

CANARC RESOURCE CORP
Form 20-F
May 15, 2012

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, 2011
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: 94,096,171 common shares as at December 31, 2011

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 by the International Accounting Standards Board Other

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

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

TABLE OF CONTENTS

PART I	6
ITEM IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS	6
1.	
ITEM OFFER STATISTICS AND EXPECTED TIMETABLE	6
2.	
ITEM KEY INFORMATION	6
3.	
3.A Selected Financial Data	6
3.B Capitalization and Indebtedness	8
3.C Reasons for the Offer and Use of Proceeds	8
3.D Risk Factors	8
ITEM INFORMATION ON THE COMPANY	15
4.	
4.A History and Development of the Company	15
4.B Business Overview	18
4.C Organizational Structure	20
4.D Property, Plants and Equipment	20
ITEM UNRESOLVED STAFF COMMENTS	29
4A.	
ITEM OPERATING AND FINANCIAL REVIEW AND PROSPECTS	29
5.	
5.A Operating Results	29
5.B Liquidity and Capital Resources	34
5.C Research and Development, Patents and Licenses, etc.	35
5.D Trend Information	35
5.E Off-Balance Sheet Arrangements	36
5.F Tabular Disclosure of Contractual Obligations	36
5.G Safe Harbor	37
ITEM DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	38
6.	
6.A Directors and Senior Management	38
6.B Compensation	39
6.C Board Practices	44
6.D Employees	47
6.E Share Ownership	47
ITEM MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	51
7.	
7.A Major Shareholders	51
7.B Related Party Transactions	52
7.C Interests of Experts and Counsel	53
ITEM FINANCIAL INFORMATION	53
8.	
8.A Consolidated Statements and Other Financial Information	53
8.B Significant Changes	55
ITEM THE OFFER AND LISTING	55
9.	

9.A Offer and Listing Details	55
9.B Plan of Distribution	56
9.C Markets	56
9.D Selling Shareholders	57
9.E Dilution	57
9.F Expenses of the Issue	57
ITEM ADDITIONAL INFORMATION	57
10.	
10.A Share Capital	57
10.B Notice of Articles and Articles of Association	57
10.C Material Contracts	62
10.D Exchange Controls	62
10.E Taxation	63
10.F Dividends and Paying Agents	67
10.G Statement by Experts	68
10.H Documents on Display	68
10.I Subsidiary Information	68
ITEM QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	68
11.	
ITEM DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	68
12.	
PART	69
II	
ITEM DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	69
13.	
ITEM MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF	69
14. PROCEEDS	
ITEM CONTROLS AND PROCEDURES	69
15.	
ITEM AUDIT COMMITTEE FINANCIAL EXPERT, CODE OF ETHICS AND PRINCIPAL	70
16. ACCOUNTANT FEES AND SERVICES	
16.A Audit Committee Financial Expert	70
16.B Code of Ethics	71
16.C Principal Accountant Fees and Services	71
16.D Exemptions from the Listing Standards for Audit Committees	72
16.E Purchases of Equity Securities by the Registrant and Affiliated Purchasers	72
16.F Change in Registrant's Certifying Accountant	72
16.G Corporate Governance	72
16.H Mine Safety Disclosure	72
PART	73
III	
ITEM FINANCIAL STATEMENTS	73
17.	
ITEM FINANCIAL STATEMENTS	73
18.	
ITEM EXHIBITS	73
19.	

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 “intends”) are forward-looking statements, whether or not they are preceded by words or phrases such as “may”, “could”, “might” or “will” be taken, occur or be achieved) are not 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 other than as may be specifically required by applicable securities laws and regulations.

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

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

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.

dorë – 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.

2

Canarc Resource Corp.
Form 20-F

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.

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.

3

Canarc Resource Corp.

Form 20-F

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

4

Canarc Resource Corp.
Form 20-F

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.

5

Canarc Resource Corp.
Form 20-F

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 (stated in United States dollars) with respect to the last two fiscal years ended December 31, 2011 and 2010 have been derived from Canarc's audited consolidated financial statements which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). International Financial Reporting Standards 1 – First-time Adoption of International Financial Reporting ("IFRS 1") has been applied with an adoption date of January 1, 2011 and a transition date of January 1, 2010, and all dollar amounts are expressed in United States dollars unless otherwise indicated. The consolidated financial statements are set out and included in Item 18 of this annual report on Form 20-F.

The selected financial information for the fiscal years ended December 31, 2009, 2008 and 2007 have been prepared in accordance to Canadian generally accepted accounting principles ("Canadian GAAP").

6

Canarc Resource Corp.
Form 20-F

As at and for the years ended December 31

Selected Financial Information (stated in thousands of U.S. dollars, except per share amounts)	IFRS		Canadian GAAP		
	2011	2010	2009	2008	2007
(a) Total revenues (1) \$	—\$	—\$	—\$	—\$	—\$
(b) Income (loss before) extraordinary items:					
(i Total) \$	(1,209)	(1,396)	(1,579)	(6,963)	1,515
(ii Basic earnings) (loss per share) \$	(0.01)	(0.02)	(0.02)	(0.10)	0.02
(c) Net income (loss:)					
(i Total) \$	(1,209)	(1,396)	(1,579)	(6,963)	1,515
(ii Basic earnings) (loss per share) \$	(0.01)	(0.02)	(0.02)	(0.10)	0.02
(iii Diluted earnings) (loss per share:) \$	(0.01)	(0.01)	(0.02)	(0.10)	0.02
(d) Total assets \$	13,277	13,900	13,167	12,829	20,115
(e) Total long-term debt (2) \$	—\$	—\$	—\$	—\$	—\$
(f) Shareholders' equity (net assets) \$	12,470	11,979	12,168	12,523	19,480
(g) Dividends per shares (3)	No cash dividends declared in any of these periods.				
(h) Shares:					
Diluted number of common shares	108,461,171	107,335,010	94,248,775	81,433,505	80,308,505
Number of common shares	94,096,171	90,985,890	81,969,655	72,704,505	71,734,505

(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.

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

On April 27, 2012, the Bank of Canada closing rate for the conversion of one United States dollar into Canadian dollars was CAD\$0.9810.

7

Canarc Resource Corp.
Form 20-F

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

Month	Year	High (CAD\$)	Low (CAD\$)
October	2011	1.0253	1.0149
November	2011	1.0297	1.0219
December	2011	1.0274	1.0197
January	2012	1.0161	1.0099
February	2012	0.9997	0.9950
March	2012	0.9963	0.9915

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\$)
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
2011	1.0658	0.9407	0.9891	1.0170

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.

8

Canarc Resource Corp.
Form 20-F

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, if any, 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, 2011, the Registrant has incurred significant operating losses and has an accumulated deficit of approximately \$46.8 million at December 31, 2011. Furthermore, the Registrant has working capital deficiency of approximately \$577,000 as at December 31, 2011, 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, 2011 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.

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.

10

Canarc Resource Corp.
Form 20-F

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.

11

Canarc Resource Corp.
Form 20-F

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:

- environmental hazards,
- power outages,
- metallurgical and other processing problems,
- unusual or unexpected geological formations,
- structural cave-ins or slides,
- flooding, fire, explosions, cave-ins, landslides and rock-bursts,
- inability to obtain suitable or adequate machinery, equipment, or labour,
- metals losses, and
- periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury, environmental damage, delays in mining, increased production costs, monetary losses and possible legal liability. The 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.

12

Canarc Resource Corp.
Form 20-F

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 in the past. If Canarc is a PFIC for any year during a United States taxpayer's holding period, then such a United States taxpayer, generally, will be required to treat any so-called "excess distribution" received on its common shares, or any gain realized upon a disposition of common shares, as ordinary income and to pay an interest charge on a portion of such distribution or gain, unless the taxpayer makes a qualified electing fund ("QEF") election or a mark-to-market election with respect to the shares of Canarc. In certain circumstances, the sum of the tax and the interest charge may exceed the amount of the excess distribution received, or the amount of proceeds of disposition realized, by the taxpayer. A United States taxpayer who makes a QEF election generally must report on a current basis its share of Canarc's net capital gain and ordinary earnings for any year in which Canarc is a PFIC, whether or not Canarc distributes any amounts to its shareholders. A United States taxpayer who makes the mark-to-market election generally must include as ordinary income each year the excess of the fair market value of the common shares over the taxpayer's tax basis therein. Item 10.E provides further details.

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

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

13

Canarc Resource Corp.
Form 20-F

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.

14

Canarc Resource Corp.
Form 20-F

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

At December 31, 2011, the Company had 94,096,171 common shares and 10,115,000 outstanding share purchase options and 4,250,000 share purchase warrants outstanding. The resale of outstanding shares from the exercise of dilutive securities could have a depressing effect on the market for the Company's shares. At December 31, 2011, securities that could be dilutive represented approximately 15.3% of the Company's issued shares. None of these dilutive securities were exercisable at prices below the December 30, 2011 closing market price of CAD\$0.09 for the Company's shares, which would not 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.bcsc.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.

Business Address

Office address: Suite #301, 700 West Pender Street
Vancouver, British Columbia, Canada, V6C 1G8
Phone: (604) 685 9700

Registered address: #1040 – 999 West Hastings Street
Vancouver, British Columbia, Canada, V6C 2W2
Phone: (604) 683-1102

Canarc Resource Corp.
Form 20-F

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:

- New Polaris property in British Columbia,
- Tay-LP property in the Yukon,
- Windfall Hills properties, British Columbia,
- Devils' Thumb property, British Columbia, and
- Eskay Creek property in British Columbia,

of which the New Polaris property is the material property of the Registrant.

In its consolidated financial statements prepared in accordance with IFRS, the Registrant has capitalized costs, net of recoveries and write-downs, of approximately \$12.9 million in connection with the acquisition, exploration and development on its currently held properties as at December 31, 2011 and are summarized as follows for the past two fiscal years:

(in terms of \$000s)	2011			2010		
	Acquisition Costs	Exploration/Development	Acquisition Total	Costs	Exploration/Development	Total
British Columbia (Canada):						
New Polaris	\$ 3,900	\$ 8,285	\$ 12,185	\$ 3,605	\$ 8,660	\$ 12,265
Windfall Hills	67	106	173	—	—	—
Devil's Thumb	6	15	21	—	—	—
Yukon (Canada):						
Tay-LP	146	423	569	74	385	459
	\$ 4,119	\$ 8,829	\$ 12,948	\$ 3,679	\$ 9,045	\$ 12,724

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, 2011 and to the date of this Form 20-F, the Registrant had been engaged in exploration and development of precious metal projects in Canada. 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 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 Canarc'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, 2011, notes payable includes interest accrual of CAD\$19,800 and loan bonus accrual of CAD\$7,400.

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 Canarc. On September 3, 2011, Canarc and Ross River amended the option agreement by increasing the cash payment of CAD\$50,000 to CAD\$75,000 due by October 31, 2011, deferring the exploration expenditures of CAD\$500,000 from October 31, 2011 to October 31, 2012 and exploration expenditures of CAD\$600,000 from October 31, 2012 to October 31, 2013, and including a cash payment of CAD\$25,000 due by October 31, 2012. Item 4.D provides further details.

16

Canarc Resource Corp.
Form 20-F

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 Canarc'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 (the "CRA") which was completed in June 2010, CRA disallowed approximately CAD\$1.01 million in exploration expenditures incurred in 2007 as Canadian exploration expenditures ("CEE") of which approximately CAD\$795,000 as being disqualified as CEE for flow-through purposes. Canarc accrued liabilities of approximately CAD\$146,300 for estimated indemnities related to the disqualified CEE for flow-through purposes and CAD\$51,700 in accrued interests related to the indemnities. In 2011, Canarc did pay CAD\$37,900 including interest for indemnities relating to ineligible CEE for flow-through purposes

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.

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 \$750,000 in cash payments over a four year period, 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 four year period, 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 \$30 per oz for measured resources, \$20 per oz for indicated resources, and \$10 per oz for inferred resources. Item 4.D provides further details

In May 2011, Canarc staked three gold properties, known as Devil's Thumb, totalling 17,175 hectares, which is located northeast of its Windfall Hills properties in central British Columbia.

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 Canarc for the ensuing year. Shareholder approval was also provided for Canarc's Shareholder Rights Plan.

In June 2011, Mr. Gregg Wilson was appointed Vice-President of Investor Relations.

On July 6, 2011, Canarc granted 2,220,000 stock options with an exercise price of CAD\$0.135 and an expiry date of July 6, 2016 which are subject to vesting provisions whereby 20% vest immediately and 20% vest every 6 months thereafter.

17

Canarc Resource Corp.
Form 20-F

In March 2012, Canarc arranged demand loans of CAD\$200,000 from certain directors and an officer of Canarc. The loans are repayable on demand and bear an interest rate of 12% compounded monthly with interest payable semi-annually.

In March 2012, Canarc granted 1,400,000 stock options with an exercise price of CAD\$0.10 and which are exercisable for a period of up to one year and are subject to vesting provisions in which 25% of the options vest immediately on the grant date and 25% vest every three months thereafter.

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. 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 sale of the assay laboratory for \$600,000 plus recovery of out-of-pocket expenses incurred by Canarc.

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.

18

Canarc Resource Corp.
Form 20-F

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 \$972 in 2009 to \$1,225 in 2010 and then to \$1,572 in 2011 and closing at \$1,664 on March 23, 2012. Gold prices achieved new highs in each of the past several years. In December 2009, prices reached a high of \$1,213 and then \$1,421 in November 2010 before reaching a high of \$1,895 in September 2011. The high for 2012 was on February 28, 2012 at \$1,781.

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 2009 to December 2010, the closing market price for the Registrant's shares increased from CAD\$0.07 to CAD\$0.09 – an increase of 29%, and the high of CAD\$0.30 was in January 2011. On April 27, 2012, the closing market share price was CAD\$0.17. 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 was weak 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.

19

Canarc Resource Corp.
Form 20-F

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, 2011):

20

Canarc Resource Corp.
Form 20-F

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%	\$ 3,900,000	\$ 8,285,000	\$ 12,185,000
Tay-LP (4)	Yukon, Canada	100.00%	\$ 146,000	\$ 423,000	\$ 569,000
Windfall Hills	BC, Canada	100.00%	\$ 67,000	\$ 106,000	\$ 173,000
Devil's Thumb	BC, Canada	100.00%	\$ 6,000	\$ 15,000	\$ 21,000
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.

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.

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.

21

Canarc Resource Corp.
Form 20-F

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
			Black Diamond		
Polaris No.11	6149	5290	No.3	6030	4944
Polaris No.12 Fr	6150	5290	Blue Bird No.1	5708	4545
Polaris No.13 Fr	6151	5290	Blue Bird No.2	5707	4545
Polaris No.14	6152	5290	Lloyd	6035	5010
Polaris No.15	6153	5290	Lloyd No.2	6036	5010
Silver King					
No.1	5489	4804	Rand No.1	6039	5010
Silver King					
No.2	5490	4804	Rand No.2	6040	5010
Silver King					
No.3	5493	4804	Minto No.2	6033	4944
Silver King					
No.4	5494	4804	Minto No.3	6034	4944
Silver King					
No.5	5491	4804	Jumbo No.5	6031	4944
Silver King					
No.6	5492	4804	Ready Bullion	6032	4944
Silver King					
No.7	5495	4804	Roy	6042	5088
Silver King					
No.8	5717	4545	Frances	6041	5010
Sliver Queen					
No 1	6026	4545	Eve Fraction	6170	5495
	6027	4545	Eve No.1 Fraction	6171	5495

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

22

Canarc Resource Corp.
Form 20-F

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.

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.

23

Canarc Resource Corp.
Form 20-F

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.

The Company has initiated its efforts on the application for an underground development and exploration program at the New Polaris project in 2011 and shall continue with such efforts in 2012 subject to securing a partner for the project and financing.

Other Mineral Projects

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

Tay-LP Property, Yukon, Canada

On August 24, 2009, Canarc entered into an option agreement with Ross River 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, Canarc can earn a 51% interest by paying CAD\$150,000 in cash and spending CAD\$900,000 on exploration on or before October 31, 2011. In the second stage, Canarc can earn an additional 49%, thereby totalling a 100% interest, by paying CAD\$850,000 in cash or common shares at the Company's discretion and spending CAD\$600,000 on exploration on or before October 31, 2012. If Canarc does not proceed with the second stage, then a joint venture would be formed. Canarc 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 a 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, Canarc shall pay to the NSR holders an annual advance NSR royalty payments totalling CAD\$25,000 or that number of common shares of Canarc 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%.

25

Canarc Resource Corp.
Form 20-F

On September 3, 2011, Canarc and Ross River amended the option agreement by increasing the cash payment of CAD\$50,000 to CAD\$75,000 due by October 31, 2011 (paid), deferring the exploration expenditures of CAD\$500,000 from October 31, 2011 to October 31, 2012 and exploration expenditures of CAD\$600,000 from October 31, 2012 to October 31, 2013, and including a cash payment of CAD\$25,000 due by October 31, 2012.

Cash payments of CAD\$75,000 were paid in 2011 (2010 – CAD\$80,000) for option payments. Canarc issued 215,580 (2010 - 221,235) common shares at a value of CAD\$0.116 (2010 - CAD\$0.113) per common share as the annual advance NSR royalty for CAD\$25,000 for the Tay-LP property.

In late March 2010, Canarc entered into an option agreement with Cap-Ex whereby Cap-Ex can acquire 50% of Canarc's interest in the Tay-LP gold property by paying CAD\$100,000 of which CAD\$25,000 have been received, issuing 200,000 common shares of which 100,000 shares have been issued, incurring exploration expenditures of CAD\$675,000 by October 31, 2011, and maintaining Canarc's underlying option agreement in good standing until October 2011. Cap-Ex terminated the option agreement in March 2011.

Canarc 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.

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.

Canarc Resource Corp.
Form 20-F

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.

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 identified several new EM conductors and magnetic anomalies within prospective geological settings. In March 2011, Cap-Ex terminated its option agreement with Canarc.

The new anomalies will require ground follow up and test new targets in 2012 prior to drilling, subject to financing.

Windfall Hills properties, British Columbia, Canada

In April 2011, as amended in March 2012, 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\$58,333 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.

28

Canarc Resource Corp.
Form 20-F

Canarc can acquire a 100% interest in the Dunn properties by making CAD\$250,000 in cash payments over a 4 year period (CAD\$23,333 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.

Canarc completed a Phase 1 exploration program on its Windfall Hills project which included detailed soil and rock geochemical sampling over known target areas in 2011. A total of 340 geochemical soil samples were collected on a 100 meter by 25 meter grid over the main 2.8 sq. km. prospect area. Two anomalies were delineated on the basis of multi-element geochemistry. Results of this work along with preliminary exploration work over the remainder of the claims will help define targets for drilling in 2012, subject to financing.

Devil's Thumb property, British Columbia, Canada

In May 2011, Canarc staked three gold properties, known as Devil's Thumb, totalling 17,175 hectares, which is located northeast of its Windfall Hills properties in central British Columbia.

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.

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 2011.

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 two fiscal years ended December 31, 2011 and 2010 should be read in conjunction with the consolidated financial statements of the Registrant and related notes included therein.

The Registrant's consolidated financial statements are prepared in accordance with IFRS as issued by the IASB. IFRS 1 has been applied with an adoption date of January 1, 2011 and a transition date of January 1, 2010, and all dollar amounts are expressed in United States dollars unless otherwise indicated.

5.A Operating Results

Canarc Resource Corp.
Form 20-F

In accordance with an acceptable accounting policy under IFRS, 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 2011 – Year ended December 31, 2011 compared with December 31, 2010

Canarc incurred a net loss of \$1.2 million for the year ended December 31, 2011 which is lower than the net loss of \$1.4 million in fiscal 2010. Operating losses for each fiscal year were comparable, reflecting the continued activities of Canarc in seeking an appropriate joint venture partner for the New Polaris property and in pursuing new projects of merit, as gold prices reached new highs in 2011. Such efforts culminated in the accepted bid for the Relief Canyon project in early December 2010 which resulted in Canarc's acquisition of an assay laboratory and was then subsequently sold for full recovery of all out-of-pocket expenses. Corporate development activities were also successful in the acquisition of option interests in the Windfall Hills properties and the staking of additional properties nearby, as Canarc expanded its portfolio of strategic exploration projects in Canada in 2011.

Corporate development expenses in 2011 were higher primarily in relation to the accepted bid for the Relief Canyon project.

Remuneration for employees was higher in 2011 as Canarc continued to evaluate gold projects for acquisition purposes and to seek possible partners for the New Polaris project. Efforts in the first quarter of fiscal 2011 were also focused on an updated NI 43-101 technical report for the New Polaris gold project, which supported the project's robust economics in the preliminary economic assessment. Higher employee expenses were also attributed to staffing activities for conversion in accounting standards from Canadian generally accepted accounting principles ("Canadian GAAP") to IFRS, the Relief Canyon bid, and the acquisition and subsequent disposition of the commercial assay laboratory.

Effective January 1, 2011, Canarc determined that its functional currency has changed from the United States dollar to the Canadian dollar but continues to maintain its presentation currency in the United States dollar. Canarc recognizes foreign gains and losses on translation to the presentation currency as an equity item which is included in accumulated other comprehensive loss. In 2010, such translation gains and losses were recognized in operations.

General and administrative expenses were comparable for both fiscals 2011 and 2010. In 2011 legal fees were incurred in Canarc's bid for the Relief Canyon project, its acquisition of the assay laboratory in February 2011 including all title and permitting issues and to its subsequent sale in May 2011, and due to the convertible debenture with Effisolar in February 2011 which was converted into common shares in March 2011.

Shareholder relations activities increased in 2011 so as to promote greater awareness of the profile of Canarc and its portfolio of projects, especially the accepted bid for the Relief Canyon project, the New Polaris project with its revised preliminary economic assessment which indicated conceptually the project's stronger financial viability due to heightened gold prices, and property option agreements and staking of additional mineral property interests in British

Columbia.

Share-based payments were higher in 2011 due to the net effects of the input parameters for the stock option pricing model including the vesting provisions, stock volatility, forfeiture rates, risk free interest rates, and expected life. Although more stock options were granted in 2010 than in 2011, the fair values of the stock options granted in 2011 were higher than those granted in 2010.

In April and August 2010, Canarc disposed all of its shareholdings in Caza, a company sharing one common director, which are available-for-sale financial assets and were recorded at cost because such shares did not have a quoted market price at that time.

In 2011, Canarc wrote down good and services tax recoveries by \$25,000 as collectability of the recoveries was uncertain.

30

Canarc Resource Corp.
Form 20-F

Due diligence costs of \$60,000 in 2011 were incurred for Canarc's \$20,000 bi-weekly obligation to Firstgold during the due diligence period for the Relief Canyon project.

Canarc continues to accrue interests on its demand loans which bore interest rates that increased from 9% per annum to 12% per annum effective September 1, 2010, and interests on its estimated flow through indemnity obligation from ineligible Canadian exploration expenditures for flow through purposes.

The flow through financing item in 2010 is for the reduction in the estimated indemnity obligation for ineligible exploration expenditures. In August 2011, Canarc paid indemnifications of CAD\$37,883 including interests.

In 2010, derivative liabilities were recognized for warrants which have exercise prices stated in Canadian dollars whereas Canarc's functional currency was in U.S. dollars, resulting in a variable amount of cash in terms of its functional currency. Any reduction of the fair values of its derivative liability attributable to unexpired warrants would be recognized as unrealized gains. Effective January 1, 2011, Canarc's functional currency changed from the U.S. dollar to the Canadian dollar whereby there were no longer currency differences between Canarc's exercise prices of its warrants and its functional currency, and thus would not recognize any derivatives for its warrants.

The deferred income tax recovery is a provision for the difference between the accounting basis and tax basis of assets and tax pools, and for the recognition at the date of actual renunciation, by a reduction in the amount included in share capital for the flow-through shares for the deferred 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 on February 24, 2010. On February 22, 2011, Canarc renounced CAD\$4,761 in exploration expenditures for flow-through purposes, resulting in a deferred income tax expense of \$1,200.

Canarc also recognized an unrealized gain of \$71,000 in fiscal 2011 for its available-for-sale financial assets 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, 2011, Canarc has mineral property interests which are comprised of the following:

31

Canarc Resource Corp.
Form 20-F

(in \$000s)	British Columbia (Canada)			Yukon (Canada)	Total
	New Polaris	Windfall Hills	Devil's Thumb	Tay-LP	
Acquisition Costs:					
Balance, January 1, 2010	\$ 3,605	\$ —	—\$	25	\$ 3,630
Additions	—	—	—	49	49
Balance, December 31, 2010	3,605	—	—	74	3,679
Additions	—	67	6	72	145
Adjustments from change in functional currency	295	—	—	—	295
Balance, December 31, 2011	3,900	67	6	146	4,119
Deferred Exploration Expenditures:					
Balance, January 1, 2010	8,556	—	—	440	8,996
Additions, net of recoveries	104	—	—	(55)	49
Balance, December 31, 2010	8,660	—	—	385	9,045
Additions	166	106	15	48	335
Adjustments from change in functional currency	(541)	—	—	(10)	(551)
Balance, December 31, 2011	8,285	106	15	423	8,829
Mineral property interests, December 31, 2011	\$ 12,185	\$ 173	\$ 21	\$ 569	\$ 12,948

At December 31, 2011, 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:

32

Canarc Resource Corp.
Form 20-F

	Option Payments (CAD\$000s)	Option Payments (US\$000s)	Exploration Commitments (1) (CAD\$000s)	Advance Royalty Payments (CAD\$000s)	Net Smelter Reduction (US\$000s)	Number of Shares
New Polaris:						
Net profit interest reduction or buydown						150,000
Tay-LP:						
October 31, 2012	\$ 25		\$ 215			
October 31, 2013	850		600			
Annual advance royalty payments until commercial production				\$ 25		
Net smelter reduction from 3% to 1.5%					\$ 1,950	
Windfall Hills:						
Atna properties:						
April 12, 2012		\$ 100				
April 12, 2013		150				
April 12, 2014		200				
April 12, 2015		250				
Dunn properties:						
April 20, 2012	25					
April 20, 2013	35					
April 20, 2014	50					
April 20, 2015	125					
	\$ 1,110	\$ 700	\$ 815	\$ 25	\$ 1,950	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.

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.

33

Canarc Resource Corp.
Form 20-F

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

5.B Liquidity and Capital Resources

The 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.

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

(in \$000s)	December 31,	
	2011	2010
Cash	\$45	\$592
Working capital (deficiency)	\$(577)	\$(1,149)

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

In February 2011, 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. The funds were then used to acquire the assay laboratory for a total of \$600,000 of which \$300,000 were previously advanced in December 2010.

34

Canarc Resource Corp.
Form 20-F

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

During fiscal 2011, stock options for 299,000 common shares were exercised for proceeds of CAD\$32,125 and warrants for 1,313,650 common shares for CAD\$198,488, all of which contributed to Canarc's working capital needs during the year.

Canarc received \$50,000 in royalties from the Sara Kreek project in fiscal 2011, which is the final year of such royalties from the project.

In fiscal 2011, Canarc recognized an unrealized gain of \$71,000 from its available-for-sale financial assets which were all disposed in January and February 2012 for proceeds of approximately CAD\$92,400.

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 previously secured by Canarc'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, 2011, Canarc accrued CAD\$19,800 in interests and CAD\$7,400 in loan bonuses.

At December 31, 2010, a derivative liability of \$1,082,000 for warrants which have exercise prices denominated in Canadian dollars was recognized whereas no derivative liability was recognized due to the change in Canarc's functional currency from U.S. dollars to Canadian dollars effective January 1, 2011. This was a primary factor in the decrease in Canarc's working capital deficiency in 2011.

The working capital deficiency of \$577,000 at December 31, 2011 includes the notes payable with accrued interests and accrued loan bonus totalling \$88,000 due to certain directors and an officer of Canarc and flow-through indemnities of \$195,000. In August 2011, Canarc did pay indemnifications of CAD\$37,883 including interests for ineligible exploration expenditures for flow through purposes which reduced such obligations in 2011 in comparison to 2010.

In March 2012, Canarc arranged demand loans of CAD\$200,000 from certain directors and an officer of Canarc. The loans are repayable on demand and bear an interest rate of 12% compounded monthly with interest payable semi-annually.

In 2012, Canarc received proceeds of CAD\$35,600 from the exercise of stock options for 346,000 common shares.

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, 2011. 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.

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.

35

Canarc Resource Corp.
Form 20-F

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, 2011.

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, 2011:

36

Canarc Resource Corp.
Form 20-F

Edgar Filing: CANARC RESOURCE CORP - Form 20-F

	Payments due by Period (CAD\$ 000s)				Payments due by Period (US\$ 000s)				Others Amount		Number of Shares			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years		CAD\$ (\$ 000s)	US\$ (\$ 000s)	
New Polaris :														
Net profit interest reduction or buydown	\$	-\$	-\$	-\$	-\$	-\$	-\$	-\$	-\$	-\$	-\$	-\$	—	150,000
Tay-LP :														
Option payments	875	25	850	—	—	—	—	—	—	—	—	—	—	—
Exploration expenditures	815	215	600	—	—	—	—	—	—	—	—	—	—	—
Annual advance royalty payments until commercial production	—	—	—	—	—	—	—	—	—	—	25	—	—	—
Net smelter reduction from 3% to 1.5%	—	—	—	—	—	—	—	—	—	—	—	1,950	—	—
Windfall Hills :														
Atna properties :														
Option payments	—	—	—	—	—	700	75	625	—	—	—	—	—	—
Dunn properties :														
Option payments	235	25	210	—	—	—	—	—	—	—	—	—	—	—
Total	\$	1,925	\$											