

CANARC RESOURCE CORP
Form 20-F
July 18, 2011

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

FORM 20-F

**REGISTRATION STATEMENT PURSUANT TO
SECTION 12(b) OR (g) OF THE SECURITIES
EXCHANGE ACT OF 1934**

OR

**ANNUAL REPORT PURSUANT TO SECTION
13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For fiscal year ended December 31, 2010

OR

**TRANSITION REPORT PURSUANT TO
SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from ____ to _____

OR

**SHELL COMPANY REPORT PURSUANT TO
SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Date of event requiring this shell company report:

Commission file number: 0-18860

CANARC RESOURCE CORP.

(Exact name of Registrant as specified in its charter)

Province of British Columbia, Canada

(Jurisdiction of incorporation or organization)

Suite #301 - 700 West Pender Street, Vancouver, British Columbia, Canada, V6C 1G8

(Address of principal executive offices)

Philip Yee, Chief Financial Officer, Phone: (604) 685-9700, Fax: (604) 685-9744, e-mail: philip@canarc.net,

Canarc Resource Corp., Suite #301 - 700 West Pender Street, Vancouver, British Columbia, Canada, V6C 1G8

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

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

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

Indicate the number of outstanding shares of each of the Registrant's classes of capital or common stock as of the close of the period covered by the annual report: **90,985,890 common shares as at December 31, 2010**

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

U.S. GAAP

International Financial Reporting Standards as issued

Other

by the International Accounting Standards Board

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

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

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PART III

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CAUTION FORWARD-LOOKING STATEMENTS

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

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as expects or does not expect, is expected, anticipates or does not anticipate, plans, estimates or stating that certain actions, events or results may, could, would, might or will be taken, occur or be achieved) statements of historical fact and may be forward-looking statements. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation:

- .
risks related to our exploration and development activities;
- .
risks related to the financing needs of our planned operations;
- .
risks related to estimates of mineral deposits, resources and reserves;
- .
risks related to fluctuations in mineral prices;
- .
risks related to the titles of our properties;
- .
risks related to competition in the mineral exploration and mining industry;
- .
risks related to potential conflicts of interest with our officers and directors;

·
risks related to environmental and regulatory requirements;

·
risks related to foreign currency fluctuations;

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

·
risks related to the volatility of our common stock; and

·
risks related to the possible dilution of our common stock.

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

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

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

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GLOSSARY OF MINING TERMS

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

1933 Act - means the United States Securities Act of 1933, as amended.

adit a horizontal tunnel in an underground mine driven from a hillside surface.

Ag silver.

alluvial mining - mining of gold bearing stream gravels using gravity methods to recover the gold, also known as placer mining.

andesite - a volcanic rock of intermediate composition, the extrusive equivalent of diorite.

arsenopyrite an ore mineral of arsenic, iron, and sulphur, often containing gold.

assay a precise and accurate analysis of the metal contents in an ore or rock sample.

Au - gold.

auger drill a handheld machine that produces small, continuous core samples in unconsolidated materials.

autoclave a mineral processing vessel operated at high temperature and pressure in order to oxidize sulfide and carbon compounds, so the contained metals can be leached and concentrated.

Banka drilling - a hand operated drill specifically designed for sampling alluvial deposits. The drill rods (10-12 centimetres in diameter) are forced into the gravel and then the core sample is extracted from the rods.

Commission - United States Securities and Exchange Commission, or S.E.C.

concentrate a concentrate of minerals produced by crushing, grinding and processing methods such as gravity or flotation.

contained gold total measurable gold in grams or ounces estimated to be contained within a mineral deposit. Makes no allowance for economic criteria, mining dilution or recovery losses.

Cu copper.

cut-off grade deemed grade of mineralization, established by reference to economic factors, above which material is considered ore and below which is considered waste.

diamond drill a large machine that produces a continuous core sample of the rock or material being drilled.

diorite a plutonic rock of intermediate composition, the intrusive equivalent of andesite.

doré – bullion of gold, with minor silver and copper produced by smelting, prior to refining.

epithermal – used to describe hydrothermal mineral deposits, typically in veins, formed at lower temperatures and pressures within 1 km of the earth surface.

Exchange Act means the United States Securities Exchange Act of 1934, as amended.

feasibility study a detailed report assessing the feasibility, economics and engineering of placing a mineral deposit into commercial production.

flotation a mineral recovery process using soapy compounds to float finely ground metallic minerals into a concentrate.

garimpeiros a Brazilian term used in South America referring to small scale, artisanal miners and prospectors.

gold deposit - means a mineral deposit mineralised with gold.

gold equivalent - a method of presenting combined gold and silver concentrations or weights for comparison purposes. Commonly involves expressing silver as its proportionate value in gold based on the relative values of the two metals.

gold resource see mineral resource.

gpt - grams per tonne.

grams per cubic meter - alluvial mineralisation measured by grams of gold contained per cubic meter of material, a measure of gold content by volume not by weight.

greenstone - a field term for any compact dark-green altered or metamorphosed basic igneous rock that owes its colour to green minerals such as chlorite, actinolite or epidote.

indicated resource - means that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

inferred resource - means that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

laterite - highly weathered residual superficial soils and decomposed rocks, rich in iron and aluminum oxides, that are characteristically developed in tropical climates.

lode mining mining of ore, typically in the form of veins or stockworks.

measured resource means that part of a mineral resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

mesothermal used to describe hydrothermal mineral deposits, typically in veins, formed at higher temperatures and pressures deeper than 1 km of the earth's surface.

mineral reserve means the economically mineable part of a measured or indicated resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.

mineral resource a body of mineralized material which has not yet been determined to be ore, and the potential for mining of which has not yet been determined; categorized as possible, probable and proven, according to the degree of certainty with which their grade and tonnage are known; sometimes referred to as a geological resource or mineral inventory .

net profits interest or NPI a royalty based on the net profits generated after recovery of all costs.

net smelter royalty or **NSR** - a royalty based on the gross proceeds received from the sale of minerals less the cost of smelting, refining, freight and other related costs.

nugget effect an effect of high variability of gold assays, due to the gold occurring in discreet coarse grains such that their content in any given sample is highly variable.

ore a naturally occurring rock or material from which economic minerals can be extracted at a profit.

ounce or oz. - a troy ounce or 20 pennyweights or 480 grains or 31.103 grams.

opt troy ounces per ton.

porknockers - a local term used in Guyana and Suriname to refer to small scale artisanal miners and prospectors.

porphyry an igneous rock containing coarser crystals in a finer matrix.

probable reserve - the economically mineable part of an indicated, and in some circumstances a measured resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

professional association, for the purposes of the definition of a Qualified Person below, means a self-regulatory organization of engineers, geoscientists or both engineers and geoscientists that (a) has been given authority or recognition by statute; (b) admits members primarily on the basis of their academic qualifications and experience; (c) requires compliance with the professional standards of competence and ethics established by the organization; and (d) has disciplinary powers, including the power to suspend or expel a member.

prospect an area prospective for economic minerals based on geological, geophysical, geochemical and other criteria

proven reserve means the economically mineable part of a measured resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

pyrite an ore mineral of iron and sulphur.

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Qualified Person means an individual who (a) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these; (b) has experience relevant to the subject matter of the mineral project and the technical report; and (c) is a member in good standing of a professional association.

quartz a rock-forming mineral of silica and oxygen, often found in veins also.

raise a vertical or inclined tunnel in an underground mine driven upwards from below.

ramp an inclined tunnel in an underground mine driven downwards from surface.

reverse circulation drill a large machine that produces a continuous chip sample of the rock or material being drilled.

saprolite - a soft, earthy, clay rich and thoroughly decomposed rock with its original textures intact, formed in place by chemical weathering of igneous, sedimentary or metamorphic rocks.

scoping study a conceptual report assessing the scope, economics and engineering of placing a mineral deposit into commercial production.

shaft a vertical or inclined tunnel in an underground mine driven downward from surface.

shear a tabular zone of faulting within which the rocks are crushed and flattened.

stibnite an ore mineral of antimony and sulphur.

stock or pluton a body of intrusive rock that covers less than 40 square miles, has steep dips and is discordant with surrounding rock.

stockwork multiple small veins of mineralisation that have so penetrated a rock mass that the whole rock mass can be considered mineralised.

strike length - the longest horizontal dimensions of a body or zone of mineralisation.

stripping ratio - the ratio of waste material to ore that is estimated for or experienced in mining an ore body.

sulphide an ore mineral compound linking sulphur with one or more metals.

ton - short ton (2,000 pounds).

tonne - metric tonne (2,204.6 pounds).

trenching the surface excavation of a linear trench to expose mineralization for sampling.

vein a tabular body of rock typically of narrow thickness and often mineralized occupying a fault, shear, fissure or fracture crosscutting another pre-existing rock.

winze an internal shaft in an underground mine.

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

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

CAUTIONARY NOTE TO U.S. INVESTORS

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

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

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

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A Selected Financial Data

The following financial information with respect to the last five fiscal years ended December 31, 2010 (stated in United States dollars) has been derived from Canarc's audited consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) and reconciled to United States generally accepted accounting principles (U.S. GAAP). A reconciliation of certain material measurement differences in the financial information from that which would be provided if the financial statements were prepared in accordance with U.S. GAAP is provided in Note 16 to the audited consolidated financial statements for the year ended December 31, 2010 which consolidated financial statements are set out and included in Item 17 of this annual report on Form 20-F.

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As at and for the years ended December 31

Selected Financial Information (stated in thousands of U.S. dollars, except per share amounts)	2010	2009	2008	2007	2006
(a) Total revenues ⁽¹⁾ :					
Canadian GAAP	-	-	2	1,180	1,679
U.S. GAAP	-	-	2	1,180	1,679
Income (loss) before extraordinary					
(b) items:					
Total:					
Canadian GAAP	(590)	(1,579)	(6,963)	1,515	433
U.S. GAAP	(1,626)	(2,063)	(1,038)	(4,371)	(4,875)
Basic earnings (loss) per share:					
Canadian GAAP	(0.01)	(0.02)	(0.10)	0.02	0.01
U.S. GAAP	(0.02)	(0.03)	(0.01)	(0.06)	(0.08)
(c) Net income (loss):					
Total:					
Canadian GAAP	(590)	(1,579)	(6,963)	1,515	433
U.S. GAAP	(1,626)	(2,063)	(1,038)	(4,371)	(4,875)
Basic earnings (loss) per share:					
Canadian GAAP	(0.01)	(0.02)	(0.10)	0.02	0.01
U.S. GAAP	(0.02)	(0.03)	(0.01)	(0.06)	(0.08)
Diluted earnings (loss) per share:					
Canadian GAAP	(0.01)	(0.02)	(0.10)	0.02	0.01
U.S. GAAP	(0.02)	(0.03)	(0.01)	(0.06)	(0.08)
(d) Total assets:					
Canadian GAAP	13,900	13,167	12,829	20,115	18,447
U.S. GAAP	4,855	4,175	4,375	5,624	7,966
(e) Total long-term debt ⁽²⁾ :					
Canadian GAAP	120	-	-	-	-
U.S. GAAP	120	-	-	-	-
(f) Shareholders' equity (net assets):					
Canadian GAAP	12,941	12,168	12,523	19,480	18,212
U.S. GAAP	2,847	2,999	4,069	4,989	7,731
(g) Dividends per shares ⁽³⁾ :					
Canadian GAAP	No cash dividends declared in any of these periods				
U.S. GAAP	No cash dividends declared in any of these periods				
(h) Shares:					
Diluted number of common shares	107,335,010	94,248,775	81,433,505	80,308,505	79,528,276
Number of common shares	90,985,890	81,969,655	72,704,505	71,734,505	68,470,476

(1)

Revenues are comprised of gains from the disposition of marketable securities and investment and other income. Canarc has no sources of operating revenues.

(2)

Canarc has no preferred shares.

(3)

On June 25, 2008, Canarc did close a Plan of Arrangement (the Arrangement) with Caza Gold Corp. (Caza) whereby approximately 83% of Canarc's interest in Caza was distributed to the shareholders of Canarc. Item 4.A provides further details.

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Canarc has had no long-term debt and has not paid any cash dividends over the last five years. Item 4.A provides further details of the Company's distribution of shares of Caza pursuant to the Arrangement.

On June 24, 2011, the Bank of Canada closing rate for the conversion of one United States dollar into Canadian dollars was CAD\$0.9870.

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

Month	Year	High (CAD\$)	Low (CAD\$)
December	2010	1.0112	1.0050
January	2011	0.9974	0.9911
February	2011	0.9905	0.9849
March	2011	0.9796	0.9737
April	2011	0.9610	0.9551
May	2011	0.9712	0.9644

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

Year	High (CAD\$)	Low (CAD\$)	Average Rate (CAD\$)	Close (CAD\$)
2006	1.1794	1.0948	1.1342	1.1654
2007	1.1878	0.9066	1.0750	0.9913
2008	1.3008	0.9711	1.0660	1.2180
2009	1.3066	1.0251	1.1420	1.0510
2010	1.0848	0.9931	1.0299	0.9946

3.B Capitalization and Indebtedness

Not applicable.

3.C Reasons for the Offer and Use of Proceeds

Not applicable.

3.D Risk Factors

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

Risks Related to the Registrant's Business

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

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. There is no assurance that the Registrant's mineral exploration and development activities will result in any discoveries of bodies of commercial ore. Unusual or unexpected geological structures or formations, fires, power outages, labour disruptions, floods, explosions, cave-ins, land slides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. The Registrant has relied and may continue to rely upon consultants and others for construction and operating expertise. The economics of developing gold and other mineral properties are affected by many factors including capital and operating costs, variations of the grade of ore mined, fluctuating mineral markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Depending on the price of gold or other minerals produced, the Registrant may determine that it is impractical to commence or continue commercial production. Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that funds required for development can be obtained on a timely basis. The marketability of any minerals acquired or discovered may be

affected by numerous factors which are beyond the Registrant's control and which cannot be accurately foreseen or predicted, such as market fluctuations, the global marketing conditions for precious and base metals, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Registrant to apply for an exploitation concession. There can be no guarantee that such a concession will be granted.

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The Registrant's planned operations will require future financing and there is no assurance given by the Registrant that it will be able to secure the financing necessary to explore, develop and produce its mineral properties.

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

As noted in its audited consolidated financial statements for the year ended December 31, 2010, the Registrant has incurred significant operating losses and has an accumulated deficit of approximately \$47.2 million at December 31, 2010. Furthermore, the Registrant has working capital deficiency of approximately \$67,000 as at December 31, 2010, and lack sufficient funds to achieve the Registrant's planned business objectives. The Registrant's ability to continue as a going concern is dependent on continued financial support from its shareholders and other related parties, the ability of the Registrant to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Registrant's liabilities as they become payable.

The report of our independent registered public accounting firm on the December 31, 2010 consolidated financial statements includes an additional paragraph that states that conditions exist that raise substantial doubt about the Registrant's ability to continue as a going concern. The consolidated financial statements do not include adjustments that might result from the outcome of this uncertainty.

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

Although all figures with respect to the size and grade of mineralized deposits included herein have been carefully prepared by the Registrant, or, in some instances have been prepared, reviewed or verified by independent mining experts, these amounts are estimates only and no assurance can be given that any identified mineralized deposit will

ever qualify as a commercially viable mineable ore body that can be legally and economically exploited. Estimates regarding mineralized deposits can also be affected by many factors such as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. There can be no assurance that gold recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions. Material changes in mineralized tonnages, grades, stripping ratios or recovery rates may affect the economic viability of projects. The existence of mineralized deposits should not be interpreted as assurances of the future delineation of ore reserves or the profitability of future operations. The refractory nature of gold mineralization at New Polaris may adversely affect the economic recovery of gold from mining operations.

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Canarc Resource Corp.

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

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

There is no assurance given by the Registrant that it owns legal title to its mineral properties.

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

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

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

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

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

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

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

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

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

The current or future operations of the Registrant, including exploration and development activities and commencement of production on its properties, require permits from various foreign, federal, state and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the

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

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. New laws or regulations or amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation of current laws, regulations or permits, could have a material adverse impact on the Registrant and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

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

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

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

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

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

Mining involves various types of risks and hazards, including:

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environmental hazards,

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power outages,

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metallurgical and other processing problems,

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unusual or unexpected geological formations,

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structural cave-ins or slides,

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

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

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metals losses, and

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periodic interruptions due to inclement or hazardous weather conditions.

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

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

Because mines have limited lives based on proven and probable mineral reserves, the Registrant will have to continually replace and expand its mineral reserves, if any. The Registrant's ability to maintain or increase its annual production of gold and other base or precious metals once its current properties are producing, if at all, will be dependent almost entirely on its ability to acquire, explore, and develop new properties and bring new mines into production.

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

Certain of the Registrant's properties may be located in countries outside of Canada, and mineral exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political attitudes may vary from country to country and are beyond the control of the Registrant and may adversely affect its business. Such changes have, in the past, included nationalization of foreign owned businesses and properties. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income and other taxes and duties, expropriation of property, environmental legislation and mine safety. These uncertainties may make it more difficult for the Registrant and its joint venture partners to obtain any required production financing for its mineral properties.

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

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

future impositions of such restrictions could have a materially adverse effect on the Registrant's future profitability or ability to pay dividends.

The Registrant is reliant on third parties.

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

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

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

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

Potential investors who are United States taxpayers should be aware that Canarc may be classified for United States tax purposes as a passive foreign investment company (PFIC) for the current fiscal year and may also have been a PFIC in prior years, and may also be a PFIC in subsequent years. This status arises due to the fact that Canarc's excess exploration funds are invested in interest bearing securities creating "passive income" which, while modest and ancillary to the exploration business, has been Canarc's only substantive source of income. If Canarc is a PFIC for any year during a United States taxpayer's holding period, then such a United States taxpayer, generally, will be required to treat any so-called "excess distribution" received on its common shares, or any gain realized upon a disposition of common shares, as ordinary income and to pay an interest charge on a portion of such distribution or gain, unless the taxpayer makes a qualified electing fund ("QEF") election or a mark-to-market election with respect to the shares of Canarc. In certain circumstances, the sum of the tax and the interest charge may exceed the amount of the excess distribution received, or the amount of proceeds of disposition realized, by the taxpayer. A United States

taxpayer who makes a QEF election generally must report on a current basis its share of Canarc's net capital gain and ordinary earnings for any year in which Canarc is a PFIC, whether or not Canarc distributes any amounts to its shareholders. A United States taxpayer who makes the mark-to-market election generally must include as ordinary income each year the excess of the fair market value of the common shares over the taxpayer's tax basis therein. Item 10.E provides further details.

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

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

The Registrant's management does not expect that its disclosure controls and procedures or internal controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Registrant have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Risks Related to the Registrant's Common Shares

The volatility of the Registrant's common shares could cause investor loss.

The market price of a publicly traded stock, especially a junior resource issuer like Canarc, is affected by many variables in addition to those directly related to exploration successes or failures. Such factors include the general condition of the market for junior resource stocks, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and

other factors on the market price of the common shares on the TSX and NASD-OTC suggests that Canarc's shares will continue to be volatile. Therefore, investors could suffer significant losses if Canarc's shares are depressed or illiquid when an investor seeks liquidity and needs to sell Canarc's shares.

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

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

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

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

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

At June 24, 2011, Canarc had 93,625,591 common shares and 9,350,000 share purchase options and 4,452,160 warrants outstanding. The resale of outstanding shares from the exercise of dilutive securities could have a depressing effect on the market for Canarc's shares. At June 24, 2011, securities that could be dilutive represented approximately 14.7% of Canarc's issued shares. Certain of these dilutive securities were exercisable at prices below the June 24, 2011 closing market price of CAD\$0.14 for the Company's shares, which would accordingly result in dilution to existing shareholders if exercised.

ITEM 4. INFORMATION ON THE COMPANY

The Registrant is a Canadian mineral exploration company and is subject to NI 43-101, a National Instrument adopted by all of the Securities Commissions in Canada that deals with standards of disclosure for mineral projects. It applies to all oral statements and written disclosure of scientific or technical information, including disclosure of a mineral resource or mineral reserve, made by or on behalf of a company in respect of its material mineral projects. In addition to other matters, it sets out strict guidelines for the classification of and use of the terms 'mineral resource' and 'mineral reserve' and it requires all technical disclosure on all material properties to be subject to review by a senior engineer or

geoscientist in good standing with a relevant professional association. The full text of NI 43-101 can be found at <http://www.bpsc.bc.ca/policy.asp?id=2884&scat=4&title=4%20-%20Distribution%20Requirements>. While the Registrant believes that its technical disclosure, when made, was accurate, technical disclosure prepared by the Registrant before NI 43-101 came into force in February 2001 has not been updated by the Registrant to be compliant with NI 43-101 other than as specifically disclosed herein.

4.A History and Development of the Company

Incorporation and Reporting Status

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

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

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

Current Business Address

Suite #301, 700 West Pender Street, Vancouver, British Columbia, Canada, V6C 1G8, tel. no.: (604) 685 9700.

Introduction

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

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New Polaris property in British Columbia,

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Tay-LP property in the Yukon,

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Windfall Hills properties, British Columbia, and

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Eskey Creek property in British Columbia,

of which the New Polaris and Tay-LP properties are the material properties of the Registrant.

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In its consolidated financial statements prepared in accordance with Canadian GAAP, the Registrant has capitalized costs, net of recoveries and write-downs, of approximately \$12.7 million in connection with the acquisition, exploration and development on its currently held property as at December 31, 2010 and are summarized as follows for the past three fiscal years:

(in terms of \$000s)	2010			2009			2008		
	Acquisition Costs	Exploration/ Development	Total	Acquisition Costs	Exploration/ Development	Total	Acquisition Costs	Exploration/ Development	Total
British Columbia (Canada):									
New Polaris	\$ 3,605	\$ 8,660	\$ 12,265	\$ 3,605	\$ 8,556	\$ 12,161	\$ 3,605	\$ 8,466	\$ 12,071
Eskay Creek	-	-	-	-	-	-	-	-	-
Yukon (Canada):									
Tay-LP	74	385	459	25	440	465	-	-	-
	\$ 3,679	\$ 9,045	\$ 12,724	\$ 3,630	\$ 8,996	\$ 12,626	\$ 3,605	\$ 8,466	\$ 12,071

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

Developments over the Last Three Financial Years

Over the course of the past three years ended December 31, 2010 and to the date of this Form 20-F, the Registrant had been engaged in exploration and development of precious metal projects in Canada, Mexico, and Suriname. The major events in the development of the Registrant's business over the last three years are set out below. Information and details regarding the Registrant's properties are provided in Item 4.D.

In May 2008, Canarc granted 1.8 million stock options with an exercise price of CAD\$0.29 and an expiry date of May 15, 2013.

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 the Directors of Canarc.

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Canarc Resource Corp.

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On June 25, 2008, Canarc closed the Plan of Arrangement (the Arrangement) with Canarc's wholly-owned subsidiary, Caza Gold Corp. (Caza), whereby approximately 83% of Canarc's interest in Caza was distributed to the shareholders of Canarc. Under the Arrangement, Canarc transferred all its interest in its wholly-owned Mexican subsidiary which holds all the rights to the Mexican gold exploration properties to Caza in return for 14,346,527 shares of Caza, of which Canarc distributed 11,950,577 Caza shares by way of a dividend in kind to Canarc's shareholders on the basis of one share of Caza for every six shares of Canarc held by shareholders as of the dividend record date. As at December 31, 2010, Canarc no longer held any interest in Caza. The property interests which were transferred from Canarc to Caza included Los Arrastres, Santiago and Santiago Fraction properties.

In July 2008 as amended in December 2008, Canarc entered into a purchase and sale agreement for the sale of all its 78.5% interest in the subsidiary 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 Canarc.

The exploration concessions for the Benzdorp property expired in July 2007, and an application was submitted for a three year extension which was rejected in August 2008. An application for new concessions would be considered so one new exploration concession was applied in September 2008. Canarc had ceased all exploration work on the concessions in August 2007, and had elected to write-off its investment in the Benzdorp property in 2008.

In May 2009, Canarc received CAD\$62,030 in demand loans from certain directors and an officer of Canarc. The loans are repayable on demand and bore an interest rate of 9% per annum which was increased to 12% effective September 1, 2010, and were previously secured by the Company's shareholdings in Caza at CAD\$0.25 per share of Caza which has been replaced by a loan bonus of 12% payable upon repayment effective September 1, 2010. As at December 31, 2010, cumulative interest of CAD\$10,605 and loan bonus of CAD\$7,444 have been accrued.

On July 15, 2009, Canarc 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, Canarc entered into an option agreement with Ross Rivers Minerals Ltd. and Ross River Gold Ltd. (jointly, 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.

On March 22, 2010, Canarc entered into an option agreement with Cap-Ex Ventures Ltd. (Cap-Ex) whereby Cap-Ex can acquire 50% of Canarc's interest in the Tay-LP property. In March 2011, Cap-Ex terminated its option agreement with the Company. Item 4.D provides further details.

On October 22, 2009, Canarc 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. 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, Canarc 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.

At the Company's annual general meeting held on June 15, 2010, the stock option plan to grant up to a maximum of 16,335,000 common shares was approved.

Pursuant to an audit by the Canada Revenue Agency (CRA) in 2009, Canarc had estimated approximately \$661,700 in Canadian exploration expenditures (CEE) 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 Canarc has recognized a flow through financing cost of \$489,000 in 2009 for estimated indemnities to flow through subscribers. In June 2010, CRA disallowed approximately CAD\$1.01 million in exploration expenditures incurred in 2007 as CEE of which approximately CAD\$795,000 as being disqualified for CEE for flow-through purposes. At December 31, 2010, Canarc accrued liabilities of approximately CAD\$175,000 for estimated indemnities related to the disqualified CEE for flow through purposes and CAD\$50,000 in accrued interests related to the indemnities.

On September 8, 2010, Canarc granted 2,740,000 stock options with an exercise price of CAD\$0.10 and an expiry date of September 8, 2015 and which are subject to a vesting provision in which 20% of the options vest immediately and 20% vest every six months.

On December 13, 2010, Canarc closed a private placement for 8.5 million units at CAD\$0.15 per unit for gross proceeds of CAD\$1,275,000. 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 CAD\$0.22 until June 13, 2012.

At Canarc's Annual General Meeting held on June 7, 2011, Messrs. Bradford Cooke, William Price, Derek Bullock, Leonard Harris and Bruce Bried were re-elected as Directors of the Company for the ensuing year. Shareholder approval was also provided for the Company's Shareholder Rights Plan.

Relief Canyon project

In December 2010, Canarc was the accepted bidder to acquire an open pit, heap leach gold mine through a bankruptcy court auction held in Reno, Nevada. Canarc agreed to purchase the Relief Canyon gold mine assets from Firstgold Corporation (Firstgold) for \$11 million, subject to a due diligence period which expired on February 4, 2011. As a condition of its winning bid, Canarc paid a non-refundable deposit of \$300,000 in December 2010 to Firstgold in trust pending Canarc's due diligence, and was also obligated to pay \$20,000 bi-weekly to Firstgold for its operating expenses during the due diligence period. If Canarc elected not to proceed with the purchase of the Relief Canyon gold mine assets, Canarc was obligated to pay an additional \$300,000 to Firstgold but in return, Firstgold would transfer ownership of its fully built, permitted and operating commercial assay laboratory located near the Relief Canyon mine-site to Canarc.

To finance the acquisition, Canarc arranged a CAD\$12 million bridge loan with Effisolar Energy Corporation (Effisolar), subject to Effisolar's due diligence, execution of definitive loan documents and regulatory and exchange approvals. The bridge loan was to close on or before February 3, 2011, mature in one year, bear simple annual interest rate of 12%, and secured by a first charge on the Relief Canyon gold mine assets. Canarc would issue a closing bonus of one million common shares to Effisolar and would have the right to repay the loan at any time after 6 months. If Canarc elected not to proceed with the purchase of the Relief Canyon gold mine assets whereby the acquisition of the commercial assay laboratory would then need to be financed, Canarc arranged a separate CAD\$300,000 convertible loan with Effisolar, subject to Effisolar's due diligence, execution of definitive loan documents and regulatory and exchange approvals. At Canarc's election, the convertible loan was to close on or before February 3, 2011, mature in one month, bear no interest and automatically convert into common shares of

Canarc based on the 10 day average closing price on the Toronto Stock Exchange (TSX).

In January 2011, after conducting due diligence, both Canarc and Effisolar decided not to proceed with the Relief Canyon project. In early February 2011, Canarc paid an additional \$300,000 to Firstgold whereby ownership of the commercial assay laboratory was transferred to Canarc. Canarc issued a convertible debenture for CAD\$300,000 to Effisolar for the interest free loan from Effisolar, which was then converted into 1,282,051 common shares of Canarc on March 2, 2011.

In May 2011, Canarc entered into an agreement for the sale of the assay laboratory for \$600,000 plus recovery of out-of-pocket expenses incurred by Canarc.

Other Projects

Windfall Hills:

In April 2011, Canarc entered into two option agreements to purchase 100% interests in two adjacent gold properties located in British Columbia. Canarc can acquire a 100% interest in the Atna properties by making US\$750,000 in cash payments over a 4 year period (US\$50,000 paid), honouring a pre-existing 1.5% net smelter return (NSR) production royalty that can be purchased for CAD\$1 million, and granting the vendor a 2% NSR production royalty.

Canarc can acquire a 100% interest in the Dunn properties by making CAD\$250,000 in cash payments over a 4 year period (CAD\$15,000 paid), and a final bonus payment based on all gold resources estimated in an independent NI 43-101 technical report. The formula for the bonus payment is US\$30 per oz for measured resources, US\$20 per oz for indicated resources, and US\$10 per oz for inferred resources.

In May 2011, Canarc staked 13,870 hectares gold property located northeast of the Windfall Hills property.

4.B Business Overview

Nature of operations and principal activities

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

The Registrant and its management group have previously been actively involved in the evaluation, acquisition and exploration of mineral properties in Canada, U.S.A., and Central and South America. Starting with grass roots exploration prospects, it progressed to more advanced properties. To date, the Registrant has not received any revenues from its mineral property interests. The Registrant plans to continue exploring and developing its properties and, if appropriate, the Registrant intends to seek partners or buyers to purchase or to assist in further advancement (by way of joint venture or otherwise) of its properties. The Registrant seeks to identify properties with significant potential and to acquire those properties on the basis of an option agreement relying on the representations and warranties of the vendor as to the state of title, with limited or no title work being performed by the Registrant. Detailed title work is only undertaken once it has been determined that the property is likely to host a significant body

of ore, which may not occur. Consequently, there is a significant risk that adverse claims may arise or be asserted with respect to certain of the Registrant's properties. Items 3.D and 4.A provide further details.

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

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

As of the date of this annual report, the Registrant has not generated any operating revenues from its mineral properties.

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

Government regulations

The Registrant's operations are subject to governmental regulations in Canada, where the Registrant had interests in mineral properties.

The current and anticipated future operations of the Registrant, including further exploration and/or production activities may require additional permits from governmental authorities. Such operations are subject to various laws governing land use, the protection of the environment, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, mine safety and other matters. Unfavourable amendments to current laws, regulations and permits governing operations and activities of mineral exploration companies, or more stringent implementation thereof, could have a materially adverse impact on the Registrant and could cause increases in capital expenditures which could result in a cessation of operations by the Registrant. To the best of its knowledge, the Registrant is operating in compliance with applicable laws.

Trends

Gold prices continued to show strength as the cumulative annual average increased from \$872 in 2008 to \$972 in 2009 and then to \$1,225 in 2010 and closing at \$1,515 on June 24, 2011. Gold prices achieved new highs in each of the past several years. In March 2008, prices reached a high of \$1,011 and then \$1,213 in December 2009 before reaching a high of \$1,421 in November 2010. The high for 2011 was on June 22, 2011 at \$1,553. Not only has this trend made the gold mining business more profitable, it has attracted investors into the gold equities, driving up the share prices of gold companies and providing a market for capital financing to the gold industry.

During the same period from January 2008 to December 2010, the closing market price for the Registrant's shares decreased from CAD\$0.38 to CAD\$0.29 a decrease of 24%, and the high of CAD\$0.44 was in January 2008. In May 2011, the closing market share price was CAD\$0.16. In 2007, the Company elected not to proceed with the development of the New Polaris gold project and with no other significant exploration activity underway, the share price fell because of a lack of material news. The Company's decision to defer development work at New Polaris was based on the fact that a larger mine development by another mining company immediately adjacent to New Polaris was granted its final environmental permits, raised its capital financing and made a development decision, so the Company could potentially benefit from waiting for the neighbouring mining company to complete building its mine and from both their environmental studies and infrastructure. Unfortunately, that company was negatively impacted in the 2008 financial crisis and filed for bankruptcy protection in 2009, and their mine was never built. Despite these setbacks, management continues to foresee opportunities to finance the mineral exploration and development efforts on Canarc's gold properties, and also to evaluate and consider new acquisitions in the gold arena as a result of rising gold prices.

The Registrant has determined that the policies of the current provincial government in British Columbia have led to increased incentives for mineral resource development in the province. In addition, the price of gold bullion has continued to increase, reflecting in part the ongoing weakness in the United States dollar. These factors should make gold exploration in British Columbia increasingly attractive and should increase the opportunities for its New Polaris property.

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

4.C Organizational Structure

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

Benzdorp Gold N.V. was incorporated under the laws of Suriname on February 4, 2004 when Suriname presidential assent was received. The Registrant owns 40% of the voting shares of this company.

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

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

4.D Property, Plants and Equipment

Description of Properties

Property Summary Chart (as of December 31, 2010):

Property Name	Location	Maximum % Interest Held (or to be earned) ⁽¹⁾	Capitalized Acquisition Expenditures ⁽³⁾	Capitalized Exploration Expenditures ⁽³⁾	Total Capitalized Expenditures ⁽³⁾
New Polaris ⁽²⁾	BC, Canada	100.00%	\$3,605,000	\$8,660,000	\$12,265,000
Tay-LP ⁽⁴⁾	Yukon, Canada	100.00%	\$74,000	\$385,000	\$459,000
Eskay Creek	BC, Canada	33.33%	\$0	\$0	\$0

1

Subject to any royalties or other interests as disclosed below.

2

Previously known as Polaris-Taku .

3

Net of recoveries and write-downs.

4

On March 22, 2010, Canarc entered into an option agreement with Cap-Ex whereby Cap-Ex can acquire 50% of Canarc's interest in the Tay-LP property. In March 2011, Cap-Ex terminated its option agreement with the Company. Item 4.D provides further details.

NOTE: All references to U.S.\$ unless otherwise noted. See below for further details on each property. Refer to Note 16 of the consolidated financial statements as of December 31, 2010 as included herein, for disclosure of differences between U.S. GAAP and Canadian GAAP.

The following is a more detailed description of some of the more material properties listed above in which the Registrant has an interest.

Material Mineral Projects

Cautionary Note to U.S. Investors concerning estimates of Measured and Indicated Resources. This section and certain related exhibits may use the terms measured and indicated resources . We advise U.S. investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. U.S. investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. See Cautionary Note to U.S. Investors at the beginning of this annual report.

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

Canarc Resource Corp.

Form 20-F

New Polaris Gold Project, British Columbia, Canada

Discovered by prospectors in 1929, the original mine was constructed in 1936 and operated from 1937 to 1942 and again from 1946 to 1951. A total of 232,000 oz. of gold was produced. Flotation concentrates were shipped seasonally for refining to the smelter in Tacoma, Washington. The first barge load in 1951 sank in a storm off the B.C. coast, causing the mine to shut down. Cominco upgraded the mill in 1952 and used it to process the nearby Tulsequah Chief ores from 1953 to 1957. New Polaris was then dormant for 30 years until exploration resumed in 1988. Canarc acquired New Polaris in 1992 and has partially cleaned up the original mill site and infrastructure, which had been previously abandoned. Canarc constructed a new office complex at the New Polaris mine site and the camp is now capable of supporting 35 people. The machinery from the mill was removed from the site by previous owners in the 1970's. No remaining equipment from the mine operation was salvaged as it was all inoperable. The only original buildings remaining are one large shed (the former machine shop) and 3 small houses. These existing buildings have been refurbished and serve as both sleeping quarters and the kitchen facility. The former machine shop has also been maintained as a maintenance facility. Current fixed equipment include 10,000 and 25,000 gallon Terra Tanks, and mobile equipment on the property include a D6 Cat, backhoe, grader, electric Alimak machine, pumping equipment, welding machines and several generators. The existing underground workings are accessible, although dewatering is required to access those workings below the 50 foot level. Power to the site is currently supplied by diesel generators.

In 2007, Canarc completed a pre-feasibility program for the New Polaris gold mine project, including dewatering of the underground mine workings, mapping and sampling of the lower mine levels, optimizing metallurgical recoveries, continuing site-related environmental studies, developing a conceptual mine plan and completing a preliminary economic assessment for the project. No additional work is being carried out at this time as Canarc is seeking a strategic partner to advance the project to final feasibility and, if positive, to production.

The New Polaris Gold Project 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. A Table of the claims is set out below.

Table 1 - LIST OF CLAIMS

Claim Name	Lot No.	Folio #	Claim Name	Lot No.	Folio #
Polaris No.1	6109	4472	Snow	3497	4545
Polaris No.2	6140	5223	Snow #2	3495	5088
Polaris No.3	6141	5223	Snow #3	3494	5495
Polaris No.4	3498	4545	Snow #4	3499	5495
Polaris No.5	6143	5223	Snow #5	6105	4472
Polaris No.6	6144	5223	Snow #8	6107	4472
Polaris No.7	6145	5223	Snow #7	3500	4472
Polaris No.8	6146	5223	Snow #6	6106	4472
Polaris No.9	6147	5223	Snow #9	6108	4472
Polaris No.10	6148	5290	Black Diamond	3491	4472
Polaris No.11	6149	5290	Black Diamond No.3	6030	4944
Polaris No.12 Fr	6150	5290	Blue Bird No.1	5708	4545
Polaris No.13 Fr	6151	5290	Blue Bird No.2	5707	4545

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*Canarc Resource Corp.**Form 20-F*

Polaris No.14	6152	5290	Lloyd	6035	5010
Polaris No.15	6153	5290	Lloyd No.2	6036	5010
Silver King No.1	5489	4804	Rand No.1	6039	5010
Silver King No.2	5490	4804	Rand No.2	6040	5010
Silver King No.3	5493	4804	Minto No.2	6033	4944
Silver King No.4	5494	4804	Minto No.3	6034	4944
Silver King No.5	5491	4804	Jumbo No.5	6031	4944
Silver King No.6	5492	4804	Ready Bullion	6032	4944
Silver King No.7	5495	4804	Roy	6042	5088
Silver King No.8	5717	4545	Frances	6041	5010
Sliver Queen No 1	6026	4545	Eve Fraction	6170	5495
Sliver Queen No 2	6027	4545	Eve No.1 Fraction	6171	5495
Sliver Queen No 3	6028	4944	P.T. Fraction	3493	5495
Sliver Queen No 4	6029	4944	Ant Fraction	3492	5088
Silver Strand	6037	5010	Atlin Fraction	3496	5088

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Silver Strand No.2	6038	5010	Powder Fraction	6043	5088
F.M Fraction	6044	5088	Jay Fraction	6045	5088
Par Fraction	6154	5290			

James Moors, P.Geo, Vice President Exploration of the Registrant, is the Qualified Person for the purposes of the foregoing technical disclosure on the New Polaris Gold Project. The information in the following summary on the New Polaris Gold Project has been derived in part from and is partially based on the assumptions, qualifications and procedures set out in the Technical Report titled Resource Potential, New Polaris Project (the New Polaris Technical 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 Registrant's knowledge.

The following extracted from, or are accurate paraphrasing of, the executive summary, or other sections as indicated from the New Polaris Technical Report, the full copy of which is available online at www.sedar.com as filed on March 16, 2007. Defined terms and abbreviations used herein and not otherwise defined shall have the meanings ascribed to such terms in the New Polaris Technical Report.

Summary

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.

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Canarc Resource Corp.

Form 20-F

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.

The total New Polaris database consists of 1,056 diamond drill holes 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.

Sample Method and Approach, Sample Preparation, Analyses and Security, and Data Verification

Sampling of the vein was done by a wire line diamond drills using NQ-size rods. Drill collar locations were surveyed in by total station surveying method. Drilling azimuth and dip were set using a brunton compass and clinometer. Routine down hole measurements of azimuth and dip were not done on the three holes drilled in 2003 and prior. In 2004, three different down hole survey systems were tried before settling on a Reflex system. The Reflex system was also used in 2005. The down hole surveying was operated by the Hytech's drill crew. This information was entered into a GEMCOM program to plot the location of the collar and the pierce point of the veins.

Core recovery was very good and ranged from the low 90% to nearly 100% and is a fair sampling of the mineralization at the point where the drill hole pierced the vein.

The vein mineralization has well marked contacts with the wall rock. The transition from mineralized to non mineralized rock occurs over a few centimeters. Free gold is extremely rare and to the end of 2005 had not been recognized in core samples. The majority of the gold occurs in arsenopyrite and to a lesser extent in pyrite and stibnite. Because there is no visible gold and the host sulphides are very fine grained and disseminated there is little nugget effect and gold values even over short intervals rarely exceed 1 opt. Out of 4700 samples with greater than 0.03 opt gold collected from core and the underground workings, only 185 samples had a value greater than 1 opt, the highest being 3.69 opt. For this reason, no cutting of assays has been done in calculating composites nor are there many cases where a composite sample is carried by a single assay.

Determining intervals of core for sampling was done by the geologist during logging of the core. The mineralized vein structures were marked out. Selections of core intervals for sampling were based in the presences of veining and

sulphide mineralization particularly arsenopyrite. Within the defined vein structure sample interval ranged from 1 foot to 5 feet. Divisions were based on intensity of mineralization and veining. Sampling of the core for 10s of feet either side of the mineralized vein structures was also done to the point where hydrothermal alteration disappeared. No sampling of core from the unaltered rock was done.

The core was logged and stored in the camp. Access to the core was only available to the geologists and the core sampler. The core was brought from the drill set up to the logging facility by the geologist at the end of each shift. The core was geologically logged, recoveries calculated and samples marked out in intervals of 0.5 to 1 metre. The core was handed to the sample cutter who cut it with a diamond saw. Each sample was individually wrapped in plastic bags for shipment. The sample intervals were easily identified and correlate well with the drill logs.

The 2006 Quality Assurance, Quality Control program was similar to the previous programs in that samples were collected by employees of Canarc on site and shipped to ALS Chemex in Vancouver. For quality control and quality assurance, core samples were regularly mixed with blanks, duplicates, and standards. The program in the field was run in an efficient and proper manner following accepted engineering standards.

Mr. Morris, one of the authors, spent two days on the New Polaris property. While on the property, he examined underground workings to confirm the nature of mineralization, dimensions and extent of the vein system. He also viewed a selection of core from key holes drilled from the early 1990's to the end of 2006 and compared his observations with those documented in the drill logs. In both the case of the underground workings and the core, the author found that his observations confirmed that recorded in logs and sections. He also confirmed that core had been properly cut and stored. In addition to the site visit, a detailed review of the database was completed. Forty-one drill holes were selected from the C vein area, and the drill logs and assay sheets were compared with the database. Only minor differences were observed between the hard copy material and the database. As well, the input of the database into the modeling program was also checked. The procedures used in the development of the database follow accepted engineering standards.

Location Map

In April 2011, Canarc completed a preliminary economic assessment of the New Polaris property. The report which is dated April 10, 2011 is titled "New Polaris Project - Preliminary Assessment Update". J.H.Gray, P.Eng., R.J. Morris, M.Sc., P.Geo. and G.H. Giroux, M.A.Sc., P. Eng. were the Qualified Persons for that Report. The Qualified Person (QP) pursuant to NI 43-101 for the updated preliminary economic assessment report is Jim Gray, P. Eng.

Tay-LP Property, Yukon, Canada

On August 24, 2009, the Company entered into an option agreement to acquire a 100% interest in the Tay-LP gold property, located in Yukon, 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 (oz) 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 NSR 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%. Cash payments of CAD\$20,000 were made in August 2009, CAD\$30,000 in April 2010 and CAD\$50,000 in October 2010. On November 4, 2009, the Company issued 160,250 common shares at a value of CAD\$0.156 per share as the annual advance NSR royalty for CAD\$25,000 for the Tay-LP property, and 221,235 common shares at a value of CAD\$0.113 per share in October 2010.

The Company completed a Phase 1 exploration program for 10 holes including 2,000 m of diamond drilling in the third and fourth quarters of 2009. The objective of the program was to extend known mineralization along strike and down-dip of existing gold intercepts in three principle target areas.

In late March 2010, the Company entered into an option agreement with Cap-Ex whereby Cap-Ex can acquire 50% of the Company's interest in the Tay-LP gold property, by paying CAD\$100,000 of which CAD\$25,000 have been paid, issuing 200,000 common shares of which 100,000 common shares have been received, incurring exploration expenditures of CAD\$675,000, and maintaining the Company's underlying option agreement in good standing until October 2011.

David St. C. Dunn, P.Geo., and James Moors, P.Geo, Vice President Exploration of the Registrant, are the Qualified Persons for the purposes of the technical disclosure on the Tay-LP property as 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, PGeo (BC), Vice-President, Exploration, of the Registrant (the Tay-LP Technical Report).

The following information is extracted from, or includes accurate paraphrasings of, the executive summary, or other sections as indicated, from the Tay-LP Technical Report, the full copy of which is available online at www.sedar.com as filed on April 1, 2010. Defined terms and abbreviations used herein and not otherwise defined shall have the meanings ascribed to such terms in the Tay-LP Technical Report.

Property Description

The Tay-LP project of Ross River Gold Ltd. is a gold exploration project, covering an area of approximately 8150 hectares, located in south-central Yukon near the Village of Ross River. The project comprises 413 mineral claims. The Tay-LP area was first staked, following a prospecting discovery in 1984. The property has since been explored intermittently by various companies for intrusion-related gold deposits. Gold is associated with pyrrhotite-dominant, quartz-sulphide veins and replacement zones hosted by folded Paleozoic meta-sedimentary rocks.

The 2009 exploration program was carried out between September 9th and September 25th and comprised 1868 metres of diamond drilling. Personnel included: one of the authors, James Moors, P.Geo., V.P. Exploration, Canarc

Resource Corp.; Robin S. Tolbert, Project Geologist; Lyle Hansen, Assistant Geologist; and core cutters Robert Smallwood and John Dicks of Atlin. Diamond drilling was performed by Hy-Tech Diamond Drilling of Smithers, B.C.

A road accessible tent camp located near the centre of the property was the base of operations.

The cost of field work and analysis on the property in 2009 was \$480,000.

Reserves or resources have not been calculated for the property.

The primary author was part of the 2003 Prospecting and Geochemical surveying program on the Tay-LP claims (Schmidt, U., 2004).

Summary

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. 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.

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Location Map

David St. C. Dunn, P.Geo., and James Moors, P.Geo, Vice President Exploration of the Registrant, are the Qualified Persons for the Tay-LP Technical Report.

In 2010, Cap-Ex completed a 470 kilometer airborne geophysical survey at Tay LP which successfully identified several new EM conductors and magnetic anomalies within prospective geological settings. In March 2011, Cap-Ex terminated its option agreement with the Company.

The Company is currently prioritizing new targets for drilling in 2011.

Benzdorp Property, Suriname

Gold production was first recorded from Benzdorp in the late 1800s when English and Dutch companies exploited the alluvial deposits. The Jungle Queen dredge produced over 500,000 oz. alone over a 40-year period. In more recent times, hundreds of illegal small-scale miners typically produce up to 10,000 oz. gold each year by reprocessing the river gravels. The property was located in southeastern Suriname, 300 km southeast of Parimaribo, the capital city, accessible by charter aircraft to the nearby Tabiki airstrip or by boat up the Marowijne River, then by ATV on the property roads. Power to the site was supplied by diesel generators.

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The exploration concessions for the Benzdorp property expired in July 2007, and Benzdorp Gold NV, the joint venture company which held by Canarc and Grasshopper Aluminum Company NV (Grassalco), had exercised its exclusive right to re-apply to the Minister of Natural Resources of Suriname for a three year extension to Canarc's exploration concessions at Benzdorp. An extension was available at the discretion of the Suriname Minister of Natural Resources. The application was rejected in August 2008 but an application for new concessions would be considered so one new exploration concession was applied in September 2008.

Canarc elected to write-off its investment in the Benzdorp property in 2008.

James Moors, P.Geo, Vice President Exploration of the Registrant, is the Qualified Person for the purposes of the technical disclosure on the Benzdorp Property as set out in the Technical Report titled Summary Report on the Benzdorp Project Suriname dated March 22, 2008, prepared by James G. Moors, PGeo (BC), Vice-President, Exploration, of the Registrant (the Benzdorp Technical Report). The Benzdorp Technical Report is available online at www.sedar.com as filed on March 28, 2008.

Other Mineral Projects

The following projects are considered not material by the Registrant and are not compliant with NI 43-101. There is currently no ongoing or proposed exploration or development programs for the properties set out below, other than has been specifically stated.

Windfall Hills properties, British Columbia, Canada

In April 2011, Canarc entered into two option agreements to purchase 100% interests in two adjacent gold properties located in British Columbia. Canarc can acquire a 100% interest in the Atna properties by making US\$750,000 in cash payments over a 4 year period (US\$50,000 paid), honouring a pre-existing 1.5% NSR production royalty that can be purchased for CAD\$1 million, and granting the vendor a 2% NSR production royalty.

Canarc can acquire a 100% interest in the Dunn properties by making CAD\$250,000 in cash payments over a 4 year period (CAD\$15,000 paid), and a final bonus payment based on all gold resources estimated in an independent NI 43-101 technical report. The formula for the bonus payment is US\$30 per oz for measured resources, US\$20 per oz for indicated resources, and US\$10 per oz for inferred resources.

In May 2011, Canarc staked 13,870 hectares gold property located northeast of the Windfall Hills property.

Eskay Creek property, British Columbia, Canada

Canarc has a one-third carried interest in the 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 Eskay Creek property.

Bellavista Gold Mine, Costa Rica

Canarc had a 5.7% to 20.2% net profit interest in the Bellavista property, located near Miramar, Costa Rica. The property achieved commercial production in December 2005 but in July 2007, mining operations were suspended due to ground movement and heavy rainfall causing surface erosion and deep seated ground creep in some areas of the mine site. Canarc had a net profit interest in Bellavista which entitled it to 5.67% of the net profits during the first payback period, increasing to 10.40% during the second payback period and then to 20.24% of net profits thereafter. Thirty-five percent of this net profit interest would have reduced the net profit interest to be received until \$317,741 in advance royalty payments were repaid.

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

Sara Kreek Property, Suriname

Canarc previously held an 80% interest in the shares of Sara Kreek Resource, the company which holds the Sara Kreek concession in Suriname. In April 2006, Canarc 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 Canarc.

Canarc received royalties of \$50,000 per year from 2006 to 2010.

Mexican Properties

Los Angeles:

In April 2008, Caza and Minera Canarc, which were both wholly-owned subsidiaries of Canarc 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 four-year period and issuing \$50,000 in shares of Caza over a twelve-month period. The vendors retained a 3% net smelter return (NSR). An initial payment of US\$15,000 was made upon the signing of the option agreement. Pursuant to the Plan of Arrangement which closed in June 2008, Caza and Minera Canarc were no longer subsidiaries of Canarc. Item 4.A provides further details.

Los Arrastres:

In February 2007, Canarc 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 three-year period. The vendor retained a 2% NSR and Canarc had the right to reduce the 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 which closed in June 2008, the property was transferred to Caza. Item 4.A provides further details.

Providencia:

In March 2007, Canarc entered into a preliminary option agreement to acquire a 100% interest in the Providencia 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 vendors retained a 2 ½ % net smelter return royalty (NSR), and Canarc 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 Canarc at the five day closing share price average on the Toronto Stock Exchange prior to the royalty reduction.

In April 2008, Canarc terminated its efforts to enter into a formal agreement, and Canarc wrote-off related exploration expenditures in the first quarter of 2008, and the 30,000 shares which were originally issued were returned to treasury.

Santiago:

In May 2007, Canarc entered into an option agreement to acquire a 100% interest in the Santiago gold property by making \$2 million in cash payments over a five-year period and spending \$200,000 on exploration over a two-year period. The vendor retained 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 Plan of Arrangement which closed in June 2008, the property was transferred to Caza. Item 4.A provides further details.

Santiago Fraction:

In September 2007, Canarc 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 one year, and spending up to \$1 million in exploration over a five-year period. Canarc issued 15,000 common shares at a deemed value of CAD\$0.45 per share in 2007. Pursuant to the Plan of Arrangement which closed in June 2008, the property was transferred to Caza. Item 4.A provides further details.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Management's discussion and analysis in this Item 5 are intended to provide the reader with a review of factors that affected the Registrant's performance during the years presented and factors reasonably expected to impact on future operations and results. The following discussion of the financial condition, changes in financial condition and results of operations of the Registrant for the three fiscal years ended December 31, 2010, 2009 and 2008 should be read in conjunction with the consolidated financial statements of the Registrant and related notes included therein. The Registrant's financial statements are stated in United States dollars and are prepared in accordance with Canadian GAAP. Reference is made to Note 16 of the consolidated financial statements for the year ended December 31, 2010 of the Registrant as included herein for discussion of the material differences between Canadian GAAP and U.S. GAAP and their effect on the Registrant's financial statements.

Canadian and United States Generally Accepted Accounting Principles: The audited consolidated financial statements of the Registrant are prepared in accordance with Canadian GAAP. Accounting practices under Canadian GAAP and U.S. GAAP, as they affect the Registrant, are substantially the same, except for the following:

(a)

Royalty receivable:

For Canadian GAAP, the Registrant's royalty receivable from disposition of subsidiary is classified as loans and receivables which is measured at amortized cost and is amortized to interest income using the effective interest rate method. For U.S. GAAP, the royalty receivable is recorded at the face value of the total expected receipts from the royalties.

(b)

Exploration expenditures for mineral properties:

U.S. GAAP requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Registrant is to estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. Pursuant to the SEC's Industry Guide 7, an entity can only disclose proven and probable reserves, as defined within the Guide, in its reserve calculations. As a result, the Registrant has interpreted U.S. GAAP to require mineral property exploration costs to be expensed as incurred until commercially mineable deposits are determined to exist within a particular property as cash flows cannot be reasonably estimated prior to such determination and the Registrant cannot pass an impairment test made under SFAS 144 for U.S. GAAP purposes. Accordingly, for all periods presented, the Registrant has expensed all mineral property exploration costs for U.S. GAAP purposes.

For Canadian GAAP, cash flows relating to mineral property exploration costs are reported as investing activities. For U.S. GAAP, these costs would be characterized as operating activities.

(c)

Asset retirement obligations:

The Registrant considered the effects of Statement of Financial Accounting Standards No. 143 (SFAS 143) in the U.S. for asset retirement obligations and determined that it had no significant impact on the Registrant's financial statements, based on the current stage of the Registrant's mineral properties.

(d)

Write-off of equipment and write-down of mineral properties:

Under U.S. GAAP, loss before undernoted would be calculated inclusive of write-off of equipment and write-down of mineral properties.

(e)

Divestiture of interests in subsidiaries:

For Canadian GAAP, when a subsidiary issues its shares to interests outside the consolidated entity, the effect on any change in the parent's interest as a result of the share issue by the subsidiary is recognized in the determination of consolidated net income (or loss). Pursuant to Staff Accounting Bulletin Topic 5.H, changes in a parent company's proportionate share of subsidiary's equity resulting from additional equity raised by the subsidiary should be accounted for as an equity transaction in consolidation, particularly when the subsidiary is a development stage enterprise.

(f)

Flow-through equity financing:

The Registrant raises cash from time-to-time through the issuance of flow-through shares where the funds received are to be used for exploration purposes and the related tax benefits are assigned to the investor. For US GAAP purposes,

the Registrant has interpreted SFAS 94 and FRC 203.02 to require that funds raised through the issuance of flow-through shares be shown as restricted cash until expended and should not be considered to be a component of cash and cash equivalents. In addition, the amount of restricted cash would be excluded from cash and cash equivalents in the statement of cash flows and shown as an item within financing activities.

For Canadian GAAP, a provision is recognized at the date of the actual renunciation, by a reduction in the amount included in share capital relating to the flow-through shares, for the future income taxes related to the deductions foregone by the Registrant.

For U.S. GAAP, the amount received by the Registrant on the issuance of flow-through shares in excess of the fair value of common shares is required to be credited to liabilities and included in operations when the Registrant renounces the qualified expenditures.

(g)

Unit offerings:

Under Canadian GAAP, the proceeds received on issuance of units, consisting of common shares and warrants, are not required to be allocated to the individual common share and warrant components when the instruments and its components are all determined to be equity instruments. Under U.S. GAAP, the Registrant is required to allocate the proceeds received on unit offerings to the individual common share and warrant components on a relative fair value basis when both components are determined to be equity classified in which case for 2009 and 2010 fiscal years would exclude warrants which are determined to be derivative liabilities. The fair value of the share purchase warrants was determined using the Black-Scholes method.

(h)

Stock-based compensation:

As issued by the Financial Accounting Standards Board ("FASB") for US GAAP, Statement of Financial Accounting Standards No. 123 (Revised 2006), "*Share-Based Payment*" ("SFAS 123R"), is a revision of SFAS 123 "Accounting for Stock-Based Compensation" and supercedes APB Opinion No. 25, "*Accounting for Stock Issued to Employees*". SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. In calculating compensation to be recognized, SFAS 123R requires the Registrant to estimate future forfeitures. For Canadian GAAP purposes, the Registrant uses the fair value method to account for all stock option grants but accounts for forfeitures as they occur.

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Under U.S. GAAP, employee and director remuneration would include the stock-based compensation expense reported separately for Canadian GAAP.

(i)

Consolidated statement of cash flows:

Under Canadian GAAP, the Registrant has included a subtotal in cash flows from operating activities. Under U.S. GAAP, no such subtotal would be disclosed.

(j)

Uncertainty in income taxes:

FASB Interpretation (FIN) No. 48: *Accounting for Uncertainty in Income Taxes*, is an interpretation of FASB Statement No.109. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation requires that the Registrant recognize the impact of a tax position in the financial statements if the position is more likely than not of being sustained on audit, based on the technical merits of the position. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods and disclosure. In accordance with the provisions of FIN 48, any cumulative effect resulting from the change in accounting principle is to be recorded as an adjustment to the opening balance of deficit. The adoption of FIN 48 did not result in a material impact on the Registrant's consolidated financial position or results of operations.

(k)

Derivative liability:

In June 2008, the FASB issued Emerging Issues Task Force (EITF) 07-5, *Determining Whether an Instrument is Indexed to an Entity's Own Stock* (EITF 07-5). EITF 07-5 would result in share purchase warrants being classified as a derivative liability if they are not indexed to the underlying common shares. EITF 07-5 is effective for fiscal years ending after September 15, 2009.

The Registrant's functional currency is the U.S. dollar and the Registrant has issued and outstanding warrants that have exercise prices which are denominated in Canadian dollars. Because the exercise prices of the share purchase warrants are denominated in a currency other than the Registrant's functional currency, the warrants are not considered indexed to the Registrant's common shares. These warrants are treated as derivative liabilities carried at fair values as determined by the Black-Scholes option pricing model for U.S. GAAP purposes with changes in fair values recorded as gains or losses in the statement of operations.

(l)

Cumulative development stage reporting:

The Registrant is not required and has opted to not report such information for Canadian reporting and for U.S. GAAP purposes; the Registrant is considered an exploration stage company. Statement of Financial Accounting Standards No. 7 *Accounting and Reporting by Development Stage Enterprises* requires the disclosure of cumulative-to-date information for each line item on the statements of operations and cash flow plus annual summaries of each component of shareholders' equity since inception. Under Canadian GAAP, Accounting Guideline AcG 11 *Enterprises in the Development Stage*, issued by the Canadian Institute of Chartered Accountants, does not require reporting of this information. Had the consolidated financial statements been prepared in accordance with U.S. GAAP such information would have been disclosed.

(m)

Changes in accounting policies:

(i)

Hierarchy of generally accepted accounting principles:

In June 2009, the FASB issued new standards for *The Hierarchy of Generally Accepted Accounting Principles*. These standards, ASC 105, culminated a multi-year project to replace the previous U.S. GAAP hierarchy and established *Accounting Standard Codification* (the *Codification*). The *Codification* does not change U.S. GAAP, but combines all authoritative standards into a comprehensive, topically organized online database. After the launch of the *Codification* on July 1, 2009, only one level of authoritative U.S. GAAP for non-governmental entities exists, other than guidance issued by the SEC. The adoption of this statement was effective September 30, 2009. The adoption of this new standard only had the effect of amending references to authoritative accounting guidance in the Registrant's consolidated financial statements.

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(ii)

Business combinations:

In December 2007, the FASB revised its accounting standards for *Business Combinations*. The standard, ASC 805, requires the acquiring entity to recognize and measure in its financial statements all the assets acquired, the liabilities assumed, any non-controlling interest in the acquired entity and the goodwill acquired, and establishes the acquisition date fair value as the measurement objective for all assets acquired and liabilities assumed. Furthermore, acquisition-related and other costs will now be expensed rather than treated as cost components of the acquisition. ASC 805 also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination.

The revision to this guidance applies prospectively to business combinations for which the acquisition date occurs on or after January 1, 2009. The adoption of this new standard had no material impact on the Registrant's consolidated financial statements.

(iii)

Fair value measurement and disclosures

In October 2008, the FASB amended accounting standards for *Fair Value Measurements and Disclosures*. The amended standard, ASC 820, clarifies the application of fair value measurements in a market that is not active. The amendment is intended to address the following application issues: (a) how the reporting entity's own assumptions (that is, expected cash flows and appropriately risk-adjusted discount rates) should be considered when measuring fair value when relevant observable inputs do not exist; (b) how available observable inputs in a market that is not active should be considered when measuring fair value; and (c) how the use of market quotes (for example, broker quotes or pricing services for the same or similar financial assets) should be considered when assessing the relevance of observable and unobservable inputs available to measure fair value. The changes were effective on issuance, including prior periods. The adoption of this new standard had no material impact on the Registrant's consolidated financial statements.

(iv)

Investments other:

In January 2009, the FASB amended accounting standards for *Investments - Other*. The amended standard, ASC 325, addresses certain practices or issues related to the recognition of interest income and impairment on purchased beneficial interests and beneficial interests that continue to be held by a transferor in securitized financial assets, by making its other-than-temporary impairment (OTTI) assessment guidance consistent with the accounting standards for *Investments - Debt and Equity Securities*. The amendment removes the reference to the consideration of a market participant's estimates of cash flows and instead requires an assessment of whether it is probable, based on current information and events, that the holder of the security will be unable to collect all amounts due according to the contractual terms. If it is probable that there has been an adverse change in estimated cash flows, an OTTI is deemed to exist, and a corresponding loss shall be recognized in earnings equal to the entire difference between the investment's carrying value and its fair value at the balance sheet date of the reporting period for which the assessment is made. This amendment became effective for interim and annual reporting periods ending after December 15, 2008, and is to be applied prospectively. The adoption of this new standard had no material impact on the Registrant's consolidated financial statements.

(v)

Subsequent events:

In February 2010, the FASB issued ASU No. 2010-09, *Subsequent Events (Topic 855) Amendments to Certain Recognition and Disclosure Requirements*. The amendments remove the requirement for an SEC filer to disclose a date in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. GAAP. Additionally, the Board has clarified that if the financial statements have been revised, then an entity that is not an SEC filer should disclose both the date that the financial statements were issued or available to be issued and the date the revised financial statements were issued or available to be issued. Those amendments remove potential conflicts with the SEC's literature. All of the amendments in this update are effective upon issuance of the final update, except for the use of the issued date for conduit debt obligors. That amendment is effective for interim or annual periods ending after June 15, 2010.

Further details are provided in Note 16 of the audited consolidated financial statements for the year ended December 31, 2010.

5.A Operating Results

In accordance with an acceptable accounting policy under Canadian GAAP, all costs related to investments in mineral properties are capitalized on a property-by-property basis. Such costs include mineral property acquisition costs and exploration expenditures, net of any recoveries and write-downs.

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

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

Fiscal Year 2010 Year ended December 31, 2010 compared with December 31, 2009

Canarc incurred a net loss of approximately \$590,000 for the year ended December 31, 2010 which is significantly lower than the net loss of approximately \$1.58 million in fiscal 2009. However operating losses for 2010 were nominally higher than in 2009, reflecting the continual activities and efforts of Canarc in pursuing projects of merits and project generation as gold prices reached new highs in 2010 as well as in seeking partners for its mineral property interests. Such efforts culminated in the accepted bid for the Relief Canyon project in early December 2010. Operating losses were lower in 2009 as Canarc endeavoured to preserve its cash and to reduce its monthly burn-rates, during the weakened financial markets at that time.

The primary contributing factors for the higher operating losses but the lower net losses are the future income tax recovery of \$113,000 in the first quarter which was reduced by the future income tax expense of \$140,000 due to the higher accounting basis of Canarc's mineral properties relative to its tax basis; the gain of \$257,000 from the disposition of Caza shares in the second and third quarters; and the reduction of \$200,000 for flow through financing costs from the reduced estimated indemnities from the estimate in 2009 which relate to the ineligible exploration expenses for flow through purposes less interests accruals of approximately \$50,000 for such indemnities all of which reduced the impact of higher operating losses on the net loss in fiscal 2010 and thereby reduced net losses.

The future income tax recovery is a provision for the recognition at the date of actual renunciation being February 24, 2010, by a reduction in the amount included in share capital for the flow through shares for the future income taxes related to the deductions foregone by Canarc. In 2009, Canarc raised flow-through equity financing from a private placement for approximately CAD\$480,000 of which CAD\$475,239 were renounced in February 2010.

Pursuant to an audit by the CRA in 2009, Canarc had estimated approximately \$661,700 in CEE incurred in 2007 which do not qualify as CEE for flow-through purposes and consequently Canarc had recognized a flow through financing cost of \$489,000 in 2009 for estimated indemnities to flow through subscribers. In June 2010, CRA disallowed approximately CAD\$1.01 million in exploration expenditures incurred in 2007 as CEE of which approximately CAD\$795,000 as being disqualified for CEE for flow-through purposes. Canarc accrued flow through obligations of approximately CAD\$175,000 for estimated indemnities related to the disqualified CEE for flow through purposes and CAD\$50,000 in accrued interests related to the indemnities.

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Canarc realized a gain of \$257,000 from the disposition of its remaining shares of Caza for proceeds of approximately CAD\$319,000 to supplement its ongoing working capital and operating needs.

Remuneration for employees were comparable for both 2010 and 2009 as Canarc focused continued due diligence efforts in analyzing gold projects for acquisition purposes, so as to capitalize on the upward trends in the gold market. In late March 2010, Canarc optioned 50% of its interest in the Tay-LP property to another company which would allow Canarc to maintain the property in good standing and to reduce its financial burden. Then in early December 2010, Canarc submitted the accepted bid for the Relief Canyon project. General and administrative expenses were commensurately higher due to legal fees incurred in the preparation and submission of the accepted bid of \$11 million for the Relief Canyon project in a court appointed bankruptcy auction in the U.S. and in finalizing the terms of the bridge loan of CAD\$12 million with Effisolar for the acquisition of the project. Shareholder relations expenses were coincidentally similar for both fiscal years, but were cumulatively lower in the first three quarters of 2010 as Canarc reduced discretionary expenses given the status of its projects during those periods.

Efforts in late fiscal 2009 were focused on an NI 43-101 compliant technical report for the New Polaris gold project which resulted in a preliminary economic assessment, the Moose Mountain Revised Report, which supported the project's economics.

Stock-based compensation is from the granting and vesting of stock options. On July 15, 2009, Canarc 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 September 8, 2010, Canarc granted 2,740,000 stock options with an exercise price of CAD\$0.10 and an expiry date of September 8, 2015 and which are subject to a vesting provision in which 20% of the options vest immediately and 20% vest every six months.

Adjustment to mineral properties in 2009 reflects transient expenses incurred for a mineral property interest which was written off in 2008.

Canarc recognized \$4,000 from the accretion of royalty receivable from the Sara Kreek property. Interest expense includes accrued interest of CAD\$6,886 and a loan bonus of 12% of the principal which is payable upon repayment of the loan.

Canarc also recognized an increase in fair value of \$10,000 from its available-for-sale securities which were received for its optioned mineral property interest in Tay-LP with Cap-Ex.

Canarc has no sources of operating revenues.

As at December 31, 2010, Canarc has mineral property interests which are comprised of the following:

(in US\$000s)	December 31, 2010		Total
	Acquisition Costs	Exploration/ Development	
British Columbia:			
New Polaris	\$ 3,605	\$ 8,660	\$ 12,265
Yukon:			
Tay-LP	74	385	459
	\$ 3,679	\$ 9,045	\$ 12,724

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At December 31, 2010, to maintain its interest and/or to fully exercise the options under various property agreements covering its property interests, Canarc must incur exploration expenditures on the properties and/or make payments in the form of cash and/or shares to the optionors as follows:

	Option Payments (CAD\$000s)	Exploration Commitments (1) (CAD\$000s)	Advance Royalty Payments (CAD\$000s)	Net Smelter Reduction (US\$000s)	Other (US\$000s)	Shares
New Polaris:						
Net profit interest reduction or buydown						150,000
Tay-LP:						
October 31, 2011	\$ 50	\$ 245				
October 31, 2012	850	600				
Annual advance royalty payments until commercial production			\$ 25			
Net smelter reduction from 3% to 1.5%				\$ 1,950		
Relief Canyon:						
Assay laboratory - February 4, 2011 (paid)					\$ 300	
	\$ 900	\$ 845	\$ 25	\$ 1,950	\$ 300	150,000

(1)

Exploration commitments for the Tay-LP property are adjusted for management fees of 5% and 10% and exploration expenditures incurred by Cap-Ex.

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

Fiscal Year 2009 Year ended December 31, 2009 compared with December 31, 2008

Canarc incurred a net loss of approximately \$1.6 million for the year ended December 31, 2009 which is lower than the net loss of \$6.96 million for fiscal 2008. Operating losses for fiscal 2009 were lower than for fiscal 2008, reflecting the reduced operating activities of Canarc as it endeavours to preserve its cash and to reduce its monthly burn-rates, given the slow recovery and lingering weaknesses in the financial markets during the year. The main focus for Canarc has primarily been in identifying, assessing and analyzing possible projects of merit for acquisition purposes which culminated in the acquisition of the Tay-LP property in the Yukon in August 2009. Remuneration for employees increased in the latter half of 2009 as efforts were expended in developing, implementing and completing the Phase 1 exploration program for the Tay-LP property by the end of the third quarter, and in arranging and closing three private placements in the fourth quarter. Certain discretionary expenditures were minimized and contributed to reducing operating expenses in comparison to fiscal 2008. Expenses for office and sundry and investor relations have decreased significantly relative to the prior year. Expenses for corporate development reflect active due diligence and property evaluations for acquisitions and to identify properties of merit for possible acquisitions.

Stock-based compensation is from the granting and vesting of stock options. On July 15, 2009, Canarc 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.

The significantly higher net loss in fiscal 2008 was primarily attributable to the disposition of the Benzdorp property which was written off at December 31, 2008 for \$6.3 million which continued into the first quarter of fiscal 2009 with additional costs of \$57,000 from transient expenses incurred for the Benzdorp property.

The net loss for fiscal 2008 would have been higher if it were not for the gain realized from Canarc's disposition of some of its shareholdings in Aztec and the gain from the sale of the subsidiary which held the Bellavista property. In January 2008, Canarc disposed of shares of Aztec, resulting in a realized gain of \$179,000. During the latter half of fiscal 2008, Canarc received proceeds of CAD\$215,000 from the disposition of the Bellavista property. These transactions supplemented the financing needs for operating activities and working capital for part of fiscal 2008. Canarc also disposed of all its remaining marketable securities at a realized loss of \$32,000.

Gains of \$93,000 were realized in the fourth quarter of fiscal 2009 from the disposition of Caza shares. Canarc recognized \$8,000 from the accretion of royalty receivable from the Sarakreek property.

On December 31, 2009, Canarc recognized a future income tax expense of \$226,000 related to expenditures which do not qualify as Canadian exploration expenses (CEE) for flow-through tax purposes as determined by Canada Revenue Agency (CRA). Canarc has estimated approximately \$661,700 in exploration expenditures which do not qualify as CEE for flow-through purposes, resulting in a future income tax expense of approximately \$226,000. These exploration expenditures were previously renounced in March 2007.

Pursuant to an audit by CRA in 2009, Canarc 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 Canarc has recognized a flow through financing cost of \$489,000. In February 2010, an initial proposal by CRA to Canarc disallowed approximately CAD\$1.2 million in CEE of which Canarc 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 Canarc 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.

Canarc has no sources of operating revenues.

In April 2008, Canarc terminated its efforts to enter into a formal agreement for the Providencia property, and Canarc 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.

On June 25, 2008, Canarc closed the plan of arrangement with Caza whereby approximately 83% of Canarc's interest in Caza was distributed to the shareholders of Canarc. Canarc 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 in return for 14,346,527 shares of Caza, of which Canarc distributed 11,950,577 Caza shares by way of a dividend in kind to Canarc's shareholders on the basis of one share of Caza for every six shares of Canarc held by shareholders as of the

dividend record date. The property rights which were transferred from Canarc to Caza include Los Arrastres, Santiago and Santiago Fraction properties. The plan of arrangement reduced operating expenses, as Canarc excluded the operating expenses of Caza and its Mexican subsidiary which held the exploration rights to the Mexican gold properties.

The exploration concessions for the Benzdorp property expired in July 2007, and an application was submitted for a three year extension which had not been provided. Canarc decided not to pursue any further exploration efforts on the Benzdorp property and, accordingly, wrote off the Benzdorp property at December 31, 2008.

For the latter half of fiscal 2009, Canarc made a cash payment of CAD\$20,000 in August 2009 for the Tay-LP property. On November 4, 2009, Canarc issued 160,250 shares at a price of CAD\$0.156 per share as the annual advance NSR royalty for CAD\$25,000. Exploration expenditures of \$440,000 were incurred for the Tay-LP property.

Efforts in late fiscal 2009 were focused on an NI 43-101 compliant technical report for the New Polaris gold project which resulted in a preliminary economic assessment, the Moose Mountain Revised Report, which supported the project's economics.

As at December 31, 2009, Canarc has mineral property interests which are comprised of the following:

(in US\$000s)	December 31, 2009		Total
	Acquisition Costs	Exploration/ Development	
British Columbia:			
New Polaris	\$ 3,605	\$ 8,556	\$ 12,161
Yukon:			
Tay-LP	25	440	465
	\$ 3,630	\$ 8,996	\$ 12,626

At December 31, 2009, to maintain its interest and to fully exercise the options under various property agreements covering its property interests, Canarc must incur exploration expenditures on the properties and/or make payments in the form of cash and/or shares to the optionors as follows:

	Option Payments (CAD\$000s)	Exploration Commitments (CAD\$000s)	Advance Royalty Payments (CAD\$000s)	Net Smelter Reduction (US\$000s)	Shares
New Polaris:					
Net profit interest reduction or buydown					150,000
Tay-LP:					
April 30, 2010	\$ 30	\$ -			
October 31, 2010	50	-			
October 31, 2011	50	423			
October 31, 2012	850	600			
Annual advance royalty payments until commercial production			\$ 25		
Net smelter reduction from 3% to 1.5%				\$ 1,950	

\$ 980	\$ 1,023	\$ 25	\$ 1,950	150,000
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These amounts may be reduced in the future as Canarc determines which properties to continue to explore and which to abandon.

Environmental Liabilities

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

Critical Accounting Policies

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

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

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

The Registrant accounts for stock-based compensation using a fair value-based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For directors, employees and non-employees, the fair value of the options is accrued and charged to operations, with the offset credit to contributed surplus, over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital. Under Canadian GAAP, the Registrant does not incorporate an estimated forfeiture rate for options that will not vest, but rather accounts for actual forfeitures as they occur, whereas under U.S. GAAP future forfeitures are estimated. Assumptions are used in the determination of fair value of these non-cash stock-based compensation. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

5.B Liquidity and Capital Resources

The Registrant is in the exploration stage and has not yet determined whether its mineral properties contain reserves that are economically recoverable. The recoverability of amounts capitalized for mineral properties is entirely dependent upon the existence of economically recoverable reserves, the ability of the Registrant to obtain the necessary financing to complete the development and upon future profitable production. The Registrant knows of no trends, demands, commitments, events or uncertainties that may result in the Registrant's liquidity either materially increasing or decreasing at the present time or in the foreseeable future. Material increases or decreases in the Registrant's liquidity are substantially determined by the success or failure of the Registrant's exploration programs

and overall market conditions for smaller mineral exploration companies. Since its incorporation in 1987, the Registrant has endeavoured to secure mineral properties that in due course could be brought into production to provide the Registrant with cash flow which would be used to undertake work programs on other projects. To that end, the Registrant has expended its funds on mineral properties that it believes have the potential to achieve cash flow within a reasonable time frame. As a result, the Registrant has incurred losses during each of its fiscal years since incorporation. This result is typical of smaller exploration companies and will continue unless positive cash flow is achieved.

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

(in \$000s)	2010	December 31, 2009	2008
Cash	\$ 592	\$ 155	\$ 155
Working capital (deficiency)	\$ (67)	\$ (649)	\$ 194

Ongoing operating expenses continue to reduce Canarc's cash resources and working capital.

In May 2009, Canarc received CAD\$62,030 in demand loans from certain directors and an officer of Canarc. The loans are repayable on demand and bear an interest rate of 9% per annum which was increased to 12% effective September 1, 2010, and were secured by Canarc's previous shareholdings in Caza at CAD\$0.25 per share of Caza which has been replaced by a loan bonus of 12% payable upon repayment effective September 1, 2010. As at December 31, 2010, cumulative interest of CAD\$10,605 and loan bonus of CAD\$7,444 have been accrued.

In fiscal 2010, Canarc received \$50,000 as the annual royalty from the Sara Kreek project.

In late April 2010, Canarc disposed of one million shares of Caza at a price of CAD\$0.20 for total proceeds of CAD\$200,000 and then in late August 2010 disposed the remaining balance of 596,050 shares of Caza at a price of CAD\$0.20 per share for total proceeds of CAD\$119,210, which financed ongoing working capital and operating needs.

In August 2010, Canarc received marketable securities from its optioned interest in the Tay LP property, in which the available-for-sale securities have a market value of approximately CAD\$25,000 as at December 31, 2010.

On December 13, 2010, Canarc closed a private placement for 8.5 million units at CAD\$0.15 per unit for gross proceeds of CAD\$1,275,000. 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 CAD\$0.22 until June 13, 2012.

During fiscal 2010, options for 20,000 common shares and warrants for 275,000 common shares were exercised for gross proceeds of CAD\$43,840

The working capital deficiency of \$67,000 at December 31, 2010 includes the notes payable which include accrued interests and loan bonus totalling \$81,000 due to certain directors and an officer of Canarc and net income tax indemnities of \$226,000.

Canarc recognized a future income tax liability of \$120,000 in fiscal 2010 which is attributable to the higher accounting basis of its mineral properties relative to their tax basis.

Canarc has entered into a number of option agreements for mineral properties that involve payments in the form of cash and/or shares of Canarc as well as minimum exploration expenditure requirements. Under Items 5.A and 5.F, further details of contractual obligations are provided as at December 31, 2010. Canarc will continue to rely upon equity financing as its principal source of financing its projects.

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

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

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

5.D Trend Information

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

Canarc Resource Corp.

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

5.E Off-Balance Sheet Arrangements

There are no known significant or material off-balance sheet arrangements other than those disclosed in this Form 20-F and in the Registrant's audited consolidated financial statements for the year ended December 31, 2010.

Shareholder Rights Plan

On May 31, 2005, the shareholders of the Registrant 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 Registrant 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 Registrant 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 Registrant. The Rights expire on April 30, 2015. Item 10.B provides further details.

Share Appreciation Rights

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

5.F Tabular Disclosure of Contractual Obligations

As the Registrant performs exploration on its properties, it decides which ones to proceed with and which ones to abandon. Accordingly, the minimum expenditure commitments are reduced as the Registrant narrows its interests. To fully exercise the options under various agreements for the acquisition of interests in properties located in Canada, the Registrant must incur exploration expenditures on the properties and make payments to the optionors as follows as at December 31, 2010:

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	Total	Payments Due by Period (CAD\$000s)				Amount (CAD\$000s)	Others Amount (US\$000s)	Number of Shares
		Less than 1 year	1-3 years	3-5 years	More than 5 years			
New Polaris:								
Net profit interest reduction or buydown	-	-	-	-	-	-	-	150,000
Tay-LP:								
Option payments	900	50	850	-	-	-	-	-
Exploration expenditures	845	245	600	-	-	-	-	-
Annual advance royalty payments until commercial production	-	-	-	-	-	25	-	-
Net smelter reduction from 3% to 1.5%	-	-	-	-	-	-	1,950	-
Relief Canyon:								
Assay laboratory	-	-	-	-	-	-	300	-
Total	\$ 1,745	\$ 295	\$ 1,450	\$ -	\$ -	\$ 25	\$ 2,250	150,000