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

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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
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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

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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

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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

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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.

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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	-	-	(21)	-	-	(21)
Balance, December 31, 2017	$6,431	$522	$-	$1,090	$-	$8,043
Mineral property interests:						
Balance, December 31, 2016	$9,675	$796	$25	$-	$-	$10,496
Balance, December 31, 2017	10,306	896	-	3,263	-	14,465

Environmental Liabilities

The Company’s policy is to maintain all operations at North American standards, notwithstanding that certain of the countries within which it may operate may not yet have fully developed such standards in respect to environmental concerns. In accordance with government requirements in Canada, refundable deposits of CAD$250,000 have been placed with regulatory agencies in respect to the Company’s New Polaris gold property in British Columbia. There are no known environmental contingencies in respect to these or any of the other Company’s mineral property interests.

Critical Accounting Policies

For the Company's exploration activities, there is no product, sales or inventory in the conventional sense. The recoverability of costs capitalized to mineral property interests and the Company's future financial success are dependent upon the extent to which it can discover mineralization and the economic viability of advancing such mineral property interests beyond the exploration stage. Such activities may take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty. Many of the key factors are outside of the Company's control. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control such as the market value of the metals.

As the carrying value and amortization of mineral property interests and capital assets are, in part, related to the Company's mineral reserves, the estimation of such reserves is significant to the Company's position and results of operations. As of the date of this annual report, the Company has not established any reserves on its mineral property interests.

In accordance with an acceptable accounting policy under 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 and development expenditures, net of any recoveries. The costs related to a mineral property interest from which there is production, together with the costs of mining equipment, will be amortized using the unit-of-production method. When there is little prospect of further work on a mineral property interest being carried out by the Company or its partners or when a property interest is abandoned or when the capitalized costs are not considered to be economically recoverable, the related mineral property costs are written down to the amount recoverable. The amounts for mineral property interests as shown in the Company's consolidated financial statements represent costs incurred to date, less write-downs and any recoveries, and are not intended to reflect present or future values.

The Company accounts for share-based payments using a fair value-based method with respect to all stock-based payments to directors, officers, employees and non-employees. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to the reserve for share-based payments. Consideration received on the exercise of stock options is recorded as share capital and the related reserve for share-based payments is transferred to share capital. Upon expiry, the recorded fair value is transferred from reserve for share-based payments to deficit.

5.B Liquidity and Capital Resources

The Company is in the exploration stage and has not yet determined whether its mineral property interests contain reserves. The recoverability of amounts capitalized for mineral property interests is entirely dependent upon the existence of reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production. The Company knows of no trends, demands, commitments, events or uncertainties that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future. Material increases or decreases in the Company's liquidity are substantially determined by the success or failure of the Company's exploration programs and overall market conditions for smaller mineral exploration companies. Since its incorporation in 1987, the Company has endeavoured to secure mineral property interests that in due course could be brought into production to provide the Company with cash flow which would be used to undertake work programs on other projects. To that end, the Company has expended its funds on mineral property interests that it believes have the potential to achieve cash flow within a reasonable time frame. As a result, the Company has incurred losses during each of its fiscal years since incorporation. This result is typical of smaller

exploration companies and will continue unless positive cash flow is achieved.

The following table contains selected financial information of Canarc's liquidity:

	December 31,	
($000s)	2018	2017
Cash	$2,329	$4,304
Working capital	2,897	4,944

Canarc has no sources of operating revenues, and ongoing operating expenses continue to reduce its cash resources and working capital. Operating losses continued to be incurred for ongoing activities of Canarc in seeking an appropriate joint venture partner for the New Polaris property and reviewing various processes for treating concentrates to produce gold doré bars, in exploring the Windfall Hills, Hard Cash, Princeton and AIM properties and staking additional property claims and in pursuing new projects of merit.

Based on Canarc's available cash and working capital, Canarc anticipates it will be able to continue its current plan of operations and exploration programs for at least the next 12 months without having to seek additional financing or cut-back on planned operations. Additional financing will be sought through private and public equity financings or debt financings if available to Canarc at acceptable terms in the interests of the shareholders and Canarc.

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

The Sale Transaction with Endeavour 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. During 2016, Canarc realized proceeds of CAD$11.6 million from the disposition of common shares of Endeavour. Canarc did not dispose of any Endeavour shares in 2017 and 2018.

In September 2016, Canarc issued 250,000 common shares at a value of CAD$0.10 per share to Eureka for the FG gold property, and invested CAD$105,000 for 750,000 units of Eureka comprised of 750,000 common shares and 375,000 warrants.

During 2016, warrants for 1.31 million shares were exercised for proceeds of CAD$104,700 which included finder fee warrants for 58,333 shares with a fair value of US$2,000. In 2016, stock options for 1 million shares were exercised for proceeds of CAD$80,000 with fair values of US$54,300.

In 2016, Canarc entered into a debt settlement with a creditor whereby a debt of $138,000 was settled with a cash payment of $33,000, resulting in a gain on debt settlement of $105,000.

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 March 2017, stock options for 500,000 common shares were cancelled for the exercise of share appreciation rights for 272,727 common shares. In May 2017, stock options for 132,500 common shares were cancelled for the exercise of share appreciation rights for 29,166 common shares.

In April 2017, Canarc closed a private placement for 3.8 million flow through common shares at a price of CAD$0.13 per share for gross proceeds of CAD$500,000. Finders fees include 6.5% cash and 6.5% finders fee warrants; each finder fee warrant is exercisable to acquire one non-flow through common share at an exercise price of CAD$0.15 and has an expiry date of April 21, 2019. Item 5.B provides further details.

In March 2017, Canarc paid $2 million to acquire AIM for 100% legal and beneficial interests in mineral exploration properties located in Nevada, Idaho and Utah (USA).

At Canarc's annual and special general meeting in June 2, 2017, resolutions were passed for the amendment to its stock option plan to provide for the issuance of options exercisable to acquire up to 44,261,695 common shares.

On June 2, 2017, Canarc provided for the full vesting of 2.25 million performance based stock options which were granted in July 2016 and which have an exercise price of CAD$0.08 and an expiry date of July 7, 2021. On June 2, 2017, 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. On September 13, 2017, Canarc granted 500,000 million stock options to an employee, who later become an officer of Canarc, with an exercise price of CAD$0.09 and an 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.

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.

In fiscal 2017, Canarc realized proceeds of CAD$135,100 from the disposition of marketable securities and invested CAD$220,000 in strategic investments plus additional strategic investments of CAD$375,000 in January 2018 of which CAD$200,000 was rescinded and returned to Canarc.

On February 12, 2018, Canarc entered into a Forbearance Agreement with the 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)
	($000s)
February 14, 2018 (received)	$25
June 30, 2018 (received)	25
September 30, 2018 (received)	85
December 31, 2018 (received in January 2019)	85
	$220

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

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 is 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 was 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; the shares were cancelled in 2018.

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.

In December 2018, Canarc issued 100,000 common shares at a value of CAD$0.05 per share to Silver Range for the Hard Cash and Nigel properties

In fiscal 2018, Canarc granted the following stock options:

- 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; and
- 1 million stock options to a senior officer, of which 500,000 options have an exercise price of CAD$0.05 and 500,000 options have an exercise price of CAD$0.06 and an expiry date of November 12, 2023, and which are subject to vesting provisions whereby 20% of the options vest immediately on the grant date and 20% vest every six months thereafter.

As at December 31, 2018, Canarc's marketable securities have a fair value of $719,000.

In the first quarter of 2019, Canarc granted the following stock options:

- 700,000 stock options to consultants with an exercise price of $0.07 per share and an expiry date of February 22, 2024 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; and
- 300,000 stock options to a director with an exercise price of CAD$0.08 and an expiry date of March 21, 2024, 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.

At December 31, 2018, to maintain its interest and/or to fully exercise the options under various property agreements covering its property interests, Canarc must incur exploration expenditures on the properties and/or make payments in the form of cash and/or shares to the optionors as follows:

	Cash Payments (CADS$000)	Exploration Expenditures (CADS$000)	Cash Payments (US$000)	Annual Payments (US$000)	Number of Shares
New Polaris:					
Net profit interest reduction or buydown	$-	$-	$-	$-	150,000
Fondaway Canyon:					
Advance royalty payment for buyout of 3% net smelter return (1)	-	-	-	35	-
Buyout provision for net smelter return of 2% (2)	-	-	2,000	-	-

Windfall Hills:					
Buyout provision for net smelter return of 1.5%	1,000	-	-	-	-
Reduction of net smelter return of 2% to 1%	-	-	500	-	-
Princeton:					
On or before:					
January 31, 2019 (expended)	-	1	-	-	-
December 31, 2019	-	340	-	-	-
December 31, 2020	-	460	-	-	-
Buyout provision for net smelter return of 1%	1,000	-	-	-	-
Reduction of net smelter return of 2% to 1%	1,000	-	-	-	-
Hard Cash and Nigel:					
On or before:					
November 23, 2019	20	-	-	-	200,000
November 23, 2020	30	-	-	-	300,000
November 23, 2021	40	-	-	-	400,000
November 23, 2022	50	-	-	-	500,000
Reduction of net smelter return of 2% to 1%	1,000	-	-	-	-
Other:					
Success fee	-	-	10	-	-
	$4,140	$801	$2,510	$35	1,550,000

(1)
Advance royalty payments of $355,000 remain payable as at December 31, 2018 with annual payments of $35,000. Items 4.A and 4.D provide further details.

(2)
The 2% NSR has a buyout provision of either $2 million in cash or 19.99% interest of a public entity which owns AIM if AIM were to close an initial public offering of at least $5 million. Items 4.A and 4.D provide further details.

These amounts may be reduced in the future as Canarc determines which properties to continue to explore and which to abandon.

Canarc has entered into a number of option agreements for mineral property interests that involve payments in the form of cash and/or shares of Canarc as well as minimum exploration expenditure requirements. Under Item 5.F, further details of contractual obligations are provided as at December 31, 2018.

Canarc's ability to continue as a going concern is dependent on the ability of Canarc to raise debt or equity financings, and the attainment of profitable operations. Management would need to raise the necessary capital to meet its planned business objectives.

Canarc will continue to rely upon debt and equity financings as its principal source of financing its projects and its ongoing working capital needs.

5.C Research and Development, Patents and Licenses, etc.

The Company does not currently carry out research and development activities.

Items 4.A, 4.D, 5.A and 5.F provide details of the Company's mineral property interests, exploration activities, acquisitions and write-downs.

5.D Trend Information

The Company knows of no trends, demand, commitments, events or uncertainties that are reasonably likely to have a material effect on the Company's net sales or revenues, income from continuing operations, profitability, liquidity or capital resources or that would cause financial information not necessarily to be indicative of future operating results or financial condition, other than disclosed or inferred in this Form 20-F.

The Company currently has no active business operations that would be affected by recent trends in productions, sales, etc. The Company has no material net sales or revenues that would be affected by recent trends other than the general effect of mineral prices on its ability to raise capital and those other general economic items as set out in Item 3.D.

5.E Off-Balance Sheet Arrangements

There are no known significant or material off-balance sheet arrangements other than those disclosed in this Form 20-F and in the Company's audited consolidated financial statements for the years ended December 31, 2018, 2017 and 2016.

Share Appreciation Rights

At the discretion of the Board, certain stock option grants provide the stock option holder the right to receive the number of common shares, valued at the quoted market price at the time of exercise of the stock options, that represent the share appreciation since granting the stock options.

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5.F Tabular Disclosure of Contractual Obligations

As the Company performs exploration on its mineral property interests, it decides which ones to proceed with and which ones to abandon. Accordingly, the minimum expenditure commitments are reduced as the Company narrows its interests. To fully exercise the options under various agreements for the acquisition of interests in properties located in Canada and the USA, the Company must make payments to the optionors as follows as at December 31, 2018:

	Payments due by Period (CAD$000)					Payments due by Period (US$000)				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Basic office lease	$169	$46	$123	$-	$-	$-	$-	$-	$-	$-
Advance royalty payments (1)	-	-	-	-	-	355	35	105	105	110
Total	$169	$46	$123	$-	$-	$355	$35	$105	$105	$110

(1)
Advance royalty payments of $355,000 remain payable as at December 31, 2018 with annual payments of $35,000. Items 4.A and 4.D provide further details.

In February 2017, the Company entered into an office lease arrangement for a term of five years with a commencement date of August 1, 2017. The basic rent per year is CAD$46,000 for years 1 to 3 and CAD$48,000 for years 4 to 5. As at December 31, 2018, the Company is committed to the following payments for base rent at its corporate head office in Vancouver, BC, as follows:

Year:	Amount (CAD$000)

2019	$46
2020	47
2021	48
2022	28
	$169

5.G Safe Harbor

This document may contain forward-looking statements. See “Caution – Forward-Looking Statements” at the beginning of this annual report. The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this statement for the express purpose of availing itself of the protections of the safe harbor with respect to all forward-looking statements. Several important factors, in addition to the specific factors discussed in connection with such forward-looking statements individually, could affect the future results of the Company and could cause those results to differ materially from those expressed in the forward-looking statements contained herein.

The Company’s estimated or anticipated future results or other non-historical facts are forward-looking and reflect the Company’s current perspective of existing trends and information. These statements involve risks and uncertainties that cannot be predicted or quantified, and consequently actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others:

risks related to our exploration and development activities;

risks related to the ongoing financing of our planned operations;

risks related estimates of mineral deposits;

risks related to fluctuations in mineral prices;

risks related to the title of our properties;

risks related to the highly competitive 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 the Company’s possible status as a passive foreign investment company;

risks related to the volatility of the Company’s common stock; and

risks related to the possible dilution of the Company’s common stock,

as well as other risks and uncertainties detailed in this annual report and from time to time in the Company’s other SEC filings.

Therefore, the Company cautions each reader of this document to consider carefully these factors as well as the specific factors that may be discussed with each forward-looking statement in this document or disclosed in the Company's filings with the SEC as such factors, in some cases, could affect the ability of the Company to implement its business strategy and may cause actual results to differ materially from those contemplated by the statements expressed therein. Forward-looking statements are subject to a variety of risks and uncertainties including, but not limited to, the risks referred under the section "Risk Factors" under Item 3.D above.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A Directors and Senior Management

In accordance with the provisions of the Business Corporations Act (British Columbia) the overall control of the business and affairs of the Company is vested in its board of directors. The board of directors of the Company currently consists of five members elected by the shareholders of the Company at each annual meeting of shareholders of the Company.

The directors and senior management of Canarc as of April 23, 2019 are:

Name and Province/State and Country of Residence	Principal Occupation and Occupation during the Past 5 Years (1)	Current Position with the Company and Period of Service
COOKE, Bradford (5), (6) British Columbia, Canada	Chairman and Director of Canarc Resource Corp. (since January 22, 1987); Chief Executive Officer (from January 22, 1987 to January 13, 2014 and from June 29, 2018 to October 17, 2018); Chief Executive Officer and Director of Endeavour Silver Corp. (since July 25, 2002).	Chairman and Director of Canarc Resource Corp. (since January 22, 1987)
MALHOTRA, Deepak (2), (3), (5) Colorada, USA	President of Pro Solv Consulting, LLC (since July 2018); President of Resource Development Inc. (from June 1993 to July 2018).	Director (since June 29, 2015)
BURIAN, Martin (2), (4), (6) British Columbia, Canada	Managing Director of RCI Capital Group (since January 2018); Chief Financial Officer (part time) of Heffel Fine Art Auction House (since April 2016); Chief Financial Officer of ML Gold Ltd. (formerly, Cap-Ex Iron Ore Ltd.) (from July 2013 to May 2017); Director and Chief Financial Officer of Tinkerine Studio Ltd. (from February 2014 to February 2016); Managing Director of Investment Banking for Haywood Securities Inc. (from November 2010 to May 2013)	Director (since November 1, 2013)
HOFFMANN, Kai (2), (3), (4) Director British Columbia, Canada	CEO of NorthStar Communications Canada Corp. (since August 2018); CEO of Soar Financial Canada Corp. (Oreninc) (since August 2016); Managing Director of TK News Services UG (haftungsbeschraenkt) (since July 2012);	Director (since June 29, 2018)

	Managing Director of NorthStar Communications GmbH (since February 2011)	
ELDRIDGE, Scott British Columbia, Canada	Director of Canarc Resource Corp. (since June 29, 2018); Director (since June 26, 2017) and CEO of Arctic Star Exploration Corp. (from June 26, 2017 to Oct. 23, 2018); CFO of Amarillo Gold Corporation (from October 8, 2014 to November 4, 2017); President and CEO of Euroscandic International Group (from October 2008 to October 2017)	Chief Executive Officer (since October 17, 2018)
BILES, Garry British Columbia, Canada	Vice-President, Mining, of Canarc Resource Corp. (from March 1, 2007 to May 31, 2008)	President and Chief Operating Officer (since June 1, 2008)
MARGOLIS, Jacob Nevada, USA	Exploration Manager for Canarc Resource Corp. (from May 2017 to December 2017); Consulting geologist (from July 2014 to May 2017); Exploration Manager for Redstar Gold Corp. (from March 2014 to July 2014)	Vice-President (Exploration) (since January 2018)
YEE, Philip British Columbia, Canada	Chief Financial Officer and Vice-President (Finance) of Aztec Minerals Corp. (since July 2016); Chief Financial Officer, Vice-President (Finance) and Director of Caza Gold Corp. (from November 2007 to February 2017)	Chief Financial Officer and Vice-President (Finance) (since June 2005); Secretary (since December 2015)

(1)
Unless otherwise stated above, each of the above-named persons has held the principal occupation or employment indicated for at least five years.
(2)
Members of the Audit Committee.
(3)
Members of the Compensation Committee.
(4)
Members of the Nomination Committee.
(5)
Members of the Technical Committee.
(6)
Members of the Investment Committee.

No director or officer has any family relationship with any other director or officer. The term of office of each of the directors will continue until the next annual general meeting, or until his successor is duly elected, unless his office is vacated in accordance with the articles of the Company. Officers hold office at the pleasure of the directors.

To the best of the Company’s knowledge, there are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any of the Company’s officers or directors was selected as an officer or director of the Company, other than as disclosed in this Form 20-F.

6.B Compensation

Statement of Executive Compensation

The Company is required, under applicable securities legislation in Canada, to disclose to its shareholders details of compensation paid to its directors and officers. The following fairly reflects all material information regarding compensation paid to the Company's directors and officers that has been disclosed to the Company’s shareholders under applicable Canadian law.

During the fiscal period ended December 31, 2018, the aggregate compensation incurred by the Company to all individuals who were directors and officers, at the time of their remuneration, in all capacities as a group was CAD$1.1 million of which CAD$238,000 was for bonus.

The table below discloses information with respect to executive compensation paid by the Company to its directors and officers for the fiscal year ended December 31, 2018. The following table sets forth, for the periods indicated, the compensation of the directors and officers.

SUMMARY OF COMPENSATION
PAID TO DIRECTORS AND OFFICERS
(in terms of Canadian dollars)

Name and principal position	Year	Salary (1) ($)	Share-based awards ($)	Option-based awards (2) ($)	Non-equity incentive plan compensation (3) ($)		Pension value (5) ($)	All other compensation (6) ($)	Total compensation (7) ($)
					Annual incentive plans (3)	Long-term incentive plans (4)			
Bradford J. Cooke (8)	2018	Nil	Nil	$24,699	Nil	Nil	Nil	$10,000	$34,699
Director, Chairman and former Chief Executive Officer	2017	Nil	Nil	$43,421	Nil	Nil	Nil	$85,000	$128,421
	2016	Nil	Nil	$13,750	Nil	Nil	Nil	Nil	$13,750
Martin Burian	2018	Nil	Nil	$16,446	Nil	Nil	Nil	$4,000	$20,446
Director	2017	Nil	Nil	$26,052	Nil	Nil	Nil	$15,000	$41,052
	2016	Nil	Nil	$2,375	Nil	Nil	Nil	$4,500	$6,875
Deepak Malhotra	2018	Nil	Nil	$16,446	Nil	Nil	Nil	$4,000	$20,446
Director	2017	Nil	Nil	$26,052	Nil	Nil	Nil	$14,500	$40,552
	2016	Nil	Nil	$2,375	Nil	Nil	Nil	$3,500	$5,875
Kai Hoffmann (9)	2018	Nil	Nil	$16,446	Nil	Nil	Nil	$2,000	$18,446
Director	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Scott Eldridge (10)	2018	$43,738	Nil	$45,306	Nil	Nil	Nil	$2,000	$91,044
Director and Chief Executive Officer	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Leonard Harris (11)	2018	Nil	Nil	N/A	Nil	Nil	Nil	$2,000	$2,000
Former Director	2017	Nil	Nil	$26,052	Nil	Nil	Nil	$13,000	$39,052
	2016	Nil	Nil	$5,375	Nil	Nil	Nil	$3,000	$8,375
Catalin Kilofliski (12)	2018	$117,517	Nil	N/A	$237,981	Nil	Nil	Nil	$355,498
Former Chief Executive Officer	2017	$257,513	Nil	$60,789	$175,000	Nil	Nil	Nil	$493,302
	2016	$246,067	Nil	$12,000	Nil	Nil	Nil	Nil	$258,067
Garry D. Biles	2018	$206,923	Nil	$20,558	Nil	Nil	Nil	Nil	$227,481
President and COO	2017	$208,461	Nil	$52,105	$125,000	Nil	Nil	Nil	$385,566
	2016	$210,000	Nil	$14,750	$30,000	Nil	Nil	Nil	$254,750

Jacob Margolis (13)	2018	$149,819	Nil	$8,223	Nil	Nil	Nil	Nil	$158,042
Vice-President, Exploration	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Philip Yee Chief Financial Officer and Vice-President, Finance and Secretary	2018	$117,097	Nil	$12,335	Nil	Nil	Nil	Nil	$129,432
	2017	$118,929	Nil	$30,394	$50,000	Nil	Nil	Nil	$199,323
	2016	$108,378	Nil	$6,375	$15,000	Nil	Nil	Nil	$129,753

Notes:

(1)
Includes the dollar value of cash and non-cash base salary earned during a financial year covered.
(2)
The amount represents the fair value, on the date of grant and on each vesting date, as applicable, of awards made under Canarc's Stock Option Plan. The grant date fair value has been calculated using the Black Scholes Option Pricing Model in accordance with IFRS.
(3)
These amounts include annual non-equity incentive plan compensation, such as severance, bonuses and discretionary amounts for the years ended December 31.
(4)
N/A.
(5)
N/A.
(6)
These amounts cover all compensation other than amounts already set out in the table for the years ended December 31 and include directors fees, as applicable, or other stipends related to Board committee fees, if any.

(7)
These amounts include dollar value of total compensation for the covered year. This is the sum of all amounts reported in columns with footnotes 1 to 6 above for each director and officer.
(8)
Mr. Bradford Cooke resigned as Chief Executive Officer effective January 13, 2014 and acted an Interim Chief Executive Officer from June 29, 2018 to October 17, 2018, and continues to be Chairman and Director.
(9)
Mr. Kai Hoffmann was nominated to the Board of Directors effective June 29, 2018.
(10)
Mr. Scott Eldridge was nominated to the Board of Directors effective June 29, 2018 and was appointed Chief Executive Office effective October 17, 2018.
(11)
Mr. Leonard Harris retired from the Board of Directors on June 28, 2018.
(12)
Mr. Catalin Kilofliski ceased to be Chief Executive Officer effective June 28, 2018.
(13)
Dr. Jacob Margolis was appointed Vice-President (Exploration) effective January 5, 2018.

Item 10.C provides further details of employment contracts and agreements with current and former senior officers of the Company.

The following table sets forth information concerning outstanding stock options under the Company's Stock Option Plan as at December 31, 2018 to each director and officer of the Company. No SARs were outstanding.

Options and Stock Appreciation Rights ("SARs")

The following table discloses incentive stock options which were granted to directors and officers during the fiscal year ended December 31, 2018:

SUMMARY OF STOCK OPTIONS
GRANTED TO DIRECTORS AND OFFICERS
From January 1, 2018 to December 31, 2018

Name and Principal Position	Date of Grant	Title of Underlying Security	Number of Underlying Security	Exercise Price per Share (CAD$)	Expiry Date
Bradford J. Cooke Chairman and Director	June 29, 2018 (1)	Common shares	600,000	$0.08	June 29, 2023
Martin Burian Director	June 29, 2018 (1)	Common shares	400,000	$0.08	June 29, 2023
Deepak Malhotra Director	June 29, 2018 (1)	Common shares	400,000	$0.08	June 29, 2023
Kai Hoffmann Director	June 29, 2018 (1)	Common shares	400,000	$0.08	June 29, 2023
Scott Eldridge Director and Chief Executive Officer	June 29, 2018 (1)	Common shares	400,000	$0.08	June 29, 2023
	November 12, 2018 (1)	Common shares	500,000	$0.05	November 12, 2023
		Common shares	500,000	$0.06	

	November 12, 2018 (1)				November 12, 2023
Garry Biles President and Chief Operating Officer	June 29, 2018 (1)	Common shares	500,000	$0.08	June 29, 2023
Jacob Margolis Vice-President (Exploration)	June 29, 2018 (1)	Common shares	200,000	$0.08	June 29, 2023
Philip Yee Chief Financial Officer and Vice-President (Finance) and Secretary	June 29, 2018 (1)	Common shares	300,000	$0.08	June 29, 2023

(1)
These stock options are subject to vesting provisions in which 20% of the options vest immediately on the grant date and 20% vest every six months thereafter.

At the discretion of the directors, certain option grants provide the holder with the right to receive the number of common shares, valued at the quoted market price at the time of exercise of the stock options, that represent the share appreciation since granting the stock options.

Pension Plan

The Company does not have any pension plan arrangements in place.

Report on Executive Compensation

The Company's executive compensation program is administered by the Compensation Committee on behalf the board of directors (the "Board").

Compensation of Directors

Mr. Bradford J. Cooke, the former Chief Executive Officer and a Director of Canarc, previously received compensation as consideration for his duties as an operating officer of Canarc; Mr. Cooke resigned as Chief Executive Officer on January 13, 2014 and was again Chief Executive Officer (Interim) from June 29, 2018 to October 17, 2018 but remains Chairman and a Director. At a Compensation Committee meeting held on March 14, 2017, Mr. Cooke received a bonus of CAD$75,000 in his capacity as Chairman in providing strategic guidance and assisting with mergers and acquisitions.

At Compensation Committee meetings held annually, it was resolved that fees for members of the Audit, Compensation and Nomination Committees will be CAD$1,000 per quarter per Committee Chairman and CAD$500 per quarter per Committee Member, and are to be paid each quarter. At a Compensation Committee meeting held on March 14, 2017, all Directors received a one-time bonus of CAD$10,000 for the financial turn-around of Canarc which significantly improved in its financial resources and working capital. In March 2018, the Compensation Committee approved quarterly stipends to Board members in which the Chairman shall receive CAD$2,500 per quarter and each Director shall receive CAD$1,000 per quarter, excluding a director who is an executive officer. In March 2019, the Compensation Committee re-approved Board and Committee fees for 2019.

During the year ended December 31, 2018, Canarc granted 2.2 million stock options to directors 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. Performance based stock options for 750,000 common shares which were granted in 2016 to a director fully vested in 2017.

Executive Compensation Program

The Company's executive compensation program is based on a pay for performance philosophy. The executive compensation program is designed to encourage, compensate and reward employees on the basis of individual and corporate performance, both in the short and the long term. Base salaries are set at levels which are competitive with the base salaries paid by companies within the mining industry having comparable capitalization to that of the Company, thereby enabling the Company to compete for and retain executives critical to the Company's long term success. Incentive compensation is directly tied to corporate and individual performance. Share ownership opportunities are provided to align the interests of executive officers with the longer term interests of shareholders.

Compensation for directors and officers, as well as for executive officers as a whole, consists of a base salary, along with annual incentive compensation in the form of an annual bonus, and a longer term incentive in the form of stock options. As an executive officer's level of responsibility increases, a greater percentage of total compensation is based

on performance (as opposed to base salary and standard employee benefits) and the mix of total compensation shifts towards stock options, thereby increasing the mutuality of interest between executive officers and shareholders.

No funds were set aside or accrued by the Company or its subsidiaries during the year ended December 31, 2018 to provide pension, retirement or similar benefits for directors or officers of the Company pursuant to any existing plan provided or contributed to by the Company or its subsidiaries under applicable Canadian laws.

Base Salary

The Board approves ranges for base salaries for executive employees of the Company based on reviews of market data from peer groups and industry in general. The level of base salary for each employee within a specified range is determined by the level of past performance, as well as by the level of responsibility and the importance of the position to the Company.

The Company's Chief Executive Officer prepares recommendations for the Compensation Committee which are then presented to the Board with respect to the base salary to be paid to the CEO and other senior executive officers. The CEO's recommendations for base salaries for the senior executive officers, including the Chief Executive Officer, President and Chief Operating Officer, and the Chief Financial Officer, are then submitted for approval by the Board from the Compensation Committee.

Bonus

The Board annually evaluates performance and allocates an amount for payment of bonuses to executive officers and senior management. The aggregate amount for bonuses to be paid will vary with the degree to which targeted corporate performance was achieved for the year. The individual performance factor allows the Company effectively to recognize and reward those individuals whose efforts have assisted the Company to attain its corporate performance objective.

The CEO prepares recommendations for the Compensation Committee which in turn makes a recommendation to the Board with respect to the bonuses to be paid to the executive officers and to senior management.

In fiscal 2016, Canarc paid CAD$45,000 in bonuses to two other senior officers. In 2017, Canarc paid CAD$350,000 to executive officers as Canarc made significant corporate advancement in 2016 including substantial gains and significantly improved its financial resources and working capital.

Stock Options

A Stock Option Plan is administered by the Board. The Stock Option Plan is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term, to enable the Company to attract and retain individuals with experience and ability, and to reward individuals for current performance and expected future performance. The Board considers stock option grants when reviewing executive officer compensation packages as a whole.

During the year ended December 31, 2018, Canarc granted 2 million stock options to senior officers as follows:

- 1 million stock options with an exercise price of CAD$0.08 and an expiry date of June 29, 2023;
- 500,000 stock options with an exercise price of CAD$0.05 and an expiry date of November 12, 2023; and
- 500,000 stock options with an exercise price of CAD$0.06 and an expiry date of November 12, 2023.

These stock options are subject to vesting provisions in which 20% of the options vest immediately on the grant date and 20% vest every six months thereafter.

Performance based stock options for 1.5 million common shares which were granted in 2016 to senior officers fully vested in 2017.

Other Compensation

Mr. Bradford Cooke received a bonus of CAD$75,000 in 2017 in his capacity as Chairman in providing strategic guidance and assisting with mergers and acquisitions. In 2017 each Director received a one-time bonus of CAD$10,000 for the financial turn-around of Canarc which significantly improved in its financial resources and working capital.

Directors' and Officers' Liability Insurance

On October 17, 2015, Canarc renewed its annual directors and officers liability insurance coverage of CAD$5 million for a net premium of CAD$15,000. On October 17, 2016, Canarc increased its directors and officers liability insurance coverage to CAD$10 million for an annual premium of CAD$20,000 which in turn was renewed for the same coverage for an annual premium of CAD$19,200 in 2017. The directors and officers liability insurance was again renewed for a coverage of CAD$10 million for a premium of CAD$20,000.

6.C Board Practices

Statement of Corporate Governance Practices

The Company is required to report annually to its shareholders on its corporate governance practices and policies with reference to National Policy 58-201, Corporate Governance Guidelines (the “Policy”) and National Instrument 58-101, Disclosure of Corporate Governance Practices, as adopted by the Canadian Securities Administrators, and effective June 30, 2005.

The Board of Directors

The Board currently consists of five directors, of which three directors (Messrs. Martin Burian, Deepak Malhotra and Kai Hoffmann) are currently “independent” in the context of the Policy. Mr. Bradford J. Cooke is not an independent director because he was the Chief Executive Officer of Canarc until his resignation on January 13, 2014 and was again Chief Executive Officer (Interim) from June 29, 2018 to October 17, 2018 but remains its Chairman and a Director. Mr. Scott Eldridge is not an independent director because he has been Chief Executive Officer of Canarc since October 17, 2018.

Directors are elected at the Company’s annual general meeting and are re-elected for the ensuing year.

The number of years which each director has served is as follows:

Director	Period of Service (Number of Years)
Bradford Cooke	32
Martin Burian	6
Deepak Malhotra	4
Kai Hoffmann	1
Scott Eldridge	1

Certain directors of the Company are presently directors of other issuers that are reporting issuers (or the equivalent) in any jurisdiction including foreign jurisdictions, as follows:

Director	Other Reporting Issuers
Bradford Cooke	Endeavour Silver Corp.
	Aztec Minerals Corp.
	Radius Gold Inc.
Martin Burian	Ynvisible Interactive Inc.
	Canvass Ventures Ltd.
	Assure Holdings Corp.
	Elysee Development Corp.
	RBI Ventures Ltd.
Deepak Malhotra	Blackrock Gold Corp.
	Cardero Resource Corp.
Scott Eldridge	Arctic Star Exploration Corp.

Canarc Resource Corp.

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The independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. However, during the course of a directors' meeting, if a matter is more effectively dealt with without the presence of members of management, the independent directors request members of management to leave the meeting, and the independent directors then meet.

Bradford J. Cooke is the Chairman of the Board of Directors of Canarc. Martin Burian, as an independent director, was appointed the Lead Director of the Board, with the mandate to ensure that the Board's Agenda will enable it to successfully carry out its duties and to do so without interference from the Chairman of the Board that could result from potential conflicts from his status as a non-independent Board member given that Mr. Cooke as Chairman was the Chief Executive Officer until his resignation on January 13, 2014 and was again Chief Executive Officer (Interim) from June 29, 2018 to October 17, 2018.

Since January 1, 2007, the Company has held board meetings at least quarterly and at which the majority, if not all, Board members have attended, either in person or by telephone conference call, during the time in which they were directors of the Company.

Board Mandate

The Board of Directors is responsible for supervising management in carrying on the business and affairs of the Company. Directors are required to act and exercise their powers with reasonable prudence in the best interests of the Company. The Board agrees with and confirms its responsibility for overseeing management's performance in the following particular areas:

the strategic planning process of the Company;

identification and management of the principal risks associated with the business of the Company;

planning for succession of management;

the Company's policies regarding communications with its shareholders and others; and

the integrity of the internal controls and management information systems of the Company.

In carrying out its mandate, the Board relies primarily on management to provide it with regular detailed reports on the operations of the Company and its financial position. The Board reviews and assesses these reports and other information provided to it at meetings of the Board and/or of its committees. The CEO reports directly to the Board, giving the Board direct access to information in his areas of responsibility. Other management personnel regularly attend Board meetings to provide information and answer questions. Directors also consult from time to time with management and have, on occasion, visited the properties of the Company. The reports and information provided to the Board include details concerning the monitoring and management of the risks associated with the Company's activities, such as compliance with safety standards and legal requirements, environmental issues and the financial position and liquidity of the Company. At least annually, the Board reviews management's report on its business and strategic plan and any changes with respect to risk management and succession planning.

Position Descriptions

The Board of Directors has not yet developed written position descriptions for the Chairman, the chairman of any Board committees, the CEO, the President or the CFO. The Board is of the view that given the size of the Company, the relatively frequent discussions between Board members, the CEO, the President and the CFO and the experience of the individual members of the Board, the responsibilities of such individuals are known and understood without position descriptions being reduced to writing. The Board will evaluate this position from time to time, and if written position descriptions appear to be justified, they will be prepared.

Orientation and Continuing Education

The Board does not have a formal policy relating to the orientation of new directors and continuing education for directors. The appointment of a new director is a relatively infrequent event in the Company's affairs, and each situation is addressed on its merits on a case-by-case basis. The Company has a relatively restricted scope of operations, and most candidates for Board positions will likely have past experience in the mining business; they will likely be familiar therefore with the operations of a resource company of the size and complexity of the Company. The Board, with the assistance of counsel, keeps itself apprised of changes in the duties and responsibilities of directors and deals with material changes of those duties and responsibilities as and when the circumstances warrant. The Board will evaluate these positions, and if changes appear to be justified, formal policies will be developed and followed.

Ethical Business Conduct

The Company has adopted a whistle blower policy, which is set out in its Charter of the Audit Committee which is available for viewing on SEDAR as a schedule to the Company's Annual Information Form dated March 27, 2019.

Nomination of Directors

The Board has neither a formal policy for identifying new candidates for Board nomination. If and when the Board determines that its size should be increased or if a director needs to be replaced, the nomination committee meeting shall be convened. The terms of reference of such a committee will be determined, but are expected to include the determination of the independence of the candidate, his or her experience in the mining business and compatibility with the other directors.

Compensation

Taking into account the Company's present status as an exploration-stage enterprise, the Board of Directors reviews the adequacy and form of compensation provided to Directors on a periodic basis to ensure that the compensation is commensurate with the responsibilities and risks undertaken by an effective director.

At Canarc's annual Compensation Committee, it was resolved that fees for Board Committees will be CAD$1,000 per quarter per Committee Chairman and CAD$500 per quarter per Committee Member, and are to be paid each quarter. In 2018 and 2019, the Compensation Committee approved stipends for Board members whereby the Chairman will receive a quarterly fee of CAD$2,500 and Directors a quarterly fee of CAD$1,000.

Audit Committee

The Audit Committee is comprised of:

Chairman:	Martin Burian
Members:	Deepak Malhotra and Kai Hoffmann

The mandate of the Audit Committee is as follows:

The Audit Committee will assist the Board of Directors (the "Board") of the Company in fulfilling its oversight responsibilities. The Committee will review the financial reporting process, the system of internal control and management of financial risks, the audit process, and the Company's process for monitoring compliance with laws and regulations and its own code of business conduct as more fully described below. In performing its duties, the Committee will maintain effective working relationships with the Board of Directors, management, and the external auditors and monitor the independence of those auditors. To perform his or her role effectively, each Committee member will obtain an understanding of the responsibilities of Committee membership as well as the Company's business, operations and risks.

In carrying out its oversight responsibilities, the Audit Committee will:

(a)
Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
(b)
Review with the Company's management and, as necessary, its external auditors and recommend to the Board the Company's quarterly and annual financial statements and management discussion and analysis that is to be provided to

shareholders, stakeholders and the appropriate regulatory authorities, including any financial statement contained in a prospectus, information circular, registration statement or other similar document.

(c)

Review the Company's management annual and interim earnings press release before any public disclosure.

(d)

Recommend to the Board the external auditors to be nominated for the purposes of preparing or issuing an audit report or performing other audit's review or attest services and the compensation to be paid to the external auditors. The external auditors shall report directly to the Committee.

(e)
The Committee will annually review the qualifications, expertise and resources and the overall performance of external auditor and, if necessary, recommend to the Board the termination of the external auditor (and its affiliates), in accordance with the applicable securities laws.
(f)
Review with management the scope and general extent of the external auditors' annual audit. The Committee's review should include an explanation from the external auditors of the factors considered in determining the audit scope, including major risk factors. The external auditors should confirm to the Committee whether or not any limitations have been placed upon the scope or nature of their audit procedures.
(g)
Be directly responsible for the oversight of the work of the external auditors, including the resolution of disagreements between management of the Company and the external auditors.
(h)
Review with the Company's management and external auditors the Company's accounting and financial reporting controls. Obtain annually in writing from the external auditors their observations, if any, on significant weaknesses in internal controls as noted in the course of the auditor's work.
(i)
Evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Company and ensure that the external auditors discuss with the Committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.
(j)
The Committee is to meet at least once annually, with the independent auditors, separately, without any management representatives present for the purpose of oversight of accounting and financial practices and procedures.
(k)
Review with the Company's management and external auditors significant accounting and reporting principles, practices and procedures applied by the Company in preparing its financial statements. Discuss with the external auditors their judgment about the quality of the accounting principles used in financial reporting.
(l)
Inquire as to the independence of the external auditors and obtain from the external auditors, at least annually, a formal written statement delineating all relationships between the Company and the external auditors and the compensation paid to the external auditors.
(m)
At the completion of the annual audit, review with management and the external auditors the following:
i.
The annual financial statements and related notes and financial information to be included in the Company's annual report to shareholders.
ii.
Results of the audit of the financial statements and the related report thereon and, if applicable, a report on changes during the year in accounting principles and their application.
iii.
Significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit. Inquire about the cooperation received by the external auditors during the audit, including all requested records, data and information.
iv.
Inquire of the external auditors whether there have been any material disagreements with management, which, if not satisfactorily resolved, would cause them to issue a not standard report on the Company's financial statements.
(n)

Meet with management, to discuss any relevant significant recommendations that the external auditors may have, particularly those characterized as “material” or “serious”. Typically, such recommendations will be presented by the external auditors in the form of a Letter of Comments and Recommendations to the Committee. The Committee should review responses of management to the Letter of Comments and Recommendations from external auditors and receive follow-up reports on action taken concerning the aforementioned recommendations.

(o)

Have the sole authority to review in advance, and grant any appropriate pre-approvals, of all non-audit services to be provided by the independent auditors and, in connection therewith, to approve all fees and other terms of engagement. The Committee shall also review and approve disclosures required to be included in periodic reports filed with securities regulators with respect to non-audit services performed by external auditors.

(p)

Be satisfied that adequate procedures are in place for the review of the Company’s disclosure of financial information extracted or derived from the Company’s financial statements, and periodically assess the adequacy of those procedures.

(q)

Review and approve the Company’s hiring of partners, employees and former partners and employees of the present and past auditors.

(r)

Review with management and the external auditors the methods used to establish and monitor the Company’s policies with respect to unethical or illegal activities by the Company employees that may have a material impact in the financial statements.

(s)

The Committee will conduct an appropriate review of all proposed related party transactions to identify potential conflict of interest and disclosure situations. The Committee shall submit the related party transaction to the Board of Directors for approval by a majority of independent directors, excluding any director who is the subject of a related transaction, and implementation of appropriate action to protect the Company from potential conflicts of interest.

(t)

The Committee will, if required, prepare a report for the inclusion on the Company’s proxy statement for its annual meeting of stockholders describing the Committee’s structure, its members and their experience and education. The report will address all issues then required by the rules of the regulatory authorities.

Other Board Committees

Aside from the Audit Committee which has previously been established, the Board has established committees for Compensation and Nomination in 2011 and Investment in 2017 and Technical in 2018 comprised of the following Board members and their respective mandates:

Committee	Members	Mandate
Nomination	Martin Burian (Chairman) Kai Hoffmann	The function of the Nominating Committee is to identify individuals qualified to become board members and to select, or to recommend that the Board of Directors select the director nominees for the next annual meeting of stockholders, to oversee the selection and composition of committees of the Board of Directors, and to oversee management continuity planning processes.
Compensation	Deepak Malhotra (Chairman) Kai Hoffmann	The Compensation Committee shall advise and make recommendations to the Board of Directors in its oversight role with respect to the Company's strategy, policies and programs on the compensation and development of senior management and directors.
Technical	Deepak Malhotra	The Technical Committee is to provide technical expertise and advice to the Board of Directors with respect to strategies, opportunities, challenges, proposals, programs and budgets for mineral property acquisition, exploration, development and disposition.
Investment	Martin Burian (Chairman) Bradford Cooke	The Investment Committee shall oversee and instruct the management with respect to the strategic investment of up to CAD$1,000,000 of the Company's funds (the "Funds") to purchase the securities of other entities for investment purposes.

The Board has also a Disclosure Committee comprised of the following management persons and its mandate:

Members	Mandate
Chief Executive Officer or President, and Vice-President or Manager of Investor Relations, if any	A Disclosure Policy Committee oversees corporate disclosure practices and ensures implementation and adherence to this policy. The Disclosure Policy Committee's responsibilities include: maintaining an awareness and understanding of governing disclosure rules and guidelines, including any new or pending developments; developing and implementing procedures to regularly review; update and correct corporate disclosure information, including information on the Internet website; bringing this policy to the attention of directors, management and staff; monitoring compliance with this policy and undertaking reviews of any violations, including assessment and implementation of appropriate consequences and remedial actions; reviewing this policy and updating as necessary and appropriate to ensure compliance with prevailing rules and guidelines; and ascertaining whether corporate developments constitute material information and, if so, ensuring compliance with the procedures outlined in this policy.

Assessments

The Board has no formal process for the assessment of the effectiveness and contribution of the individual directors. Each director has extensive public company experience and is familiar with what is required of him. Frequency of

attendance at Board and committee meetings and the quality of participation in such meetings are two of the criteria by which the performance of a director will be assessed.

6.D Employees

The Company's business is administered principally from its head office in Vancouver, British Columbia, Canada. As of April 23, 2019, the Company had a staff of three full time and one part time employees based in Vancouver, BC, Canada.

6.E Share Ownership

As at April 23, 2019, the share ownership and number of stock options of the directors and officers of the Company are as follows:

	Share Ownership		Number of Stock Options		
Name and Principal Position	Number of Shares	Percentage (1)	Number of Underlying Security (2)	Exercise Prices per Share (CAD$)	Expiry Dates
Bradford J. Cooke Chairman and Director	9,010,580	4.13%	1,300,000	$0.06	December 8, 2020
			1,350,000	$0.08	July 7, 2021
			600,000	$0.08	June 29, 2023
			800,000	$0.10	July 17, 2019
			500,000	$0.10	June 2, 2022
			300,000	$0.08	March 21, 2024
Martin Burian Director	374,820	0.17%	200,000	$0.06	December 8, 2020
			300,000	$0.08	July 7, 2021
			400,000	$0.08	June 29, 2023
			300,000	$0.10	July 17, 2019
			300,000	$0.10	June 2, 2022
Deepak Malhotra Director	416,667	0.19%	200,000	$0.06	December 8, 2020
			300,000	$0.08	July 7, 2021
			400,000	$0.08	June 29, 2023
			300,000	$0.10	June 2, 2022
Kai Hoffmann Director	Nil	Nil%	400,000	$0.08	June 29, 2023
Scott Eldridge Chief Executive Officer	726,500	0.33%	500,000	$0.05	November 12, 2023
			500,000	$0.06	November 12, 2023
			400,000	$0.08	June 29, 2023
Garry Biles President and Chief Operating Officer	1,077,766	0.49%	1,400,000	$0.06	December 8, 2020
			1,050,000	$0.08	July 7, 2021
			500,000	$0.08	June 29, 2023
			800,000	$0.10	July 17, 2019
			600,000	$0.10	June 2, 2022
			200,000	$0.08	June 29, 2023
Jacob Margolis Vice-President (Exploration)	Nil	Nil%	500,000	$0.09	September 13, 2022
Philip Yee Chief Financial Officer and Vice-President (Finance) and	Nil	Nil%	600,000	$0.06	December 8, 2020
			600,000	$0.08	July 7, 2021

Secretary (Interim)	300,000	$0.08	June 29, 2023
	400,000	$0.10	July 17, 2019
	350,000	$0.10	June 2, 2022

(1)
As at April 23, 2019, Canarc had 218,355,144 common shares issued and outstanding.

(2)
Common shares.

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.

All of the Company's shareholders have the same voting rights.

Details of all total outstanding options, warrants and other rights to purchase securities of the Company and its subsidiaries as at April 23, 2019 unless otherwise stated, are set forth below:

Stock Option Summary

Stock options which are outstanding as of April 23, 2019 are as follows:

Amount Outstanding	Exercise Prices (CAD$)	Dates Granted	Expiry Dates
2,300,000	$0.10	July 17, 2014	July 17, 2019
3,700,000	$0.06	December 8, 2015	December 8, 2020
3,600,000	$0.08	July 7, 2016	July 7, 2021
2,050,000	$0.10	June 2, 2017	June 2, 2022
500,000	$0.09	September 13, 2017	September 13, 2022
3,250,000	$0.08	June 29, 2018	June 29, 2023
500,000	$0.05	November 12, 2018	November 12, 2023
500,000	$0.06	November 12, 2018	November 12, 2023
700,000	$0.07	February 22, 2019	February 22, 2024
300,000	$0.08	March 21, 2019	March 21, 2024
17,400,000	TOTAL		

Of the 17,400,000 outstanding stock options, only 13,900,000 stock options are exercisable as at April 23, 2019.

Warrant Summary Chart

There were no outstanding warrants as of April 23, 2019.

Stock Option/Share Incentive Plan

The Company’s directors and shareholders have approved a Share Incentive Plan (the “Plan”). The Plan was initially approved by the TSX in 1996. The principal purposes of the Plan are to promote a proprietary interest in the Company among its directors, officers and employees; to retain, attract and motivate the qualified managers of the Company; to provide a long-term incentive element in overall compensation; and to promote the long-term profitability of the Company.

Incentives to participate under the Plan may be provided by the granting of share options or share appreciation rights (SARs). The share appreciation right entitles the participant in the Plan to elect, subject to approval by the Board of Directors, in lieu of exercising an outstanding share option, to receive the number of common shares of the Company equivalent in value to the difference between the option exercise price and the net existing market price of the Company’s common shares multiplied by the number of common shares over which he could otherwise exercise his stock option.

Under the Plan, the Board of Directors of the Company or its Executive Committee may from time to time grant to directors, officers, consultants and full and part time employees of the Company and its associated, affiliated, controlled and subsidiary companies, as the Board or its Executive Committee shall designate, the stock option to purchase from the Company such number of its common shares as the Board or its Executive Committee may designate. The Company’s Plan allows it to grant stock options to its employees, directors and consultants to acquire

up to 44,261,695 common shares which was increased from 18,888,434 common shares at the Company's Annual and Special Meeting held on June 2, 2017. The total number of common shares to be optioned to any one optionee shall not exceed 5% of the issued common shares of the Company at the time of grant. The exercise price of each option cannot be lower than the last recorded sale of a board lot on the TSX during the trading day immediately preceding the date of granting or, if there was no such sale, the high/low average price for the common shares on the TSX based on the last five trading days before the date of the grant. Pursuant to the Plan, stock options shall be granted pursuant to a stock option agreement in a form that complies with the rules and policies of the TSX, which provide as follows:

(a)
all stock options granted shall be non-assignable;
(b)
a stock option must be exercisable during a period not extending beyond 10 years from the time of grant; and
(c)
no financial assistance will be provided with respect to the exercise of stock options.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A Major Shareholders

To the best of the Company's knowledge, the Company is not directly or indirectly owned or controlled by another company or by any foreign government or by any other natural or legal person(s) severally or jointly. There are no arrangements, known to the Company, the operation of which may at a subsequent date result in a change in its control.

As at March 31, 2019, the only persons or groups known to the Company to beneficially own 5% or more of the Company's issued and outstanding common shares and the number of common shares owned, directly or indirectly, by officers and directors of the Company as a group are as follows:

Title of Class	Identity of Person or Group	Shares Owned (1)	Percentage of Class (2)
Common Shares	Canford Capital Inc. (3) Vancouver, British Columbia, Canada	11,300,000	5.18%

(1)
Common shares.

(2)
As at March 31, 2019, Canarc had 218,355,144 common shares issued and outstanding.

(3)
As at March 31, 2019, Canford Capital Inc. ("Canford") owned 11,300,000 common shares of Canarc representing a 5.18% interest in Canarc. Canford acquired the 11.3 million common shares of Canarc pursuant to a private placement for CAD$1.13 million which closed in September 2012. In September 2012, Canarc and Canford had entered into a 120-day period of exclusivity to complete Canford's due diligence and to execute a property option agreement to earn up to a 51% interest in the New Polaris gold project in return for up to a CAD$30 million investment in exploration and development of the property. In February 2013, Canarc entered into a Strategic Mine Acquisition Partnership ("SMAP") with Canford for the purpose of acquiring, expanding and operating gold mines in North America. In March 2013, no formal SMAP agreement was executed, and Canford did not commit nor arrange financing for the proposed property option and joint venture to develop the New Polaris gold project nor for the SMAP to acquire operating gold mines in North America. Canford does not exert control over Canarc nor over its Board of Directors nor has any nominees appointed to its Board of Directors, is not actively involved in the operations of Canarc, and does not have any material interest, directly or indirectly, in any transaction that has materially affected or will materially affect Canarc, to the best of Canarc's knowledge.

The closing of the Share Purchase Agreement resulted in Marlin Gold becoming an Insider of Canarc by virtue of having more than 10% (ie. 10.79%) interest in Canarc as at the closing date of October 30, 2015. In the second quarter of fiscal 2016, Marlin Gold was no longer an Insider of Canarc. Marlin Gold appointed Mr. Akiba Leisman to Canarc's

Board of Directors pursuant to the Share Purchase Agreement which closed on October 30, 2015 until the sale of the El Compas project to Endeavour in May 2016. Items 4.A and 4.D provide further details. Marlin Gold and /or Mr. Leisman did not exert control over Canarc nor over its Board of Directors, was not a member of any of its Board committees, was not actively involved in the operations of Canarc, and did not have any material interest, directly or indirectly, in any transaction that had materially affected or would materially affect Canarc, to the best of Canarc's knowledge, except as disclosed in this Form 20-F.

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.

All shares of Canarc, including all those held by any major shareholders, are common shares with similar voting rights. As of March 31, 2019 there were 218,355,144 common shares of Canarc which were issued and outstanding. Based on the records of Canarc's registrar and transfer agent, Computershare Investor Services Inc., of 3rd Floor, 510 Burrard Street, Vancouver, British Columbia, Canada, as at such date there were 444 registered holders of Canarc's common shares resident in the United States (71.73% of all registered holders) holding 64,728,717 common shares. This number represents approximately 29.64% of the total issued and outstanding common shares of Canarc at that date.

Control by Another Corporation, Foreign Government or Other Persons

To the best of the Company's knowledge, the Company is not directly or indirectly owned or controlled by another corporation(s), by any foreign government or by any other natural or legal person(s) severally or jointly.

Change of Control

As of the date of this Form 20-F being April 23, 2019, there is no arrangement known to the Company which may at a subsequent date result in a change of control of the Company.

7.B Related Party Transactions

For the fiscal year ended December 31, 2018, the Company had transactions with related parties.

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is disclosed in the table below.

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Except as may be disclosed elsewhere in the Form 20-F, general and administrative costs during 2018, 2017 and 2016 include:

($000s)	Years ended December 31,			Net balance receivable (payable) as at December 31,	
	2018	2017	2016	2018	2017
Key management compensation:					
Executive salaries and remuneration (1)	$490	$720	$460	$-	$-
Severance	184	-	-	-	-
Directors fees	27	98	8	(7)	(2)
Share-based payments	118	351	245	-	-
	$819	$1,169	$713	$(7)	$(2)
Net office, sundry, rent and salary allocations recovered from (incurred to) company(ies) sharing certain common director(s) (2)	2	(16)	(41)	1	1

(1)
Includes key management compensation which is included in employee and director remuneration, mineral property interests, and corporate development.

(2)
The companies include Endeavour, AzMin and AzMet.

The above transactions were incurred in the normal course of business and are recorded at the exchange amount, being the amount agreed upon by the related parties.

Canarc shares common office facilities, employee and administrative support, and office sundry amongst company(ies) with certain common director(s), and such allocations to Canarc are on a full cost recovery basis. Any balances due from (to) related parties are payable on demand.

Items 4.A, 4.D, 5.B and 7.A provide further details of transactions with Marlin Gold.

Items 4.A, 5.B, 6.E and 7.A provide further details of Canarc’s normal course issuer bid.

In each case the transactions described below were, in the Company's view, completed on terms no less favourable to the Company than if they had been entered into with unaffiliated parties.

Compensation to Directors and Senior Officers and Options to Purchase Securities

Item 6 provides further details of compensation paid to, and options granted to and held by, directors and senior officers of the Company.

Indebtedness of Directors and Senior Officers

At any time during the Company's last completed financial year, no director, executive officer or senior officer of the Company, proposed management nominee for election as a director of the Company or each associate or affiliate of any such director, executive or senior officer or proposed nominee is or has been indebted to the Company or any of its subsidiaries or is and has been indebted to another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries, other than routine indebtedness and other than as disclosed in the Company's audited financial statements and in the Form 20-F.

Interest of Insiders in Material Transactions

Other than as set forth below and in the Form 20-F and in the Company's audited financial statements and other than transactions carried out in the ordinary course of business of the Company or any of its subsidiaries, none of the directors or senior officers of the Company, a proposed management nominee for election as a director of the Company, any member beneficially owning shares carrying more than 5% of the voting rights attached to the shares of the Company nor an associate or affiliate of any of the foregoing persons had since January 1, 2018 (being the commencement of the Company's last audited fiscal period) any material interest, direct or indirect, in any transactions which materially affected or would materially affect the Company or any of its subsidiaries.

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. Also, certain directors and officers of Canarc are directors, officers and / or employees of AzMet, AzMin, and Endeavour. The interests of these companies may differ from time to time. Item 6.C provide further details.

7.C Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8.A Consolidated Statements and Other Financial Information

Canarc's audited consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB, and all dollar amounts are expressed in United States dollars unless otherwise indicated.

Consolidated financial statements audited by an independent registered public accounting firm and accompanied by an audit report are comprised of the following, which are attached hereto and form a part hereof.

(a)
Consolidated Statements of Financial Position as of December 31, 2018 and 2017;
(b)
Consolidated Statements of Comprehensive (Loss) Income for each of the years ended December 31, 2018, 2017 and 2016;
(c)
Consolidated Statements of Changes in Shareholders' Equity for each of the years ended December 31, 2018, 2017 and 2016;
(d)
Consolidated Statements of Cash Flows for each of the years ended December 31, 2018, 2017 and 2016; and
(e)
Notes to the consolidated financial statements.

The Company is not involved and has not been involved in the recent past in any legal or arbitration proceedings which may have, or had in the recent past, significant effects on the Company's financial position or profitability, including governmental proceedings pending or known to be contemplated other than as disclosed in the Company's continuous disclosure documents, regulatory filings, Form 20-F and consolidated financial statements for the years then ended.

Dividend Policy

During its last three completed financial years, the Company has not declared or paid any cash dividends on its common shares and does not currently intend to pay cash dividends. Management intends for earnings, if any, to be retained to finance further growth and activities relating to the business of the Company.

The Directors of the Company may from time to time declare and authorize payment of such dividends, if any, as they may deem advisable and need not give notice of such declaration to any shareholder. No dividend shall be paid otherwise than out of funds and/or assets properly available for the payment of dividends and a declaration by the

Directors as to the amount of such funds or assets available for dividends shall be conclusive. The Company may pay any such dividend wholly or in part by the distribution of specific assets and in particular by paid up shares, bonds, debentures or other securities of the Company or any other corporation or in any one or more such ways as may be authorized by the Company or the Directors and where any difficulty arises with regard to such a distribution the Directors may settle the same as they think expedient, and in particular may fix the value for distribution of such specific assets or any part thereof, and may determine that cash payments in substitution for all or any part of the specific assets to which any shareholders are entitled shall be made to any shareholders on the basis of other value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees for the persons entitled to the dividend as may seem expedient to the Directors.

Any dividend declared on shares of any class by the Directors may be made payable on such date as is fixed by the Directors.

Subject to the rights of shareholders (if any) holding shares with special rights as to dividends, all dividends on shares of any class shall be declared and paid according to the number of such shares held.

The Directors may, before declaring any dividend, set aside out of the funds properly available for the payment of dividends such sums as they think proper as a reserve or reserves, which shall, at the discretion of the Directors, be applicable for meeting contingencies, or for equalizing dividends, or for any other purpose to which such funds of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Directors may from time to time think fit. The Directors may also, without placing the same in reserve, carry forward such funds, which they think prudent not to divide.

If several persons are registered as joint holders of any share, any one of them may give an effective receipt for any dividend, bonuses or other moneys payable in respect of the share.

No dividend shall bear interest against the Company. Where the dividend to which a shareholder is entitled includes a fraction of a cent, such fraction shall be disregarded in making payment thereof and such payment shall be deemed to be payment in full.

Any dividend, bonuses or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder, or in the case of joint holders, to the registered address of that one of the joint holders who is first named in the register, or to such person and to such address as the holder or joint holders may direct in writing. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The mailing of such cheque or warrant shall, to the extent of the sum represented thereby (plus the amount of any tax required by law to be deducted) discharge all liability for the dividend, unless such cheque or warrant shall not be paid on presentation or the amount of tax so deducted shall not be paid to the appropriate taxing authority.

Notwithstanding anything contained in the Company’s Articles of Incorporation, the Directors may from time to time capitalize any undistributed surplus on hand of the Company and may from time to time issue as fully paid and non-assessable any unissued shares, or any bonds, debentures or debt obligations of the Company as a dividend representing such undistributed surplus on hand or any part thereof.

Legal Proceedings

The Company is not involved in any legal or arbitration proceedings which have, or may have had in the recent past, significant effects on the Company’s financial position or profitability other than as disclosed in the Company’s continuous disclosure documents, regulatory filings, Form 20-F and consolidated financial statements for the years then ended.

8.B Significant Changes

There has been no significant change in the financial condition of the Company since December 31, 2018 other than as disclosed in this Form 20-F and in the Company’s continuous disclosure documents.

ITEM 9. THE OFFER AND LISTING
9.A Offer and Listing Details

The Company's common shares are traded on the TSX in Canada under the symbol "CCM".

In the United States, the Company's common shares are quoted for trading on the Over-the-Counter Bulletin Board through March 19, 2015 and since that date on the OTCQB Marketplace under the symbol "CRCUF".

In relation to the OTCBB and OTCQB, any quotations reflect inter-dealer prices without retail mark-up, mark-down or commission and may not represent actual transactions.

9.B Plan of Distribution

Not applicable.

9.C Markets

Since November 2, 1994, the Company's common shares have traded on the TSX. From March 16, 1988 to June 2, 1995 and from September 1996 to February 12, 1999, the Company's common shares traded on the Vancouver Stock Exchange ("VSE") (the VSE merged with the Alberta Stock Exchange in 2000, which became known as the Canadian Venture Exchange, and then the TSX acquired the Canadian Venture Exchange to form the TSX Venture Exchange). In February 1997, the Company was listed for trading on the Berlin Stock Exchanges and has since voluntarily delisted from the exchange. On August 3, 1998, the Company was listed on the Frankfurt Exchange. Management of the Company is not aware of any trading market for the Company's common shares in the United States apart from the United States OTC Bulletin Board, on which the Company is quoted under the symbol CRCUF; on March 19, 2015, the Company's common shares continued to be quoted on the OTCQB Marketplace.

9.D Selling Shareholders

Not applicable.

9.E Dilution

Not applicable.

9.F Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A Share Capital

Not applicable.

10.B Notice of Articles and Articles of Association

The Company's Notice of Articles and articles of association, and related matters, are summarized below.

1.
The Company was incorporated under the laws of British Columbia on January 22, 1987 under the name, "Canarc Resource Corp." by registration of its Memorandum and Articles with the British Columbia Registrar of Companies. At the Company's annual and extraordinary general meeting held in May 2005, the shareholders approved the Notice of Articles be altered to remove the application of the "Pre-Existing Company Provisions" as set forth in Table 3 of the Business Corporations Regulations under the B.C. Business Corporations Act, S.B.C. 2002 (the "BCBCA") and the replacement of the Articles with a new set of Articles which comply with the BCBCA. The Company no longer has a Memorandum, which has been replaced by, in part, its Notice of Articles.

The Company's Memorandum and Articles do not provide for any specific objects or purposes.

2.
Set forth below is a summary of provisions contained in the Company's Articles with respect to:

(a)
Director's power to vote on a proposal, arrangement or contract in which the director is materially interested:
A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any directors' resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution.
(b)
Directors' power, in the absence of an independent quorum, to vote compensation to themselves or any members of their body:
See (a), above. A director does not hold a disclosable interest in a contract or transaction merely because the contract or transaction relates to the remuneration of the director in that person's capacity as director, officer, employee or agent of the Company or of an affiliate of the Company.
(c)
Borrowing powers exercisable by the directors and how such borrowing powers can be varied:
The Company, if authorized by the directors, may:
(i)
borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;
(ii)
issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;
(iii)
guarantee the repayment of money by any other person or the performance of any obligation of any other person; and
(iv)
mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.
(d)
Retirement or non-retirement of directors under an age limit requirement:
The directors are not required to retire upon reaching a specific age.
(e)
Number of shares, if any, required for director's qualification:
A director is not required to hold any shares of the Company.

3.
All common shares of the Company rank equally as to dividends, voting powers and participation in assets (in the event of liquidation) and in all other respects. Dividend entitlement is set by way of the shareholders status as a shareholder on the chosen record date and does not lapse over time. Each share carries one vote per share at meetings of the shareholders of the Company. Directors do not stand for re-election on staggered terms at present. There are no indentures or agreements limiting the payment of dividends and there are no conversion rights, special liquidation rights, pre-emptive rights or subscription rights attached to the common shares. The shares presently issued are not subject to any calls or assessments.

4.
The rights of holders of common shares may not be modified other than by vote of 2/3 of the common shares voting on such modification. The quorum for the transaction of business at a meeting of shareholders is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the issued shares entitled to be voted at the meeting. Due to the quorum requirements, the rights of holders of common shares may be modified by the votes of less than a majority of the issued common shares of the Company. Notwithstanding the foregoing, at the

annual general meeting of shareholders of the Company held on June 2, 2017, the shareholders of the Company approved an amendment to the Company's articles to allow the directors of the Company to approve, subject to the BCBCA, by directors' resolution the alteration in certain respects of the authorized share capital of the Company. Pursuant to the amended articles, among other things, the directors of the Company may approve by directors' resolution the creation of new classes of shares, and the subdivision or consolidation of outstanding classes of shares.

5.
The directors of the Company call all annual general meetings and extraordinary general meetings. The directors may set a date as the record date for the purpose of determining shareholders entitled to notice of any meeting of shareholders. The directors, the president (if any), the secretary (if any), the assistant secretary (if any), any solicitor for the Company, the auditor of the Company and any other persons invited by the directors are entitled to attend any meeting of shareholders, but if any of those persons does attend a meeting of shareholders, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxy holder entitled to vote at the meeting.

6.
There are no limitations on the rights to own securities.

7.
There are no provisions in the Company's Articles that would have an effect on delaying, deferring or preventing a change of control other than that the Company may remove any director before the expiration of his or her term of office only by way of special resolution.

8.
There are no by-law provisions governing the ownership threshold above which shareholder ownership must be disclosed.

9.
The law of British Columbia, Canada, relating to Items 2-8 is not significantly different from the law of the United States.

10.
There are no conditions in the Memorandum and Articles governing changes in capital that are more stringent than is required by law.

11.
The BCBCA permits an unlimited authorized share capital, and shares may be created with or without par value.

12.
There are no residency requirements for directors under the BCBCA.

13.
Special Resolutions of shareholders can be passed by a minimum of a two-thirds majority at a meeting of shareholders.

14.
General meetings can be held outside British Columbia if the location is approved by resolution of the directors.

15.
The BCBCA provides for shareholder proposals to be made at general meetings. Generally, shareholders holding at least 1% of the voting shares may submit proposals to the Company three months prior to the anniversary of the last annual general meeting of shareholders of the Company.

16.
Under the BCBCA, dividends may be declared out of profits, capital or otherwise. As well, the BCBCA does not automatically make directors liable to the Company for the declaration of dividends while the Company is insolvent.

17.
The BCBCA does not require that a company's offer to purchase or redeem its own shares be made on a pro-rata basis to all shareholders.

18.
The BCBCA permits a company to indemnify its directors without court approval, and may also require reimbursement of expenses in certain cases for claims that are successfully defended. Defense costs may also be advanced by a company in certain cases.

19.
All filings with the Registrar under the BCBCA must be made electronically.

20.
Directors' and shareholders' meetings may be held by any form of communications medium permitted under the Articles, including internet chat lines and telephones. In addition, directors' consent resolutions may be passed in the

manner provided under the Articles, including e-mail.

21.
A company may provide financial assistance in connection with the purchase of its shares under the BCBCA.

22.
A company may, in limited circumstances, amalgamate with a foreign company under the BCBCA, without the requirement to first continue the second company into British Columbia. Amalgamations do not require court approval, although court approval may still be requested.

23.
The requisite majority to pass a special resolution at a meeting of shareholders is a two-thirds majority.

24.
General meetings of shareholders may, if the location is approved by directors' resolution, be held outside British Columbia.

25.
General Meetings of shareholders of the Company are required to be held each calendar year and not more than 15 months after the holding of the last preceding annual general meeting.

26.
Any offer by the Company to purchase or redeem its own shares, need not be made pro-rata to all the shareholders.

27.
Changes to the Company's capital structure may be effected by ordinary resolution or a directors' resolution, subject to the BCBCA.

(a)
The following changes may be made by ordinary resolution or directors' resolution, as determined by the board of directors:

creating or cancelling one or more classes or series of shares;

changing the maximum number of shares that the Company is authorized to issue;

consolidating or subdividing all or any of the Company's issued or unissued shares;

altering the share capital and authorized capital structure, where permitted by the BCBCA; and

(b)
The creation or removal of special rights and restrictions attaching to any class or series of shares may only be approved by special or ordinary resolution.

28.
The Company's name may be changed by ordinary resolution or resolution of the directors.

29.
The removal of court approval of any agreement to indemnify a director or officer in most cases, as well as mandatory indemnification on certain eligible cases.

30.
The remuneration of the auditor of the Company may be set by the directors, without the need of seeking a resolution of the shareholders authorizing the directors to set such remuneration.

31.
A director of the Company may be removed as a director of the Company before the expiration of the director's term of office pursuant to an ordinary resolution of the shareholders.

For further information, refer to the full text of the Notice of Articles and Articles of the Company, which are available online at www.sedar.com as part of the Company's publicly available filings under the heading "Other", as filed on November 10, 2005.

10.C Material Contracts

The following executive employment agreements are in effect:

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An Employment Agreement between Canarc and Mr. Scott Eldridge was signed on October 15, 2018, in respect of Mr. Eldridge's capacity as Chief Executive Officer for Canarc. The employment agreement provides that Mr. Eldridge's base remuneration is CAD$160,000 per annum plus a bonus based upon the achievement of performance targets as determined by the Compensation Committee of Canarc.

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An Executive Employment Agreement between Canarc and Mr. Garry Biles was signed on January 23, 2007, as amended on June 1, 2011, January 1, 2012 and June 26, 2014, in respect of Mr. Biles' capacity as Chief Operating Officer and President for Canarc. The employment agreement provides that Mr. Biles' base remuneration is CAD$200,000 per annum plus a bonus based upon the achievement of performance targets as determined by the Compensation Committee of Canarc.

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An Executive Employment Agreement between Canarc and Mr. Philip Yee was signed on June 26, 2014, as amended on February 9, 2017, in respect of Mr. Yee's capacity as Chief Financial Officer for Canarc. The employment agreement provides that Mr. Yee's base remuneration is CAD$193,500 per annum plus a bonus based upon the achievement of performance targets as determined by the Compensation Committee of Canarc. As amended on February 9, 2017, Mr. Yee's base remuneration will be shared equally with AzMin.

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A Consulting Services Agreement between Canarc and Dr. Jacob Margolis was signed on January 5, 2018, in respect of Dr. Margolis' capacity as Vice-President of Exploration for Canarc. The consulting agreement provided that Dr. Margolis' remuneration is US$11,000 per month. The consulting agreement has a term which is effective January 5, 2018 and terminated on December 31, 2018 but was renewed effective January 4, 2019 and terminates on December 31, 2019.

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On January 10, 2014, as amended June 26, 2014 and then amended December 8, 2015, an Executive Employment Agreement between Canarc and Mr. Catalin Kilofliski was signed in respect of Mr. Kilofliski's capacity as Chief Executive Officer for Canarc. The employment agreement provides that Mr. Kilofliski's base remuneration is CAD$225,000 per annum plus a bonus based upon the achievement of performance targets as determined by the Compensation Committee of Canarc. In June 2018, Mr. Kilofliski's employment was terminated upon payment of his severance.

For the two years immediately preceding April 23, 2019, there were no other material contracts entered into, other than contracts entered into in the ordinary course of business, to which the Company or any member of the group was a party, and other than as disclosed in this Form 20-F. For a description of those contracts entered into in the ordinary course of business refer to Items 4.A and 4.D.

10.D Exchange Controls

There are no governmental laws, decrees or regulations in Canada relating to restrictions on the export or import of capital, or affecting the remittance of interest, dividends or other payments to non-resident holders of the Company's common shares. Any remittances of dividends to United States residents are, however, subject to a 15% withholding tax (10% if the shareholder is a corporation owning at least 10% of the outstanding common shares of the Company) pursuant to Article X of the reciprocal tax treaty between Canada and the United States.

Except as provided in the Investment Canada Act (the "Act"), there are no limitations under the laws of Canada, the Province of British Columbia or in the charter or any other constituent documents of the Company on the right of foreigners to hold or vote the common shares of the Company.

Management of the Company considers that the following general summary is materially complete and fairly describes those provisions of the Investment Canada Act pertinent to an investment by an American investor in the Company.

The following discussion summarizes the principal features of the Investment Canada Act for a non-resident who proposes to acquire the common shares.

The Investment Canada Act generally prohibits implementation of a reviewable investment by an individual, government or agency thereof, corporation, partnership, trust or joint venture (each an "entity") that is not a "Canadian" as defined in the Investment Canada Act (a "non-Canadian"), unless after review, the Director of Investments appointed by the minister responsible for the Investment Canada Act is satisfied that the investment is likely to be of net benefit to Canada. An investment in the common shares by a non-Canadian other than a "WTO Investor" (as that term is defined by the Investment Canada Act, and which term includes entities which are nationals of or are controlled by nationals of member states of the World Trade Organization) when the Company was not controlled by a WTO Investor, would be reviewable under the Investment Canada Act if it was an investment to acquire control of the Company and the value of the assets of the Company, as determined in accordance with the regulations promulgated under the Investment Canada Act, equals or exceeds $5 million for direct acquisition and over $50 million for indirect acquisition, or if an order for review was made by the federal cabinet on the grounds that the investment related to Canada's cultural heritage or national identity, regardless of the value of the assets of the Company. An investment in the common shares by a WTO Investor, or by a non-Canadian when the Company was controlled by a WTO Investor, would be reviewable under the Investment Canada Act if it was an investment to acquire control of the Company and the value of the assets of the Company, as determined in accordance with the regulations promulgated under the Investment Canada Act was not less than a specified amount. A non-Canadian would acquire control of the Company for the purposes of the Investment Canada Act if the non-Canadian acquired a majority of the common shares. The acquisition of one third or more, but less than a majority of the common shares would be presumed to be an acquisition of control of the Company unless it could be established that, on the acquisition, the Company was not controlled in fact by the acquirer through the ownership of the common shares.

Certain transactions relating to the common shares would be exempt from the Investment Canada Act, including: (a) an acquisition of the common shares by a person in the ordinary course of that person's business as a trader or dealer in securities; (b) an acquisition of control of the Company in connection with the realization of security granted for a loan or other financial assistance and not for a purpose related to the provisions of the Investment Canada Act; and (c)

an acquisition of control of the Company by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of the Company, through the ownership of the common shares, remained unchanged.

10.E Taxation

ALL SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE INCOME AND OTHER TAX CONSEQUENCES ARISING IN THEIR PARTICULAR CIRCUMSTANCES. THE FOLLOWING IS A SUMMARY ONLY AND OF A GENERAL NATURE AND IS NOT INTENDED, NOR SHOULD IT BE CONSTRUED, TO BE LEGAL OR TAX ADVISE TO ANY PARTICULAR SHAREHOLDER.

United States Federal Income Tax Consequences

The following is a discussion of material United States federal income tax consequences, under current law, applicable to a US Holder (as hereinafter defined) of common shares of the Company. This discussion does not address consequences peculiar to persons subject to special provisions of federal income tax law, such as those described below as excluded from the definition of a US Holder. In addition, this discussion does not cover any state, local or foreign tax consequences. (Refer to “Certain Canadian Federal Income Tax Considerations” for material Canadian federal income tax consequences).

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations, published Internal Revenue Service (“IRS”) rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time and which are subject to differing interpretations. This discussion does not consider the potential effects, both adverse and beneficial, of any proposed legislation that, if enacted, could be applied, possibly on a retroactive basis, at any time. This discussion is for general information only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of common shares of the Company and no opinion or representation with respect to the United States federal income tax consequences to any such holder or prospective holder is made. Accordingly, holders and prospective holders of common shares of the Company should consult their own tax advisors about the federal, state, local, and foreign tax consequences of purchasing, owning and disposing of common shares of the Company.

U.S. Holders

As used herein, a “U.S. Holder” means a holder of common shares of the Company who is (i) a citizen or individual resident of the United States, (ii) a corporation or partnership created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate whose income is taxable in the United States irrespective of source or (iv) a trust subject to the primary supervision of a court within the United States and control of a United States fiduciary as described Section 7701(a)(30) of the Code. This summary does not address the tax consequences to, and U.S. Holder does not include, persons subject to specific provisions of federal income tax law, such as tax-exempt organizations, qualified retirement plans, individual retirement accounts and other tax-deferred accounts, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, persons or entities that have a “functional currency” other than the U.S. dollar, shareholders subject to the alternative minimum tax, shareholders who hold common shares as part of a straddle, hedging, conversion transaction, constructive sale or other arrangement involving more than one position, and shareholders who acquired their common shares through the exercise of employee stock options or otherwise as compensation for services. This summary is limited to U.S. Holders who own common shares as capital assets within the meaning of Section 1221 of the Code. This summary does not address the consequences to a person or entity holding an interest in a shareholder or the consequences to a person of the ownership, exercise or disposition of any options, warrants or other rights to acquire common shares.

Distribution on Common Shares of the Company

U.S. Holders receiving dividend distributions (including constructive dividends) with respect to common shares of the Company are required to include in gross income for United States federal income tax purposes the gross amount of such distributions, equal to the U.S. dollar value of such distributions on the date of receipt (based on the exchange rate on such date), to the extent that the Company has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder’s federal income tax liability or, alternatively, may be deducted in computing the U.S. Holder's federal taxable income by those who itemize deductions. (The section, “Foreign Tax

Credit", below provides more details). To the extent that distributions exceed current or accumulated earnings and profits of the Company, they will be treated first as a return of capital up to the U.S. Holder's adjusted basis in the common shares and thereafter as gain from the sale or exchange of the common shares. Preferential tax rates for long-term capital gains are applicable to a U.S. Holder that is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder that is a corporation.

In the case of foreign currency received as a dividend that is not converted by the recipient into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Generally any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for U.S. dollars, will be ordinary income or loss. However, an individual whose realized gain does not exceed $200 will not recognize that gain, to the extent that there are no expenses associated with the transaction that meet the requirements for deductibility as a trade or business expense (other than travel expenses in connection with a business trip) or as an expense for the production of income.

Dividends paid on the common shares of the Company generally will not be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations. A U.S. Holder which is a corporation and which owns shares representing at least 10% of the voting power and value of the Company may, under certain circumstances, be entitled to a 70% (or 80% if the U.S. Holder owns shares representing at least 20% of the voting power and value of the Company) deduction of the United States source portion of dividends received from the Company (unless the Company qualifies as a “passive foreign investment company,” as defined below). The availability of this deduction is subject to several complex limitations that are beyond the scope of this discussion.

Certain information reporting and backup withholding rules may apply with respect to the Company’s common shares. In particular, a payor or middleman within the U.S., or in certain cases outside the U.S., will be required to withhold 31% of any payments to a holder of the Company’s common shares of dividends on, or proceeds from the sale of, such common shares within the U.S., unless the holder is an exempt recipient, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding tax requirements. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a refund or a credit against the U.S. Holder’s U.S. federal income tax liability, provided the required information is furnished to the IRS. U.S. Holders are urged to consult their own tax counsel regarding the information reporting and backup withholding rules applicable to the Company’s common shares.

Foreign Tax Credit

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of common shares of the Company may be entitled, at the option of the U.S. Holder, to either receive a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer’s income subject to tax. This election is made on a year-by-year basis and applies to all foreign taxes paid by (or withheld from) the U.S. Holder during that year. There are significant and complex limitations that apply to the credit among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder’s United States income tax liability that the U.S. Holder’s foreign source income bears to his or its worldwide taxable income. In the determination of the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. In addition, this limitation is calculated separately with respect to specific classes of income such as “passive income”, “high withholding tax interest,” “financial services income,” “shipping income,” and certain other classifications of income. Dividends distributed by the Company will generally constitute “passive income” or, in the case of certain U.S. Holders, “financial services income” for these purposes. In addition, U.S. Holders which are corporations that own 10% or more of the voting stock of the Company may be entitled to an “indirect” foreign tax credit under Section 902 with respect to the payment of dividends by the Company under certain circumstances and subject to complex rules and limitations. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific, and U.S. Holders of common shares of the Company should consult their own tax advisors regarding their particular circumstances.

Disposition of Common Shares of the Company

A U.S. Holder will recognize gain or loss upon the sale of common shares of the Company equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received, and (ii) the shareholder's tax basis in the common shares of the Company. Preferential tax rates apply to long-term capital gains of U.S. Holders that are individuals, estates or trusts. This gain or loss will be capital gain or loss if the common shares are a capital asset in the hands of the U.S. Holder, which will be long-term capital gain or loss if the common shares of the Company are held for more than one year. Deductions for net capital losses are subject to significant limitations. For U.S. Holders which are not corporations, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For U.S. Holders that are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

Other Considerations

In the following circumstances, the above sections of this discussion may not describe the United States federal income tax consequences resulting from the holding and disposition of common shares:

Foreign Investment Company

If 50% or more of the combined voting power or total value of the Company's outstanding shares is held, directly or indirectly, by citizens or residents of the United States, United States domestic partnerships or companies, or estates or trusts other than foreign estates or trusts (as defined by the Code Section 7701(a)(31)), and the Company is found to be engaged primarily in the business of investing, reinvesting, or trading in securities, commodities, or any interest therein, it is possible that the Company may be treated as a "foreign investment company" as defined in Section 1246 of the Code, causing all or part of any gain realized by a U.S. Holder selling or exchanging common shares to be treated as ordinary income rather than capital gain. The Company does not believe that it currently qualifies as a foreign investment company. However, there can be no assurance that the Company will not be considered a foreign investment company for the current or any future taxable year.

Passive Foreign Investment Company

As a foreign corporation with U.S. Holders, the Company could potentially be treated as a passive foreign investment company ("PFIC"), as defined in Section 1297 of the Code, depending upon the percentage of the Company's income which is passive, or the percentage of the Company's assets which produce or are held for the production of passive income. U.S. Holders owning common shares of a PFIC are subject to the highest rate of tax on ordinary income in effect for the applicable taxable year and to an interest charge based on the value of deferral of tax for the period during which the common shares of the PFIC are owned with respect to certain “excess distributions” on and dispositions of PFIC stock. However, if the U.S. Holder makes a timely election to treat a PFIC as a qualified electing fund ("QEF") with respect to such shareholder's interest therein, the above-described rules generally will not apply. Instead, the electing U.S. Holder would include annually in his gross income his pro rata share of the PFIC's ordinary earnings and net capital gain regardless of whether such income or gain was actually distributed. A U.S. Holder of a QEF can, however, elect to defer the payment of United States federal income tax on such income inclusions. Special rules apply to U.S. Holders who own their interests in a PFIC through intermediate entities or persons. In addition, subject to certain limitations, U.S. Holders owning, actually or constructively, marketable (as specifically defined) stock in a PFIC will be permitted to elect to mark that stock to market annually, rather than be subject to the excess distribution regime of section 1291 described above. Amounts included in or deducted from income under this alternative (and actual gains and losses realized upon disposition, subject to certain limitations) will be treated as ordinary gains or losses. This alternative will apply to taxable years of U.S. Holders beginning after 1997 and taxable years of foreign corporations ending with or within such taxable years of U.S. Holders.

Because the PFIC determination is made annually on the basis of income and assets, there can be no assurance that the Company will not be classified a PFIC in the current or in a subsequent year. In addition, there can be no assurance that the Company's determination concerning its PFIC status will not be challenged by the IRS, or that it will be able to satisfy record keeping requirements which will be imposed on QEFs in the event that it qualifies as a PFIC.

Controlled Foreign Company

If more than 50% of the total combined voting power of all classes of shares entitled to vote or the total value of the shares of the Company is owned, actually or constructively, by citizens or residents of the United States, United States domestic partnerships or corporations, or estates or trusts other than foreign estates or trusts (as defined by the Code Section 7701(a)(31)), each of which own, actually or constructively, 10% or more of the total combined voting power

of all classes of shares entitled to vote of the Company (“United States Shareholder”), the Company could be treated as a controlled foreign corporation (“CFC”) under Subpart F of the Code. This classification would affect many complex results, one of which is the inclusion of certain income of a CFC which is subject to current U.S. tax. The United States generally taxes United States shareholders of a CFC currently on their pro rata shares of the Subpart F income of the CFC. Such United States shareholders are generally treated as having received a current distribution out of the CFC’s Subpart F income and are also subject to current U.S. tax on their pro rata shares of the CFC’s earnings invested in U.S. property. The foreign tax credit described above may reduce the U.S. tax on these amounts. In addition, under Section 1248 of the Code, gain from the sale or exchange of shares by a U.S. Holder of common shares of the Company which is or was a United States Shareholder at any time during the five-year period ending with the sale or exchange is treated as ordinary income to the extent of earnings and profits of the Company attributable to the shares sold or exchanged. If a foreign corporation is both a PFIC and a CFC, the foreign corporation generally will not be treated as a PFIC with respect to United States Shareholders of the CFC. This rule generally will be effective for taxable years of United States Shareholders beginning after 1997 and for taxable years of foreign Companys ending with or within such taxable years of United States Shareholders. Special rules apply to United States Shareholders who are subject to the special taxation rules under Section 1291 discussed above with respect to a PFIC. Because of the complexity of Subpart F, a more detailed review of these rules is outside of the scope of this discussion. The Company does not believe that it currently qualifies as a CFC. However, there can be no assurance that the Company will not be considered a CFC for the current or any future taxable year.

Certain Canadian Federal Income Tax Considerations

A brief description of certain provisions of the tax treaty between Canada and the United States is included below, together with a brief outline of certain taxes, including withholding provisions, to which United States security holders are subject under existing laws and regulations of Canada. The consequences, if any, of provincial, state and local taxes are not considered.

The following information is general, and security holders should seek the advice of their own tax advisors, tax counsel or accountants with respect to the applicability or effect on their own individual circumstances of the matters referred to herein and of any provincial, state, or local taxes.

The discussion under this heading summarizes the principal Canadian federal income tax consequences of acquiring, holding and disposing of shares of common stock of the Company for a shareholder of the Company who is not a resident of Canada but is a resident of the United States and who will acquire and hold shares of common stock of the Company as capital property for the purposes of the Income Tax Act (Canada) (the “Canadian Tax Act”). This summary does not apply to a shareholder who carries on business in Canada through a “permanent establishment” situated in Canada or performs independent personal services in Canada through a fixed base in Canada if the shareholder’s holding in the Company is effectively connected with such permanent establishment or fixed base. This summary is based on the provisions of the Canadian Income Tax Act and the regulations thereunder and on an understanding of the administrative practices of Canada Revenue Agency, and takes into account all specific proposals to amend the Canadian Tax Act or regulations made by the Minister of Finance of Canada as of the date hereof. It has been assumed that there will be no other relevant amendment of any governing law although no assurance can be given in this respect. This discussion is general only and is not a substitute for independent advice from a shareholder’s own Canadian and U.S. tax advisors.

The provisions of the Canadian Tax Act are subject to income tax treaties to which Canada is a party, including the Canada-United States Income Tax Convention (1980), as amended (the “Convention”).

Dividends on Common Shares and Other Income

Under the Canadian Tax Act, a non-resident of Canada is generally subject to Canadian withholding tax at the rate of 25 percent on dividends paid or deemed to have been paid to him or her by a corporation resident in Canada. The Convention limits the rate to 15 percent if the shareholder is a resident of the United States and the dividends are beneficially owned by and paid to such shareholder, and to 5 percent if the shareholder is also a corporation that beneficially owns at least 10 percent of the voting stock of the payor corporation.

The amount of a stock dividend (for tax purposes) would generally be equal to the amount by which the paid up or stated capital of the Company had increased by reason of the payment of such dividend. The Company will furnish additional tax information to shareholders in the event of such a dividend. Interest paid or deemed to be paid on the Company’s debt securities held by non-Canadian residents may also be subject to Canadian withholding tax, depending upon the terms and provisions of such securities and any applicable tax treaty.

The Convention generally exempts from Canadian income tax dividends paid to a religious, scientific, literary, educational or charitable organization or to an organization operated exclusively to administer or provide pension, retirement or employee benefit fund, if the organization is a resident of the United States and is generally exempt from income tax under the laws of the United States provided it is not carrying on a trade or business.

Dispositions of Common Shares

Under the Canadian Tax Act, subject to certain restrictions, a taxpayer's capital gain or capital loss from a disposition of a share of common stock of the Company is the amount, if any, by which his or her proceeds of disposition exceed (or are exceeded by, respectively) the aggregate of his or her adjusted cost base of the share and reasonable expenses of disposition. The capital gain or loss must be computed in Canadian currency using a weighted average adjusted cost base for identical properties. Fifty percent of the capital gains net of losses are included in income. The amount by which a shareholder's capital loss exceeds the capital gain in a year may be deducted from a capital gain realized by the shareholder in the three previous years or any subsequent year, subject to certain restrictions in the case of a corporate shareholder.

Under the Canadian Tax Act, a non-resident of Canada is subject to Canadian tax on taxable capital gains, and may deduct allowable capital losses, realized on a disposition of "taxable Canadian property". Shares of common stock of the Company will constitute taxable Canadian property of a shareholder at a particular time if the shareholder used the shares in carrying on business in Canada, or if at any time in the five years immediately preceding the disposition 25% or more of the issued shares of any class or series in the capital stock of the Company belonged to one or more persons in a group comprising the shareholder and persons with whom the shareholder and persons with whom the shareholder did not deal at arm's length and in certain other circumstances.

The Convention relieves United States residents from liability for Canadian tax on capital gains derived on a disposition of shares unless:

(a)
the value of the shares is derived principally from "real property" in Canada, including the right to explore for or exploit natural resources and rights to amounts computed by reference to production;

(b)
the shareholder was resident in Canada for 120 months during any period of 20 consecutive years preceding the disposition, and at any time during the 10 years immediately preceding, the disposition and the shares were owned by him or her when he or she ceased to be resident in Canada; or

(c)
the shares formed part of the business property of a "permanent establishment" that the holder has or had in Canada within the 12 months preceding the disposition.

10.F Dividends and Paying Agents

Not applicable.

10.G Statement by Experts

Not applicable.

10.H Documents on Display

We are subject to the informational requirements of the Exchange Act and file reports and other information with the SEC. You may read and copy any of our reports and other information at, and obtain copies upon payment of prescribed fees from, the Public Reference Room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. In addition, the SEC maintains a Website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC at http://www.sec.gov. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

We are required to file reports and other information with the securities commissions in Canada. You are invited to read and copy any reports, statements or other information, other than confidential filings, that we file with the provincial securities commissions. These filings are also electronically available from the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") (www.sedar.com), the Canadian equivalent of the SEC's electronic document gathering and retrieval system.

We "incorporate by reference" information that we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important

part of this Form 20-F and more recent information automatically updates and supersedes more dated information contained or incorporated by reference in this Form 20-F.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders.

We will provide without charge to each person, including any beneficial owner, to whom a copy of this Annual Report on Form 20-F has been delivered, on the written or oral request of such person, a copy of any or all documents referred to above which have been or may be incorporated by reference in this Annual Report on Form 20-F (not including exhibits to such incorporated information that are not specifically incorporated by reference into such information). Requests for such copies should be directed to us at the following address: Suite #810 – 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6. The Company is required to file financial statements and other information with the Securities Commission in each of the Provinces of Canada, except Quebec, electronically through SEDAR which can be viewed at www.sedar.com.

10.I Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Canarc's audited consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB, and all dollar amounts are expressed in United States dollars unless otherwise indicated.

Quantitative and qualitative disclosures about market risk are provided in Canarc's audited consolidated financial statements for the year ended December 31, 2018 and the notes thereto.

Item 3.D provides information concerning risk factors.

Management of Capital

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its mineral property interests contain reserves of ore and currently has not earned any revenues from its mineral property interests and, therefore, does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital and proceeds from notes payable. The Company is not subject to any externally imposed capital requirements.

The Company defines its capital as debt and share capital. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing in the future. The Company will continue to rely on debt and equity financings to meet its commitments as they become due, to continue exploration work on its mineral property interests, and to meet its administrative overhead costs for the coming periods.

There were no changes in the Company's approach to capital management during the year ended December 31, 2018.

Management of Financial Risk

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are provided as follows.

The fair value hierarchy categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

The fair values of the Company’s receivables and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity. Cash and certain marketable securities are measured at fair values using Level 1 inputs. Other marketable securities are measured using Level 3 of the fair value hierarchy. Flow through premium liability at initial recognition is measured using Level 1 inputs, and deferred royalty liability using Level 2 inputs.

(a)
Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions.

Management has reviewed the items comprising the accounts receivable balance which may include amounts receivable from certain related parties, and determined that all accounts are collectible; accordingly there has been no allowance for doubtful accounts recorded.

(b)
Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise equity financings. As at December 31, 2018, the Company had a working capital of $2.9 million (2017 – $4.9 million). The Company has sufficient funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2019.

The following schedule provides the contractual obligations related to the deferred royalty payments as at December 31, 2018:

	Payments due by Period
	(US$000)
	After

	Total	Less than 1 year	1-3 years	3-5 years	5 years
Deferred royalty payments	$355	$35	$105	$105	$110
Total	$355	$35	$105	$105	$110

Accounts payable and accrued liabilities are due in less than 90 days, and the notes payable, if any, are due on demand.

(c)
Market risk:

The significant market risk exposures to which the Company is exposed are foreign currency risk, interest rate risk and other price risk.

(i)
Foreign currency risk:

Certain of the Company's mineral property interests and operations are in Canada. Most of its operating expenses are incurred in Canadian dollars. Fluctuations in the Canadian dollar would affect the Company's consolidated statements of comprehensive income (loss) as its functional currency is the Canadian dollar, and fluctuations in the U.S. dollar would impact its cumulative translation adjustment as its consolidated financial statements are presented in U.S. dollars.

The Company is exposed to currency risk for its U.S. dollar equivalent of assets and liabilities denominated in currencies other than U.S. dollars as follows:

($000s)	Stated in U.S. Dollars (Held in Canadian Dollars)	
	2018	2017
Cash	$2,288	$4,118
Marketable securities	719	787
Receivables	17	100
Accounts payable and accrued liabilities	(215)	(104)
Flow through premium liability	-	(54)
Net financial assets (liabilities), December 31	$2,809	$4,847

Based upon the above net exposure as at December 31, 2018 and assuming all other variables remain constant, a 10% (2017 - 15%) depreciation or appreciation of the U.S. dollar relative to the Canadian dollar could result in a decrease (increase) of approximately $281,000 (2017 - $727,000) in the cumulative translation adjustment in the Company’s shareholders’ equity..

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(ii)
Interest rate risk:

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. Interest rate risk is not significant to the Company as it has no cash equivalents at period-end and the promissory notes receivable and notes payable, if any, are stated at fixed interest rates.

(iii)
Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market and commodity prices.

The Company's other price risk includes equity price risk, whereby investment in marketable securities are held for trading financial assets with fluctuations in quoted market prices recorded at FVTPL. There is no separately quoted market value for the Company's investments in the shares of certain strategic investments.

As certain of the Company's marketable securities are carried at market value and are directly affected by fluctuations in value of the underlying securities, the Company considers its financial performance and cash flows could be materially affected by such changes in the future value of the Company's marketable securities. Based upon the net exposure as at December 31, 2018 and assuming all other variables remain constant, a net increase or decrease of 50% (2017 - 60%) in the market prices of the underlying securities would increase or decrease respectively net (loss) income by $360,000 (2017 - $472,000).

In February 2017, the Company adopted a normal course issuer bid whereby the Company may acquire up to 10.9 million common shares of the Company, and shall pay the prevailing market price at the time of purchase, and which terminated on February 7, 2018. In June 2018, the normal course issuer bid was again adopted whereby the Company may acquire up to 10.9 million common shares of the Company until June 20, 2019. The cash consideration paid for any such purchases would be subject to fluctuations in the market price of its common shares.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. – C.

Not Applicable.

D.
American Depository Receipts

The Company does not have securities registered as American Depository Receipts

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

14.A - D

None.

14.E Use of Proceeds

Not Applicable.

ITEM 15. CONTROLS AND PROCEDURES

A.
Disclosure Controls and Procedures

At the end of the period covered by this report, an evaluation was carried out under the supervision of and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operations of the Company's disclosure controls and procedures (as defined in Rule 13a – 15(e) and Rule 15d – 15(e) under the Exchange Act). Based on that evaluation the CEO and the CFO have concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures were adequately designed and effective to give reasonable assurance that: (i) information required to be disclosed by the Company in reports that it files or submits to the Securities and Exchange Commission under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms; and (ii) material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to the Company's management, including its CEO and CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

B.
Management's Report on Internal Control over Financial Reporting

The Company's management, including the CEO and CFO, 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. The Company's controls include policies and procedures that:

-
pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

-
provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS;
-
provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements; and
-
statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting.

Management conducted an evaluation of the design and operation of the Company's internal control over financial reporting as of December 31, 2018 based on the criteria in a framework developed by the Company's management pursuant to and in compliance with the SEC's Guidance Regarding Management's Report on Internal Control Over Financial Reporting Under Section 13(a) or 15(d) of the Securities Exchange Act of 1934, Release No. 33-8810 and based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO 2013 framework). This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based upon its assessment, management, including the Company's Chief Executive Officer and Chief Financial Officer, concluded that, as of December 31, 2018, the Company's internal control over financial reporting was effective.

C.
Attestation Report of the Registered Public Accounting Firm

This Annual Report on Form 20-F does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to Section 404(c) of the Sarbanes-Oxley Act of 2002, as amended, which provides that issuers that are not an "accelerated filer" or "large accelerated filer" are exempt from the requirement to provide an auditor attestation report.

D.
Changes in Internal Controls over Financial Reporting

There were no changes in the Company's internal controls over financial reporting identified in connection with the evaluation described above that occurred during the period covered by this annual report that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

ITEM 16. AUDIT COMMITTEE FINANCIAL EXPERT, CODE OF ETHICS AND PRINCIPAL ACCOUNTANT FEES AND SERVICES

16.A Audit Committee Financial Expert

The Company's Board of Directors has determined that Mr. Martin Burian qualifies as a financial expert (as defined in Item 407(d)(5)(ii) of Regulation S-K under the Exchange Act) and is independent (as determined under Exchange Act Rule 10A-3 and Section 803A of the NYSE MKT Company Guide).

16.B Code of Ethics

The Company has adopted a formal written code of ethics as posted on its website at https://canarc.net/_resources/governance/Code-of-Ethics.pdf.

Directors, including the director/employee of the Company, are subject to the laws of the Province of British Columbia, Canada, whereby they are required to act honestly, in good faith and in the best interests of the Company. Also, the Company's legal counsel is available to the management of the Company to provide a high standard of due care in the activities of the Company and to provide guidance when needed.

The Company expects all directors, officers and employees to abide by the following code of ethics which have been communicated to them:

- act with honesty and integrity and in an ethical manner resolve any actual or apparent conflicts of interest between personal and professional relationships;

- ensure that any public filings or announcements, whether they are statutory or regulatory filings or other documents submitted for public disclosure and communication, are accurate, complete, fair, timely and understandable in all material respects, taking into consideration applicable standards and regulations;
- comply with applicable laws, rules and regulations; and
- prompt internal reporting of any violations, whether actual or potential, in the code of ethics.

During the fiscal year ended December 31, 2018, the Company did not substantively amend, waive or implicitly waive any provision of the Code with respect to any of the directors, officers or employees subject to it.

16.C Principal Accountant Fees and Services

The following table discloses accounting fees and services of the Company:

(Stated in terms of Canadian dollars)

Type of Services Rendered	2018 Fiscal Year (CAD$)	2017 Fiscal Year (CAD$)
(a) Audit Fees	$35,000	$35,000
(b) Audit-Related Fees	Nil	Nil
(c) Tax Fees	$3,500	$3,500
(d) All Other Fees	Nil	Nil

At an Audit Committee meeting held in March 2019, the Audit Committee pre-approved all services to be performed by the auditors including certain non-audit services requested by management for the 2019 fiscal year until the next Audit Committee meeting concerning the financial statements for the year ended December 31, 2019, which services are not prohibited services under the independence requirements of the Securities and Exchange Commission or professional standards in Canada or the United States.

The Audit Committee pre-approves all non-audit services to be performed by the auditor in accordance with the Audit Committee Charter. There were no hours expended on the principal accountant's engagement to audit the Company's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees.

16.D Exemptions from the Listing Standards for Audit Committees

Not applicable.

16.E Purchases of Equity Securities by the Company and Affiliated Purchasers

Issuer Purchases of Equity Securities

	(a)	(b)	(c)	(d)
Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Units)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 1 to 31, 2018 (1)	86,000	$0.06	2,644,500	8,214,979
February 1 to 28, 2018	Nil			
March 1 to 31, 2018	Nil			
April 1 to 30, 2018	Nil			
May 1 to 31, 2018	Nil			
June 1 to 30, 2018 (2)	23,000	$0.05	23,000	10,911,657
July 1 to 31, 2018 (2)	65,000	$0.04	88,000	10,846,657
August 1 to 31, 2018 (2)	48,000	$0.04	136,000	10,798,657
September 1 to 30, 2018 (2)	72,000	$0.03	208,000	10,726,657
October 1 to 31, 2018 (2)	184,000	$0.03	392,000	10,542,657
November 1 to 30, 2018 (2)	46,000	$0.03	438,000	10,496,657
December 1 to 31, 2018 (2)	Nil			
Total	524,000			

(1)
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.

(2)
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.

16.F Change in Company's Certifying Accountant

None.

16.G Corporate Governance

Not applicable.

16.H Mine Safety Disclosure

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities with respect to mining operations and properties in the United States that are subject to regulation by the Federal Mine Safety and Health Administration (“MSHA”) under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”). During the year ended December 31, 2018, the Company had no mines in the United States that were subject to regulation by the MSHA under the Mine Act.

PART III
ITEM 17. FINANCIAL STATEMENTS

Not Applicable

ITEM 18. FINANCIAL STATEMENTS

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

The following financial statements and related schedules are included in this Item:

Financial Statements

1.1 Report of Independent Registered Public Accounting Firm dated March 21, 2019	110-111
1.2 Consolidated statements of financial position as at December 31, 2018 and 2017 together with the consolidated statements of comprehensive (loss) income, changes in shareholders' equity and cash flows for each of the years ended December 31, 2018, 2017 and 2016.	112-116

ITEM 19. EXHIBITS

Exhibits

Exhibit #	Description
1-1	Notice of Articles and Articles (Business Corporations Act of British Columbia), previously filed as Exhibit 2.1 in the Form 20-F with the SEC on July 12, 2005 and incorporated herein by reference
1-2	Shareholders Right Plan dated April 30, 2005, previously filed as Exhibit 2.2 in the Form 20-F with the SEC on July 12, 2005 and incorporated herein by reference
8-1	List of Material Subsidiaries
12-1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Catalin Chiloflischi)
12-2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Philip Yee)
13-1	Certification pursuant to Title 18, United States Code, Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Catalin Chiloflischi)
13-2	Certification pursuant to Title 18, United States Code, Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Philip Yee)
15-1	Resource Potential, New Polaris Project (dated March 14, 2007), previously furnished on Form 6-K with the SEC in July 2008 and incorporated herein by reference
15-2	New Polaris Project, Preliminary Assessment (dated December 23, 2009), previously furnished on Form 6-K with the SEC in July 2010 and incorporated herein by reference
15-3	New Polaris Project, Preliminary Assessment (dated April 10, 2011), previously furnished on Form 6-K with the SEC in July 2011 and incorporated herein by reference
15-4	2009 Diamond Drilling Program on the Tay-LP Property (dated March 30, 2010), previously furnished on Form 6-K with the SEC in July 2010 and incorporated herein by reference
15-5	Technical Report for the El Compas Project (dated January 19, 2016), previously furnished on Form 6-K with the SEC in February 2016 and incorporated herein by reference
15-6	Technical Report for the Fondaway Canyon Project

	(dated April 3, 2017), previously furnished on Form 6-K with the SEC in May 2017 and incorporated herein by reference
15-7	New Polaris Gold Project, 2019 Preliminary Economic Assessment (dated February 28, 2019), previously furnished on Form 6-K with the SEC in April 2019 and incorporated herein by reference

SIGNATURE

The Company hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

DATED at Vancouver, British Columbia, Canada, as of April 26, 2019.

CANARC RESOURCE CORP.
Per:

/s/ Scott Eldridge
Scott Eldridge, Chief Executive Officer

Consolidated Financial Statements of

CANARC RESOURCE CORP.

(expressed in United States dollars)

Years ended December 31, 2018 and 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE SHAREHOLDERS AND DIRECTORS OF CANARC RESOURCE CORP.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Canarc Resource Corp. (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive (loss) income, changes in shareholders’ equity, and cash flows for the years ended December 31, 2018, 2017 and 2016, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years ended December 31, 2018, 2017 and 2016, in conformity with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

Change in Accounting Principle

As discussed in note 3 to the consolidated financial statements, the Company has changed its accounting policies for financial instruments as of January 1, 2018 due to the adoption of IFRS 9, Financial Instruments.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has an accumulated deficit of $46,702,000 as at December 31, 2018. As stated in Note 1 to the consolidated financial statements, this condition, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that casts substantial doubt on the Company’s ability to continue as a going concern.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Chartered Professional Accountants

We have served as the Company's auditor since 2008.

Vancouver, Canada
March 21, 2019

CANARC RESOURCE CORP.
Consolidated Statements of Financial Position
(expressed in thousands of United States dollars)

		December 31,	
	Notes	2018	2017
ASSETS			
CURRENT ASSETS			
Cash		$2,329	$4,304
Marketable securities	7(a) and 8	719	787
Receivables and prepaids	14	87	100
Promissory note receivable	6	59	-
Total Current Assets		3,194	5,191
NON-CURRENT ASSETS			
Mineral property interests	7(b) and 9	14,237	14,465
Equipment	10	80	107
Total Non-Current Assets		14,317	14,572
Total Assets		$17,511	$19,763
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	11(b) and 14	$262	$158
Flow through premium liability	11(c)	-	54
Deferred royalty liability, current	7(b) and 11(d)	35	35

Total Current Liabilities		297	247
LONG TERM LIABILITIES			
Deferred royalty liability, long term	7(b) and 11(d)	130	136
Total Liabilities		427	383
SHAREHOLDERS' EQUITY			
Share capital	12(b)	66,305	66,328
Reserve for share-based payments		734	1,101
Accumulated other comprehensive loss		(3,253)	(1,995)
Deficit		(46,702)	(46,054)
Total Shareholders' Equity		17,084	19,380
Total Liabilities and Shareholders' Equity		$17,511	$19,763

Refer to the accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

/s/ Bradford Cooke	/s/ Martin Burian
Director	Director

CANARC RESOURCE CORP.
Consolidated Statements of Comprehensive (Loss) Income
(expressed in thousands of United States dollars, except per share amounts)

		Years ended December 31,		
	Notes	2018	2017	2016
Expenses:				
Amortization	10	$24	$14	$-
Corporate development	13 and 14	49	57	136
Employee and director remuneration	14	590	792	461
General and administrative	13 and 14	223	236	193
Shareholder relations		52	171	311
Share-based payments	12(c) and 14	118	366	301
Loss before the undernoted		(1,056)	(1,636)	(1,402)
Interest and other income		44	52	28
Change in fair value of marketable securities	8	(140)	(293)	3,205
Flow through financing costs	11(b)	(4)	-	-
Gain from debt settlement	11(a)	-	-	108
Interest and finance charges	11(d)	(30)	(23)	-
Foreign exchange (loss) gain		(156)	-	16
Recovery of promissory note receivable	6	152	-	10
Recovery (write off) of mineral property interest	9(a)(iii) and (b)(iii)	12	(67)	-
Write off of equipment	10	(1)	-	-
Net (loss) income from continuing operations before income tax		(1,179)	(1,967)	1,965
Income tax recovery from continuing operations	11(c)	54	7	-
Net (loss) income from continuing operations		(1,125)	(1,960)	1,965

Net income from discontinued operations	7(a)	-	-	4,826
Net (loss) income for the year		(1,125)	(1,960)	6,791
Other comprehensive income (loss):				
Foreign currency translation adjustment		(1,258)	1,274	70
Comprehensive (loss) income for the year		$(2,383)	$(686)	$6,861
Basic and diluted (loss) earnings per share:				
Continuing operations:				
Basic		$(0.01)	$(0.01)	$0.01
Diluted		$(0.01)	$(0.01)	$0.01
Discontinued operations:				
Basic		$-	$-	$0.02
Diluted		$-	$-	$0.02
Weighted average number of common shares outstanding:				
Basic	12(e)	218,460,355	218,473,845	211,483,671
Diluted	12(e)	218,460,355	218,473,845	212,674,296

Refer to the accompanying notes to the consolidated financial statements.

CANARC RESOURCE CORP.
Consolidated Statements of Changes in Shareholders' Equity
(expressed in thousands of United States dollars)

	Share Capital		Reserve for	Accumulated Other		
	Number of Shares	Amount	Share-Based Payments	Comprehensive Income (Loss)	Deficit	Total
Balance, December 31, 2015	191,620,557	$64,537	$530	$(3,339)	$(50,914)	$10,814
Private placement, net of share issue costs	22,699,596	1,440	-	-	-	1,440
Finders fee shares	311,111	26	-	-	-	26
Property acquisition (Note 12(b)(iii))	250,000	19	-	-	-	19
Exercise of stock options	1,000,000	115	(54)	-	-	61
Share-based payments	-	-	301	-	-	301
Cancellation and expiration of stock options	-	-	(26)	-	26	-
Exercise of warrants	1,250,000	77	-	-	-	77
Exercise of finder fee warrants	58,333	6	(2)	-	-	4
Finders fee warrants	-	(10)	10	-	-	-
Other comprehensive income (loss):						
Foreign currency translation adjustment	-	-	-	70	4	74
Net income for the year	-	-	-	-	6,791	6,791
Balance, December 31, 2016	217,189,597	66,210	759	(3,269)	(44,093)	19,607
Private placement, net of share issue costs	3,846,154	274	-	-	-	274
Common share buy-back under normal course issuer bid (Note 12(b)(ii))	(2,558,500)	(168)	-	-	-	(168)
Exercise of share appreciation rights	301,893	23	(23)	-		-
Share-based payments	-	-	366	-	-	366
Cancellation and expiration of stock options	-	-	(12)	-	12	-
Finders fee warrants	-	(11)	11	-	-	-
Other comprehensive income (loss):						
Foreign currency translation adjustment	-	-	-	1,274	(13)	1,261
Net loss for the year	-	-	-	-	(1,960)	(1,960)
Balance, December 31, 2017	218,779,144	66,328	1,101	(1,995)	(46,054)	19,380

Common share buy-back under normal course issuer bid (Note 12(b)(i) and (ii))	(524,000)	(21)	-	-	-	(21)
Property acquisition (Note 12(b)(i))	100,000	4	-	-	-	4
Share issue expenses	-	(6)	-	-	-	(6)
Share-based payments	-	-	118	-	-	118
Cancellation and expiration of stock options	-	-	(407)	-	407	-
Expiration of finders fee warrants	-	-	(70)	-	70	-
Other comprehensive income (loss):						
Foreign currency translation adjustment	-	-	(8)	(1,258)	-	(1,266)
Net loss for the year	-	-	-	-	(1,125)	(1,125)
Balance, December 31, 2018	218,355,144	$66,305	$734	$(3,253)	$(46,702)	$17,084

Refer to the accompanying notes to the consolidated financial statements.

CANARC RESOURCE CORP.
Consolidated Statements of Cash Flows
(expressed in thousands of United States dollars)

		Years ended December 31,		
	Notes	2018	2017	2016
Cash provided from (used by):				
Operations:				
Net (loss) income from continuing operations		$(1,125)	$(1,960)	$1,965
Items not involving cash:				
Accrued interest		30	23	-
Amortization		24	14	-
Change in fair value of marketable securities		140	293	(3,205)
Derecognition of accounts payable		-	-	(3)
Flow through financing costs		4	-	-
Gain from debt settlement		-	-	(105)
Income tax recovery		(54)	(7)	-
Recovery of promissory notes receivable		(152)	-	(10)

Share-based payments		118	366	301
Write off of mineral property interest		-	67	-
Write-off of equipment		1	-	-
		(1,014)	(1,204)	(1,057)
Changes in non-cash working capital items:				
Receivables and prepaids		5	42	(91)
Accounts payable and accrued liabilities		88	69	(923)
Operating cash flow used by continuing operations		(921)	(1,093)	(2,071)
Operating cash flow used by discontinued operations	7(a)	-	-	(55)
Net cash used by operating activities		(921)	(1,093)	(2,126)
Financing:				
Issuance of common shares, net of share issuance costs		-	331	1,466
Exercise of stock options		-	-	61
Exercise of warrants		-	-	81
Share buyback under normal course issuer bid		(27)	(168)	-
Cash (used by) provided from financing activities		(27)	163	1,608
Investing:				
Mineral property interests, net of recoveries		(841)	(3,164)	(198)
Proceeds from optioned mineral property interest		12	-	-
Deferred royalty payment	11(d)	(35)	(35)	-
Acquisition of marketable securities	8	(289)	(175)	(81)
Proceeds from disposition of marketable securities	8	154	104	8,931
Proceeds from promissory note receivable	6	94	-	-
Expenditures for equipment	10	(6)	(121)	-
Cash (used by) provided from investing activities from continuing operations		(911)	(3,391)	8,652
Cash used by investing activities from discontinued operations	7(a)	-	-	(409)
Net cash (used by) provided from investing activities		(911)	(3,391)	8,243
Unrealized foreign exchange (loss) gain on cash		(116)	546	-
(Decrease) increase in cash		(1,975)	(3,775)	7,725
Cash, beginning of year		4,304	8,079	354

Cash, end of year	$2,329	$4,304	$8,079

Refer to the accompanying notes to the consolidated financial statements.

CANARC RESOURCE CORP.
Consolidated Statements of Cash Flows
(expressed in thousands of United States dollars)

		Years ended December 31,		
	Notes	2018	2017	2016
Non-cash financing and investing activities:				
Fair value of deferred royalty liability	7(b) and 11(d)	$-	$183	$-
Fair value of common shares issued for:				
Mineral property interests	12(b)(i) and (iii)	4	-	19
Finders fees	12(b)(iii)	-	-	26
Fair value allocated to common shares issued on exercise of:				
Share appreciation rights	12(b)(ii)	-	23	-
Stock options	12(b)(iii)	-	-	54
Finders fee warrants	12(b)(iii)	-	-	2
Fair value of finders fee warrants from:				
Issuance of finders fee warrants	12(b)(ii) and (iii)	-	11	10
Expiration of:				
Stock options		407	12	26
Finders fee warrants		70	-	-
Income taxes paid		-	-	-
Interest received		-	-	-
Interest paid		-	-	-

Refer to the accompanying notes to the consolidated financial statements.

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CANARC RESOURCE CORP.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018, 2017 and 2016
(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

1.
Nature of Operations and Going Concern

Canarc Resource Corp. (the "Company"), a company incorporated under the laws of British Columbia on January 22, 1987, is in the mineral exploration business and has not yet determined whether its mineral property interests contain reserves. The recoverability of amounts capitalized for mineral property interests is dependent upon the existence of reserves in its mineral property interests, the ability of the Company to arrange appropriate financing and receive necessary permitting for the exploration and development of its mineral property interests, and upon future profitable production or proceeds from the disposition thereof. The address of the Company's registered office is #910 – 800 West Pender Street, Vancouver, BC, Canada, V6C 2V6 and its principal place of business is #301 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8.

The Company has no operating revenues, has incurred a significant net loss of $1.1 million in 2018 (2017 – net loss of $2.0 million and 2016 - net income of $6.8 million) and has a deficit of $46.7 million as at December 31, 2018 (2017 - $46.1 million and 2016 - $44.1 million). In addition, the Company has negative cash flows from operations. These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and repayment of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise debt or equity financings, and the attainment of profitable operations. Management continues to find opportunities to raise the necessary capital to meet its planned business objectives and continues to seek financing opportunities. There can be no assurance that management's plans will be successful. These matters indicate the existence of material uncertainties that cast substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments could be material.

2.
Basis of Presentation

(a)
Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

(b)
Approval of consolidated financial statements:

These consolidated financial statements were approved by the Company's Board of Directors on March 21, 2019.

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CANARC RESOURCE CORP.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018, 2017 and 2016
(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

2.
Basis of Presentation (continued)

(c)
Basis of presentation:

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as disclosed in Note 5. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(d)
Functional currency and presentation currency:

The functional currency of the Company and its subsidiaries is the Canadian dollar, and accounts denominated in currencies other than the Canadian dollar have been translated as follows:

- Monetary assets and liabilities at the exchange rate at the consolidated statement of financial position date;
- Non-monetary assets and liabilities at the historical exchange rates, unless such items are carried at fair value, in which case they are translated at the date when the fair value was determined;
- Shareholders' equity items at historical exchange rates; and
- Revenue and expense items at the rate of exchange in effect on the transaction date.

The Company's presentation currency is the United States dollar. For presentation purposes, all amounts are translated from the Canadian dollar functional currency to the United States dollar presentation currency for each period. Statement of financial position accounts, with the exception of equity, are translated using the exchange rate at the end of each reporting period, transactions on the statement of comprehensive income (loss) are recorded at the average rate of exchange during the period, and equity accounts are translated using historical actual exchange rates.

Exchange gains and losses arising from translation to the Company's presentation currency are recorded as cumulative translation adjustment, which is included in accumulated other comprehensive income (loss).

(e)
Critical accounting estimates and judgements:

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements along with the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates and, as such, estimates and judgements and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests, receivables and long-term investments; valuation of certain marketable securities; the determination of accrued liabilities; accrued site remediation; amount of flow-through obligations; fair value of deferred royalty liability; recognition of deferred income tax liability; the variables used in the determination of the fair value of stock options granted and finder's fees warrants issued or modified; and the recoverability of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

CANARC RESOURCE CORP.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018, 2017 and 2016
(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

2.
Basis of Presentation (continued)

(e)
Critical accounting estimates and judgements: (continued)

The Company applies judgment in assessing the functional currency of each entity consolidated in these consolidated financial statements. The functional currency of the Company and its subsidiaries is determined using the currency of the primary economic environment in which that entity operates.

The Company applies judgment in assessing whether material uncertainties exist that would cast substantial doubt as to whether the Company could continue as a going concern.

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as: the period for which the Company has the right to explore; expected renewals of exploration rights; whether substantive expenditures on further exploration and evaluation of resource properties are budgeted or planned; and results of exploration and evaluation activities on the exploration and evaluation assets.

In the acquisition of American Innovative Minerals, LLC (“AIM”) in March 2017, judgement was required to determine if the acquisition represented either a business combination or an asset purchase. More specifically, management concluded that AIM did not represent a business as the assets acquired were not an integrated set of activities with inputs, processes and outputs. Since it was concluded that the acquisition represented the purchase of assets, there was no goodwill recognized on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. The fair values of the net assets acquired were determined using estimates and judgements. (Note 7).

Judgment is applied in determining whether disposal groups or cash generating unit represent a component of the entity, the results of which should be recorded in discontinued operations in the consolidated statements of comprehensive income (loss) and cash flows.

(f)
New accounting standards and recent pronouncements:

The standards listed below include only those which the Company reasonably expects may be applicable to the Company in the current period and at a future date. The impact is not expected to have a material impact on the statements.

CANARC RESOURCE CORP.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018, 2017 and 2016
(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

2.
Basis of Presentation (continued)

(f)
New accounting standards and recent pronouncements: (continued)

The following standards will become effective in future periods:

(i)
IFRS 16 Leases

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.

A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.

A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.

A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.

A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers.

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Notes to the Consolidated Financial Statements
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2.
Basis of Presentation (continued)

(f)
New accounting standards and recent pronouncements: (continued)

(ii)
The Conceptual Framework for Financial Reporting

The revised Conceptual Framework, issued by the International Accounting Standards Board (IASB) in March 2018, replaces the Conceptual Framework for Financial Reporting (issued by the IASB in September 2010).

The revised Conceptual Framework includes the following:

Concepts on measurement, including factors to consider when selecting a measurement basis.

Concepts on presentation and disclosure, including when to classify income and expenses in other comprehensive income.

Guidance on determining the boundary of a reporting entity.

Updated definitions of an asset and a liability.

Updated criteria for recognizing assets and liabilities in financial statements, and guidance on when to remove them.

Clarification on the roles of stewardship, prudence, measurement uncertainty and substance over form.

The IASB and the IFRS Interpretations Committee began using the revised Conceptual Framework immediately after it was issued. The effective date for stakeholders who develop an accounting policy based on the Conceptual Framework is for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

(iii)
Annual Improvements to IFRS Standards 2015–2017 Cycle

The following standards have been revised to incorporate amendments:

IFRS 3 Business Combinations – The amendments clarify that when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in that business.

IFRS 11 Joint Arrangements – The amendments clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure previously held interests in that business.

IAS 12 Income Taxes – The amendments clarify that an entity recognizes income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognized the originating transaction or event that generated the distributable profits giving rise to the dividend.

IAS 23 Borrowing Costs – The amendments clarify that an entity treats as general borrowings any borrowings made specifically to obtain a qualifying asset that remain outstanding when the asset is ready for its intended use or sale.

The standards are effective for annual periods beginning on or after January 1, 2019.

CANARC RESOURCE CORP.
Notes to the Consolidated Financial Statements
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2.
Basis of Presentation (continued)

(f)
New accounting standards and recent pronouncements: (continued)

(iv)
Prepayment Features with Negative Compensation (Amendments to IFRS 9 Financial Instruments)

IFRS 9 Financial Instruments has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in October 2017. The amendments clarify that a financial asset that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature with negative compensation, may be measured at amortized cost or at fair value through other comprehensive income when eligibility conditions are met.

The amendment is effective for annual periods beginning on or after January 1, 2019.

(v)
IFRIC 23 Uncertainty over Income Tax Treatments

This new Interpretation, issued by the International Accounting Standards Board (IASB) in June 2017, clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

The main features of IFRIC 23 are as follows:

An entity considers an uncertain tax treatment separately or together with other uncertain tax treatments depending on which approach better predicts the resolution of the uncertainty.

Taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates are determined based on whether it is probable that a taxation authority will accept an uncertain tax treatment.

An entity reassesses judgments or estimates relating to uncertain tax treatments when facts and circumstances change.

The interpretation is effective for annual periods beginning on or after January 1, 2019.

CANARC RESOURCE CORP.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018, 2017 and 2016
(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

3.
Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a)
Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries including New Polaris Gold Mines Ltd. and AIM. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. All significant intercompany transactions and balances are eliminated on consolidation.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(b)
Financial instruments:

The Company has adopted IFRS 9 Financial Instruments (“IFRS 9”) as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for the classification and measurement of financial instrument and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, with the exception that for financial liabilities designated at fair value through profit or loss, the change in fair value that is attributable to changes in credit risk of that liability is presented in other comprehensive (loss) income instead of in statement of operations as previously applied.

The Company has classified its financial instruments as follows under IFRS 9 compared to the Company’s previous accounting policy under IAS 39:

	IAS 39	IFRS 9
Financial Assets		
Cash	Fair value through profit or loss ("FVTPL")	FVTPL
Marketable securities	FVTPL	FVTPL
Receivables	Loans and receivable at amortized cost	Amortized cost
Financial Liability		
Accounts payable and accrued liabilities	Other financial liabilities under amortized cost	Amortized cost
Flow through premium liability	Other financial liabilities under amortized cost	Amortized cost
Deferred royalty liability	Other financial liabilities under amortized cost	Amortized cost

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Notes to the Consolidated Financial Statements
Years ended December 31, 2018, 2017 and 2016
(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

3.
Significant Accounting Policies (continued)

(b)
Financial instruments: (continued)

(i)
Financial assets:

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. A financial asset is measured at amortized cost if it meets the conditions that: (i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and (iii) is not designated as fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit and loss are carried in the consolidated statements of financial position at fair value with changes in fair value therein, recognized in the consolidated statements of operations and comprehensive (loss) income.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and

the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

(ii)
Derecognition:

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

the contractual rights to receive cash flows from the asset have expired; or

the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either: (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

CANARC RESOURCE CORP.
Notes to the Consolidated Financial Statements
Years ended December 31, 2018, 2017 and 2016
(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

3.
Significant Accounting Policies (continued)

(b)
Financial instruments: (continued)

(iii)
Financial liabilities:

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

(iv)
Fair value hierarchy

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

(c)
Impairment of non-financial assets:

The carrying amounts of non-current assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount and is recorded as an expense in profit or loss.

CANARC RESOURCE CORP.
Notes to the Consolidated Financial Statements
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3.
Significant Accounting Policies (continued)

(c)
Impairment of non-financial assets: (continued)

The recoverable amount is the higher of an asset's "fair value less costs to sell" for the asset's highest and best use, and "value-in-use". Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined. "Fair value less costs to sell" is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date less incremental costs directly attributable to disposal of the asset, excluding financing costs and income tax expenses. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to the present value, assumptions used are those that an independent market participant would consider appropriate. In assessing "value-in-use", the estimated future cash flows expected to arise from the continuing use of the assets in their present form and from their disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

For the purposes of impairment testing, mineral property interests are allocated to cash-generating units to which the exploration or development activity relates. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

(d)
Mineral property interests:

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 and development expenditures, net of any recoveries. The costs related to a mineral property from which there is production, together with the costs of mining equipment, will be amortized using the unit-of-production method. When there is little prospect of further work on a property being carried out by the Company or its partners or when a property is abandoned or when the capitalized costs are not considered to be economically recoverable, the related property costs are written down to the amount recoverable.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of a property option agreement. As the property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Property option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale or property option of the Company's property interest is recorded as a reduction of the mineral property cost. The Company recognizes in income those costs that are recovered on mineral property interests when amounts received or receivable are in excess of the carrying amount.

The amounts shown for mineral property interests represent costs incurred to date and include advance net smelter return ("NSR") royalties, less recoveries and write-downs, and are not intended to reflect present or future values.

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3.
Significant Accounting Policies (continued)

(e)
Equipment:

Leasehold improvements and office equipment and furnishings are recorded at cost, and are amortized on a double declining basis as follows:

	Double Declining Rate
Leasehold improvements	20%
Office equipment	30%
Office furnishings	20%

(f)
Proceeds on unit offerings:

Proceeds received on the issuance of units, consisting of common shares and warrants, are first allocated to the fair value of the common shares with any residual value then allocated to warrants. Consideration received on the exercise of warrants is recorded as share capital and any related reserve for share-based payments is transferred to share capital. Upon expiry of the warrants, the recorded fair value of the warrants is transferred from the reserve for share-based payments to deficit.

(g)
Non-monetary transactions:

Common shares issued for consideration other than cash are valued at their quoted market price at the date of issuance.

(h)
Flow-through common shares:

The Company will from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through shares into: (i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and (ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company’s period is disclosed separately as flow-through share proceeds.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as a

finance expense until paid.

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3.
Significant Accounting Policies (continued)

(i)
Share buy-back:

The Company has implemented a normal course issuer bid whereby the Company would buy back its common shares on the exchange in which its shares are listed at the prevailing market prices. Shares which are purchased would reduce share capital for the cash consideration paid including any associated transaction costs. Common shares which are purchased under the normal course issuer bid are returned to treasury and cancelled.

(j)
Share-based payments:

The Company has a stock option plan that is described in Note 12(c). Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to the reserve for share-based payments. Consideration received on the exercise of stock options is recorded as share capital and the related reserve for share-based payments is transferred to share capital. Upon expiry, the recorded fair value is transferred from reserve for share-based payments to deficit.

The Company has a share appreciation rights plan, which provides stock option holders the right to receive the number of common shares that are equal in value to the intrinsic value of the stock options at the date of exercise. Amounts transferred from the reserve for share-based payment to share capital are based on the ratio of shares actually issued to the number of stock options originally granted. The remainder is transferred to deficit.

(k)
Environmental rehabilitation:

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral property interests and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company’s estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company’s estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

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3.
Significant Accounting Policies (continued)

(k)
Environmental rehabilitation: (continued)

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit or loss as incurred.

(l)
Earnings (loss) per share:

Basic earnings (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period. The treasury stock method is used to calculate diluted earnings (loss) per common share amounts. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of the diluted per common share amount assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company’s case, diluted loss per share presented is the same as basic loss per share as the effect of outstanding options and warrants in the loss per common share calculation would be anti-dilutive.

(m)
Provisions:

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(n)
Income taxes:

The Company follows the asset and liability method for accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable

income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that recovery is considered probable.

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4.
Management of Capital

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its mineral property interests contain reserves of ore and currently has not earned any revenues from its mineral property interests and, therefore, does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital and proceeds from debt. The Company has generated cash inflows from the disposition of marketable securities. The Company is not subject to any externally imposed capital requirements.

The Company defines its capital as debt and share capital. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing in the future. The Company will continue to rely on debt and equity financings to meet its commitments as they become due, to continue exploration work on its mineral property interests, and to meet its administrative overhead costs for the coming periods.

There were no changes in the Company's approach to capital management during the year ended December 31, 2018.

5.
Management of Financial Risk

The Company has classified its cash and marketable securities as financial assets at FVTPL; receivables as financial assets at amortized cost; and accounts payable and accrued liabilities, flow through premium liability and deferred royalty liability as financial liabilities at amortized cost.

The Company's investment in shares of Aztec Metals Corp., a company sharing one common director, ("AzMet") is classified as FVTPL. There is no separately quoted market value for the Company's investments in the shares of AzMet which have $Nil book value.

The fair values of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity. Cash and certain marketable securities are measured at fair values using Level 1 inputs. Other marketable securities are measured using Level 3 of the fair value hierarchy. Deferred royalty liability is measured using Level 2 inputs.

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5.
Management of Financial Risk (continued)

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk and market risk which includes foreign currency risk, interest rate risk and other price risk. The types of risk exposure and the way in which such exposure is managed are provided as follows.

(a)
Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality Canadian financial institutions.

Management has reviewed the items comprising the accounts receivable balance which may include amounts receivable from certain related parties, and determined that all accounts are collectible; accordingly, there has been no allowance for doubtful accounts recorded.

(b)
Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and its ability to raise equity financings. As at December 31, 2018, the Company had a working capital of $2.9 million (2017 – $4.9 million). The Company has sufficient funding to meet its short-term liabilities and administrative overhead costs, and to maintain its mineral property interests in 2019.

The following schedule provides the contractual obligations related to the deferred royalty payments (Notes 7(b) and 11(d)) as at December 31, 2018:

	Payments due by Period				
		Less than			After
	Total	1 year	1-3 years	3-5 years	5 years
Deferred royalty payments	$355	$35	$105	$105	$110

Total	$355	$35	$105	$105	$110

Accounts payable and accrued liabilities are due in less than 90 days.

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5.
Management of Financial Risk (continued)

(c)
Market risk:

The significant market risk exposures to which the Company is exposed are foreign currency risk, interest rate risk and other price risk.

(i)
Foreign currency risk:

Certain of the Company's mineral property interests and operations are in Canada. Most of its operating expenses are incurred in Canadian dollars. Fluctuations in the Canadian dollar would affect the Company's consolidated statements of comprehensive income (loss) as its functional currency is the Canadian dollar, and fluctuations in the U.S. dollar would impact its cumulative translation adjustment as its consolidated financial statements are presented in U.S. dollars.

The Company is exposed to currency risk for its U.S. dollar equivalent of assets and liabilities denominated in currencies other than U.S. dollars as follows:

	Stated in U.S. Dollars (Held in Canadian Dollars)	
	2018	2017
Cash	$2,288	$4,118
Marketable securities	719	787
Receivables	17	100
Accounts payable and accrued liabilities	(215)	(104)
Flow through premium liability	-	(54)
Net financial assets (liabilities), December 31	$2,809	$4,847

Based upon the above net exposure as at December 31, 2018 and assuming all other variables remain constant, a 10% (2017 - 15%) depreciation or appreciation of the U.S. dollar relative to the Canadian dollar could result in a decrease

(increase) of approximately $281,000 (2017 - $727,000) in the cumulative translation adjustment in the Company's shareholders' equity.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

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5.
Management of Financial Risk (continued)

(c)
Market risk: (continued)

(ii)
Interest rate risk:

In respect of financial assets, the Company's policy is to invest excess cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents. The Company’s investments in guaranteed investment certificates bear a fixed rate and are cashable at any time prior to maturity date. Interest rate risk is not significant to the Company as it has no cash equivalents at period-end.

(iii)
Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Company’s other price risk includes equity price risk, whereby investment in marketable securities are held for trading financial assets with fluctuations in quoted market prices recorded at FVTPL. There is no separately quoted market value for the Company’s investments in the shares of certain strategic investments.

As certain of the Company’s marketable securities are carried at market value and are directly affected by fluctuations in value of the underlying securities, the Company considers its financial performance and cash flows could be materially affected by such changes in the future value of the Company’s marketable securities. Based upon the net exposure as at December 31, 2018 and assuming all other variables remain constant, a net increase or decrease of 50% (2017 - 60%) in the market prices of the underlying securities would increase or decrease respectively net (loss) income by $360,000 (2017 - $472,000).

In February 2017, the Company adopted a normal course issuer bid whereby the Company may acquire up to 10.9 million common shares of the Company, and shall pay the prevailing market price at the time of purchase, and which terminated on February 7, 2018. In June 2018, the normal course issuer bid was again adopted whereby the Company may acquire up to 10.9 million common shares of the Company until June 20, 2019. The cash consideration paid for any such purchases would be subject to fluctuations in the market price of its common shares. (Notes 12(b)(i) and (ii)).

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6.
Promissory Note Receivable

Pursuant to an agreement in July 2014, the Company advanced a promissory note loan of $200,000, which bore an interest rate of 12% per annum compounded monthly; both the principal and interest were due and payable on January 15, 2015, and any past due principal and interest bore an interest rate of 14%. In September 2014, the Company advanced further funds of $20,000. In December 2014, the promissory note receivable along with accrued interest was determined to be impaired as collectability was doubtful, and was written off. In 2016, the Company received notice for the distribution of funds from the bankruptcy estate in which funds of $10,000 were received in 2017. On February 12, 2018, the Company entered into a Forbearance Agreement with the debtor in which the loan principal totaling $220,000 will be repaid in full in 2018 as follows:

Date	Principal
January 31, 2018	$25
June 30, 2018	25
September 30, 2018	85
December 31, 2018	85
	$220

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

7.
Acquisition and Disposition of Companies

(a)
Oro Silver Resources Ltd.

On May 6, 2016, the Company entered into a Purchase and Sale Agreement with Endeavour Silver Corp., a company sharing one common director, (“Endeavour”) which closed on May 27, 2016 pursuant to which the Company sold to Endeavour 100% of the shares of the Company’s wholly-owned subsidiary, Oro Silver Resources Ltd. (“Oro Silver”), which indirectly holds a 100% interest in the El Compas project in Zacatecas, Mexico, in consideration for 2,147,239 common shares of Endeavour (the “Sale Transaction”) with a fair value of CAD$3.99 per share on May 27, 2016.

As additional consideration, Endeavour assumed the Company’s obligation to deliver an aggregate of 165 troy ounces of gold (or the US Dollar equivalent) to Marlin Gold Mining Ltd. (“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 the Company in connection with its acquisition of Oro Silver from Marlin Gold.

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7.
Acquisition and Disposition of Companies (continued)

(a)
Oro Silver Resources Ltd. (continued)

The reported gain on the sale of Oro Silver in 2016 is as follows:

Consideration received from sale of Oro Silver:		
Fair value of common shares of Endeavour	$6,571	
Derivative liability assumed by Endeavour	200	
		$6,771
Less:		
Cost of disposition of Oro Silver:		
Net assets of Oro Silver	1,873	
Transaction costs	19	
		(1,892)
Gain from disposition of subsidiary		$4,879

The reported net income from discontinued operations from the sale of Oro Silver is as follows:

	December 31,		
	2018	2017	2016
Amortization	$-	$-	$(2)
Foreign exchange gain	-	-	5
Legal	-	-	(3)
Office and sundry	-	-	(7)
Rent	-	-	(3)
Salaries and management	-	-	(13)
Property investigation	-	-	(5)
Gain from disposition of subsidiary	-	-	4,879
Loss from derivative liability	-	-	(25)
Net income from discontinued operations	$-	$-	$4,826

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7.
Acquisition and Disposition of Companies (continued)

(a)
Oro Silver Resources Ltd. (continued)

The reported cash flows from discontinued operations from the sale of Oro Silver are as follows:

	December 31,		
	2018	2017	2016
Cash provided from (used by) discontinued operations:			
Operations:			
Net income (loss) from discontinued operations	$-	$-	$4,826
Items not involving cash:			
Amortization	-	-	2
Foreign currency translation	-	-	(14)
Gain from disposition of subsidiary	-	-	(4,879)
Loss from derivative liability	-	-	25
	-	-	(40)
Changes in non-cash working capital items:			
Receivables and prepaids	-	-	(8)
Accounts payable and accrued liabilities	-	-	(7)
Operating cash flow used by discontinued operations	$-	$-	$(55)
Investing:			
Mineral property interests, net of recoveries	$-	$-	$(409)
Cash used by investing activities from discontinued operations	$-	$-	$(409)

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7.
Acquisition and Disposition of Companies

(b)
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.

Certain of the mineral properties are subject to royalties. For the Fondaway Canyon project, it bears both a 3% NSR and a 2% NSR. The 3% NSR has a buyout provision for an original amount of $600,000 which is subject to advance royalty payments of $35,000 per year by July 15th of each year until a gross total of $600,000 has been paid at which time the NSR is bought out. A balance of $425,000 with a fair value of $183,000 was outstanding upon the closing of the Membership Agreement and a remaining balance of $355,000 remains payable as at December 31, 2018 (2017 - $390,000). The 2% NSR has a buyout provision of either $2 million in cash or 19.99% interest of a public entity which owns AIM if AIM were to close an initial public offering of at least $5 million.

The Membership Agreement was considered to be outside the scope of IFRS 3 Business Combinations since AIM did not meet the definition of a business, and as such, the transaction was accounted for as an asset acquisition.

The following table sets forth an allocation of the purchase price to assets acquired and liabilities assumed, based on their fair values at the date of acquisition in March 2017:

	American Innovative Minerals, LLC
Assets:	
Mineral property interests	$2,183
Total	$2,183
Consideration paid for AIM in March 2017:	
Cash	$2,000
Obligation for deferred royalty payments	183
Total consideration	$2,183

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8.
Marketable Securities

	December 31,	
	2018	2017
Balance, begin of period	$787	$955
Investment in marketable securities	289	175
Disposition of marketable securities at fair value	(154)	(104)
Change in fair value of marketable securities	(140)	(293)
Foreign currency translation adjustment	(63)	54
Balance, end of period	$719	$787

The quoted market value and fair value of shares of companies was $719,000 at December 31, 2018 (2017 - $787,000).

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9.
Mineral Property Interests

	Canada						USA			
	British Columbia				Nunavut		Nevada			
	New Polaris	Windfall Hills	FG Gold	Princeton	Hard Cash	Nigel	Fondaway Canyon	Corral Canyon	Other	Total
	(Note 9(a)(i))	(Note 9(a)(ii))	(Note 9(a)(iii))	(Note 9(a)(iv))	(Note 9(a)(v))	(Note 9(a)(v))	(Notes 7(b) and 9(b)(i))	(Note 9(b)(ii))	(Note 9(c))	
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
	7	(30)	-	-	-	-	(175)	-	-	(198)

Foreign currency translation adjustment										
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

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9.
Mineral Property Interests (continued)

(a)
Canada:

(i)
New Polaris (British Columbia):

The New Polaris property, which is located in the Atlin Mining Division, British Columbia, is 100% owned by the Company subject to a 15% net profit interest which may be reduced to a 10% net profit interest within one year of commercial production by issuing 150,000 common shares to Rembrandt Gold Mines Ltd. Acquisition costs at December 31, 2018 include a reclamation bond for $184,000 (2017 - $200,000).

(ii)
Windfall Hills (British Columbia):

In April 2013, the Company entered into a property purchase agreement with Atna Resources Ltd. (“Atna”) whereby the Company 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.

In April 2013, the Company entered into a property purchase agreement whereby the Company 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.

(iii)
FG Gold (British Columbia):

On August 24, 2016, the Company entered into a property option agreement with Eureka Resources, Inc., (“Eureka”) which closed on October 12, 2016. In consideration for the grant of the property option agreement, the Company 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. The Company can earn up to a 75% interest in the FG gold property in two stages.

In the first stage, the Company 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 the Company to Eureka to an aggregate maximum exploration expenditure of CAD$1.5 million.

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9.
Mineral Property Interests (continued)

(a)
Canada: (continued)

(iii)
FG Gold (British Columbia): (continued)

In the second stage, the Company 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 the Company to Eureka to an aggregate maximum exploration expenditure of CAD$1.5 million.

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

In 2017, the Company terminated the property option agreement with Eureka and wrote off the FG Gold project.

(iv)
Princeton (British Columbia):

In December 2018, the Company entered into a property option agreement jointly with Tasca Resources Ltd. (“Tasca”) and an individual whereby the Company 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.

(v)
Hard Cash and Nigel (Nunavut):

In November 2018, the Company entered into a property option agreement with Silver Range Resources Ltd. (“Silver Range”) whereby the Company 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 the Company at the Company’s election.

(vi)
Eskay Creek property (British Columbia):

In December 2017, the Company signed an agreement with Barrick Gold Inc (“Barrick”) and Skeena Resources Ltd. (“Skeena”) involving the Company’s 33.3% carried interest in certain mining claims adjacent to the past-producing Eskay Creek Gold mine located in northwest British Columbia, whereby the Company will retain its 33.33% carried interest. The Company 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. The Company wrote off the property in 2005.

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9.
Mineral Property Interests (continued)

(b)
United States:

(i)
Fondaway Canyon (Nevada):

On March 20, 2017, the Company closed the Membership Agreement with AMI whereby the Company acquired 100% legal and beneficial interests in mineral properties located in Nevada, Idaho and Utah (USA) for a total purchase price of $2.2 million (Note 7(b)). Certain of the mineral properties are subject to royalties.

(ii)
Corral Canyon (Nevada):

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

(iii)
Silver King (Nevada):

In October 2018, the Company entered into a property option agreement for its Silver King property with Brownstone Ventures (US) Inc. (“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. The Company will retain a 2% NSR of which a 1% NSR can be acquired by Brownstone for $1 million.

(c)
Other:

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

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9.
Mineral Property Interests (continued)

(d)
Expenditure options:

As at December 31, 2018, to maintain the Company's interest and/or to fully exercise the options under various property agreements covering its properties, the Company must make payments as follows:

	Cash Payments (CADS$000)	Exploration Expenditures (CADS$000)	Cash Payments (US$000)	Annual Payments (US$000)	Number of Shares
New Polaris (Note 9(a)(i)):					
Net profit interest reduction or buydown	$-	$-	$-	$-	150,000
Fondaway Canyon (Notes 7(b) and 9(b)(i)):					
Advance royalty payment for buyout of 3% net smelter return (1)	-	-	-	35	-
Buyout provision for net smelter return of 2% (2)	-	-	2,000	-	-
Windfall Hills (Note 9(a)(ii)):					
Buyout provision for net smelter return of 1.5%	1,000	-	-	-	-
Reduction of net smelter return of 2% to 1%	-	-	500	-	-
Princeton (Note 9(a)(iv)):					
On or before:					
January 31, 2019 (expended)	-	1	-	-	-
December 31, 2019	-	340	-	-	-
December 31, 2020	-	460	-	-	-
Buyout provision for net smelter return of 1%	1,000	-	-	-	-
Reduction of net smelter return of 2% to 1%	1,000	-	-	-	-
Hard Cash and Nigel (Note 9(a)(v)):					
On or before:					
November 23, 2019	20	-	-	-	200,000

November 23, 2020	30	-	-	-	300,000
November 23, 2021	40	-	-	-	400,000
November 23, 2022	50	-	-	-	500,000
Reduction of net smelter return of 2% to 1%	1,000	-	-	-	-
Other (Note 9(c)):					
Success fee	-	-	10	-	-
	$4,140	$801	$2,510	$35	1,550,000

(1)
Advance royalty payments of $355,000 remain payable as at December 31, 2018 with annual payments of $35,000.

(2)
The 2% NSR has a buyout provision of either $2 million in cash or 19.99% interest of a public entity which owns AIM if AIM were to close an initial public offering of at least $5 million.
These amounts may be reduced in the future as the Company determines which mineral property interests to continue to explore and which to abandon.

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9.
Mineral Property Interests (continued)

(e)
Title to mineral property interests:

The Company has diligently investigated rights of ownership of all of its mineral property interests/concessions and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties and concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

(f)
Realization of assets:

The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the mineral properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for mineral property interests is dependent upon the existence of reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

(g)
Environmental:

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation of the Company's operation may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its current properties and former properties in which it has previously had an interest. The Company is not aware of any existing environmental problems related to any of its current or former mineral property interests that may result in material liability to the Company.

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10.
Equipment

	Leasehold Improvements	Office Furnishings and Equipment	Total
Cost:			
Balance, December 31, 2016	$-	$8	$8
Acquisitions	90	31	121
Write-off	-	(8)	(8)
Balance, December 31, 2017	90	31	121
Acquisitions	-	6	6
Write-off	-	(2)	(2)
Foreign currency translation adjustment	(7)	(2)	(9)
Balance, December 31, 2018	83	33	116
Accumulated amortization:			
Balance, December 31, 2016	$-	$7	$7
Amortization	10	4	14
Write-off	-	(7)	(7)
Balance, December 31, 2017	10	4	14
Amortization	17	7	24
Write-off	-	(1)	(1)
Foreign currency translation adjustment	(1)	-	(1)
Balance, December 31, 2018	26	10	36
Net book value:			
Balance, December 31, 2017	$80	$27	$107
Balance, December 31, 2018	$57	$23	$80

11.
Accounts Payable and Accrued Liabilities

(a)
Debt Settlement and Derecognition:

In 2016, the Company entered into a debt settlement with a creditor whereby a debt of $138,000 was settled with a cash payment of $33,000, resulting in a gain on debt settlement of $105,000. In 2016, the Company also derecognized debt of $3,000 owed to a foreign creditor, and recognized a gain of $3,000 from the derecognition of accounts payable.

(b)
Flow-Through Tax Indemnification:

In 2015, the Company incurred a shortfall of CAD$14,000 in Canadian exploration expenditures for flow through purposes, and recognized a provision of US$2,000 for flow through indemnification as at December 31, 2017 which was included in accounts payable and accrued liabilities but was derecognized in 2018.

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11.
Accounts Payable and Accrued Liabilities (continued)

(c)
Flow Through Premium Liability

On April 21, 2017, the Company closed a private placement for 3.8 million flow through common shares at CAD$0.13 per share for gross proceeds of CAD$500,000. The fair value of the shares was CAD$0.11 per share, resulting in the recognition of a flow through premium liability of CAD$0.02 per share for a total of CAD$76,900. (Note 12(b)(ii)).

Balance, December 31, 2016	$-
Add:	
Excess of subscription price over fair value of flow through common shares	57
Foreign currency translation adjustment	4
Less:	
Income tax recovery	(7)
Balance, December 31, 2017	54
Less:	
Income tax recovery	(54)
Balance, December 31, 2018	$-

(d)
Deferred Royalty Liability

The 3% NSR for the Fondaway Canyon project which was acquired in March 2017 has a buyout provision for an original amount of $600,000 which is subject to advance royalty payments of $35,000 per year by July 15th of each year until a gross total of $600,000 has been paid at which time the NSR is bought out in full. A balance of $425,000 was remaining upon the closing of the Membership Agreement. (Note 7(b)).

	Deferred Royalty Liability
Balance, December 31, 2016	$-
Add:	
Obligation for advance royalty payments	183
Interest	23
Less:	

Advance royalty payment	(35)
Balance, December 31, 2017	171
Add:	
Interest	30
Less:	
Advance royalty payment	(35)
Foreign currency translation adjustment	(1)
Balance, December 31, 2018	$165

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12.
Share Capital

(a)
Authorized:

The authorized share capital of the Company is comprised of an unlimited number of common shares without par value.

(b)
Issued:

(i)
In June 2018, the Company received regulatory approval for a normal course issuer bid to acquire up to 10.9 million common shares of the Company representing approximately up to 5% of its issued and outstanding common shares at that time. The bid is effective on June 21, 2018 and will terminate on June 20, 2019, or on such earlier date as the bid is completed. The actual number of common shares purchased under the bid and the timing of any such purchases is at the Company's discretion. Purchases under the bid shall not exceed 23,893 common shares per day. The Company 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 the Company will be cancelled. From June to December 2018, the Company purchased 438,000 shares for CAD$20,595 with an average price of CAD$0.05 per share; the shares were cancelled in 2018.

In December 2018, the Company issued 100,000 common shares at a value of CAD$0.05 per share to Silver Range for the Hard Cash and Nigel properties (Note 9(a)(v)).

(ii)
In February 2017, the Company received regulatory approval for a normal course issuer bid to acquire up to 10.9 million common shares of the Company representing approximately up to 5% of its issued and outstanding common shares at that time. The bid was effective 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 the Company's discretion. Purchases under the bid shall not exceed 86,128 common shares per day. The Company paid the prevailing market price at the time of purchase for all common shares purchased under the bid, and all common shares purchased by the Company were cancelled. For the year ended December 31, 2017, the Company purchased 2.6 million shares for CAD$213,700 with an average price of CAD$0.08 per share, of which 2.5 million common shares have been cancelled and the remaining common shares were cancelled in February 2018. Subsequent to December 31, 2017, a further 86,000 common shares for CAD$6,450 were purchased at an average price of CAD$0.08 per share, all of which were cancelled in February 2018.

In March 2017, stock options for 500,000 common shares were cancelled for the exercise of share appreciation rights for 272,727 common shares at a fair value of CAD$0.10 per share. In May 2017, stock options for 132,500 common shares were cancelled for the exercise of share appreciation rights for 29,166 common shares at a fair value of CAD$0.10 per share.

On April 21, 2017, the Company closed a private placement for 3.8 million flow through common shares at CAD$0.13 per share for gross proceeds of CAD$500,000. The fair value of the shares was CAD$0.11 per share, resulting in the recognition of a flow through premium liability of CAD$0.02 per share for a total of CAD$76,900.

Finder fees were comprised of CAD$32,500 in cash and 250,000 warrants; each warrant is exercisable to acquire one non-flow through common share at an exercise price of CAD$0.15 per share until April 21, 2019.

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12.
Share Capital (continued)

(b)
Issued: (continued)

(iii)
In March 2016, the Company 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 with each unit comprised of one common share and one-half of one common share purchase warrant; each whole warrant is exercisable to acquire one common share at an exercise price of CAD$0.12 per share for a period of three years. On March 3, 2016, the Company closed the first tranche for 17.7 million units for gross proceeds of CAD$1.59 million. On March 14, 2016, the Company closed the second tranche for 5 million units for gross proceeds of CAD$449,500 with a finder's fee of 311,111 units issued with the same terms as the underlying units in the private placement.

In September 2016, the Company issued 250,000 common shares at a value of CAD$0.10 per share to Eureka for the FG gold property (Note 9(a)(iii)).

In 2016, warrants for 1.31 million shares were exercised for proceeds of CAD$104,700 which included finder fee warrants for 58,333 shares with a fair value of US$2,000. In 2016, stock options for 1 million shares were exercised for proceeds of CAD$80,000 with fair values of US$54,300.

(c)
Stock option plan:

The Company has a stock option plan that allows it to grant stock options to its directors, officers, employees, and consultants to acquire up to 44,261,695 common shares which was increased from 18,888,434 common shares at the Company's Annual and Special Meeting held on June 2, 2017. The exercise price of each stock option cannot be lower than the last recorded sale of a board lot on the TSX during the trading day immediately preceding the date of granting or, if there was no such date, the high/low average price for the common shares on the TSX based on the last five trading days before the date of the grant. Stock options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of death, in which case they terminate one year after the event. Vesting of stock options is made at the discretion of the board at the time the stock options are granted.

At the discretion of the board, certain stock option grants provide the holder the right to receive the number of common shares, valued at the quoted market price at the time of exercise of the stock options, that represent the share appreciation since granting the stock options.

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12.
Share Capital (continued)

(c)
Stock option plan: (continued)

The continuity of outstanding stock options for the years ended December 31, 2018, 2017 and 2016 is as follows:

	2018		2017		2016	
	Number of Shares	Weighted average exercise price (CAD$)	Number of Shares	Weighted average exercise price (CAD$)	Number of Shares	Weighted average exercise price (CAD$)
Outstanding balance, beginning of year	19,357,500	$0.08	16,445,000	$0.08	11,920,000	$0.08
Granted	4,250,000	$0.07	3,600,000	$0.10	8,010,000	$0.08
Exercised	-	-	-	-	(1,000,000)	$0.08
Cancellation for share appreciation rights	-	-	(632,500)	$0.06	-	-
Forfeited	(1,012,500)	$0.09	(18,750)	$0.10	(1,965,000)	$0.09
Expired	(6,195,000)	$0.08	(36,250)	$0.14	(520,000)	$0.10
Outstanding balance, end of year	16,400,000	$0.08	19,357,500	$0.08	16,445,000	$0.08
Exercise price range		$0.05 - $0.10		$0.06 - $0.10		$0.05 - $0.145

The following table summarizes information about stock options exercisable and outstanding at December 31, 2018 and 2017:

	Options Outstanding		Options Exercisable	
	Weighted	Weighted	Weighted	Weighted

Exercise Prices (CAD$)	Number Outstanding at Dec 31, 2018	Average Remaining Contractual Life (Number of Years)	Average Exercise Prices (CAD$)	Number Exercisable at Dec 31, 2018	Average Remaining Contractual Life (Number of Years)	Average Exercise Prices (CAD$)
$0.10	2,300,000	0.54	$0.10	2,300,000	0.54	$0.10
$0.06	3,700,000	1.94	$0.06	3,700,000	1.94	$0.06
$0.08	3,600,000	2.52	$0.08	3,600,000	2.52	$0.08
$0.10	2,050,000	3.42	$0.10	2,050,000	3.42	$0.10
$0.09	500,000	3.70	$0.09	375,000	3.70	$0.09
$0.08	3,250,000	4.49	$0.08	1,300,000	4.49	$0.08
$0.06	500,000	4.87	$0.06	100,000	4.87	$0.06
$0.05	500,000	4.87	$0.05	100,000	4.87	$0.05
	16,400,000	2.79	$0.08	13,525,000	2.42	$0.08

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12.
Share Capital (continued)

(c)
Stock option plan: (continued)

	Options Outstanding			Options Exercisable	
	Weighted	Weighted		Weighted	Weighted
	Average	Average		Average	Average
Exercise	Remaining	Exercise	Number	Remaining	Exercise
Prices	Contractual Life	Prices	Exercisable at	Contractual Life	Prices
(CAD$)	(Number of Years)	(CAD$)	Dec 31, 2017	(Number of Years)	(CAD$)
$0.08	0.48	$0.08	1,400,000	0.48	$0.08
$0.10	1.54	$0.10	3,600,000	1.54	$0.10
$0.06	2.94	$0.06	5,312,500	2.94	$0.06
$0.08	3.52	$0.08	2,410,000	3.52	$0.08
$0.10	4.42	$0.10	1,537,500	4.42	$0.10
$0.09	4.70	$0.09	125,000	4.70	$0.09
	2.94	$0.08	14,385,000	2.62	$0.08

During the year ended December 31, 2018, the Company recognized share-based payments of $118,000 (2017 - $366,000 and 2016 - $301,000), net of forfeitures, based on the fair value of stock options that were earned by the provision of services during the period. Share-based payments are segregated between directors and officers, employees and consultants, as applicable, as follows:

	December 31,		
	2018	2017	2016

Directors and officers	$118	$351	$245
Employees	-	15	2
Consultants	-	-	54
	$118	$366	$301

The weighted average fair value of stock options granted and the weighted average assumptions used to calculate share-based payments for stock option grants are estimated using the Black-Scholes option pricing model as follows:

	2018	2017	2016
Number of stock options granted	4,250,000	3,600,000	8,010,000
Fair value of stock options granted (CAD$)	$0.04	$0.08	$0.07
Market price of shares on grant date (CAD$)	$0.05	$0.10	$0.09
Pre-vest forfeiture rate	16.09%	15.41%	15.99%
Risk-free interest rate	2.10%	0.95%	0.55%
Expected dividend yield	0%	0%	0%
Expected stock price volatility	119%	134%	140%
Expected option life in years	4.22	4.03	4.42

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12. Share Capital (continued)

(c) Stock option plan: (continued)

Expected stock price volatility is based on the historical price volatility of the Company's common shares.

In fiscal 2016, the Company granted the following stock options:
- 3,260,000 stock options to directors, officers and employees with an exercise price of CAD$0.08 and an expiry date of July 7, 2021, 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;
- 3,000,000 stock options to a director, officers and a consultant with an exercise price of CAD$0.08 and an expiry date of July 7, 2021, and which shall vest only when the Company closes a material transaction or at the discretion of the Company's Board of Directors;
- 1,000,000 stock options to consultants with an exercise price of CAD$0.08 and an expiry date of July 7, 2021, and which fully vested on grant date; and
- 750,000 stock options to a consultant with an exercise price of CAD$0.11 and an expiry date of September 21, 2021, and which fully vest on December 20, 2016.

In March 2017, stock options for 500,000 common shares were cancelled for the exercise of share appreciation rights for 272,727 common shares. In May 2017, stock options for 132,500 common shares were cancelled for the exercise of share appreciation rights for 29,166 common shares.

On June 2, 2017, the Company's Board of Directors provided for the full vesting of 2.25 million performance based stock options which were granted in July 2016 and which have an exercise price of CAD$0.08 and an expiry date of July 7, 2021.

In fiscal 2017, the Company granted the following stock options:
- 3,100,000 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; and
- 500,000 stock options to an employee with an exercise price of CAD$0.09 and an 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;

In fiscal 2018, the Company granted the following stock options:
- 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; and
- 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.

In February 2019, the Company granted 700,000 stock options to consultants with an exercise price of $0.07 per share and an expiry date of February 22, 2024 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.

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12. Share Capital (continued)

(d) Warrants:

At December 31, 2018, the Company had outstanding warrants as follows:

Exercise Prices (CAD$)	Expiry Dates	Outstanding at December 31, 2017	Issued	Exercised	Expired	Outstanding at December 31, 2018
$0.10	July 31, 2018 (1), (7)	8,450,000	-	-	(8,450,000)	-
$0.15	September 18, 2018 (1)	5,254,055	-	-	(5,254,055)	-
$0.15	September 18, 2018 (1), (2)	661,718	-	-	(661,718)	-
$0.15	October 3, 2018 (1)	4,153,750	-	-	(4,153,750)	-
$0.15	October 3, 2018 (1), (3)	60,725	-	-	(60,725)	-
$0.08	September 21, 2018	5,332,776	-	-	(5,332,776)	-
$0.08	September 21, 2018 (4)	536,511	-	-	(536,511)	-
$0.12	March 3, 2019 (8)	8,852,576	-	-	-	8,852,576
$0.12	March 14, 2019 (8)	2,497,222	-	-	-	2,497,222
$0.12	March 14, 2019 (5), (8)	155,556	-	-	-	155,556
$0.12	April 21, 2019 (6)	250,000	-	-	-	250,000
		36,204,889	-	-	(24,449,535)	11,755,354

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12. Share Capital (continued)

(d) Warrants: (continued)

(1) On August 28, 2015, the Company extended the terms of the expiry periods of the warrants by 18 months.

(2) As these warrants are agent's warrants, a fair value of $43,120 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 120%, risk-free rate 1.17%, expected life 3 years, and expected dividend yield 0%. On August 28, 2015, the agent's warrants were modified by the extension of the expiry term by 18 months resulting in a net fair value adjustment of $4,622 as applied to reserve for share-based payments with a corresponding debit to deficit using the Black-Scholes option pricing model with the following revised assumptions: volatility 146%, risk-free rate 0.46%, expected life 3 years, and expected dividend yield 0%.

(3) As these warrants are agent's warrants, a fair value of $3,335 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 121%, risk-free rate 1.27%, expected life 3 years, and expected dividend yield 0%. On August 28, 2015, the agent's warrants were modified by the extension of the expiry term by 18 months resulting in a net fair value adjustment of $386 as applied to reserve for share-based payments with a corresponding debit to deficit using the Black-Scholes option pricing model with the following revised assumptions: volatility 146%, risk-free rate 0.46%, expected life 3 years, and expected dividend yield 0%.

(4) As these warrants are agent's warrants, a fair value of $20,747 was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 147%, risk-free rate 0.57%, expected life 3 years, and expected dividend yield 0%.

(5) As these warrants are agent's warrants, a fair value of $10,320 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 150%, risk-free rate 0.58%, expected life 3 years, and expected dividend yield 0%.

(6) As these warrants are agent's warrants, a fair value of $11,460 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 125%, risk-free rate 0.71%, expected life 2 years, and expected dividend yield 0%.

(7) On July 14, 2017, the Company extended the term of the expiry period of the warrants by one year from July 31, 2017 to July 31, 2018, which expired unexercised.

(8) These warrants expired unexercised on their respective expiry dates in 2019.

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12. Share Capital (continued)

(d) Warrants: (continued)

At December 31, 2017, the Company had outstanding warrants as follows:

Exercise Prices (CAD$)	Expiry Dates	Outstanding at December 31, 2016	Issued	Exercised	Expired	Outstanding at December 31, 2017
$0.10	July 31, 2018 (1), (7)	8,450,000	-	-	-	8,450,000
$0.15	March 18, 2017	55,000	-	-	(55,000)	-
$0.15	September 18, 2018 (1)	5,254,055	-	-	-	5,254,055
$0.15	September 18, 2018 (1), (2)	661,718	-	-	-	661,718
$0.15	April 3, 2017	346,250	-	-	(346,250)	-
$0.15	October 3, 2018 (1)	4,153,750	-	-	-	4,153,750
$0.15	October 3, 2018 (1), (3)	60,725	-	-	-	60,725
$0.08	September 21, 2018	5,332,776	-	-	-	5,332,776
$0.08	September 21, 2018 (4)	536,511	-	-	-	536,511
$0.12	March 3, 2019	8,852,576	-	-	-	8,852,576
$0.12	March 14, 2019	2,497,222	-	-	-	2,497,222
$0.12	March 14, 2019 (5)	155,556	-	-	-	155,556
$0.12	April 21, 2019 (6)	-	250,000	-	-	250,000
		36,356,139	250,000	-	(401,250)	36,204,889

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12. Share Capital (continued)

(d) Warrants: (continued)

(1) On August 28, 2015, the Company extended the terms of the expiry periods of the warrants by 18 months.

(2) As these warrants are agent's warrants, a fair value of $43,120 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 120%, risk-free rate 1.17%, expected life 3 years, and expected dividend yield 0%. On August 28, 2015, the agent's warrants were modified by the extension of the expiry term by 18 months resulting in a net fair value adjustment of $4,622 as applied to reserve for share-based payments with a corresponding debit to deficit using the Black-Scholes option pricing model with the following revised assumptions: volatility 146%, risk-free rate 0.46%, expected life 3 years, and expected dividend yield 0%.

(3) As these warrants are agent's warrants, a fair value of $3,335 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 121%, risk-free rate 1.27%, expected life 3 years, and expected dividend yield 0%. On August 28, 2015, the agent's warrants were modified by the extension of the expiry term by 18 months resulting in a net fair value adjustment of $386 as applied to reserve for share-based payments with a corresponding debit to deficit using the Black-Scholes option pricing model with the following revised assumptions: volatility 146%, risk-free rate 0.46%, expected life 3 years, and expected dividend yield 0%.

(4) As these warrants are agent's warrants, a fair value of $20,747 was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 147%, risk-free rate 0.57%, expected life 3 years, and expected dividend yield 0%.

(5) As these warrants are agent's warrants, a fair value of $10,320 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 150%, risk-free rate 0.58%, expected life 3 years, and expected dividend yield 0%.

(6) As these warrants are agent's warrants, a fair value of $11,460 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 125%, risk-free rate 0.71%, expected life 2 years, and expected dividend yield 0%.

(7) On July 14, 2017, the Company extended the term of the expiry period of the warrants by one year from July 31, 2017 to July 31, 2018.

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12. Share Capital (continued)

(d) Warrants: (continued)

At December 31, 2016, the Company had outstanding warrants as follows:

Exercise Prices (CAD$)	Expiry Dates	Outstanding at December 31, 2015	Issued	Exercised	Expired	Outstanding at December 31, 2016
$0.20	January 11, 2016 (1)	600,000	-	-	(600,000)	-
$0.20	January 18, 2016 (1)	1,000,000	-	-	(1,000,000)	-
$0.10	January 31, 2016	550,000	-	-	(550,000)	-
$0.10	July 31, 2017 (2)	8,450,000	-	-	-	8,450,000
$0.15	March 18, 2017	55,000	-	-	-	55,000
$0.15	September 18, 2018 (2)	5,254,055	-	-	-	5,254,055
$0.15	September 18, 2018 (2), (3)	661,718	-	-	-	661,718
$0.15	April 3, 2017	346,250	-	-	-	346,250
$0.15	October 3, 2018 (2)	4,153,750	-	-	-	4,153,750
$0.15	October 3, 2018 (2), (4)	60,725	-	-	-	60,725
$0.15	July 9, 2016	2,500,000	-	-	(2,500,000)	-
$0.08	September 21, 2018	5,749,443	-	(416,667)	-	5,332,776
$0.08	September 21, 2018 (5)	594,844	-	(58,333)	-	536,511
$0.08	October 30, 2018	833,333	-	(833,333)	-	-

$0.12	March 3, 2019	-	8,852,576	-	-	8,852,576
$0.12	March 14, 2019	-	2,497,222	-	-	2,497,222
$0.12	March 14, 2019 (6)	-	155,556	-	-	155,556
		30,809,118	11,505,354	(1,308,333)	(4,650,000)	36,356,139

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12. Share Capital (continued)

(d) Warrants: (continued)

(1) The warrants were subject to an accelerated expiry whereby if after the four month plus one day hold period from the closing date of the private placement, the volume weighted average trading price as traded on the TSX equals or exceeds CAD$0.30 per share for a period of 10 consecutive trading days, the Company will have the right, within five business days, to accelerate the expiry date of the warrants by giving not fewer than 30 days written notice to the warrant holder whereby the warrants shall expire 30 days after such date of the notice.

(2) On August 28, 2015, the Company extended the terms of the expiry periods of the warrants by 18 months.

(3) As these warrants are agent's warrants, a fair value of $43,120 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 120%, risk-free rate 1.17%, expected life 3 years, and expected dividend yield 0%. On August 28, 2015, the agent's warrants were modified by the extension of the expiry term by 18 months resulting in a net fair value adjustment of $4,622 as applied to reserve for share-based payments with a corresponding debit to deficit using the Black-Scholes option pricing model with the following revised assumptions: volatility 146%, risk-free rate 0.46%, expected life 3 years, and expected dividend yield 0%.

(4) As these warrants are agent's warrants, a fair value of $3,335 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 121%, risk-free rate 1.27%, expected life 3 years, and expected dividend yield 0%. On August 28, 2015, the agent's warrants were modified by the extension of the expiry term by 18 months resulting in a net fair value adjustment of $386 as applied to reserve for share-based payments with a corresponding debit to deficit using the Black-Scholes option pricing model with the following revised assumptions: volatility 146%, risk-free rate 0.46%, expected life 3 years, and expected dividend yield 0%.

(5) As these warrants are agent's warrants, a fair value of $20,747 was recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 147%, risk-free rate 0.57%, expected life 3 years, and expected dividend yield 0%.

(6) As these warrants are agent's warrants, a fair value of $10,320 was originally recorded as share issuance expense as applied to share capital with a corresponding credit to reserve for share-based payments calculated using the Black-Scholes option pricing model with the following assumptions: volatility 150%, risk-free rate 0.58%, expected life 3 years, and expected dividend yield 0%.

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12. Share Capital (continued)

(e) Basic and diluted (loss) earnings per share:

The calculation of basic and diluted (loss) earnings per share for the relevant periods is based on the following:

	December 31,		
	2018	2017	2016
Basic weighted average number of common shares outstanding	218,460,355	218,473,845	211,483,671
Effect of dilutive securities	-	-	1,190,625
Diluted weighted average number of common shares outstanding	218,460,355	218,473,845	212,674,296

(f) Common shares reserved for issuance:

	Number of Shares		
	December 31,		
	2018	2017	2016
Stock options (Note 12(c))	16,400,000	19,357,500	16,445,000
Warrants (Note 12(d))	11,755,354	36,204,889	36,356,139
Balance	28,155,354	55,562,389	52,801,139

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13. Corporate Development and General and Administrative

	Years ended December 31,		
	2018	2017	2016
Corporate Development:			
Corporate advisory	$-	$13	$69
Geology and technical review	26	21	22
Legal	-	5	7
Salaries and remuneration	1	-	3
Sundry	-	-	4
Travel and transportation	22	18	31
	$49	$57	$136
General and Administrative:			
Accounting, audit and tax	$36	$39	$27
Legal	15	16	29
Office and sundry	56	67	53
Regulatory	50	70	53
Rent	66	44	31
	$223	$236	$193

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14. Related Party Transactions

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management is disclosed in the table below.

Except as disclosed elsewhere in the consolidated financial statements, the Company had the following general and administrative costs with related parties during the years ended December 31, 2018, 2017 and 2016:

	Years ended December 31,			Net balance receivable (payable) as at December 31,	
	2018	2017	2016	2018	2017
Key management compensation:					
Executive salaries and remuneration (1)	$490	$720	$460	$-	$-
Severance	184	-	-	-	-
Directors fees	27	98	8	(7)	(2)
Share-based payments	118	351	245	-	-
	$819	$1,169	$713	$(7)	$(2)
Net office, sundry, rent and salary allocations recovered from (incurred to) company(ies) sharing certain common director(s) (2)	2	(16)	(41)	1	1

(1) Includes key management compensation which is included in employee and director remuneration, mineral property interests, and corporate development.

(2) The companies include Endeavour, Aztec Minerals Corp., a company sharing one common director, (“AzMin”) and AzMet.

The above transactions are incurred in the normal course of business. Note 7(a) for the Sale Transaction with Endeavour; and Note 8 for marketable securities held in Endeavour, AzMin and AzMet.

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15. Segment Disclosures

The Company has one operating segment, being mineral exploration, with assets located in Canada and the United States, as follows:

	December 31, 2018				December 31, 2017		
	Canada	USA	Other	Total	Canada	USA	Total
Mineral property interests	$10,840	$3,387	$10	$14,237	$11,202	$3,263	$14,465
Leasehold improvements and equipment	80	-	-	80	107	-	107

16. Commitments

In February 2017, the Company entered into an office lease arrangement for a term of five years with a commencement date of August 1, 2017. The basic rent per year is CAD$46,000 for years 1 to 3 and CAD$48,000 for years 4 to 5. As at December 31, 2018, the Company is committed to the following payments for base rent at its corporate head office in Vancouver, BC, as follows:

	Amount (CAD$000)
Year:	
2019	$46
2020	47
2021	48
2022	28
	$169

For the Fondaway Canyon project, the 3% NSR has a buyout provision which is subject to advance royalty payments of $35,000 per year by July 15th of each year until a gross total of $600,000 has been paid at which time the NSR is

bought out. A balance of $355,000 remains payable as at December 31, 2018. (Note 7(b)).

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17. Deferred Income Taxes

(a) A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	2018	2017
Net (loss) income for the year	$(1,125)	$(1,960)
Canadian statutory tax rate	27.0%	26.0%
Income tax expense (benefit) computed at statutory rates	$(304)	$(510)
Temporary differences	(70)	12
Items not taxable/deductible for income tax purposes	44	102
Tax losses and tax offsets recognized/unrecognized in tax asset	359	502
Under (over) provided in prior years	104	-
Expired losses	-	63
Effect of change in tax rates	-	(107)
Impact of foreign exchange on tax assets and liabilities	(133)	(62)
Deferred income tax recovery	$-	$-

Effective January 1, 2018, the Canadian federal corporate tax rate is 15% and the British Columbia provincial tax rate is 12% for a total Canadian statutory tax rate of 27%.

(b) The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2018 and 2017 are presented below:

	December 31,	
	2018	2017
Deferred tax assets		
Non-capital losses carried forward	$-	$-
Deferred tax assets	-	-
Deferred tax liabilities		

Marketable securities		
Book value over tax value of property, plant and equipment	-	-
Book value over tax value of mineral properties	-	-
Deferred tax liabilities	-	-
Net deferred tax assets	$-	$-

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17. Deferred Income Taxes (continued)

(c) The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets have been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31,	
	2018	2017
Non-capital losses	$6,278	$5,573
Marketable securities	164	106
Share issue costs	86	173
Unrealized foreign exchange	336	186
Tax value over book value of mineral properties	6,544	7,262
Tax value over book value of equipment	1,259	1,345
Unrecognized deductible temporary differences	$14,667	$14,645

As at December 31, 2018, the Company's unrecognized unused non-capital losses have the following expiry dates:

2026	$53
2027	225
2030	455
2031	778
2032	834
2033	272
2034	813
2035	1,013
2036	-
2037	1,172
2038	662
	$6,277