



ANNUAL INFORMATION FORM

("AIF")

of

CANARC RESOURCE CORP.

(the "Issuer", "Company" or "Canarc")

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CAUTION – FORWARD LOOKING STATEMENTS

Certain information, estimates and projections contained herein constitute forward-looking statements regarding the Issuer, its operations and projects. All statements that are not historical facts, involving without limitation, statements regarding future projections, plans and objectives, are forward-looking statements which involve risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements.

Such risk factors and uncertainties include fluctuations in precious metal prices, the unpredictable results of exploration activities, uncertainties inherent in the estimation of mineral resources, higher capital and operating costs, risks associated with exploration operations and other risk factors, as discussed in the Issuer's filings with Canadian and American securities regulatory agencies. The Issuer disclaims any obligation to update any forward-looking statements, other than as may be specifically required by applicable securities laws and regulations.

ITEM 1: PRELIMINARY NOTES

1.1 Incorporation of Financial Statements, Proxy Circular and Other Documents

The information provided in the Annual Information Form (“AIF”) is supplemented by disclosure contained in the documents listed below which are incorporated by reference into this AIF. These documents must be read together with the AIF in order to provide full, true and plain disclosure of all material facts relating to Canarc Resource Corp. (the “Issuer”, the “Company” or “Canarc”). The documents listed below are not contained within nor attached to this document. The documents may be accessed by the reader as follows:

| <u>Type of Document</u> | <u>Effective Date / Period Ended</u> | <u>Date Filed / Posted</u> | <u>Document Name which may be viewed at the SEDAR website at “www.sedar.com” (or alternative location for non-SEDAR documents)</u> |
|---|--|--------------------------------|---|
| Audited annual financial statements (most recent) and management discussion and analysis | December 31, 2009 | March 30, 2010 | Audited Annual Financial Statements – English and Management Discussion and Analysis – English |
| NI 43-101 Report titled “2009 Diamond Drilling Program on the Tay-LP Property”. The related Qualification Certificate and Consent Letter of the authors were posted to SEDAR on, or about, the same date | March 30, 2010 | March 31, 2010 | Technical Report (NI 43-101) – English |
| NI 43-101 Report titled “New Polaris Project - Preliminary Assessment”. The related Qualification Certificate and Consent Letter of the author were posted to SEDAR on, or about, the same date | December 23, 2009 | January 6, 2010 | Technical Report (NI 43-101) – English |
| NI 43-101 Report titled “Resource Potential New Polaris Project”. The related Qualification Certificate and Consent Letter of the author were posted to SEDAR on, or about, the same date | March 14, 2007 | March 16, 2007 | Technical Report (NI 43-101) – English |
| Management Information Circular | May 29, 2009 | June 5, 2009 | Management Proxy / Information Circular - English |
| News Releases for 2010 and 2009 | Various dates | | Press Release – English |

1.2 Date of Information

All information in this AIF is as of March 25, 2010 unless otherwise indicated and the information contained herein is current as of such date, other than certain financial information which is current as of December 31, 2009, being the date of the Issuer's most recently completed financial year end.

1.3 Glossary of Terms

Certain terms used throughout this AIF are defined below:

| | |
|--|--|
| “affiliate” | A company is an affiliate of another company if (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same person or company. |
| “g/t” and gpt | Grams per metric tonne. |
| “grade” | The relative amount of valuable minerals contained in mineralization or ore. |
| “management committee” | A committee established under a joint venture agreement which determines the overall objectives of the venture, including the scope, size and nature of work programs. Each participant in the joint venture is represented on such committee and, unless otherwise set out in the joint venture agreement, voting is in proportion to the participants' respective property interests, and all or most decisions are made by simple majority. |
| “mineralization” | A natural aggregate of one or more valuable minerals. |
| “net profit interest” or “NPI” royalty | A royalty based on net profits expressed as a specified percentage of the entire proceeds received from a mine's production less all capital, operating, administrative, transportation, smelting, refining, tax, insurance and other costs. |
| “net smelter return” or “NSR” royalty | A royalty based on net smelter returns expressed as a specified percentage of the entire proceeds received from a mine's gross mineral production, less certain limited costs including smelting, refining, transportation and insurance costs. |
| “operator” | The party in a joint venture which carries out the operations of the joint venture. |
| “ore” | A natural aggregate of one or more valuable minerals which may be mined, processed and sold at a profit. |
| “ounces” | Troy ounces. |
| “o/T” or “opT” | Ounces per short ton. |
| “semivariogram” | A mathematical function used to quantify the variance between groups of values. |
| “ton” | Short ton weighing 2,000 pounds or 907 kilograms. |
| “tonne” | Metric tonne weighing 2,205 pounds or 1,000 kilograms. |

“wt%”

Percentage by weight.

1.4 Conversion Table

In this AIF, a combination of Imperial and metric measures is used with respect to mineral properties located in Canada. Conversion rates from Imperial measure to metric and from metric to Imperial are provided below:

| Imperial Measure | Metric Unit | Metric Measure | Imperial Unit |
|-------------------------|--------------|-------------------|--------------------|
| 2.47 acres | 1 hectare | 0.4047 hectares | 1 acre |
| 3.28 feet | 1 metre | 0.3048 metres | 1 foot |
| 0.62 miles | 1 kilometre | 1.609 kilometres | 1 mile |
| 0.032 ounces (troy) | 1 gram | 31.1 grams | 1 ounce (troy) |
| 1.102 tons (short) | 1 tonne | 0.907 tonnes | 1 ton |
| 0.029 ounces (troy)/ton | 1 gram/tonne | 34.28 grams/tonne | 1 ounce (troy)/ton |

1.5 Currency

Unless otherwise indicated, all dollar amounts are stated in United States dollars.

ITEM 2: CORPORATE STRUCTURE

2.1 Name, Address and Incorporation

The Issuer 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. The Issuer is a reporting company in British Columbia, Ontario, Alberta, Saskatchewan and Nova Scotia, and became a reporting company under the United States Securities Act of 1934 upon filing its Form 20F registration statement dated October 9, 1990.

The Issuer’s address is as follows:

Head office: Suite 301 – 700 West Pender Street
Vancouver, BC, Canada, V6C 1G8

Registered and records office: VECTOR Corporate Finance Lawyers
Suite 1040 – 999 West Hastings Street
Vancouver, BC, Canada, V6C 2W2

2.2 Intercorporate Relationships

The Issuer carries on its business in large part through a number of subsidiaries, held either directly or indirectly, and which are wholly owned unless otherwise noted as follows:

New Polaris Gold Mines Ltd. (“New Polaris”) is a corporation formed through the amalgamation of 2820684 Canada Inc. (“2820684”), a former wholly-owned subsidiary of the Issuer which was incorporated under the Canada Business Corporation Act on May 13, 1992, and Suntac Minerals Inc.

Canarc (Barbados) Mining Ltd. is a company duly incorporated under the laws of Barbados on July 26, 1993. The Issuer owns 100% of the issued and outstanding shares.

Canarc Suriname (Barbados) Ltd. is a company duly incorporated under the laws of Barbados on January 26, 1994. The Issuer owns 100% of the issued and outstanding shares.

Canarc van Suriname N.V. is a company duly incorporated under the laws of Suriname on November 10, 1995. The Issuer owns 100% of the issued and outstanding shares.

Benzdorp Gold N.V. (“Benzdorp Gold”) is a company duly incorporated under the laws of Suriname on February 4, 2004. The Issuer owns 40% of the voting shares with the right to acquire an additional 40%.

ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS

3.1 Three-Year History

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

- New Polaris property in British Columbia, Canada,
- GNC (Eskay Creek) property in British Columbia, Canada, and
- Tay-LP property in Yukon, Canada

The New Polaris property is viewed as the material property of the Issuer.

Over the course of the past three years, the Issuer has been engaged in mineral exploration and development in Canada, Mexico, and Suriname. Events affecting the development of the Issuer’s business over the last three years are set out below and in Item 4.

In February 2007, Mr. Bruce Bried replaced Mr. John McClintock as President and Chief Operating Officer, and in March 2007, Mr. Garry Biles was appointed Vice-President, Mining.

In 2007, the Issuer granted the following stock options:

- 325,000 options were granted in January 2007 with an exercise price of CAD\$0.74 and an expiry date of January 26, 2012;
- 1,115,000 options were granted in June 2007 with an exercise price of CAD\$0.54 and an expiry date of June 15, 2012, of which 250,000 options vest on June 15, 2008 and 250,000 options vest on June 15, 2009; and
- 750,000 options were granted in September 2007 with an exercise price of CAD\$0.46 and an expiry date of September 26, 2012.

In February 2007, the Issuer entered into an option agreement to acquire a 100% interest in the Los Arrastres gold/silver property by making \$2.5 million in cash payments and spending \$2 million on exploration over a 3 year period. The vendor retained a 2% NSR and the Issuer had the right to reduce the net smelter return royalty (“NSR”) to 1% by paying \$1 million at any time. An initial payment of \$50,000 was made upon the signing of the option agreement and a further payment of \$75,000 was made in August 2007. A cash payment of \$25,000 was made in February 2008. Pursuant to the Plan of Arrangement (the “Arrangement”) which closed in June 2008, the property was transferred to Caza Gold Corp. (“Caza Gold”).

In March 2007, the Issuer entered into a preliminary option agreement to acquire a 100% interest in the Providencia and San Felix gold/silver properties by issuing 30,000 common shares to the vendors on signing a formal agreement within 30 days and making \$2 million in cash payments over a 2 ½ year period, including \$30,000 on signing. The Issuer issued 30,000 shares at a deemed value of CAD\$0.63 per share in 2007. The vendors retained a 2 ½ % NSR, and the Issuer had the right to reduce the royalty to 1 ½ % at any time by paying \$750,000 and issuing an option to the vendors to purchase 250,000 common shares of the Issuer at the five day closing share price average on the Toronto Stock Exchange prior to the royalty reduction. In April 2008, the Issuer terminated its efforts to enter into

a formal agreement, and the Issuer wrote-off related exploration expenditures in the first quarter of 2008, and the 30,000 shares which were originally issued were returned to treasury and cancelled.

In May 2007, the Issuer entered into an option agreement to acquire a 100% interest in the Santiago gold property by making \$2 million in cash payments over a 5 year period and spending \$200,000 on exploration over a 2 year period. The vendor will retain a 2% NSR. An initial payment of \$30,000 was made upon the signing of the option agreement and a further payment of \$30,000 was made in November 2007. A cash payment of \$60,000 was made in May 2008. Pursuant to the Arrangement which closed in June 2008, the property was transferred to Caza Gold.

In July 2007, the Issuer closed a non-brokered private placement for 2,200,000 units at CAD\$0.52 per unit for gross proceeds of CAD\$1,144,000. Each unit was comprised of one common share and one-half of a share purchase warrant; each whole share purchase warrant is exercisable to acquire one common share at an exercise price of CAD\$0.65 until July 24, 2008. Finders' fees of CAD\$37,440 were paid in cash.

In September 2007, the Issuer entered into an option and joint venture agreement to acquire up to a 75% interest in the Santiago Fraction property by issuing 15,000 common shares, paying \$25,000 in cash after 1 year, and spending up to \$1 million in exploration over a 5-year period. The Issuer issued 15,000 common shares at a deemed value of CAD\$0.45 per share in 2007. Pursuant to the Arrangement which closed in June 2008, the property was transferred to Caza Gold.

In December 2007, the Issuer's wholly-owned subsidiary at that time, Caza Gold, received proceeds of CAD\$300,000 in demand loans of which CAD\$180,000 are from directors and officers of the Issuer. The loans were repayable on demand and bore an interest rate of 9% per annum.

In April 2008, Caza Gold and Minera Canarc de Mexico S.A. de C.V. ("Minera Canarc"), wholly-owned subsidiaries of the Company at that time, entered into an option agreement to acquire a 100% interest in the La Escondida/Los Angeles properties by making US\$1 million in cash payments over a 4 year period and issuing \$50,000 in shares over a 12 month period. The vendors retained a 3% NSR. An initial payment of US\$15,000 was paid upon the signing of the option agreement. Pursuant to the Arrangement which closed in June 2008, Caza and Minera Canarc were thereafter no longer subsidiaries of the Company.

In May 2008, the Issuer granted 1.8 million stock options with an exercise price of CAD\$0.29 and an expiry date of May 15, 2013, and which are subject to a vesting provision whereby 20% of the options vest immediately and 20% vest every six months.

In June 2008, Mr. Garry Biles replaced Mr. Bruce Bried as President and Chief Operating Officer, and Mr. Bruce Bried was nominated to the Board of Directors.

On June 25, 2008, the Issuer proceeded to close the Plan of Arrangement (the "Arrangement") with Caza Gold whereby approximately 83% of the Issuer's interest in Caza Gold was distributed to the shareholders of the Issuer. Under the Arrangement, the Issuer transferred all its interest in its wholly-owned Mexican subsidiary, Minera Canarc, which holds all the rights to the Mexican gold exploration properties to Caza Gold in return for 14,346,527 shares of Caza Gold, of which the Issuer distributed 11,950,577 Caza Gold shares by way of a dividend in kind to the Issuer's shareholders on the basis of one share of Caza Gold for every six shares of the Issuer held by shareholders as of the dividend record date. The property interests which were transferred from the Issuer to Caza Gold included the Los Arrastres, Santiago and Santiago Fraction properties.

In July 2008 as amended in December 2008, the Issuer entered into a purchase and sale agreement for the sale of all its 78.5% interest in Carib Industries which holds the net profit interest in the Bellavista property, for CAD\$215,000 which was received during fiscal 2008.

In November 2008, Smythe Ratcliffe LLP replaced KPMG LLP as auditors for the Issuer.

In December 2008, the Issuer closed a non-brokered private placement for 1,000,000 units at CAD\$0.10 per unit for gross proceeds of CAD\$100,000. Each unit was comprised of one common share and one-half of a share purchase warrant; each whole share purchase warrant is exercisable to acquire one common share at an exercise price of CAD\$0.15 until June 1, 2010.

The Issuer wrote off the Benzdorp property at December 31, 2008.

In May 2009, the Company received CAD\$62,030 in demand loans from certain directors and an officer of the Company. The loans are repayable on demand and bear an interest rate of 9% per annum and are secured by the Company's shareholdings in Caza at CAD\$0.25 per share. As at December 31, 2009, interest of CAD\$3,719 has been accrued.

On July 15, 2009, the Company granted 1,680,000 stock options with an exercise price of CAD\$0.11 and an expiry date of July 15, 2014 and which are subject to a vesting provision in which 20% of the options vest immediately and 20% vest every six months.

On August 24, 2009, the Company entered into an option agreement with Ross River Minerals Inc. ("Ross River") to acquire a 100% interest in the Tay-LP gold property by paying CAD\$1 million in cash and/or shares and spending CAD\$1.5 million on exploration over a three-year period which can occur in two stages. In the first stage, the Company can earn a 51% interest by paying CAD\$150,000 in cash and spending CAD\$900,000 on exploration over a two-year period. In the second stage, the Company can earn an additional 49%, thereby totalling 100% interest, by paying CAD\$850,000 in cash or shares at the Company's discretion and spending CAD\$600,000 on exploration by the third year. If the Company does not proceed with the second stage, then a joint venture would be formed. The Company shall pay to the optionors a gold bonus equal to CAD\$1 per ounce of gold for all proven and probable gold reserves and measured and indicated gold resources to a maximum of 1 million oz gold. The option agreement is subject to net smelter returns totalling 3% which can be reduced to 1.5% by payments totalling US\$1.95 million. Commencing on or before October 31, 2009 and continuing on or before October 31 of each subsequent year until the property is put into commercial production, the Company shall pay to the NSR holders annual advance NSR royalty payments totalling CAD\$25,000 or that number of common shares of the Company and which shall be deducted from NSR obligations. The NSR of 3% shall be subject to maximum total payments based on one million payable ounces of gold being mined by commercial production but will be reduced to 500,000 payable ounces of gold if the NSR was reduced to 1.5%. The Company made a cash payment of CAD\$20,000 in August 2009. Then on November 4, 2009, the Company issued 160,250 shares at a value of CAD\$0.156 per share as advance NSR royalty for the Tay-LP property interest. On March 30, 2010, the Company optioned the Tay-LP property to Cap-Ex Ventures Ltd. ("Cap-Ex") whereby Cap-Ex can earn up to 50% of the Company's interest in the property by paying CAD\$100,000 in cash of which CAD\$25,000 was paid, issuance of 200,000 shares of Cap-Ex, exploration expenditures of CAD\$675,000 and maintaining Canarc's underlying interest in Tay-LP property with Ross River in good standing over a 19 month period, subject to regulatory approval and subject to Cap-Ex's closing appropriate financing.

On October 22, 2009, the Company closed two private placements.

- One private placement was for 4,000,000 flow through shares at CAD\$0.12 per share for gross proceeds of CAD\$480,000. Finders fees were comprised of CAD\$25,523 in cash and 241,570 warrants, of which 39,410 warrants have an exercise price of CAD\$0.15 and an expiry date of April 22, 2011 and the remaining 202,160 warrants have an exercise price of CAD\$0.15 and an expiry date of October 22, 2011; and
- The second private placement was for 4,800,000 units at CAD\$0.10 per unit for gross proceeds of CAD\$480,000. Each unit was comprised of one common share and one-half of a share purchase warrant; each whole share purchase warrant was exercisable to acquire one common share at CAD\$0.15 until April 22, 2011. Finders fees were comprised of CAD\$18,011 in cash and 168,140 warrants which have the same terms as the warrants in the private placement for units.

On November 9, 2009, the Company closed a private placement for 304,900 units at CAD\$0.1225 per unit for gross proceeds of CAD\$37,350. Each unit was comprised of one common share and one-half of a share purchase warrant; each whole share purchase warrant is exercisable to acquire one common share at CAD\$0.165 until May 9, 2011. Finders fees were comprised of CAD\$240 in cash and 1,960 warrants which have the same terms as the warrants in the private placement for units.

Pursuant to an audit by CRA in 2009, the Company has estimated approximately \$661,700 in exploration expenditures incurred in 2007 which do not qualify as CEE for flow-through purposes related to a flow-through private placement which closed in October 2006. Consequently the Company has recognized a flow through financing cost of \$489,000. In February 2010, an initial proposal by CRA to the Company disallowed approximately CAD\$1.2 million in CEE of which the Company is currently estimating approximately CAD\$545,000 as being qualified for CEE for flow-through purposes. The initial proposal by CRA would have resulted in a liability to the Company of up to CAD\$886,800. The flow-through financing cost of \$489,000 has been reduced by the BC Mineral Exploration tax credits of approximately \$113,000 for expenditures incurred in 2005 and 2006, as reviewed by CRA, and GST receivable of approximately \$47,000, resulting in an estimated income tax balance payable of \$329,000.

3.2 Significant Acquisitions

There were no other significant acquisitions completed by the Issuer during its most recently completed fiscal year ended December 31, 2009 other than as provided in this AIF.

ITEM 4: DESCRIPTION OF THE BUSINESS

4.1 General Description

The Business of the Issuer

The principal business of the Issuer is the evaluation, acquisition, exploration and/or, if warranted, development of natural resource properties of merit. The Issuer intends to seek and to acquire additional properties worthy of exploration.

The Issuer is a Canadian mineral exploration company currently engaged in the acquisition, exploration and, if warranted, development of precious metal properties in North America. The Issuer owns or holds, directly or indirectly, interests in the following projects:

- 100% ownership of the New Polaris property, British Columbia, Canada,
- 33.3% carried interest in the GNC (Eskay Creek) property in British Columbia, Canada, and
- option to earn up to a 100% interest in the Tay-LP property in Yukon, Canada.

Details of the Issuer's interests in various mineral properties are provided in Items 4.4 and 4.5.

The Issuer acquires properties by staking initial claims, negotiating for permits from government authorities, negotiating with holders of claims or permits, or purchasing companies with claims or permits. On these properties, the Issuer explores for minerals on its own or in joint ventures with others. Exploration for metals usually includes remote sensing, surface mapping and sampling, geophysical surveys and drilling. The Issuer is not limited to any particular metal or region, but the corporate focus is on precious metals in North America.

Trends

Gold prices continued to show strength as the cumulative annual average increased from \$695 in 2007 to \$872 in 2008 and then to \$972 in 2009 and closing at \$1,093 on March 25, 2010. Gold prices achieved new highs in each of the past several years. In November 2007, prices reached a high of \$841 and then \$1,011 in March 2008 before reaching a high of \$1,213 in December 2009. The high for 2010 was on January 11, 2010 at \$1,153.

The Issuer continues to foresee favourable opportunities to finance the mineral exploration and development efforts on its gold properties, and also to evaluate and to consider new acquisitions in the gold arena as a result of heightened gold prices.

The Issuer has determined that the heightened price of gold bullion continues to make gold exploration in British Columbia increasingly attractive and should facilitate opportunities for the development of its New Polaris property.

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 Issuer may be unable to compete for, nor acquire rights to, and exploit attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Issuer will be able to acquire any interest in additional projects that would yield reserves or results for commercial mining operations.

Environmental Protection

Environmental legislation is evolving in a manner such that standards, enforcement, fines and penalties for non-compliance are becoming stricter and can be foreboding. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The costs of compliance with changes in government regulations have the potential to reduce the profitability of future operations. To the best knowledge of the Issuer, it is in compliance with all environmental laws and regulations in effect in those countries where its properties are located.

Number of Employees

As of March 25, 2010, the Issuer had six part-time employees on staff.

Plan of Arrangement

On June 25, 2008, the Issuer closed the Arrangement with Caza Gold whereby approximately 83% of the Issuer's interest in Caza Gold was distributed to the shareholders of the Issuer. Under the Arrangement, the Issuer transferred all its interest in its wholly-owned Mexican subsidiary, Minera Canarc, which holds all the rights to the Mexican gold exploration properties to Caza Gold in return for 14,346,527 shares of Caza Gold, of which the Issuer distributed 11,950,577 Caza Gold shares by way of a dividend in kind to the Issuer's shareholders on the basis of one share of Caza Gold for every six shares of the Issuer held by shareholders as of the dividend record date. The property interests which were transferred from the Issuer to Caza Gold included the Los Arrastres, Santiago and Santiago Fraction properties.

4.2 Risk Factors Relating to the Issuer's Business

The Issuer's ability to generate revenues and profits from its natural resource properties, or any other resource property it may acquire, is dependent upon a number of factors, including, without limitation, the following:

Precious and Base Metal Price Fluctuations

The Issuer does not have any precious and base metal mining operations. The profitability of any such operations in which the Issuer has an interest will be significantly affected by changes in the market prices of precious and base metals. Prices for precious and base metals fluctuate on a daily basis, have historically been subject to wide fluctuations and are affected by numerous factors beyond the control of the Issuer such as the level of interest rates, the rate of inflation, central bank transactions, world supply of precious and base metals, foreign currency exchange rates, international investments, monetary systems and political developments. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Issuer not receiving adequate returns on invested capital or the investments retaining their respective values.

Operating Hazards and Risks

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Hazards such as unusual or unexpected formations and other conditions can occur. Operations in which the Issuer has a direct or indirect interest will be subject to all the

hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Issuer may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Issuer's financial position.

Exploration and Development

There are no known reserves of commercial ore on the Issuer's mineral properties. Development of the Issuer's properties will only follow upon obtaining satisfactory exploration results. Mineral exploration and development are speculative in nature and involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that the Issuer's mineral exploration and development activities will result in any discoveries of reserves of commercial ore. The long-term profitability of the Issuer's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish resources and reserves through drilling and development and for mining and processing facilities and infrastructure. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the 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 Issuer'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.

Calculation of Reserves and Resources and Precious Metal Recoveries

There is a degree of uncertainty attributable to the calculation of reserves and resources and their corresponding metal grades to be mined and recovered. Until reserves or resources are actually mined and processed, the quantities of mineralization and metal grades must be considered as estimates only.

Reclamation

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 Issuer.

Government Regulation

Operations, development and exploration on the Issuer's properties are affected to varying degrees by government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, restrictions on production, price controls, tax increases, maintenance of claims, tenure, and expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Issuer's operations.

The activities of the Issuer require licenses and permits from various governmental authorities. While the Issuer currently has been granted the requisite licenses and permits to enable it to carry on its existing business and operations, there can be no assurance that the Issuer will be able to obtain all the necessary licenses and permits which may be required to carry out exploration, development and mining operations for its projects.

Environmental Factors

All phases of the Issuer's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Issuer's operations. Environmental hazards may exist on the Issuer's properties which are unknown to the Issuer at present which have been caused by previous or existing owners or operators of the properties.

Title to Assets

Although the Issuer has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Issuer has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore the precise area and location of such claims may be in doubt. The Issuer's claims may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by unidentified or unknown defects.

Uncertainty of Funding

The Issuer's current operations do not generate any positive cash flow and it is not anticipated that any positive cash flows will be generated in the near future. The Issuer has limited financial resources, and the mineral claims in which the Issuer has an interest and an option to acquire an interest require financial expenditures to be made by the Issuer. There can be no assurance that adequate funding will be available to the Issuer so as to exercise its option or to maintain its interests once those options have been exercised.

Further exploration work and development of the properties in which the Issuer has an interest or option to acquire depend upon the Issuer's ability to obtain financing through joint venturing of projects, debt financing or equity financing or other means. Failure to obtain financing on a timely basis could cause the Issuer to forfeit all or parts of its interests in mineral properties or reduce or terminate its operations.

Competition and Agreements with Other Parties

The mining industry is intensely competitive in all of its phases, and the Issuer competes with many companies possessing greater financial resources and technical facilities than itself. Competition in the mining business could adversely affect the Issuer's ability to acquire suitable producing properties or prospects for mineral exploration in the future.

The Issuer may, in the future, be unable to meet its share of costs incurred under agreements to which it is a party and the Issuer may have its interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Issuer may be unable to finance the cost required to complete recommended programs.

Potential Conflicts of Interest

The directors and officers of the Issuer may serve as directors and/or officers of other public and private companies, and may devote a portion of their time to manage other business interests. This may result in certain conflicts of interest. To the extent that such other companies may participate in ventures in which the Issuer is also participating, such directors and officers of the Issuer may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. The laws of British Columbia, Canada, require the directors and officers to act honestly, in good faith, and in the best interests of the Issuer and its shareholders. However, in conflict of interest situations, directors and officers of the Issuer may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions. There is no assurance that the needs of the Issuer will receive priority in all cases. From time to time, several companies may participate together in the acquisition, exploration and development of natural resource properties, thereby allowing these companies to: (i) participate in larger programs; (ii) acquire an interest in a greater number of programs; and (iii) reduce their financial exposure to any one program. A particular company may assign, at its cost, all or a portion of its interests in a particular program to another affiliated company due to the financial position of the

company making the assignment. In determining whether or not the Issuer will participate in a particular program and the interest therein to be acquired by it, it is expected that the directors and officers of the Issuer will primarily consider the degree of risk to which the Issuer may be exposed and its financial position at that time.

4.3 Asset-backed Securities Outstanding

Not applicable.

4.4 Material Mineral Projects

New Polaris Gold Project, British Columbia, Canada

The information in this section have been derived from and is based on the assumptions, qualifications and procedures set out in the following technical reports:

- Technical Report titled “Resource Potential, New Polaris Project” (the “New Polaris Resource Estimate Report”) dated March 14, 2007 and prepared by R.J. Morris, MSc, PGeo, of Moose Mountain Technical Services and G.H. Giroux, MASc, PEng, of Giroux Consultants Limited, who are independent Qualified Persons as defined by National Instrument 43-101 (“NI 43-101”), and was prepared in compliance with NI 43-101, to the best of the Issuer’s knowledge; and
- Technical Report titled “New Polaris Project – Preliminary Assessment” (the “New Polaris Preliminary Economic Assessment Report”) dated December 23, 2009, and was prepared by Moose Mountain Technical Services (“Moose Mountain”) and Giroux Consultants Limited, and was prepared in compliance with NI 43-101, to the best of the Issuer’s knowledge. J.H. (Jim) Gray, P.Eng. of Moose Mountain is the Qualified Person for the New Polaris Preliminary Economic Assessment Report.

The following is the executive summary from the New Polaris Resource Estimate Report. In addition, the New Polaris Resource Estimate Report has been specifically incorporated by reference into this AIF. Defined terms and abbreviations used herein and not otherwise defined shall have the meanings ascribed to such terms in the New Polaris Resource Estimate Report. See Item 1.1 “Incorporation of Financial Statements, Proxy Circular and Other Documents”.

Summary from the New Polaris Resource Estimate Report

New Polaris (formerly Polaris-Taku) is an early Tertiary mesothermal gold mineralized body located in northwestern British Columbia about 100 kilometres south of Atlin, BC and 60 kilometres northeast of Juneau, Alaska. The nearest roads in the area terminate twenty kilometers due south of Atlin and 10 kilometres southeast of Juneau. Access at the present time is by aircraft. A short airstrip for light aircraft exists on the property.

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 10.3g/t gold.

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.

The deposit is composed of three sets of veins (quartz-carbonate stringers in altered rock), the “AB” 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 65° 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.

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 resource estimate was prepared by Giroux Consultants Ltd. using ordinary kriging of 192 recent drillholes and 1,432 gold assay intervals constrained within four main vein segments as modeled in 3D by Canarc geologists. The total New Polaris database consists of 1,056 diamond drillholes with a total of 31,514 sample intervals.

The geologic continuity of the C vein has been well established through historic mining and diamond drilling. Grade continuity was quantified using a geostatistical method called the semivariogram, which measures distances (ranges) and directions of maximum continuity. The four principle veins in the semivariogram model produced ranges between 50 and 90 metres, along strike and down plunge.

For this study, the classification for each resource block was a function of the semivariogram range. In general, blocks estimated using ¼ of the semivariogram range were classed as measured, blocks estimated using ½ of the semivariogram range were classed as indicated, and all other blocks estimated were classed as inferred.

The following tables list the undiluted resource estimate, including the “C” vein west (CWM) from the –90m elevation down, and the “C” vein east (CLOE and CHIE) from the –135m elevation down (the elevations, –90m in the west, and –135m in the east, represent the lower elevations of previous mine development and production. The resource potential above these elevations has been discounted in this study, but are listed in the History item, Section 8).

| Measured, undiluted resource | | | |
|-------------------------------------|-----------------------------|----------------------------|-------------------------|
| Cutoff grade, g/t Au | Tonnes > Cutoff (tonnes) | Grade > Cutoff Au (g/t) | Contained Metal (oz) |
| 2.00 | 390,000 | 9.48 | 119,000 |
| 4.00 | 330,000 | 10.62 | 113,000 |
| 6.00 | 271,000 | 11.89 | 104,000 |
| 8.00 | 203,000 | 13.54 | 88,000 |

| Indicated, undiluted resource | | | |
|--------------------------------------|-----------------------------|----------------------------|-------------------------|
| Cutoff grade, g/t Au | Tonnes > Cutoff (tonnes) | Grade > Cutoff Au (g/t) | Contained Metal (oz) |
| 2.00 | 1,280,000 | 10.97 | 451,000 |
| 4.00 | 1,180,000 | 11.65 | 442,000 |
| 6.00 | 1,017,000 | 12.71 | 416,000 |
| 8.00 | 806,000 | 14.22 | 368,000 |

| Measured + Indicated, undiluted resource | | | |
|---|-----------------------------|----------------------------|-------------------------|
| Cutoff grade, g/t Au | Tonnes > Cutoff (tonnes) | Grade > Cutoff Au (g/t) | Contained Metal (oz) |
| 2.00 | 1,670,000 | 10.62 | 570,000 |
| 4.00 | 1,510,000 | 11.42 | 555,000 |
| 6.00 | 1,288,000 | 12.54 | 519,000 |
| 8.00 | 1,009,000 | 14.08 | 457,000 |

| Inferred, undiluted resource | | | |
|-------------------------------------|-----------------------------|----------------------------|-------------------------|
| Cutoff grade, g/t Au | Tonnes > Cutoff (tonnes) | Grade > Cutoff Au (g/t) | Contained Metal (oz) |
| 2.00 | 2,060,000 | 10.52 | 697,000 |
| 4.00 | 1,925,000 | 11.03 | 683,000 |
| 6.00 | 1,628,000 | 12.15 | 636,000 |
| 8.00 | 1,340,000 | 13.27 | 571,000 |

The deposit represents an important gold resource and follow-up work should include underground development, test mining and related engineering, economic and environmental studies.

The foregoing was a summary from the New Polaris Resource Estimate Report, a full text of which is available on SEDAR. See Item 1.1.

In the third quarter of 2007, the Company completed a preliminary economic assessment of building an 80,000 oz per year gold mine at the New Polaris property. Moose Mountain Technical Services (“Moose Mountain”) was commissioned as independent consultants to work with the Company’s personnel in developing the conceptual mine plan and mining capital and operating costs; Jasman Yee and Associates Inc. for the metallurgical testwork, process design, mill capital and operating costs; and Beacon Hill Consultants (1988) Ltd. for the financial analysis. All three consultants contributed to the preliminary economic assessment for an 80,000 oz per year, high grade, underground gold mine at New Polaris. Their report was entitled “New Polaris Project – Preliminary Assessment” dated October 4, 2007 (“Moose Mountain Report”). J.H. (Jim) Gray, P.Eng. of Moose Mountain was the Qualified Person for the Moose Mountain Report. In 2008, the Company continued with its efforts to refine and assess the process alternatives and economic parameters used in the preliminary assessment. In early January 2009, the Company completed a revised preliminary assessment from recent optimization efforts which improved the project’s economics and which was issued in a News Release dated January 7, 2009. The revised economic model had been reviewed by Moose Mountain and the independent Qualified Person for the update was Jim Gray, P. Eng. An updated NI 43-101 preliminary economic assessment report dated December 23, 2009 by Moose Mountain, namely the New Polaris Preliminary Economic Assessment Report was prepared at the request of the BCSC.

The following summary discusses the results from the New Polaris Preliminary Economic Assessment Report. In addition, the New Polaris Preliminary Economic Assessment Report has been specifically incorporated by reference into this AIF. Defined terms and abbreviations used herein and not otherwise defined shall have the meanings ascribed to such terms in the New Polaris Preliminary Economic Assessment Report. See Item 1.1 “Incorporation of Financial Statements, Proxy Circular and Other Documents”.

Summary of the New Polaris Preliminary Economic Assessment Report

In addition to the summary under the heading, “Summary from the New Polaris Resource Estimate Report”, the following is the summary from the New Polaris Preliminary Economic Assessment Report.

The mine plan uses a combination of shrinkage, Alimak, cut and fill and longhole stoping. Development will include a decline from surface and existing working and sublevels. An onsite mill will produce a bulk concentrate for off-site autoclaving or bio-leaching and refining. Capital and operating cost estimates include the onsite infrastructure, equipment, supplies, and personnel to support the operation. The project will be fly-in fly-out, with an onsite camp and airstrip. Major supplies and concentrate shipping will be barged in and out on a seasonal basis.

The results of the Preliminary assessment planning are:

| | |
|---------------------|--|
| Scheduled Resources | 806,000 tonnes measured and indicated grading 13.2 gpt Au (after dilution) |
|---------------------|--|

| | |
|-----------------|---|
| | and 944,000 tonnes inferred grading 11.9 gpt Au (after dilution) and a 9 gpt cutoff |
| Production Rate | 600 tonnes per day |
| Grade | 12.5 grams per tonne (diluted 20%) |
| Recoveries | 91% gold into concentrate |
| Output | 80,000 oz gold per year |
| Mine life | 8 years |

The updated preliminary economic parameters are as follows:

| | | |
|-------------------------|---------------------------------------|-------------------|
| Gold Price | US\$ 900 per oz | |
| Exchange Rate | US\$ 0.95 = CA\$ 1.00 | |
| Capital Cost | CA\$90.5 million | |
| Cash Cost | US\$ 383 per oz (excluding off-sites) | |
| | <u>Pre-Tax</u> | <u>After-Tax</u> |
| Cash Flow (LoM) | CA \$153.6 million | CA\$103.6 million |
| NPV (5%) | CA\$104.9 million | CA\$ 68.6 million |
| NPV (8%) | CA\$ 83.2 million | CA\$ 52.9 million |
| NPV (10%) | CA\$ 71.0 million | CA\$ 44.1 million |
| | <u>Pre-Tax</u> | <u>After Tax</u> |
| Internal Rate of Return | 32.0% | 25.8% |
| Payback Period | 2.6 years | 2.7 years |

The preliminary assessment indicates that the New Polaris base case has potential for positive results and therefore further work is recommended to optimize the project and complete a feasibility study.

Canarc is contemplating a future work program to include driving a decline from surface down to the 1050 mine level (1000 feet below surface), developing one or more drifts and raises within the C vein, “trial” mining to extract a bulk sample, shipping and processing of a representative portion of the bulk sample for final metallurgical testing, finalizing the process flow sheet and completing a feasibility study at an estimated cost of CA\$18.7 million. The results of these tests will be used as the basis for future Feasibility Study work.

The foregoing revised economic model has been reviewed by Moose Mountain Technical Services which completed the preliminary economic assessment for New Polaris Gold Mine in 2009. The independent Qualified Person for the update is Jim Gray, P. Eng, of Moose Mountain.

4.5 Other Mineral Projects

The following mineral projects are not considered material properties of the Issuer.

4.5.1 Tay-LP Gold Project, Yukon, Canada

On August 24, 2009, the Company entered into an option agreement with Ross River Minerals Inc. (“Ross River”) to acquire a 100% interest in the Tay-LP gold property by paying CAD\$1 million in cash and/or shares and spending CAD\$1.5 million on exploration over a three-year period which can occur in two stages. In the first stage, the Company can earn a 51% interest by paying CAD\$150,000 in cash and spending CAD\$900,000 on exploration over a two-year period. In the second stage, the Company can earn an additional 49%, thereby totalling 100% interest, by paying CAD\$850,000 in cash or shares at the Company’s discretion and spending CAD\$600,000 on exploration by the third year. If the Company does not proceed with the second stage, then a joint venture would be

formed. The Company shall pay to the optionors a gold bonus equal to CAD\$1 per ounce of gold for all proven and probable gold reserves and measured and indicated gold resources to a maximum of 1 million oz gold. The option agreement is subject to net smelter returns totalling 3% which can be reduced to 1.5% by payments totalling US\$1.95 million. Commencing on or before October 31, 2009 and continuing on or before October 31 of each subsequent year until the property is put into commercial production, the Company shall pay to the NSR holders annual advance NSR royalty payments totalling CAD\$25,000 or that number of common shares of the Company and which shall be deducted from NSR obligations. The NSR of 3% shall be subject to maximum total payments based on one million payable ounces of gold being mined by commercial production but will be reduced to 500,000 payable ounces of gold if the NSR was reduced to 1.5%. The Company made a cash payment of CAD\$20,000 in August 2009. Then on November 4, 2009, the Company issued 160,250 shares at a value of CAD\$0.156 per share as advance NSR royalty for the Tay-LP property interest.

On March 30, 2010, the Company optioned the Tay-LP property to Cap-Ex Ventures Ltd. ("Cap-Ex") whereby Cap-Ex can earn up to 50% of the Company's interest in the property by paying CAD\$100,000 in cash of which CAD\$25,000 was paid, issuance of 200,000 shares of Cap-Ex, exploration expenditures of CAD\$675,000 and maintaining Canarc's underlying interest in Tay-LP property with Ross River in good standing over a 19 month period, subject to regulatory approval and subject to Cap-Ex's closing appropriate financing.

The information in the following section has been derived from and is based on the assumptions, qualifications and procedures set out in the Technical Report titled "2009 Diamond Drilling Program on the Tay-LP Property" dated March 30, 2010, prepared by David St. C. Dunn, P.Geo., and James G. Moors, P.Geo. (the "Tay-LP Technical Report"). David St. C. Dunn, P.Geo., is the independent Qualified Person for the Tay-LP Technical Report.

The following is the executive summary from the Tay-LP Technical Report. In addition, the Tay-LP Technical Report has been specifically incorporated by reference into this AIF. Defined terms and abbreviations used herein and not otherwise defined shall have the meanings ascribed to such terms in the Tay-LP Technical Report. See Item 1.1 "Incorporation of Financial Statements, Proxy Circular and Other Documents".

Summary from the Tay-LP Technical Report

The Tay-LP project of Canarc Resource Corp. is a gold exploration project, covering an area of approximately 7575 hectares, located in south-central Yukon, approximately 50 km south of the Village of Ross River and 160 kilometres northeast of Whitehorse. The project comprises 410 contiguous mineral claims. Canarc Resource Corp. is the registered owner of these claims. Option agreements give Canarc the right to earn 100% of the property. The property is accessible by road during the summer months via the South Canol Road and a 20 km long dirt branch road.

The region surrounding the property is underlain by variably metamorphosed, folded and faulted Paleozoic miogeoclinal rocks of the Pelly-Cassiar Platform. They range in age from Late Proterozoic to Triassic and include miogeoclinal clastic, carbonate and volcanic rocks. They are considered North American in origin and were deformed during Mesozoic arc continent collision. These rocks have been intruded by mid-Cretaceous intrusions of intermediate composition.

Gold mineralization on the property is hosted by Cambro-Ordovician calcareous phyllite, marble and schist. Mineralization fits the intrusion-related epigenetic gold mineralization model of the "Tintina Gold Belt", based on gold-bismuth-tellurium chemistry, mineralogy, tectonic setting and age of intrusion. Mineralization occurs in structurally controlled veins and in replacement zones which parallel and in some cases cross-cut the dominant foliation. The exploration objective is to define sufficient structurally controlled or skarn style gold mineralization to support a profitable mine.

The 2009 program consisted of 10 drill holes totaling 1868 metres, drilled in 3 target areas. Results confirmed the presence and continuity of gold bearing structures. The total cost of the field program for 2009 was \$480,000.

It is recommended that a first phase of work including an airborne geophysical survey with more advanced systems than those utilized in the 1999 survey should be carried out. This survey will better and more accurately define the geology beneath the glacial overburden that covers the most prospective portions of the property.

Ground Max-Min geophysical surveys should also be carried out to extend the known anomalies and test for mineralization on the peripheries of the known intrusive bodies.

This work is estimated to take six weeks to complete at a cost of \$252,328.

Following the interpretation of the surveys recommended in Phase 1, a second phase of work consisting of systematic drilling along strike and down dip of current pierce points that returned significant gold content and along the full range of Max-Min and aerially defined geophysical anomalies. This program should consist of at least 2,500 meters of diamond drilling and is estimated to take eight weeks to complete at a cost of \$504,000.

The foregoing was a summary from the Tay-LP Technical Report, a full text of which is available on SEDAR. See Item 1.1.

4.5.2 GNC (Eskay Creek) Property, British Columbia, Canada

The Issuer has a one-third carried interest in the GNC (Eskay Creek) property which is located in the Skeena Mining Division, British Columbia, Canada. In fiscal 2005, Canarc elected to write-off the associated property costs, but continues to have a one-third carried interest in the GNC (Eskay Creek) property.

4.5.3 Sara Kreek Property, Suriname

Sara Kreek Resource Corporation N.V. ("Sara Kreek Resource") is a company duly incorporated under the laws of Suriname on January 9, 1995. The Issuer previously owned 80% of the issued and outstanding shares. In April 2006, the Issuer transferred all its interest in Sara Kreek Resource to its previous partner, Suriname Wylap Development N.V. ("Wylap Development"), in settlement of all claims, loans and advances owed to the Issuer.

In April 2006, the Issuer agreed to transfer all its interest in Sara Kreek Resource to Wylap Development in exchange for a cash payment of \$400,000 and the greater of \$50,000 per year or 1.5% royalty on annual gross production until December 31, 2011 in settlement of any claims, loans and advances owed to the Issuer; the Issuer received \$450,000 in 2006 and \$50,000 per year from 2007 to 2009.

ITEM 5: DIVIDENDS

5.1 Dividends

To date and including each of the three most recently completed fiscal years ended December 31, 2009, the Issuer has not paid any cash dividends on its common shares nor does it intend to pay any cash dividends on its shares in the immediate future. Cash dividends will, in all probability, only be paid in the event the Issuer successfully brings one of its properties into production. The Issuer has no present intention of paying cash dividends on its common shares as it anticipates that all available funds will be invested to finance further acquisition, exploration and development of its mineral properties.

In 2008, the Issuer closed the Arrangement whereby the Issuer distributed approximately 83% of its shareholdings, at that time, in Caza Gold to its shareholders by way of dividend in kind. Item 4.1 provides further details.

ITEM 6: DESCRIPTION OF CAPITAL STRUCTURE

6.1 General Description of Capital Structure

In 2005, the Issuer increased its authorized share capital from 100,000,000 common shares without par value to unlimited number of common shares without par value.

All common shares of the Issuer rank equally as to dividends, voting powers and participation in assets and in all other respects. Each share carries one vote per share at meetings of the shareholders of the Issuer. 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.

There is a Shareholders Rights Plan detailed below:

Shareholder Rights Plan:

On May 31, 2005, the shareholders of the Issuer approved a shareholder rights plan (the "Plan") that became effective on April 30, 2005. The Plan is intended to ensure that any entity seeking to acquire control of the Issuer makes an offer that represents fair value to all shareholders and provides the board of directors with sufficient time to assess and evaluate the offer, to permit competing bids to emerge, and, as appropriate, to explore and develop alternatives to maximize value for shareholders. Under the Plan, each shareholder at the time of the Plan's adoption was issued one Right for each common share of the Issuer held. Each Right entitles the registered holder thereof, except for certain "Acquiring Persons" (as defined in the Plan), to purchase from treasury one common share at a 50% discount to the prevailing market price, subject to certain adjustments intended to prevent dilution. The Rights are exercisable after the occurrence of specified events set out in the Plan generally related to when a person, together with affiliated or associated persons, acquires, or makes a take-over bid to acquire, beneficial ownership of 20% or more of the outstanding common shares of the Issuer. The Rights expire on April 30, 2015.

The Shareholders Rights Plan was re-approved by shareholders at the Company's Annual General Meeting on April 29, 2008.

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. Because a quorum for a general meeting can exist with two shareholders, present in person or by proxy, 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 Issuer.

Shareholders may apply to the Supreme Court of British Columbia for various remedies on the grounds that the affairs of the Issuer are being conducted in a manner oppressive to one or more of the shareholders or that some resolution of shareholders has been passed or is proposed that is unfairly prejudicial to one or more of the shareholders. That Court may, with a view to bringing it to an end or to remedying the matters complained of, make an interim or final order if it considers appropriate, including the following:

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of the Issuer's affairs in the future;
- (c) provide for the purchase of the common shares of any shareholder of the Issuer by another shareholder of the Issuer, or by the Issuer;
- (d) in the case of a purchase by the Issuer, reduce the Issuer's capital or otherwise;
- (e) appoint a receiver or receiver manager;
- (f) order that the Issuer be wound up;
- (g) authorize or direct that proceedings be commenced in the name of the Issuer against any party on the terms the Court directs;
- (h) require the Issuer to produce financial statements;
- (i) order the Issuer to compensate an aggrieved person; and
- (j) direct rectification of any record of the Issuer.

If the Issuer retains a share redeemed, purchased or otherwise acquired by it, the Issuer may sell, gift or otherwise dispose of the share, but, while such share is held by the Issuer it (1) is not entitled to vote the share at a meeting of its shareholders; (2) must not pay a dividend in respect of the share; and (3) must not make any other distribution in respect of the share.

The directors of the Issuer call all annual general meetings and extraordinary general meetings. Any one or more shareholders holding 5% or more of the Issuer's shares can requisition a meeting. In certain circumstances, a shareholders' meeting can be called by the Supreme Court of British Columbia.

Subject to the prohibition that the Issuer must not make a payment or provide any other consideration to purchase or otherwise acquire any of its shares if there are reasonable grounds for believing that the Issuer is insolvent or making the payment or providing the consideration would render the Issuer insolvent, and also subject to the special rights and restrictions attached to the shares of any class or series and the Business Corporations Act, the Issuer may, if authorized by the directors, purchase or otherwise acquire any of its shares at the price and upon the terms specified in such resolution.

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

6.2 Constraints

There are no known constraints on the ownership of the securities of the Issuer to ensure that the Issuer has a required level of Canadian ownership.

6.3 Ratings

There are no known ratings, including provisional ratings, by rating organizations for securities of the Issuer which are outstanding and such ratings continue in effect.

ITEM 7: MARKET FOR SECURITIES

7.1 Trading Price and Volume

The Issuer's common shares are traded on The Toronto Stock Exchange in Canada (the "TSX") under the symbol "CCM".

The following table provides the high and low prices and volume for the Issuer's shares for the periods indicated as traded on the TSX (stated in terms of Canadian dollars):

(Stated in terms of Canadian dollars)

| Month | High (CAD\$) | Low (CAD\$) | Volume |
|---------------|--------------|-------------|-----------|
| 2009 | | | |
| January | \$0.10 | \$0.06 | 402,500 |
| February | \$0.10 | \$0.08 | 494,300 |
| March | \$0.09 | \$0.07 | 418,900 |
| April | \$0.09 | \$0.07 | 354,300 |
| May | \$0.10 | \$0.07 | 885,400 |
| June | \$0.12 | \$0.08 | 938,600 |
| July | \$0.13 | \$0.09 | 679,400 |
| August | \$0.12 | \$0.09 | 1,196,600 |
| September | \$0.21 | \$0.10 | 4,669,600 |
| October | \$0.20 | \$0.15 | 1,096,000 |
| November | \$0.17 | \$0.13 | 1,639,500 |
| December | \$0.15 | \$0.11 | 1,861,100 |
| 2010 | | | |
| January | \$0.19 | \$0.13 | 1,364,100 |
| February | \$0.17 | \$0.11 | 1,166,400 |
| March 1 to 25 | \$0.13 | \$0.11 | 796,000 |

ITEM 8: ESCROWED SECURITIES

8.1 Escrowed Securities

The Issuer does not have any escrowed securities.

ITEM 9: DIRECTORS AND OFFICERS

9.1 Name, Occupation and Security Holding

The following are the full names, province/state and country of residence, and their respective positions with the Issuer and their principal occupations within the preceding five years for all of the directors and officers of the Issuer:

| Name and Ordinary Residence ⁽¹⁾ | Principal Occupation or Employment during the past five years ⁽¹⁾⁽²⁾ | Current Position with Company and Period of Service | Approximate number and percentage of voting securities beneficially owned, directly or indirectly or over which direction or control is exercised (as of March 25, 2010) ⁽⁴⁾ |
|--|---|---|---|
| | | | |

| Name and Ordinary Residence ⁽¹⁾ | Principal Occupation or Employment during the past five years ⁽¹⁾⁽²⁾ | Current Position with Company and Period of Service | Approximate number and percentage of voting securities beneficially owned, directly or indirectly or over which direction or control is exercised (as of March 25, 2010) ⁽⁴⁾ |
|--|---|---|---|
| Bradford J. Cooke BC, Canada | Chairman and CEO of Canarc Resource Corp. (since Jan. 22, 1987); Chairman and CEO of Endeavour Silver Corp. (since July 2002) | Chief Executive Officer and Director (since Jan. 22, 1987); President (from Jan. 1987 to Dec. 2005) | 2,304,980 (2.81%) |
| Bruce Bried BC, Canada | Vice-President, Mining, for Endeavour Silver Corp. from March 2005 to February 2007; General Manager for Kinross Gold USA Inc. from January 2004 to February 2005; Consultant from January 2002 to January 2004 | Director (since June 1, 2008); President and Chief Operating Officer (from February 15, 2007 to May 31, 2008) | 300,000 (0.36%) |
| Derek Bullock ⁽³⁾ Ontario, Canada | Mining Consultant | Director (since March 12, 1996) | 5 (0.00%) |
| Leonard Harris ⁽³⁾ Colorado, USA | Retired, Former President and General Manager of Newmont Peru Ltd. | Director (since June 5, 2001) | 210,000 (0.26%) |
| William Price ⁽³⁾ California, USA | Former Chairman and Chief Equity Investment Officer, RCM Capital Management (Emeritus from 2003 to Present) | Director (since May 2005) | 5,556,000 (6.78%) |
| Garry Biles BC, Canada | General Manager of Glencairn Gold Corp. from April 2005 to January 2007; General Manager of Procon Mining & Tunnelling from July 2002 to April 2005; General Manager of Homestake Mining from July 1994 to April 2002 | President and Chief Operating Officer (since June 1, 2008); Vice-President, Mining (from March 1, 2007 to May 31, 2008) | Nil |
| James Moors BC, Canada | Vice-President of Exploration and Exploration Manager of Canarc Resource Corp. (from 2002 to Present); Director of Information of BC Yukon Chamber of Mines (from 1999 to 2002) | Vice-President of Exploration (since June 2005) | 32,012 (0.04%) |
| Stewart L. Lockwood BC, Canada | Lawyer with Vector Corporate Finance Lawyers (since 2001); Counsel for the Issuer prior thereto | Secretary (since 1994) | 215,174 (0.26%) |

| Name and Ordinary Residence ⁽¹⁾ | Principal Occupation or Employment during the past five years ⁽¹⁾⁽²⁾ | Current Position with Company and Period of Service | Approximate number and percentage of voting securities beneficially owned, directly or indirectly or over which direction or control is exercised (as of March 25, 2010) ⁽⁴⁾ |
|--|--|---|---|
| Philip Yee BC, Canada | Chief Financial Officer, VP-Finance and/or Controller of Canarc Resource Corp. (from May 2003 to Present); Chief Financial Officer, Finance Manager and/or Controller of Endeavour Silver Corp. (from May 2003 to February 2007); Controller for Augusta Group (from 1996 to 2003) | Chief Financial Officer and Vice-President, Finance (since June 2005) | Nil |

- (1) The information as to residence and principal occupation during the past five years is not within the knowledge of the Issuer and has been furnished by the respective directors and officers.
- (2) Unless otherwise stated above, each of the above-named nominees has held the principal occupation or employment indicated for at least five years.
- (3) Member of Audit Committee.
- (4) As of March 25, 2010, the Issuer had 81,969,655 shares issued and outstanding.

As at the date hereof, the Issuer does not have an executive committee.

At the Issuer's Annual General Meeting held on June 30, 2009, Messrs. Bradford Cooke, Derek Bullock, Leonard Harris, William Price and Bruce Bried were re-elected as directors. Directors are elected for a period of one year.

As at March 25, 2010, 8,618,171 common shares of the Issuer are beneficially owned, directly or indirectly, by the directors and senior officers, as a group, representing 10.51% of the issued and outstanding voting securities (81,969,655 common shares).

9.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

As at the date of the AIF and during the 10 years prior to the date of the AIF, none of the directors or officers of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer:

- (a) is or has been a director or executive officer of any company (including the Issuer), that while that person was acting in that capacity:
 - (i) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
 - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

- (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.
- (b) has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer and shareholder.

Subsequent to December 31, 2000, no director, officer or promoter of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is or has:

- (a) been the subject of any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

9.3 Conflicts of Interest

Certain directors and officers of the Issuer are and may continue to be involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interests of the Issuer. As required by law, each of the directors of the Issuer is required to act honestly, in good faith and in the best interests of the Issuer. Any conflicts which arise shall be disclosed by the directors and officers in accordance with the Business Corporations Act (British Columbia) and they will govern themselves in respect thereof to the best of their ability with the obligations imposed on them by law.

ITEM 10: PROMOTERS

10.1 Promoters

Within the three most recently completed financial years ended December 31, 2009 and up to the date of this AIF, the Issuer does not have nor employed any person or company acting or performing as a promoter for the Issuer.

ITEM 11: LEGAL PROCEEDINGS

11.1 Legal Proceedings

There are no known legal proceedings to which the Issuer is a party or which any of its property is the subject or any such proceedings known to the Issuer to be contemplated.

11.2 Regulatory Actions

There are no known current regulatory actions to which the Issuer is a party or which any of its property is the subject or any such actions known to the Issuer to be contemplated.

ITEM 12: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

12.1 Interest of Management and Others in Material Transactions

As at the date of this AIF, Mr. William Price (“Mr. Price”) controlled, either directly or indirectly, 5,556,000 common shares of the Issuer, representing a 6.78% interest in the Issuer. Mr. Price directly controls 4,556,000 common shares and indirectly controls 1,000,000 common shares through The William L Price Charitable Foundation. Mr. Price is a director and is a member of the Audit Committee of the Issuer, but does not exert control over the Issuer nor over the Board of Directors, is not actively involved in the operations of the Issuer, and does not have any material interest, directly or indirectly, in any transaction that has materially affected or will materially affect the Issuer, to the best of the Issuer’s knowledge.

Except as noted in this AIF, within the three most recently completed financial years ended December 31, 2009 and up to the date of this AIF, none of the following:

- (a) director or executive officer of the Issuer;
- (b) a person or company that is direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of any class or series of outstanding voting securities of the Issuer; and
- (c) an associate or affiliate of any of the persons or companies referred to in the above paragraphs (a) or (b),

has any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the Issuer to the best of the Issuer’s knowledge.

ITEM 13: TRANSFER AGENT AND REGISTRAR

13.1 Transfer Agent and Registrar

The Issuer’s transfer agent and registrar is:

Computershare Investor Services Inc.
3rd Floor, 510 Burrard Street
Vancouver, BC, Canada, V6C 3B9

ITEM 14: MATERIAL CONTRACTS

14.1 Material Contracts

There are no other contracts, other than those herein disclosed in this AIF and other than those entered into in the ordinary course of the Issuer’s business, that are material to the Issuer and which were entered into from January 1, 2010 to March 25, 2010, in the most recently completed fiscal year ended December 31, 2009 or before the most recently completed financial year, but is still in effect as of the date of this AIF.

ITEM 15: INTERESTS OF EXPERTS

15.1 Names of Experts

David St. C. Dunn, P.Geo., and James G. Moors, PGeo (BC), Vice-President, Exploration of the Issuer, prepared the Technical Report referred to in this document, titled “2009 Diamond Drilling Program on the Tay-LP Property”

which was dated March 30, 2010. David St. C. Dunn, P.Geo., is the independent Qualified Person as defined by NI 43-101 for the Tay-LP Technical Report.

J.H. (Jim) Gray, P.Eng. of Moose Mountain is the independent Qualified Person as defined by NI 43-101 and prepared the Technical Report referred to in this document, titled “*New Polaris Project - Preliminary Assessment*”, which was dated December 23, 2009. The report was prepared by Moose Mountain and Giroux Consultants Limited.

R.J. Morris, MSc, PGeo, of Moose Mountain Technical Services and G.H. Giroux, MASc, PEng, of Giroux Consultants Limited, both of whom are independent Qualified Person as defined by NI 43-101 prepared the Technical Report referred to in this document, titled “*Resource Potential, New Polaris Project*”, which was dated March 14, 2007.

15.2 Interests of Experts

To the best of its knowledge, the experts named in Item 15.1 did not have any registered or beneficial interest, direct or indirect, in any securities or other property of the Issuer when the experts prepared their respective reports, with the exception of James G. Moors, who was Vice-President of Exploration of the Issuer at the time he prepared and filed the technical report titled “*2009 Diamond Drilling Program on the Tay-LP Property*” which was dated March 30, 2010 and in which David St. C. Dunn, P.Geo., is the independent Qualified Person for the Tay-LP Technical Report. Mr. Moors held 32,012 shares of the Issuer when he co-authored the Tay-LP Technical Report, representing approximately 0.04% of the outstanding shares of the Issuer at the time when he prepared the technical report.

Smythe Ratcliffe LLP (“Smythe Ratcliffe”) are the auditors of the Issuer and have audited the annual consolidated financial statements for the year ended December 31, 2009. Smythe Ratcliffe have confirmed that they are independent with respect to the Issuer within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

ITEM 16: ADDITIONAL INFORMATION

16.1 Additional Information

Additional information relating to the Issuer are as follows:

- (a) may be found on SEDAR at www.sedar.com;
- (b) additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Issuer’s securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Issuer’s Information Circular pertaining to its most recent Annual General Meeting of security holders that involves the election of directors; and
- (c) is also provided in the Issuer’s financial statements and management discussion and analysis for its most recently completed financial year ended December 31, 2009.

16.2 Audit Committee

1. The Audit Committee’s Charter

National Instrument 52-110 Audit Committees (“NI 52-110”) requires that every issuer disclose certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth below.

2. Composition of the Audit Committee

The Company's audit committee is comprised of three directors, as set forth below:

Derek Bullock

Leonard Harris

William Price

As defined in NI 52-110, Derek Bullock, Leonard Harris and William Price are "independent". The Company therefore meets the requirement of NI 52-110 that all audit committee members be independent.

All of the members of the audit committee are financially literate, meaning that he must be able to read and understand financial statements.

3. Relevant Education and Experience

William Price – Mr. Price has significant experience and expertise in the financial world, having served as the Chairman, CEO and CIO of RCM Capital Management LLC and as Global Chief Investment Officer of Allianz Global Investors AG. Mr. Price was a research analyst in the 1960's for well recognized firms in the US equity markets, taking on the additional responsibility of portfolio manager with Donaldson, Lufkin, Jenrette in 1970. Starting in 1977, Mr. Price became an early partner in RCM Capital Management and ultimately led the Company as CEO. RCM Capital Management had more than US\$30 billion under management upon his retirement in 2003.

Leonard Harris - Mr. Harris is a professional engineer with a Metallurgy diploma and 50 years experience in all aspects of mineral processing and mining operations world wide, including the construction of the Yanacocha gold mine in Peru. Since 1995, Mr. Harris has been a consultant and director of several small cap mining companies including Corriente Resources Inc. (former director), Sulliden Exploration Inc., Solitario Exploration & Royalty Corp., Golden Arrow Resources Corporation, Pediment Gold Corp., Endeavour Silver Corp., Alamos Gold Inc., Castle Gold Corporation, Cardero Resource Corp., IMA Exploration Inc., Indico Resources Limited, and the Company, as well as Aztec Metals Corp. (a private company).

Derek Bullock - Mr. Bullock has a Masters degree from Queens University, and is a director and the past President of Iamgold Corporation, and was formerly an adjunct professor of mining at the University of Toronto.

4. Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the following exemptions:

- (a) the exemption in section 2.4. *De Minimis Non-audit Services*;
- (b) the exemption in section 3.2 *Initial Public Offerings*;
- (c) the exemption in section 3.4 *Events Outside Control of Member*;
- (d) the exemption in section 3.5 *Death, Disability or Resignation of Audit Committee Member*; or
- (e) an exemption from National Instrument 52-110, *Audit Committees*, in whole or part granted under Section 8, *Exemptions*

5. Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

At no time since the commencement of the Company's most recently completed financial year, has the Company relied on the exemption in subsection 3.3(2), *Controlled Companies*, or section 3.6, *Temporary Exemption for Limited and Exceptional Circumstances*.

6. Reliance on Section 3.8

At no time since the commencement of the Company's most recently completed financial year, has the Company relied on the exemption in section 3.8, *Acquisition of Financial Literacy*.

7. Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year, has a recommendation of the Committee to nominate or compensate an external auditor not been adopted by the Board or Directors.

8. Pre-Approval Policies and Procedures

The audit committee has not adopted specific policies and procedures for the engagement of non-audit services. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Company's Board of Directors and, where applicable, by the audit committee, on a case-by-case basis.

9. External Auditor Service Fees (By Category)

Set forth below are details of certain service fees paid to the Company's external auditor in each of the last two fiscal years for audit services:

| Financial Year End | Audit Fees ⁽¹⁾ | Audit Related Fees ⁽²⁾ | Tax Fees ⁽³⁾ | All Other Fees ⁽⁴⁾ |
|---------------------------|----------------------------------|--|--------------------------------|--------------------------------------|
| December 31, 2008 | \$50,000 | Nil | Nil | Nil |
| December 31, 2009 | \$50,000 (estimated) | Nil | Nil | Nil |

- (1) The aggregate fees billed by the Company's external auditor.
- (2) The aggregate fees billed in each of the last two fiscal years for assurance and related services by the Company's external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees".
- (3) The aggregate fees billed in each of the last two fiscal years for professional services rendered by the company's external auditor for tax compliance, tax advice and tax planning.
- (4) The aggregate fees billed in each of the last two fiscal years for products and services provided by the Company's external auditor, other than the services reported under clauses 1, 2 and 3 above.

SCHEDULE "A"

CANARC RESOURCE CORP. (the "Company")

AUDIT COMMITTEE CHARTER

Effective as of May 31, 2005

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1. AUDIT COMMITTEE MANDATE

The Audit Committee (the "Committee") will assist the Board of Directors (the "Board") of Canarc Resource Corp. (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.

2. COMMITTEE ORGANIZATION

2.1 Composition & Independence

The Committee will be comprised of **three (3)** or more directors as determined by the Board **ALL** of whom shall satisfy the "independence" requirement of the applicable securities regulatory requirements.

2.2 Financial Training & Financial Expert

Each member will be "financially literate" as defined in the applicable securities regulatory requirements or shall become financially literate within a reasonable period of time after his or her appointment to the Committee. Each member will have an understanding of the accounting principles used by the Company to prepare its financial statements and, in addition, will have at least one member who will be engaged in the active supervision of the

persons engaged in the preparation, audit, analysis or evaluation of certain types of financial statements (the “financial expert”).

2.3 Financial Expert Duties

The designation or identification of a member as Committee financial expert shall not impose on such member any duties, obligations or liabilities that are greater than the duties, obligations and liabilities imposed on any other member of the Committee or Board.

2.4 Annual Appointment and Chairman Appointment

The Board will appoint annually, at the organizational meeting of the full board on the recommendation of the Nominating / Corporate Governance Committee, if any, the members of the Committee. The Board will appoint one member of the Committee as the chair of the Committee.

2.5 Removal & Compensation

A Committee member shall be automatically removed without further action of the Board if the member ceases to be a director of the Company or is found by the Board to no longer be an independent director as required by this Charter. Committee members may be otherwise removed or replaced by a vote of the Board upon recommendation of the Nominating / Corporate Governance Committee. No member serving on the Committee shall receive directly or indirectly, any compensation, advisory or other compensation fee from the Company or an affiliate of the Company other than director fees for service as a director.

3. MEETINGS

3.1 Quarterly Meetings

The Committee is to meet at least four (4) times annually and as many additional times as the Committee deems necessary. Committee members will endeavor to be present at all meetings either in person or by telephone. As necessary or desirable, but in any case at least quarterly, the Committee shall meet with members of management and, if required external auditors, to discuss the financial reporting and any matter that the Committee or management deems necessary.

3.2 Chairman Duties

The Chairman in consultation with other members of the Committee, the Company’s independent auditors and the appropriate officers of the Company, will be responsible for calling meetings of the Committee, establishing the agenda and supervising the conduct of the meeting. The Committee may also take any action permitted hereunder by unanimous written consent.

3.3 Third Party Attendees at Meetings

The Committee may request any officer or employee of the Company or the Company’s outside legal counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consult to, the Committee.

3.4 Quorum & Majority Voting

Except as otherwise provided by this Charter or applicable laws or regulations, as amended from time to time:

- (a) A majority of the members of the Committee meeting, either present in person or by means of remote communication, or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the Committee, and
- (b) All actions of the Committee shall be by affirmative vote of a majority of those members so determined to be present or represented by proxy.

4. AUTHORITY

4.1 Authority to Investigate & Require Disclosure

Subject to the prior approval of the Board, the Committee is granted the authority to investigate and require such information and explanation from management, as it considers reasonably necessary, any matter or activity involving financial accounting, financial reporting, financial risk, and the internal controls of the Company. In addition, the Committee has the authority to require management to promptly inform the Committee and the external auditor of any material misstatement or error in the financial statements following the discovery of such instance.

4.2 Authority to Engage Outside Advisers

The Committee has the authority to engage independent counsel and other advisors as it deems necessary to carry out its duties and to set and pay the compensation for any advisors employed by the Committee.

4.3 Authority Over Company Auditors

In recognition of the fact that the independent auditors are ultimately accountable to the Committee, the Committee shall have the authority and responsibility to nominate for shareholder approval, evaluate, and where appropriate, replace the independent auditors and shall approve all audit engagement fees and terms and all non-audit engagements with the independent auditors. The Committee shall consult with management but shall not delegate these responsibilities.

5. ANNUAL PERFORMANCE EVALUATION

The Committee will conduct and review with the Board annually an evaluation of the Committee's performance with respect to the requirements of the Charter. The evaluation should set forth the goals and objectives of the Committee for the upcoming year.

6. SPECIFIC DUTIES

In carrying out its oversight responsibilities, the 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.

7. COMPLAINT PROCEDURES

The Committee shall establish procedures for:

- (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
- (b) the confidentiality, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- (c) ensuring that significant findings and recommendations made by management and the external auditor are received and discussed on a timely basis;
- (d) the review of policies and procedures in effect for considering officers' expenses and perquisites; and
- (e) the performance of other oversight functions as requested by the Board. The Committee must periodically review such procedures to ensure they are effective and ensure compliance by the Company with such procedures.

8. LIMITATIONS ON COMMITTEE'S DUTIES

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. These are the responsibility of management and the independent auditor. Nor is it the duty of the Committee to assure compliance with the laws and regulations.