner to advance the New Polaris project through permitting and feasibility.

Fondaway Canyon Gold Project (Nevada, USA)

On February 28, 2017, Canarc entered into the Letter Agreement with AIM and the AIM Securityholders to acquire either a direct or indirect 100% legal and beneficial interests in mineral resource properties located in Nevada, Idaho and Utah (USA) for a total purchase price of $2 million. Upon execution of the Letter Agreement, Canarc deposited $200,000 "in trust" towards the purchase price. The deposit was only refundable in limited circumstances including where Canarc determined adverse circumstances exist relating to status of title, material encumbrances, corporate standing, financial conditions, environmental liabilities, and litigation. Canarc had the option to either acquire AIM or acquire AIM's interests in the mineral properties. Certain of the mineral properties are subject to royalties. There was a 30 day due diligence period. The Letter Agreement was to be replaced and superseded by the execution of a definitive agreement on or before March 31, 2017. On March 20, 2017, Canarc entered into the AIM Agreement with the AIM Securityholders to purchase AIM, and closed the AIM Agreement on the same date.

AIM owns 11 gold properties in Nevada of which two properties (Fondaway Canyon and Dixie Comstock) contain historic gold resource estimates, and owns one gold property in Idaho, and has two royalty interests on other properties. The Fondaway Canyon project is considered a material property.

In April 2017, Canarc commissioned Techbase International, Ltd (“Techbase”) of Reno, Nevada to complete a NI 43-101 resource report for the Fondaway Canyon project. The Fondaway Canyon Technical Report was prepared by Michael Norred, SME Registered Member 2384950, President of Techbase, and Simon Henderson, MSc, MAusIMM CP 110883 (Geology), Consulting Geologist with Wairaka Rock Services Limited of Wellington, New Zealand, who are independent Qualified Persons as defined by NI 43-101, was dated April 3, 2017, and was prepared in compliance with NI 43-101 to the best of the Canarc’s knowledge.

The following is extracted from, or is an accurate paraphrasing of, the executive summary, or other sections as indicated from the Fondaway Canyon Technical Report, the full copy of which is available online at www.sedar.com as filed on May 1, 2017. The Fondaway Canyon Technical Report is referenced herein for informational purposes only and is not incorporated herein by reference. Defined terms and abbreviations used herein and not otherwise defined shall have the meanings ascribed to such terms in the Fondaway Canyon Technical Report.

Extract of Selected Sections of the Summary from the Fondaway Canyon Technical Report

Summary

Canarc Resource Corp. (Canarc) acquired the Fondaway Canyon Project and a portfolio of ten other mineral projects from American Innovative Minerals, LLC (AIM) in March, 2017. Canarc commissioned Techbase International Ltd to provide this report on the current status and a current Resources estimate for the Fondaway Canyon project.

Property Description and Location

The Fondaway Canyon property includes 136 contiguous, unpatented mining claims, covering approximately 2,220 acres (898 hectares), or 3.5 square miles, on land administered by the U.S. Bureau of Land Management (BLM) in Churchill County, Nevada. The claims are located in portions of Township 22 North, Range 33 East, Sections 1, 2, 11, and 12; and Township 22 North Range 34 East, Sections 5,6,7, and 8; Mount Diablo Meridian. The list of mining claims is included Appendix A [in the Fondaway Technical Report].

The title to the Fondaway Canyon property was the subject of a title review, prepared by Mildren Land Services, LLC for Canarc (Mildren, 2017). The claims are currently controlled under a Mining Lease/Purchase Agreement, originally signed in 2012 between Richard Fisk as the owner and Manhattan Mining Company. The agreement was assigned to AIM in August 2013, and then to AIM subsidiary The Fondaway LLC in November 2013. The lease was originally for 148 mining claims, some of which were dropped by AIM in 2014. Canarc acquired AIM in March 2017.

A fee of $155 per claim is payable to the BLM before September 1 each year, and $10.50 per claim is payable to Churchill County by November 1 each year. The Author checked each of the claims on the BLM's Land & Mineral Legacy Rehost 2000 System (LR2000)1. All of the claims were listed as "ACTIVE" by the BLM, which means that all required fees have been paid through August 31, 2017. All fees and filings for Churchill County are current through September 30, 2017.

A 2012 preliminary title report found that the BLM and Churchill County Recorder records of unpatented claims at Fondaway Canyon have multiple owners (Mildren, 2017). The County Recorder records show Wilbur Robertson, Fisk-Robertson Mining, or Richard Fisk as the claim owners. The BLM records show various members of the Fisk family and associates, Occidental Minerals, Tenneco Minerals, Nevada Contact Inc and AIM as the claim holders. All of these interests are controlled by Richard Fisk (Mildren, 2017). Under the lease agreement, claims filed by the lessees within the "Area of Interest" (originally a 20 km radius, but reduced to a 2 mile radius in 2014) become the owner's property. AIM previously collected the documents necessary to update the BLM records, but elected to postpone the update due to the cost involved (Mildren, 2017).

Royalties

There is a Net Smelter Returns (NSR) royalty of 3%, payable to Richard Fisk, under the 2012 mining lease / purchase agreement between Fisk and Manhattan Mining Company. An "Advance Royalty" of $35,000 is due each year on July 15th. AIM records indicate that these payments are current through 2016. All advance royalties are recoverable from production royalty payments. A purchase option for the claims, including the 3% royalty can be exercised at any time for a lump sum payment of $600,000, less any advance royalties not previously credited to production royalties. The amount remaining on the purchase option is $425,000 (Mildren personal communication).

There is also a NSR royalty of 2% on all minerals produced from the Fondaway Canyon and Dixie Comstock properties, payable to Hale Capital, under a 2013 agreement between AIM and Hale Capital. This royalty can be bought out for a total price of two million dollars ($2,000,000) in cash or 19.999% of the stock in a new, public company formed to operate the Fondaway Canyon and Dixie Comstock properties.

Canarc Resource Corp.

Form 20-F

41

Figure 1: Fondaway Canyon Location

Accessibility, Climate, Locate Resources, Infrastructure and Physiography

Access to the Fondaway Canyon property is via US Highway 50, five miles east from Fallon, Nevada, then northeast ten miles on Nevada State Route 116 to the Stillwater town site, then continuing north for 30 miles along an improved gravel road, to Fondaway Canyon on the western flank of the Stillwater Range. Existing mine roads provide access into the canyon.

The elevation of the property ranges from 5000 to 6000 feet. The area is a semi-arid, high desert biome, with cold winters and hot summers with low average precipitation. Fallon, home of the Fallon Naval Air Station, has a population of approximately 8,500 people.

Casual labor and industrial services such as mechanical or light fabrication are readily available in the town. Mining related professional services are available from Reno, some 60 miles west of Fallon, and from Winnemucca, some 130 miles to the northeast.

There are no public utilities, including electrical power on the property. Two permitted water wells are on the property, with water available for mining use under the lease agreement.

History

The initial lode mining claims of the Fondaway Canyon property were staked in 1956 by George Fisk and his son Richard operating as Fisk Mining (the Fisks). The Fisks mined approximately 10,000 tons of tungsten ore, recovering 200,000 lbs of tungsten trioxide (WO3). The Fisks also produced 47 flasks of mercury and three tons of antimony during this period. Later, operating with Wilbur Robertson as Fisk/Robertson Mining, the Fisks produced some 2,500 ounces of gold from shallow, oxide material. The Fisk family has continuously owned the mining claims to the present day.

Occidental Minerals optioned the property from 1980-1982, and explored while the Fisks continued mining. Occidental conducted extensive geologic and geochemical surveys, and drilled 15 RC holes in 1981 and 3 core holes in 1982, totaling 5,856 feet of drilling.

Tundra Gold Mines took over the Occidental agreement from 1983-1984. Tundra conducted several miles of VLF-EM and magnetometer surveys, and identified at least 27 anomalies, labeled “A” through “V”. They drilled 35 core holes, totaling 18,316 feet of drilling. New Beginnings Resource Corp joint-ventured with Tundra in 1984 and drilled 18 RC holes, totaling 2,020 feet.

Homestake Mining Company sub-leased from 1984-1985. Homestake sampled the underground working on the property, and commissioned mineralogy and petrographic studies, as well as metallurgical testing. They drilled 4 core holes, totaling 2,315 feet of drilling.

Mill Creek Mining took over in 1985. Mill Creek drilled 69 RC holes, totaling 6,805 feet, and drilled numerous, shallow percussion holes. They mined near-surface ore at the site of the present Stibnite pit, and attempted vat leach processing that failed to recover any significant values (Cohan, 1997).

Tenneco Minerals leased the property from 1986-1996. They increased the property size to 647 unpatented claims, and took thousands of rock and soil, as well as stream sediment samples. Tenneco drilled over 500 RC holes, totaling 130,000 feet of drilling. They drove an adit with 540 feet of workings to take bulk samples of the mineralized Half Moon zone. They commissioned extensive metallurgical testing at Hazen Labs, showing over 85% recovery for oxide material.

Tenneco built a 1500 tpd heap leach with a 230 gpm Merrill-Crowe processing plant. From August 1989 through August 1990, they mined and processed 186,000 tons of material, and recovered 5,402 ounces of gold, with a reported 87% average recovery (Cohan, 1997). Tenneco completed final reclamation of their mining and processing area areas in 2004.

Consolidated Granby leased the property from 1996-1997, with no significant exploration activity. Stillwater Gold leased the property in 1999, and conducted extensive field mapping and sampling. The detailed mapping and geological interpretation by Michael Brady for Stillwater (Brady, 1997) are the basis for much of the work by later companies, including the Resource modeling done for this technical report.

Nevada Contact Inc (NCI), a subsidiary of Agnico Eagle, leased the property from 2001-2002. They organized the previously-collected data into a GIS and geologic database. They reported their database contained 2,451 rock chip samples, 457 soil samples, and 146 stream sediment samples. Nevada Contact drilled 3 RC holes and 8 RC/Core holes, totaling 5,335 feet of RC and 6,317 feet of core drilling (Nevada Contact, 2002).

Royal Standard Minerals leased the property from 2003-2013, with little reported exploration activity. The technical report commissioned by Royal Standard mentioned the 2002 Nevada Contact drilling, but did not incorporate the drilling results into their Resource model (Strachan, 2003).

The lease was acquired by American Innovative Minerals (AIM) from Royal Standard in 2013. AIM compiled previous drill holes and samples into a GIS database. They collected and assayed more than 250 rock chip samples, as well as grab samples from stockpiles, dumps, and the leach pad. AIM conducted metallurgical tests on the stockpiled material near the original “Main Pit” and on the tungsten mineralization, in order to evaluate the economics of selling these materials.

Aorere Resources Limited obtained an option to purchase the AIM properties in February 2016, which expired at the end of January 2017. Aorere commissioned a Scoping Report (Norred, 2016). They sampled the 2002 core and sent six representative samples to Applied Petrologic Services & Research (APSAR) for detailed petrologic studies (Coote, 2016). Additional core samples were selected and submitted to McClelland Laboratories for a series of metallurgical testing (McPartland, 2017). Aorere contracted Techbase International to compile and validate the drilling and other data from the property, and to produce a Resource estimate. The 2016 mineral resource estimates that are the subject of this report were originally produced for Aorere.

Canarc Resource Corp acquired the Fondaway Canyon property along with substantially all of the mineral properties held by AIM in March 2017. Canarc has not yet conducted any exploration activities on the Fondaway Canyon

property.

Geologic Setting

The Fondaway mineralization is hosted primarily in low-grade regional/burial metamorphosed carbonaceous mudstone, silty mudstone and siltstone, (informally described in drill core and historical mapping as shale, mudstone and siltstone) interpreted to lie within the Triassic Age Grass Valley Formation. The Grass Valley Formation has been regionally metamorphosed to sub-greenschist facies (phyllite) and folded into east-west trending folds with approximately 600 feet amplitude across the folds and vertical to slightly overturned limbs (Strachan, 2003). Regional/burial metamorphism of the sedimentary rocks is defined by sericite/illite, mosaic quartz and chlorite. Limited plastic deformation indicates that hydrothermal fluid flow took place in a mainly brittle tectonic regime of a sub-greenschist facies metamorphic environment (Coote, 2016). Limestone and quartzite mapped at the Colorado-Deep Dive Resource Area appears to be over-thrust by Grass Valley phyllite (Strachan, 2003). These younger units are correlated with Jurassic Boyer Ranch formation.

East-West faulting crosscuts the metamorphosed sedimentary units and these faults host the majority of gold resources at Half Moon, Paperweight, Hamburger Hill and the Colorado-Deep Dive Zones. Gold Mineralization at Deep-Dive appears partially strata bound in the limestone and is possibly controlled by thrust faults and bedding replacement in this instance (Strachan, 2003).

Tertiary age dacite and andesite dikes occur in and crosscutting the mineralized faults. These dikes are altered but not strongly mineralized. Sets of north trending mineralized and post-mineral faults displace east-west trending mineralized faults. The north trending post mineral faults are probably related to basin and range development (Young, 1989).

A stock of Cretaceous age granite occurs immediately north of the resource area and is possibly underlying the tungsten skarn deposits in the mine area.

Mineralization

The mineralization is characteristically a gold/silver ratio of greater than 1:1 and is associated with the sulfide minerals of pyrite, arsenopyrite, and stibnite with lesser amounts of chalcopyrite, tennantite/tetrahedrite, sphalerite, and galena. The mineralization was reported in detail in a Petrology report by Coote (2016).

As described by Coote (2016), gold/electrum is mainly identified as inclusions within pyrite of hydrothermal wall rock replacement and silica/carbonate-rich fracture-fill/breccia cement assemblages, in places in close spatial association and intergrowths with chalcopyrite, sulphosalt minerals and arsenopyrite. Some gold fills or partly fills cavities in pyrite, as intergrowths with Fe/Mg/Ca-carbonate. The distribution of inclusions and cavities in pyrite, including gold/electrum inclusions, partly defines growth zones within the host pyrite. The gold/electrum grain-sizes, as inclusions within or filling cavities in pyrite, are in the range 1 to 10 microns. Some gold/electrum of a similar size-range occurs interstitial to and as intergrowths with mosaic quartz, sericite/illite and chlorite.

Free gold/electrum is present in stibnite-bearing, mineralization, gold/electrum (5-8 lm) occurs as intergrowths with or interstitial to mosaic quartz intergrown with pyrite, chalcopyrite, chlorite, sericite/illite and hydrothermal hydrocarbon mineralogy within hydrothermally altered, formerly carbonaceous rich wall rock. Whilst chalcopyrite is locally enclosed by coarser grained stibnite, interstitial to and intergrown with mosaic-drusy quartz, no gold/electrum is observed as inclusions within the coarser grained stibnite.
Pyrite and arsenopyrite comprise arsenic and iron sulfides intergrown with hydrothermal replacement and fracture-fill/breccia cement mineralogy. Tabular to prismatic/acicular arsenopyrite is generally finer grained than pyrite, and concentrated within wall rock replacement assemblages, particularly along hydrothermal hydrocarbon bearing shear zones. Pyrite, less abundant and coarser grained within the wall rock replacement assemblages appear to overgrow and even poikilitically enclose subhedral to euhedral arsenopyrite. The preservation of framboidal pyrite of diagenetic or sedimentary basin paragenesis is further evidence of relatively low-grade regional/burial metamorphism of the carbonaceous, fine grained siliciclastic sedimentary rocks.

Fine to medium grained stibnite occurs as intergrowths with and interstitial to mosaic-drusy quartz of fracture-fill/breccia cement. Some amounts of finer grained stibnite are intergrown with wallrock replacement mineralogy and are contained along shears containing sericite/illite, chlorite and hydrothermal hydrocarbon mineralogy. Some stibnite is host to inclusions of subhedral to anhedral fine to very fine grained chalcopyrite (Coote, 2016).

Graphite is only present as detrital grains, together with resolvable quartz, muscovite, tourmaline and zircon. As a result of a combination of regional/burial metamorphism-related and hydrothermalrelated maturation processes, organic carbon has been converted to secondary carbon or hydrocarbon mineralogy.

Drilling

Many exploration holes were drilled by the various mining companies between 1980 and 2002, including Core, Reverse Circulation, and Air-track holes. The Fondaway Canyon database currently contains validated records for 591 holes totaling 161,043 feet (49,086m) of drilling.

Drilling in 2002 by Nevada Contact Inc (NCI) intersected the mineralized zone at greater depths than previous drilling in the Half Moon and Paperweight veins, and also intersected mineralization below the pediment at the west end of the property, confirming this as a new prospective exploration target.

Mineral Processing and Metallurgical testing

Historical metallurgical testing and operating experience have shown that the oxide mineralized materials at Fondaway Canyon are readily leachable. The metallurgical response of the sulfide mineralized materials have been problematic, however testing results showed recoveries of up to 95% can be achieved by using an oxidizing pre-treatment followed by CIL leach. A multi-stage flotation process also yielded satisfactory laboratory results with flotation results of 93 to 95% being achieved.

The 2016 metallurgical testing provided confidence that the mineralized material tested to date can be treated appropriately to concentrate 79-85% of the gold in less than 10% weight percent via flotation processes. Test results indicate that additional gold might be recovered by incorporating a gravity circuit, and also through treatment of the tails with conventional cyanidation methods. Further testing is needed to find the most cost-effective process for future mining.

Mineral Resource Estimates

Resource estimates have been included in technical reports by previous authors. The resource statements from each report have been examined by the Author, and were found to be in general agreement, in particular as to the total contained gold. None of the previous estimates included the 2002 drilling, which tested the down-dip extension of the mineralized veins.

A new resource estimate was completed in 2016 by Techbase International (the 2016 Resource Estimates). This new estimate incorporated the 2002 drilling, which had not been used for previous estimates. The 2016 estimate included the vein hosted, potentially underground mineable sulfide mineralization. No estimate was made of the shallow, oxide mineralization.

Table 6: 2016 Resource Estimates

The Mineral Resource was estimated for each vein using polygonal estimation on drill intercepts projected onto a vertical long-section parallel to the average strike direction of that vein. Techbase Version 2015 software was used to perform the estimation.

Polygonal estimation was chosen by the Author as a robust method for estimating the global mineral resources at Fondaway Canyon, considering both the nature of the deposit and the currently available data. The multiple, sub-parallel veins and splays in the mineralized system introduce the risk of mis-correlation without further drilling and interpretation. The majority of the historical drilling data was RC, without downhole surveys, introducing uncertainty as to position and true thickness.

The polygonal methodology applied for this estimate is less sensitive than other methods to these risks. Polygonal estimation was also used for all of the historical resource estimates, including the previous, NI 43-101 compliant technical report (Strachan, 2003), making it possible to directly compare the results.

Interpretation and Conclusions
Interpretation

At Fondaway Canyon, gold Mineralization is localized along over 2 miles of en echelon, east-northeast trending and steeply south dipping structures developed within fine grained Triassic carbonaceous siliciclastic sedimentary rocks and Jurassic limestone, cut by Tertiary dikes.

To date, resources have been estimated for 12 named veins. The bulk of the current resources are hosted by the Paperweight, Half-moon, and Colorado zones, with the remainder in parallel veins or splays of the major veins. The most persistent vein strike length is 3,700 feet on the combined Paperweight – Hamburger Hill zones, and the down-dip extent of the gold mineralization is greater than 1,000 feet based on the drilling by NCI. Vein width is commonly 5 - 20 feet.

Opportunities

The geologic interpretation and modeling for the 2016 Resource estimates have identified opportunities to increase the confidence and continuity in existing structures both along strike and at depth. Several additional adjacent and oblique structures coincident with surface gold anomalies also have high prospectivity, and have not been drill tested to date.

All of the estimated Resources in this report relate to the high grade, sulfide vein mineralization in the eastern half of the project area. Much work remains to integrate the western portion of the project area, which has a correspondingly sparse and predominantly shallow drill history, along a 1 mile corridor to the South Mouth zone, the area of previous surface mining. This corridor has detailed rock and soil geochemistry, with several areas of highly anomalous gold geochemistry suggesting continuity of gold mineralization through this zone.

The South Mouth zone, where mining excavated the shallow oxide mineralization, has not been explored sufficiently to quantify the down dip extension of the sulfide mineralization to depth. The 2002 NCI drilling intercepted mineralized zones with two holes drilled in the pediment west of the South Mouth pit. These results should be followed up with additional drilling to determine if a bulk tonnage, disseminated gold deposit exists in that area, or if there are potentially offset extensions of the Fondaway Canyon vein systems associated with mineralization at the South Mouth pit.

Metallurgy

There is significant metallurgical testing completed recently and historically (including sizeable underground bulk sampling). Historical test results included using an oxidizing pre-treatment, followed by CIL leaching, which yielded gold recoveries of 86 to 95%. Other historical tests used a two-product flotation circuit, producing a carbon concentrate, then a sulfide concentrate, followed by CIL leaching of the flotation tails, producing combined total recoveries from 93 to 95%.

The 2016 metallurgical testing provided confidence that the mineralized material tested to date can be treated appropriately to concentrate 79-85% of the gold in less than 10% weight percent via flotation processes. Test results indicate that additional gold might be recovered by incorporating a gravity circuit, and also through treatment of the tails with conventional cyanidation methods. Further testing is recommended to find the most cost-effective process for future mining.

Conclusion

The Fondaway Canyon Project is a well-explored mineral deposit, with significant potential at depth and along strike of the identified mineralized systems. Some of that potential has not been realized due to multiple changes in management over the life of the project, and to operational uncertainties because of its proximity to the adjacent Stillwater WSA. The available data from the various sources has not been well-integrated, and consequently much of it has not been exploited for maximum exploration success.

Based on the Mineral Resource estimates, the opportunities for additional discovery, and the encouraging metallurgical results, it is the Authors' opinion that the project has the potential to develop into a profitable mining operation.

[End of Extract]

In the second quarter of 2017, Canarc completed 92 surface rock chip sampling and mapping program on the Fondaway Canyon project which returned several high grade gold values.

In the fourth quarter of 2017, Canarc completed an initial 7-hole, 2500-meter core-drilling program at the Fondaway Canyon project. All seven holes intersected gold mineralization. The 2017 drilling results, integrated with historical drilling, indicate the project has bulk-mineable, open-pit potential, as opposed to the underground mining of narrow high-grade zones that was the focus of previous project owners.

In 2018, Canarc completed 3D modelling of the Fondaway Canyon deposit and identified drill targets for the next stage of diamond drilling. Surface mapping and sampling program on the property and trenching in the Reed Pit continue to better define possible high-grade gold mineralization and to refine targets for the next phase of exploration drilling.

Other Mineral Projects

The following projects are considered not material by the Company, do not have any Guide 7 compliant mineral reserves, and are not compliant with NI 43-101 unless otherwise stated. There is currently no ongoing or proposed exploration or development programs for the properties set out below, other than as specifically stated.

Windfall Hills properties (British Columbia, Canada)

In April 2013, Canarc entered into two property purchase agreements to purchase 100% interests in two adjacent gold properties located in British Columbia, which comprise the Windfall Hills properties. Canarc entered into a property purchase agreement with Atna Resources Ltd. ("Atna") whereby Canarc acquired a 100% undivided interest in the Uduk Lake properties by the issuance of 1,500,000 common shares at a fair value of CAD$0.10 per share, honouring a pre-existing 1.5% NSR production royalty that can be purchased for CAD$1 million, and granting Atna a 3% NSR production royalty. Canarc entered into a property purchase agreement with another vendor whereby Canarc acquired a 100% undivided interest in the Dunn properties by the issuance of 500,000 common shares at a fair value of CAD$0.10 per share and granting the vendor a 2% NSR royalty which can be reduced to 1% NSR royalty for $500,000.

The Windfall Hills gold project is located 65 km south of Burns Lake, readily accessible by gravel logging roads and a lake ferry crossing in the summer-time, or by charter aircraft year-round. The project consists of the Atna properties, comprised of 2 mineral claims totalling 959 hectares and the Dunn properties, comprised of 8 mineral claims totalling 2820 hectares.

In October 2016, Canarc completed a geophysical 3D IP-resistivity survey which covered 3.8 sq km, representing about 10% of the property. The survey was at 100 m intervals on 200 m spaced line to a depth of 350 m below surface. The main exploration targets are low sulphidation epithermal, disseminated and stockwork gold-silver deposits with tertiary rhyolite volcanic centers. The IP survey identified four geophysical anomalies which cover an area of coincidental high resistivity and chargeability.

In 2018, Canarc completed its exploration program which included reconnaissance stream sediment sampling, soil sampling, machine trenching and airborne geophysics to detect new gold-silver anomalies, to better delineate the known epithermal stock-work gold-silver mineralization and to better define drill targets, after which a drilling program and budget will be developed for 2019.

El Compas Project (Zacatecas, Mexico)

On October 8, 2015, Canarc and Marlin Gold entered into a Share Purchase Agreement, whereby Canarc acquired 100% of the shares of Oro Silver, which indirectly owns 100% of the El Compas gold-silver project located in Zacatecas, Mexico, in exchange for 19 million common shares of Canarc. Canarc's acquisition of Oro Silver closed on October 30, 2015.

The El Compas property was a fully permitted gold silver project located in Zacatecas, Mexico, and was comprised of 24 concessions totaling 3,900 hectares.

In January 2016, Canarc signed a definitive agreement with the Zacatecas state government to lease and operate the permitted 500 tonne per day La Plata ore processing plant located in the city of Zacatecas, Mexico. Highlights of the lease agreement include the following:

Lease term was 5 years with the right to extend for another 5 years;

Canarc assumed responsibility for the plant as of January 29, 2016;

Plant would be exclusively operated by Canarc's Mexican subsidiary, Minera Oro Silver de Mexico SA de CV;

Canarc was to pay a monthly lease payment of MXP 136,000;

Grace period of 6 months to allow time for plant refurbishing;

Power and water were available for plant operations;

Plant capacity was 500 tonnes per day with the possibility to expand;

Permitted tailings facilities had a capacity for approximately 1 million tonnes;

Certain plant refurbishment costs would be reimbursed to Canarc by lease payment offsets; and

Canarc would reserve up to 100 tonnes per day for toll mining of ore produced by local small miners.

In March 2016, Canarc entered into an indicative term sheet for up to $10 million in debt financing by way of a gold prepaid facility to develop the El Compas gold-silver project subject to a 60 day due diligence period which did not advance due to the subsequent sale of the project.

On May 6, 2016, Canarc entered into a Purchase and Sale Agreement with Endeavour Silver Corp., a company sharing one common director, ("Endeavour") pursuant to which Canarc sold to Endeavour 100% of the shares of Canarc's wholly-owned subsidiary, Oro Silver, which indirectly holds a 100% interest in the El Compas project in Zacatecas, Mexico, in consideration for 2,147,239 free-trading common shares of Endeavour, with an aggregate deemed value of CAD$10.5 million (the "Sale Transaction"). The Endeavour shares had a deemed price of CAD$4.89

per share, equal to the volume-weighted average trading price on the TSX for the 10 trading-day period immediately prior to May 6, 2016. As additional consideration, Endeavour assumed Canarc's obligation to deliver an aggregate of 165 troy ounces of gold (or the US dollar equivalent) to Marlin Gold in three equal payments of 55 troy ounces which were due in October 2016, 2017 and 2018. The foregoing gold delivery obligation was incurred by Canarc in connection with its acquisition of El Compas from Marlin Gold. The Sale Transaction closed on May 27, 2016 at which time Canarc received 2,147,239 free-trading common shares of Endeavour with a fair value of CAD$3.99 per share at that date.

FG Gold property (British Columbia, Canada)

On August 24, 2016, Canarc entered into a property option agreement with Eureka which closed on October 12, 2016. In consideration for the grant of the property option agreement, Canarc issued 250,000 common shares at a value of CAD$0.10 per share to Eureka, and subscribed to Eureka's private placement for 750,000 units at a price of CAD$0.14 per unit for a total of CAD$105,000; each unit was comprised of one common share of Eureka and one-half of one common share purchase warrant with an exercise price of CAD$0.20 and expiry date of September 9, 2018. Canarc can earn up to a 75% interest in the FG gold property in two stages.

In the first stage, Canarc can earn an initial 51% interest over three years by:

- incurring CAD$1.5 million in exploration expenditures with an annual minimum of CAD$500,000;
- issuing 750,000 common shares in three annual tranches of 250,000 shares; and
- paying 50% of the annual BC METC claimed by Canarc to Eureka to an aggregate maximum exploration expenditure of CAD$1.5 million.

In the second stage, Canarc can earn an additional 24% interest for a total interest of 75% over the following two years by:

- incurring CAD$1.5 million in exploration expenditures;
- issuing 1.5 million common shares in two annual tranches of 750,000 shares; and
- paying the greater of: (i) CAD$75,000 and (ii) 50% of the annual BC METC claimed by Canarc to Eureka to an aggregate maximum exploration expenditure of CAD$1.5 million.

If Canarc failed to satisfy the consideration necessary to exercise the second stage, then a joint venture will be deemed to have formed with Canarc having a 51% interest and Eureka with a 49% interest.

In 2017, Canarc wrote off the FG Gold project.

The FG Gold project was located in the historic Cariboo Gold Camp within the Quesnel Trough area of central British Columbia. Mineralization occurs as quartz veins and stringer zones containing coarse free gold and finer grained iron sulphides bearing gold in a broad shear zone conformable to bedding within deformed and metamorphosed Paleozoic sedimentary rocks. The property consists of 33 contiguous mineral claims totalling 10,400 hectares.

Non Material Mineral Properties owned by American Innovative Minerals, LLC

On March 20, 2017, Canarc entered into and closed the AIM Agreement with the AIM Securityholders to purchase AIM which has 100% legal and beneficial interests in mineral resource properties located in Nevada, Idaho and Utah (USA) for a total purchase price of $2 million. Certain of the mineral properties are subject to royalties.

AIM owns 11 gold properties in Nevada of which two properties (Fondaway Canyon and Dixie Comstock) contain historic gold resource estimates, and owns one gold property in Idaho, and has two royalty interests on other properties. With the exception of the Fondaway Canyon project which is considered a material property, the following properties are not considered material by Canarc:

Dixie Comstock, also located in Churchill County, Nevada, consists of 26 unpatented lode claims. The property contains a range-front epithermal gold deposit with a non-43-101 compliant resource of 146,000 ounces of gold at 1.063 grams per tonne Au.

Clear Trunk property is located in Pershing and Humboldt Counties, Nevada on 4500 acres of fee mineral and unpatented claims in the Sonoma Range, south of Winnemucca and near the Goldbanks gold deposit. The property contains gold-bearing epithermal quartz veins, mesothermal quartz veins with high-grade gold and copper-gold intrusion-hosted mineralization.

Bull Run property is located in Elko County, Nevada on two large patented claim groups of 500 acres near the Jerritt Canyon gold district.

Hot Springs Point property is located in Eureka County, Nevada on 160 acres of fee land on north end of the prolific Cortez Trend. Klondex Mining claims surround the project on three sides.

Jarbidge property is located in Elko County, Nevada on 8 patented claims along the east end of major gold veins in the Jarbidge mining district.

Lightning Tree property is located in Lemhi County, Idaho on 4 unpatented claims near the Musgrove gold deposit.

Silver King property is located in Humboldt County, Nevada on 4 patented claims in the Iron Point mining district. Previous exploration focused on low grade gold values but the property was never been explored for silver.

A&T property is located in Humboldt Co., Nevada on 2 patented claims on Winnemucca Mountain. The property contains gold-bearing veins in altered shale.

Eimis property is located in Elko County, Nevada on one 20 acre patented claim adjacent to the Coleman Canyon gold deposit controlled by Arnevut Resources. Gold anomalies extend onto Eimis property.

Silver Peak property is located in Esmeralda County, Nevada on 3 patented (57 acres) and 3 unpatented mining claims covering 50 acres. The property is adjacent to the Mineral Ridge mine controlled by Scorpio Gold Corporation.

Canarc has initiated a comprehensive review of all these Nevada properties to evaluate each property's potential and to prioritize exploration plans for each property.

Eskay Creek (British Columbia, Canada)

In December 2017, Canarc signed an agreement with Barrick Gold Inc ("Barrick") and Skeena Resources Ltd. ("Skeena") involving Canarc's 33.3% carried interest in certain mining claims adjacent to the past-producing Eskay Creek Gold mine located in northwest British Columbia, whereby Canarc will retain its 33.33% carried interest. Canarc and Barrick have respectively 33.33% and 66.67% interests in 6 claims and mining leases totaling 2323 hectares at Eskay Creek. Pursuant to an option agreement between Skeena and Barrick, Skeena has the right to earn Barrick's 66.67% interest in the property. Canarc wrote off the property in 2005.

Silver King (Nevada, USA)

In October 2018, Canarc entered into a property option agreement for its Silver King property with Brownstone whereby Brownstone has an option to earn a 100% undivided interest by paying $240,000 in cash over a 10 year period with early option exercise payment of $120,000. Canarc will retain a 2% NSR of which a 1% NSR can be acquired by Brownstone for $1 million.

The Silver King property is located in Humboldt County, Nevada on 4 patented claims near Golconda Summit. Previous exploration focused on low grade gold values but the property was never been explored for silver.

Hard Cash and Nigel (Nunavut, Canada)

In November 2018, Canarc entered into a property option agreement with Silver Range whereby Canarc has an option to earn a 100% undivided interests in the Hard Cash and Nigel properties by paying CAD$150,000 in cash and issuing 1.5 million common shares to Silver Range over a four year period. Silver Range retains a 2% NSR of which a 1% NSR can be acquired for CAD$1 million. Silver Range shall also be entitled to receive $1 per Au oz of measured and indicated resource estimate and $1 per Au oz of proven or probable reserve estimate, payable in either cash or common shares of Canarc at Canarc's election.

Hard Cash is located 310 km NE of Stony Rapids, Saskatchewan, on the shores of Ennadai Lake. Access is provided by float plane or helicopter, and there is an all-weather gravel strip at Ennadai Lake Lodge, 35 km east of the property. Nigel is located 15 km west of Hard Cash. Hard Cash is underlain by the Ennadai Greenstone Belt of the Churchill Province. Gold mineralization at Hard Cash and Nigel occurs in high grade quartz veins and lower grade shear zones hosted by basal mafic volcanics overlain by felsic volcanics metamorphosed to upper greenschist/lower amphibolite facies and intruded by granite.

Canarc's consulting geologist visited the property in September 2018 and sampled gold assays in quartz vein float and outcrop samples at and near the Swamp showing. In January 2019, Canarc completed a 970 line-km airborne magnetic and radiometric survey over the newly acquired 2,090 hectare Hard Cash gold property. The new geophysical survey

results are intended to help define the magnetic and radiometric responses of the known gold mineralization and identify new high priority drill targets along the gold mineralized trend where it is covered by glacial overburden.

Princeton Property (British Columbia, Canada)

In December 2018, Canarc entered into a property option agreement jointly with Tasca Resources Ltd. (“Tasca”) and an individual whereby Canarc has an option to earn a 80% interest in the Princeton property by incurring exploration expenditures of CAD$900,000 over a two year period and granting a 1% NSR to Tasca which can be acquired for CAD$1 million and honoring a 2% NSR to the individual of which 1% NSR can be acquired for CAD$1 million.

The Princeton gold property consists of 14,650 hectares located 35 kilometers (km) south of Princeton, British Columbia, and is readily accessible by road. The property is underlain by volcanic rocks of both the Eocene Princeton Group and the Triassic-Jurassic Nicola Group.

In 2018, Canarc completed a 2,350 line-kilometer magnetic survey on the property to identify drill targets for a drill program in 2019.

Corral Canyon property (Nevada, USA)

In 2018, Canarc staked 92 mining claims covering 742 hectares in Nevada, USA.

Corral Canyon property lies 35 km west of the town of McDermitt in Humboldt County along the western flank of the McDermitt caldera complex, an area of volcanic rocks that hosts significant lithium and uranium mineralization in addition to gold. It contains volcanic-hosted, epithermal, disseminated and vein gold mineralization evidenced by previous drilling.

Other Mineral Property

In December 2018, Canarc entered into a Memorandum of Understanding for an exploration and development project in South America whereby Canarc paid $10,000 in 2018 and another $10,000 is payable as a success fee to close on an acceptable agreement in connection with a prospective mineral project.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Management’s discussion and analysis in this Item 5 are intended to provide the reader with a review of factors that affected the Company’s performance during the years presented and factors reasonably expected to impact on future operations and results. The following discussion of the financial condition, changes in financial condition and results of operations of the Company for the three fiscal years ended December 31, 2018, 2017 and 2016 should be read in conjunction with the consolidated financial statements of the Company and related notes included therein.

The Company’s consolidated financial statements are prepared in accordance with IFRS as issued by the IASB, and all dollar amounts are expressed in United States dollars unless otherwise indicated.

This discussion contains “forward-looking statements” that are subject to risk factors set out under the heading “Item 3. Key Information – D. Risk Factors”. See “Cautionary Note Regarding Forward-Looking Statements” above.

5.A Operating Results

In accordance with IFRS, all costs related to investments in mineral property interests are capitalized on a property-by-property basis. Such costs include mineral property acquisition costs and exploration expenditures, net of any recoveries and write-downs.

Form 20-F

51

The Company's ability to continue as a going concern is dependent on continued financial support from its shareholders and other related parties, the ability of the Company to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company's liabilities as they become payable and for settlement of expenditures.

The Company is not aware of any seasonality in the business that has a material effect upon its financial condition, results of operations or cash flows. The Company is not aware of any changes in the results of its operations that are other than those normally encountered in its ongoing business.

Fiscal Year 2018 – Year ended December 31, 2018 compared with December 31, 2017

Canarc incurred a net loss of $1.1 million for the year ended December 31, 2018 which is significantly lower than the net loss of $2 million for fiscal 2017, with the latter having commensurately higher operating expenses. Net loss was impacted by different functional expense items.

Canarc has no sources of operating revenues. Operating losses were incurred for ongoing activities of Canarc in acquiring and exploring its mineral property interests, seeking an appropriate joint venture partner to advance the New Polaris property, and pursuing mineral projects of merit.

Amortization is for the leasehold improvements and office furnishings and equipment for Canarc's new office facilities which Canarc moved into in July 2017. In prior periods, Canarc used shared office premises. A full year's amortization was recognized in 2018 with additional office equipment acquired resulting in a higher expense.

Corporate development expenses were lower in the current period than in the prior comparative periods. Corporate development efforts in the first quarter of fiscal 2017 involve due diligence activities which led to the eventual acquisition of AIM which owns 10 gold properties in Nevada of which two properties (Fondaway Canyon and Dixie Comstock) contain historic gold resource estimates, and owns one gold property in Idaho, and has two royalty interests on other properties. A NI 43-101 technical report for resource estimate was completed for the Fondaway Canyon project in April 2017. During the remaining quarters of fiscal 2017, nominal efforts were sustained on corporate development as Canarc focused on detailed data review of the Fondaway Canyon project and development of a new structural model for gold mineralization to prepare for a Phase 1 exploration program which included ground magnetic survey, rock chip sampling and permitting, and on the 7 hole diamond drilling program which was mobilized and completed in the fourth quarter. In the first and second quarters of 2018, corporate development efforts continued at a reduced level which involve site visits and preliminary discussions and technical overview of possible projects of merit which have possible near term gold mining properties but such discussions did not advance. Negligible corporate development was done in the third quarter as Canarc focused on a 3D model for Fondaway Canyon property, various scenarios for processing concentrates into gold dore bars at the New Polaris property site, and mobilization of the trenching and exploration program for Windfall Hills property. Corporate development activities increased in the fourth quarter with a heightened emphasis on "elephant hunting" in seeking projects with potential to be discoveries. These efforts in the last quarter of 2018 culminated in two property option agreements for the Princeton (British Columbia, Canada) and Hard Cash and Nigel (Nunavut, Canada) properties and staking of 92 mining claims in northwestern Nevada (USA).

Remuneration for employees in 2018 was lower than 2017. Employee remuneration directly related to mineral exploration projects and corporate development were allocated to those specific activities rather than to operations, in which in the first quarter of 2017 Canarc was active in its due diligence on the Fondaway Canyon project. Canarc accomplished financial and corporate milestones in fiscal 2016 which resulted in the assessment and payment of bonuses to senior officers and directors for strategic guidance which were not determinable in 2016 as resolved by Canarc's Compensation Committee in the first quarter of 2017 which contributed to significant remunerations in that

quarter. In the remaining three quarters of 2017, employee remuneration was lower due to management allocations to the Fondaway Canyon project for the technical report for the resource estimate and for implementation of the Phase 1 drilling program for that project which was completed in December 2017. The slight increase in the fourth quarter relative to the second and third quarters of 2017 was the year end settlement for banked time and unused vacation time due to the added responsibilities by personnel in advancing Canarc's projects during the fiscal year. No bonuses were assessed for fiscal 2017 resulting in lower payouts in employer remuneration in the first quarter of fiscal 2018. Remuneration for employees was substantially lower in the first quarter of 2018 than in the same quarter in 2017 but significantly higher in the second quarter of 2018 than the first quarter of 2018. In the second quarter of 2018, the departure of a senior officer resulted in the incurrence of severance pay which increased employee remuneration. Remuneration for employees was lower in the third quarter than comparable quarters in 2018 and 2017 due to the departure of a senior officer at the end of June 2018. Heightened corporate development efforts, active exploration programs for the Windfall Hills, Princeton and Hard Cash properties, and ongoing assessment of scenarios for processing concentrates into gold dore bars at the New Polaris property site would reduce technical employee remuneration in the fourth quarter of 2018 as these costs would be allocated to the applicable projects. Such reduction would be offset by the employment of a non technical senior officer in October 2018.

Overall general and administrative expenses were comparable for both 2018 and 2017 but were affected by different expense segments. Audit, tax and legal expenses were similar for both fiscal periods as audit fees did not change, and no changes in corporate tax issues, and legal fees for debt settlement in 2018 were applied against the recovery of the debt principal. Office and sundry are similar across comparative quarters given the fixed nature of such expense; such expense was higher in the third quarter of 2017 due to the office move to its own new facilities. Regulatory expenses are generally higher in the second quarter as Canarc normally holds its annual general shareholders in June of its fiscal year. Expenses for its annual general meeting were higher in the second quarter of 2017 as Canarc sought shareholder approval for changes in the corporate articles and increased the number of stock options grantable under its stock option plan, which Canarc sought greater shareholder notification in both Canada and the US. Regulatory expenses for the third and fourth quarters of both comparable fiscal periods were similar. Rent increased in 2018 for a full year of office rent, due to the office move and Canarc having its own primary office facilities beginning in July 2017.

In the first quarter of fiscal 2017, shareholder communications and marketing programs were initiated to specifically create market awareness of Canarc's acquisition of AIM along with its 10 gold properties in Nevada of which two properties (Fondaway Canyon and Dixie Comstock) contain historic gold resource estimates and one gold property in Idaho, and has two royalty interests on other properties. A NI 43-101 resource estimate was completed for Fondaway Canyon in May 2017. These activities subsided in the remaining quarters relative to the first quarter of 2017 given the stagnancy in the markets, and such reduced efforts continued into fiscal 2018 resulting in lower comparable expenses.

Share-based payments were lower in 2018 than in 2017 with ongoing vesting provisions of outstanding stock options. In June 2017, stock options for 2.25 million common shares which were performance based were fully vested by Canarc's Board of Directors. Also in the same month, Canarc granted 3.1 million stock options to directors, officers and employees with an exercise price of CAD$0.10 and an expiry date of June 2, 2022, and which are subject to vesting provisions in which 25% of the options vest immediately on the grant date and 25% vest every six months thereafter. In September 2017, additional stock options for 500,000 common shares were granted to an employee, with an exercise price of CAD$0.09 and expiry date of September 13, 2022, and which are subject to vesting provisions in which 25% of the options vest immediately on the grant date and 25% vest every six months thereafter. Share-based payments would be higher in those respective quarters of fiscal 2017. In late June 2018, the departure of a senior officer resulted in the forfeiture of unvested stock options which would reduce share-based payments with vested stock options being cancelled in July 2018. Also at the end of June 2018, Canarc granted 3,250,000 stock options to directors, officers and employees with an exercise price of CAD$0.08 and an expiry date of June 29, 2023, and which are subject to vesting provisions in which 20% of the options vest immediately on the grant date and 20% vest every six months thereafter. Then in November 2018, Canarc granted 1,000,000 stock options to an officer of which 500,000 stock options have an exercise price of CAD$0.05 and 500,000 stock options with an exercise price of CAD$0.06 and an expiry date of November 12, 2023, and which are subject to vesting provisions in which 20% of the options vest immediately on the grant date and 20% vest every six months thereafter.

Interest income is earned from Canarc's premium investment savings account which is interest bearing and its guaranteed investment certificate which matured in August 2018. Canarc's cash resources are expended on mineral exploration and operating activities, given Canarc does not have any sources of revenues or operating cash inflows, which can be expected to reduce interest bearing investments but have been offset by several rate hikes by the central bank since July 2017. As cash resources are expended, interest income can be expected to be commensurately lower.

Change in the fair value of marketable securities is attributable to disposition of marketable securities, the quoted market price changes in investments in shares, and impairment if any. Marketable securities are classified as financial assets at fair value through profit or loss with any resulting gains or losses in fair values being recognized in profit or loss. Canarc disposed of marketable securities in the second quarter of 2017 and realized gains thereto but had realized losses from dispositions in the third quarter of 2017. The net decreases in the market prices of marketable securities at the end of the third quarter further contributed to the recognition of losses in the fair values of held for trading

financial assets, which were slightly offset by gains in the fourth quarter of 2017. Canarc's shareholdings decreased in fair value in the first quarter of 2018, then increased in the second quarter, significantly decreased in the third quarter and again increasing in the fourth quarter as market prices of its financial instruments fluctuate to market conditions; there were no dispositions of marketable securities in 2018.

Flow through financing costs represent the tax effects for using the look back rule for Canarc's flow through private placement whereby the subscriber was eligible to write off flow through expenditures in 2017 whereas Canarc fully expended the flow through funds in 2018.

Interest expense was incurred and accrued for the remaining buyout amount of $425,000 which Canarc recognized as a deferred royalty liability upon the acquisition of AIM in March 2017 for the 3% NSR for the Fondaway Canyon project; the original buyout amount was $600,000. Advance royalty payments of $35,000 are due and payable by July 15th of each year until the buyout amount has been fully paid for the 3% NSR for the Fondaway Canyon project. Interest expense shall continue to be incurred until the buyout amount has been fully paid by the annual advance royalty payments at which time the 3% NSR would be bought out.

Foreign exchange gain or loss reflects the transactional impact from the foreign exchange fluctuations of the US$ relative to the CAD$ and the translation effects to Canarc's functional currency which is the CAD$; its reporting or presentation currency is the US$. Upon the acquisition of AIM in March 2017, foreign exchange was affected by the translation effects of the US$ for Canarc's wholly owned US subsidiaries.

On February 12, 2018, Canarc entered into a Forbearance Agreement with the debtor in which the loan principal totaling $220,000 shall be repaid in full in 2018, which loan had been written off in 2014. Legal fees, a portion of which is subject to a contingency fee, were netted against the loan principal.

Canarc received $12,000 from Brownstone in 2018 and recognized a recovery for the Silver King property. In the second quarter of 2017, the FG Gold property was written off.

The income tax recovery is the allocation of the premium in the flow through private placement which closed in April 2017 on a pro rata basis of exploration expenditures incurred during the period. Canarc mobilized its exploration and trenching program for the Windfall Hills project in September 2018 given delays from forest fire issues in the immediate area. Flow through exploration programs for the Princeton and Hard Cash were implemented in the fourth quarter in 2018, and for the FG Gold property in 2017.

As at December 31, 2018, the Company has mineral property interests which are comprised of the following:

	Canada						USA			
($000s)	British Columbia				Nunavut					
	New Polaris	Windfall Hills	FG Gold	Princeton	Hard Cash	Nigel	Fondaway Canyon	Corral Canyon	Other	Total
Acquisition Costs:										
Balance, December 31, 2016	$3,858	$349	$19	$-	$-	$-	$-	$-	$-	$4,226
Acquisition of subsidiary	-	-	-	-	-	-	2,183	-	-	2,183
Additions, net of recoveries	6	-	28	-	-	-	44	-	-	78
Foreign currency translation adjustment	11	25	1	-	-	-	(54)	-	-	(17)
Write off	-	-	(48)	-	-	-	-	-	-	(48)
Balance, December 31, 2017	3,875	374	-	-	-	-	2,173	-	-	6,422
Additions, net of recoveries	6	-	-	-	9	2	12	23	10	62
Foreign currency translation adjustment	7	(30)	-	-	-	-	(175)	-	-	(198)
Balance, December 31, 2018	$3,888	$344	$-	$-	$9	$2	$2,010	$23	$10	$6,286
Deferred Exploration Expenditures:										

Balance, December 31, 2016	$5,817	$447	$6	$-	$-	$-	$-	$-	$-	$6,270
Additions, net of recoveries	27	44	14	-	-	-	1,090	-	-	1,175
Foreign currency translation adjustment	587	31	1	-	-	-	-	-	-	619
Write off	-	-	(21)	-	-	-	-	-	-	(21)
Balance, December 31, 2017	6,431	522	-	-	-	-	1,090	-	-	8,043
Additions, net of recoveries	88	150	-	69	120	-	351	1	-	779
Foreign currency translation adjustment	(741)	(42)	-	-	-	-	(88)	-	-	(871)
Balance, December 31, 2018	$5,778	$630	$-	$69	$120	$-	$1,353	$1	$-	$7,951
Mineral property interests:										
Balance, December 31, 2017	$10,306	$896	$-	$-	$-	$-	$3,263	$-	$-	$14,465
Balance, December 31, 2018	9,666	974	-	69	129	2	3,363	24	10	14,237

Fiscal Year 2017 – Year ended December 31, 2017 compared with December 31, 2016

Canarc incurred a net loss of $2 million for the year ended December 31, 2017 as opposed to a net income of $6.8 million for fiscal 2016, with commensurately higher operating expenses in the current year. Net (loss) income was impacted by different functional expense items. The significant net income for the prior comparative year was primarily attributable to the Sale Transaction with Endeavour for the sale of 100% of its interest in its wholly owned subsidiary, Oro Silver, in consideration for 2,147,239 free-trading common shares of Endeavour which had a market price of CAD$3.99 on the closing date of May 27, 2016 and the increase in the fair values of those Endeavour shares during the year.

During the year ended December 31, 2016, Canarc realized a net income of $2 million from continuing operations and net earnings of $4.8 million from discontinued operations, which contributed to the net income of $6.8 million.

Canarc has no sources of operating revenues. Operating losses were incurred for ongoing activities of Canarc in acquiring and exploring its mineral property interests, seeking an appropriate joint venture partner to advance the New Polaris property, and pursuing mineral projects of merit.

Amortization is for the leasehold improvements and office furnishings and equipment for Canarc’s new office facilities which Canarc moved into in July 2017. In prior years, Canarc used shared office premises.

Corporate development expenses were lower in the current year than in the prior comparative year. In the first quarter of 2016, negligible efforts were expended on corporate development as the primary focus was the advancement of the El Compas project which was acquired in October 2015 and the due diligence of the project by Endeavour, leading to the eventual sale of the project in May 2016. In the remaining quarters of 2016, project generative efforts were re-initiated to identify projects of merit for acquisition purposes as precious metal prices continued their upward trends which weakened in the latter part of the third quarter but would assist with reduced valuations for acquisition purposes. These activities included the engagement of third party consultants to assist and to provide corporate advisory services to allow greater breadth in seeking projects and financing possibilities for larger scaling of projects given the significantly improved financial resources of Canarc from the sale of the El Compas project. Such efforts resulted in the property option agreement in August 2016 with Eureka for the FG gold project which has measured and indicated resources. Ongoing corporate development continued into the first quarter of fiscal 2017 which led to the acquisition of AIM which owns 10 gold properties in Nevada of which two properties (Fondaway Canyon and Dixie Comstock) contain historic gold resource estimates, and owns one gold property in Idaho, and has two royalty interests on other properties. A NI 43-101 technical report for resource estimate was completed for the Fondaway Canyon project in April 2017. During the remaining quarters of fiscal 2017, nominal efforts were sustained on corporate development as Canarc focused on detailed data review of the Fondaway Canyon project and development of a new structural model for gold mineralization to prepare for a Phase 1 exploration program which included ground magnetic survey, rock chip sampling and permitting, and on the 7 hole diamond drilling program which was mobilized and completed in the fourth quarter.

Remuneration for employees was higher in fiscal 2017 than in fiscal 2016. Employee remuneration directly related to mineral exploration projects was allocated to those specific projects rather than to operations, in which in the first quarter of 2016 Canarc was active in advancing the El Compas project resulting in a NI 43-101 technical report which provided resource estimates along with a preliminary economic assessment, in seeking financing to develop the mine and to refurbish the mill/plant, due diligence by Endeavour pursuant to the Sale Transaction, project generative activities including the FG Gold project, and the IP survey for the Windfall Hills project. In 2016, Canarc was able to support the positive preliminary economic assessment of the El Compas leading to its eventual sale to Endeavour, disposed of Endeavour shares for proceeds of $8.9 million, closed a private placement for net proceeds of $1.5 million, and closed an option agreement to earn up to a 100% interest in the FG Gold property which has a NI 43-101

resource estimate. These events in 2016 materially improved the working capital of Canarc along with the settlement of all outstanding debts and its portfolio of mineral exploration projects with NI 43-101 technical reports with resource estimates. Such accomplishments in 2016 resulted in the assessment and payment of bonuses to senior officers and directors for strategic guidance which were not determinable in 2016 as resolved by Canarc's Compensation Committee in 2017. This contributed to higher remunerations in the first quarter of 2017 than in 2016. In the remaining three quarters of 2017, employee remuneration was lower due to management allocations to the Fondaway Canyon project for the technical report for the resource estimate and for implementation of the Phase 1 drilling program for that project which was completed in December 2017. The slight increase in the fourth quarter relative to the second and third quarters of 2017 was the year end settlement for banked time and unused vacation time due to the added responsibilities by personnel in advancing Canarc's projects.

General and administrative expenses were higher in the current year in relation to the prior year. With the exception of legal fees, other segregated expense categories increased. Audit fees increased for 2017 and accruals for US tax compliance for Canarc's US subsidiaries were made for 2017 which were not applicable for 2016. Corporate legal services were reduced given the main focus was the technical report and the exploration program for the Fondaway Canyon project in the for most of 2017. Office and sundry and rent both increased due to the office move and Canarc having its own primary office facilities in July 2017. Regulatory expenses were higher in 2017 from Canarc's decision to seek shareholder approvals for the increase in the number of stock options grantable under its stock option plan and the change in its corporate articles. To gain wider market breadth of these shareholder resolutions, shareholder approvals were sought in both Canada and the US through dissemination of its shareholders meeting materials in the US. These actions contributed to higher regulatory expenses in the second quarter of 2017 which in effect resulted in shareholders approving all resolutions as proposed by Canarc.

Canarc initiated new shareholder communications and marketing programs in the first quarter of 2016 as Canarc advanced the El Compas project. These shareholder commitments had terms of up to 12 months and continued into the subsequent quarters of 2016. Canarc had completed a new resource estimate and preliminary economic assessment of the El Compas project, signed a lease agreement for the La Plata processing plant with the Zacatecas government, closed a private placement for CAD$2 million, and entered into an indicative term sheet with a resource fund for debt financing of up to $10 million as a gold prepaid facility in 2016. In the third quarter of 2016, Canarc retained a full time consultant to provide corporate development, growth strategy and market presence which ceased at the end of November 2016. Canarc was also active in its participation in various conferences to increase its marketing efforts and corporate profile as Canarc expanded its portfolio of projects with mineral resources and progressed its exploration programs. These shareholder relations initiatives would also supplement project generative activities of Canarc. In the first quarter of fiscal 2017, shareholder communications and marketing programs were initiated to specifically create market awareness of Canarc's acquisition of AIM along with its 10 gold properties in Nevada of which two properties (Fondaway Canyon and Dixie Comstock) contain historic gold resource estimates and one gold property in Idaho, and has two royalty interests on other properties. A NI 43-101 resource estimate was completed for Fondaway Canyon in May 2017. These activities subsided in the remaining quarters relative to the first quarter of 2017 given the stagnancy in the markets.

Share-based payments were significantly higher in the second quarter of 2017 relative to comparable quarters. In June 2017, stock options for 2.25 million common shares which were performance based were fully vested by Canarc's Board of Directors. Also in the same month, Canarc granted 3.1 million stock options to directors, officers and employees with an exercise price of CAD$0.10 and an expiry date of June 2, 2022, and which are subject to vesting provisions in which 25% of the options vest immediately on the grant date and 25% vest every six months thereafter. In September 2017, additional stock options for 500,000 common shares were granted to an employee, with an exercise price of CAD$0.09 and expiry date of September 13, 2017, and which are subject to vesting provisions in which 25% of the options vest immediately on the grant date and 25% vest every six months thereafter. Forfeitures in 2016 reduced share-based payments.

Interest income is earned from Canarc's premium investment savings account which is interest bearing and guaranteed investment certificates, and was higher in 2017 given the amount of funds held by Canarc throughout the entire year and higher interest rates on its interest bearing accounts. Canarc's cash was nominal at the beginning of the first quarter of 2016 for any interest bearing investments.

Change in the fair value of marketable securities is attributable to disposition of marketable securities and to the quoted market price changes in investments in shares. Marketable securities are classified as held for trading financial assets with any resulting gains or losses in fair values being recognized in profit or loss. Canarc disposed of marketable securities in the second quarter of 2017 and realized gains thereto but had realized losses from dispositions in the third quarter of 2017. The net decreases in the market prices of marketable securities at the end of the third

quarter further contributed to the recognition of losses in the fair values of held for trading financial assets, which were slightly offset by gains in the fourth quarter of 2017. Canarc received 2.1 million shares of Endeavour in the second quarter of 2016 pursuant to the Sale Transaction which shares increased in fair value during that quarter. Dispositions of Endeavour shares in the second and third quarters for 2016 resulted in the realization of significant gains as well as from increases in the market price of Endeavour shares which were still being held at quarter end in 2016.

Canarc negotiated a debt settlement with a creditor at a reduced cash payout amount resulting in the recognition of a gain of $105,000 in the second quarter of 2016 in which the debt was paid in July 2016.

Interest expense was incurred and accrued for the remaining buyout amount of $425,000 which Canarc recognized as a deferred royalty liability upon the acquisition of AIM in March 2017 for the 3% NSR for the Fondaway Canyon project; the original buyout amount was $600,000. Advance royalty payments of $35,000 are due and payable by July 15th of each year until the buyout amount has been fully paid for the 3% NSR for the Fondaway Canyon project. Interest expense shall continue to be incurred until the buyout amount has been fully paid by the annual advance royalty payments at which time the 3% NSR would be bought out.

Foreign exchange gain or loss reflects the transactional impact from the foreign exchange fluctuations of the US$ relative to the CAD$, as Canarc's functional currency is the CAD$ whereas its reporting or presentation currency is the US$. The first quarter of 2016 foreign exchange was affected by the translation effects of the Mexican pesos during which time Canarc had the El Compas project in Mexico prior to its sale to Endeavour in May 2016. Upon the acquisition of AIM in March 2017, foreign exchange was affected by the translation effects of the US$.

In 2016, Canarc received notice of a distribution of $10,000 from a bankruptcy estate which funds were received in 2017. This recovery relates to the promissory note receivable of $275,000 which was written off in 2014 due to uncertain collectability. On February 12, 2018, Canarc entered into a Forbearance Agreement with the debtor in which the loan principal totaling $220,000 shall be repaid in full in 2018.

In early July 2017, Canarc terminated the property option agreement with Eureka and wrote off the FG Gold project at June 30, 2017.

As at December 31, 2017, Canarc has mineral property interests which are comprised of the following:

	British Columbia (Canada)			USA	Mexico	
($000s)	New Polaris	Windfall Hills	FG Gold	Fondaway Canyon	El Compas	Total
Acquisition Costs:						
Balance, December 31, 2015	$3,851	$339	$-	$-	$1,126	$5,316
Additions	2	-	19	-	-	21
Disposition of subsidiary	-	-	-	-	(1,256)	(1,256)
Foreign currency translation adjustment	5	10	-	-	130	145
Balance, December 31, 2016	3,858	349	19	-	-	4,226
Acquisition of subsidiary	-	-	-	2,183	-	2,183
Additions, net of recoveries	6	-	28	44	-	78
Foreign currency translation adjustment	11	25	1	(54)	-	(17)
Write off	-	-	(48)	-	-	(48)
Balance, December 31, 2017	$3,875	$374	$-	$2,173	$-	$6,422
Deferred Exploration Expenditures:						
Balance, December 31, 2015	$5,556	$356	$-	$-	$183	$6,095

Additions, net of recoveries	12	80	6	-	393	491
Disposition of subsidiary	-	-	-	-	(576)	(576)
Foreign currency translation adjustment	249	11	-	-	-	260
Balance, December 31, 2016	5,817	447	6	-	-	6,270
Additions, net of recoveries	27	44	14	1,090	-	1,175
Foreign currency translation adjustment	587	31	1	-	-	619
Write off	-	-				