

CANARC RESOURCE CORP
Form 20-F/A
September 09, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

**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, 2012

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: **110,242,171 common shares as at December 31, 2012**

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

If this report is an annual or transition report, indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes

No

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

U.S. GAAP

International Financial Reporting Standards as issued

Other

by the International Accounting Standards Board

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

Item 18

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

EXPLANATORY NOTE

The Company has added additional disclosure that information based on Canadian generally accepted accounting principles (“Canadian GAAP”) is not comparable to information prepared in accordance with International Financial Reporting Standards (“IFRS”). Therefore select financial information based on Canadian GAAP and IFRS have been segregated. Refer to “Item 3.A – Selected Financial Data”.

The Company has amended the Section 906 certifications for the year ended December 31, 2012. Refer to “Exhibit 13.1” and “Exhibit13.2”.

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CAUTION – FORWARD-LOOKING STATEMENTS

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

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates” or “intends”, stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved) are 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 mineral property interests;
- risks related to competition in the mineral exploration and mining industry;
- risks related to potential conflicts of interest with our officers and directors;
- risks related to environmental and regulatory requirements;
- risks related to foreign currency fluctuations;
- risks related to our possible status as a passive foreign investment company;
- risks related to the volatility of our common stock; and
- risks related to the possible dilution of our common stock.

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

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

Unless the context otherwise requires, all references to “we” or “our” or the “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.

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GLOSSARY OF MINING TERMS

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

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

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

Ag – silver.

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

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

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

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

Au - gold.

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

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

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

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

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

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

Cu – copper.

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

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

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

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

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

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

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

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

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

gold deposit - means a mineral deposit mineralised with gold.

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

gold resource – see mineral resource.

gpt - grams per tonne.

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

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

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

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

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

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

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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

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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.

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.

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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 |

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CAUTIONARY NOTE TO U.S. INVESTORS

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

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

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

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A Selected Financial Data

The following financial information (stated in United States dollars) with respect to the last three fiscal years ended December 31, 2012, 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 and 2008 have been prepared in accordance to Canadian generally accepted accounting principles (“Canadian GAAP”).

The selected financial information under IFRS should not be compared to the selected financial information under Canadian GAAP as the information was prepared using different financial reporting standards and are therefore not comparable.

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| Selected Financial Information (stated in thousands of U.S. dollars, except per share amounts) | As at and for the years ended December 31 IFRS | | |
|---|---|-------------|-------------|
| | 2012 | 2011 | 2010 |
| (a) Total revenues ⁽¹⁾ | \$ - | \$ - | \$ - |
| (b) Other incomes ⁽²⁾ | \$ 77 | \$ - | \$ - |
| (c) Income (loss) before extraordinary items: | | | |
| (i) Total | \$ (1,206) | \$ (1,209) | \$ (1,396) |
| (ii) Basic earnings (loss) per share | \$ (0.01) | \$ (0.01) | \$ (0.02) |
| (d) Net income (loss): | | | |
| (i) Total | \$ (1,206) | \$ (1,209) | \$ (1,396) |
| (ii) Basic earnings (loss) per share | \$ (0.01) | \$ (0.01) | \$ (0.02) |
| (iii) Diluted earnings (loss) per share: | \$ (0.01) | \$ (0.01) | \$ (0.01) |
| (e) Total assets | \$ 13,983 | \$ 13,277 | \$ 13,900 |
| (f) Total long-term debt ⁽³⁾ | \$ - | \$ - | \$ - |
| (g) Shareholders' equity (net assets) | \$ 13,054 | \$ 12,470 | \$ 11,979 |
| (h) Dividends per shares | No cash dividends declared in any of these periods. | | |
| (i) Shares: | | | |
| Diluted number of common shares | 136,945,171 | 108,461,171 | 107,335,010 |
| Number of common shares | 110,242,171 | 94,096,171 | 90,985,890 |

(1) Canarc has no sources of operating revenues.

(2) Other income includes gains from the disposition of marketable securities and investment and other income.

(3) Canarc has no preferred shares.

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| Selected Financial Information (stated in thousands of U.S. dollars, except per share amounts) | | As at and for the years ended December 31 | |
|---|---|---|------------|
| | | Canadian GAAP | |
| | | 2009 | 2008 |
| (a) | Total revenues ⁽¹⁾ | \$ - | \$ - |
| (b) | Other incomes ⁽²⁾ | \$ - | \$ - |
| (c) | Income (loss) before extraordinary items: | | |
| | (i) Total | \$ (1,579) | \$ (6,963) |
| | (ii) Basic earnings (loss) per share | \$ (0.02) | \$ (0.10) |
| (d) | Net income (loss): | | |
| | (i) Total | \$ (1,579) | \$ (6,963) |
| | (ii) Basic earnings (loss) per share | \$ (0.02) | \$ (0.10) |
| | (iii) Diluted earnings (loss) per share: | \$ (0.02) | \$ (0.10) |
| (e) | Total assets | \$ 13,167 | \$ 12,829 |
| (f) | Total long-term debt ⁽³⁾ | \$ - | \$ - |
| (g) | Shareholders' equity (net assets) | \$ 12,168 | \$ 12,523 |
| (h) | Dividends per shares ⁽⁴⁾ | No cash dividends declared in any of these periods. | |
| (i) | Shares: | | |
| | Diluted number of common shares | 94,248,775 | 81,433,505 |
| | Number of common shares | 81,969,655 | 72,704,505 |

(1) Canarc has no sources of operating revenues.

(2) Other income includes gains from the disposition of marketable securities and investment and other income.

(3) Canarc has no preferred shares.

(4) 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.

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

On April 5, 2013, the Bank of Canada closing rate for the conversion of one United States dollar into Canadian dollars was CAD\$1.0164.

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 | 2012 | 0.9896 | 0.9846 |
| November | 2012 | 0.9991 | 0.9951 |
| December | 2012 | 0.9913 | 0.9882 |
| January | 2013 | 0.9942 | 0.9903 |
| February | 2013 | 1.0119 | 1.0076 |
| March | 2013 | 1.0343 | 1.0145 |

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\$) |
|-------------|---------------------|--------------------|-----------------------------|----------------------|
|-------------|---------------------|--------------------|-----------------------------|----------------------|

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20091.30661.02511.14201.0510
20101.08480.99311.02990.9946
20111.06580.94070.98911.0170
20121.04430.96420.99960.9949

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 mineral property interests and its investments in exploration and there is no assurance given by the Registrant that its exploration and development programs and mineral property interests will result in the discovery, development or production of a commercially viable ore body.

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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.

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 property interests.

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 mineral property interests 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 mineral property interests 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.

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As noted in its audited consolidated financial statements for the year ended December 31, 2012, the Registrant has no operating revenues, has incurred significant operating losses and has an accumulated deficit of approximately \$47.5 million at December 31, 2012. Furthermore, the Registrant has working capital deficiency of approximately \$589,000 as at December 31, 2012, 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, 2012 consolidated financial statements includes an additional paragraph that states the existence of material uncertainties that cast 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 project 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.

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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 property interests.

The acquisition of title to mineral property interests 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 property interests, 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 mineral property interests. The mineral property interests may be subject to prior unregistered agreements or transfers, and title may be affected by unidentified and undetected defects. In British Columbia and elsewhere, native land claims or claims of aboriginal title may be asserted over areas in which the Registrant's mineral property interests 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.

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

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

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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 mineral property interests, require permits from various foreign, federal, state and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required in order for the Registrant to commence production on its various mineral property interests will be obtained. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, are necessary prior to operation of the other properties in which the Registrant has interests and there can be no assurance that the Registrant will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

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

As a prior holder of an interest in a U.S. mineral property, the Registrant may be subject to the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended ("CERCLA"). CERCLA, along with analogous statutes in certain states, imposes strict, joint and several liability on owners and operators of facilities which release hazardous substances into the environment. CERCLA imposes similar liability upon generators and transporters of hazardous substances disposed of at an off site facility from which a release has occurred or is threatened. Under CERCLA's strict joint and several liability provisions, the Registrant could potentially be liable for

all remedial costs associated with property that it owned or operated regardless of whether the Registrant's activities are the actual cause of the release of hazardous substances. Such liability could include the cost of removal or remediation of the release and damages for injury to the natural resources. The Registrant's one prior property was located in a historic mining district and may include abandoned mining facilities (including waste piles, tailings, portals and associated underground and surface workings). Releases from such facilities or from any of the Registrant's prior U.S. properties due to past or current activities could form the basis for liability under CERCLA and its analogs. In addition, off site disposal of hazardous substances, including hazardous mining wastes, may subject the Registrant to CERCLA liability. The Registrant's prior U.S. property is not, to the Registrant's knowledge, currently listed or proposed for listing on the National Priority List and the Registrant is not aware of pending or threatened CERCLA litigation which names the Registrant as a defendant or concerns any of its prior U.S. properties or operations. The Registrant cannot predict the potential for future CERCLA liability with respect to its prior U.S. property, nor can it predict the potential impact or future direction of CERCLA litigation in the area surrounding its prior property.

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

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

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

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

Mining involves various types of risks and hazards, including:

- environmental hazards,
- power outages,
- metallurgical and other processing problems,
- unusual or unexpected geological formations,

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- 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.

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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 mineral property interests 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 mineral property interests 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 a property 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.

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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.

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.

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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 Toronto Stock Exchange (the "TSX") and NASD-OTC suggests that Canarc's shares will continue to be volatile. Therefore, investors could suffer significant losses if Canarc's shares are depressed or illiquid when an investor seeks liquidity and needs to sell Canarc's shares.

Penny stock classification could affect the marketability of the 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).

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

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

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

At December 31, 2012, the Company had 110,242,171 common shares and 9,999,000 outstanding share purchase options and 16,704,000 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, 2012, securities that could be dilutive represented approximately 24.22% of the Company's issued shares. Certain of these dilutive securities were exercisable at prices below the December 31, 2012 closing market price of CAD\$0.13 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.

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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

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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, 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 \$13.5 million in connection with the acquisition, exploration and development on its currently held properties as at December 31, 2012 and are summarized as follows for the past two fiscal years:

| (in terms of \$000s) | 2012 | | | 2011 | | |
|------------------------------|----------------------|-----------------------------|-----------|----------------------|-----------------------------|-----------|
| | Acquisition Costs | Exploration/ Development | Total | Acquisition Costs | Exploration/ Development | Total |
| British Columbia (Canada): | | | | | | |
| New Polaris | \$ 3,905 | \$ 8,643 | \$ 12,548 | \$ 3,900 | \$ 8,285 | \$ 12,185 |
| Windfall Hills | 210 | 117 | 327 | 67 | 106 | 173 |
| Devil's Thumb ⁽¹⁾ | - | - | - | 6 | 15 | 21 |
| Yukon (Canada): | | | | | | |
| Tay-LP | 174 | 495 | 669 | 146 | 423 | 569 |

\$ 4,289 \$ 9,255 \$ 13,544 \$ 4,119 \$ 8,829 \$ 12,948

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(1) Devils' Thumb was written off in September 2012.

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

Developments over the Last Three Financial Years

Over the course of the past three years ended December 31, 2012 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.

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").

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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.

Strategic Mine Acquisition Partnership with Canford Capital Inc. (“Canford”)

In late September 2012, Canarc granted Canford a 120-day period of exclusivity to complete its due diligence and to execute a property option agreement to earn up to a 51% interest in the New Polaris gold project in return for up to a CAD\$30 million investment in exploration and development of the property. Canarc will be the manager of the project during the property option period. In February 2013, Canarc entered into a Strategic Mine Acquisition Partnership (“SMAP”) with Canford for the purpose of acquiring, expanding and operating gold mines in North America (the “Acquisition Opportunities”). The main parameters of the SMAP agreement are as follows:

- (1) Canarc will be the manager of the SMAP, and will identify and evaluate each Acquisition Opportunity including the timing and capital required;
- (2) Once Canarc and Canford agree to pursue a particular Acquisition Opportunity, Canarc will complete the due diligence on behalf of the SMAP and Canford will then arrange 100% of the debt financing required by the SMAP;
- (3) Upon closing each Acquisition Opportunity, Canford will own a 51% interest and Canarc will own a 49% interest therein until the debt financing is repaid in full;
- (4) Upon repayment of the debt financing, Canarc will then own a 51% interest and Canford will own a 49% interest therein;
- (5) Canford will exercise its warrants for 5.65 million common shares of Canarc with an exercise price of CAD\$0.15 for total proceeds of CAD\$847,500, on the date of closing of the first Acquisition Opportunity; and
- (6) Canarc will grant Canford a further 60 day period of exclusivity to execute a property option agreement to earn up to a 51% interest in the New Polaris gold mine project in return for up to a CAD\$30 million investment in exploration and development, as previously agreed, on the date of closing of the first Acquisition Opportunity.

This Agreement will be binding upon both Canarc and Canford until it is replaced by a more formal Strategic Joint Venture Partnership Agreement. Canarc and Canford agree to use their respective commercially reasonable best efforts to complete a more formal Strategic Mine Acquisition Partnership Agreement on or before March 1, 2013. In

March 2013, no formal SMAP agreement was executed, and Canford had not yet been able to commit or arrange financing for the proposed property option and joint venture to develop the New Polaris gold project nor for the SMAP to acquire operating gold mines in North America. The Company continues to pursue alternative sources of financing for the New Polaris project and for the acquisition of operating gold mines.

Others

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On December 13, 2010, the Company 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, which expired unexercised.

In April 2011, the Company entered into two property option agreements to purchase 100% interests in two adjacent gold properties located in British Columbia, collectively known as the Windfall Hills property. The Company can acquire a 100% interest in the Atna and Dunn properties. These property option agreements were amended in March 2012. Item 4.D provides further details.

In May 2011, the Company staked three gold properties, Devils' Thumb property, totalling 17,175 hectares northeast of its Windfall Hills properties in central British Columbia, which was written off in September 2012.

On September 28, 2012, the Company closed a brokered private placement for 11.3 million units at a price of CAD\$0.10 per unit for gross proceeds of CAD\$1.13 million, with each unit comprised of one common share and one transferrable common share purchase warrant. Each whole warrant is exercisable for a period of 36 months at a price of CAD\$0.15 per share during the initial period of 24 months until September 28, 2014, and at CAD\$0.20 per share for the remaining 12 months until September 28, 2015. The warrants are subject to an accelerated expiry. Canford is the sole subscriber in the private placement and became an insider of the Company by virtue of holding more than 10% of the issued and outstanding share capital of the Company at that time. As at April 5, 2013, Canford owned 11,900,000 common shares of the Company representing a 10.55% interest in the Company. Item 5.B provides further details.

The Company arranged demand loans of \$200,380 from certain directors and an officer of the Company in March 2012. Further demand loans from certain directors for \$98,930 were received in May 2012 and \$59,130 in July 2012. These loans were repayable on demand and bore an interest rate of 12% compounded monthly with interest payable semi-annually. In October 2012, the Company repaid \$212,550 in principal amounts of notes payable. Then in December 2012, the Company repaid a total of \$269,500 in loan principal, bonus and interest in full settlement of all outstanding demand loans including demand loans of \$53,490 which were received in May 2009 which bore an interest rate of 12% and a loan bonus of 12%.

In December 2012 and January 2013, the Company closed a non-brokered private placement in three tranches totalling 6.1 million units at a price of CAD\$0.11 per unit for gross proceeds of CAD\$671,000 with each unit comprised of one common share and one common share purchase warrant. Item 5.B provides further details.

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

The Registrant and its management group have in the past 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 mineral property interests 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 mineral property interests. The Registrant seeks to identify properties with significant potential and to acquire those properties on the basis of a property 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 mineral property interests. 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 property interests.

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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

The cumulative annual average for gold prices did increase from \$1,225 in 2010 to \$1,572 in 2011 and then to \$1,669 in 2012 and closing at \$1,568 on April 5, 2013. Gold prices did not achieve new highs in 2012 relative to 2011. In November 2010, prices reached an annual high of \$1,421 and then \$1,895 in September 2011 but only achieved an annual high of \$1,792 in October 2012. The high for 2013 was on January 2, 2013 at \$1,694 which is lower than the annual highs in 2012 and 2011.

During the same period from January 2010 to December 2012, the closing market price for the Registrant's shares decreased from CAD\$0.15 to CAD\$0.13 – a decrease of 13%, and the high of CAD\$0.30 was in January 2011. On April 5, 2013, the closing market share price was CAD\$0.12. The lack of financing and a joint venture partner to

advance the New Polaris gold project contributed to the ongoing weaknesses in the market price of the Registrant's shares although the liquidity and market price of its shares were heightened during the exclusivity period with Canford from September 2012 to early March 2013. Management continues to foresee opportunities to finance the mineral exploration and development efforts on Canarc's mineral property interests, and also to evaluate and consider new acquisitions in the gold arena.

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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.

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4.D Property, Plants and Equipment

Description of Properties

Property Summary Chart (as of December 31, 2012):

| 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% | \$3,905,000 | \$8,643,000 | \$12,548,000 |
| Tay-LP ⁽⁴⁾ | Yukon, Canada | 100.00% | \$174,000 | \$495,000 | \$669,000 |
| Windfall Hills | BC, Canada | 100.00% | \$210,000 | \$117,000 | \$327,000 |
| 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.

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

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 the mineral properties listed above in which the Registrant has an interest.

Material Mineral Projects

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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.

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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, subject to financing.

The New Polaris Gold Project consists of 61 contiguous Crown-granted mineral claims and one modified grid claim covering 2,100 acres. All claims are 100% owned and held by New Polaris Gold Mines Ltd., a wholly owned subsidiary of Canarc Resource Corp., subject to a 15% net profit interest held by Rembrandt Gold Mines Ltd. Canarc can reduce this net profit interest to a 10% net profit. A Table of the claims is set out below.

Table 1 - LIST OF CLAIMS

| Claim Name | Lot No. | Folio # | Claim Name | Lot No. | Folio # |
|------------------|---------|---------|--------------------|---------|---------|
| Polaris No.1 | 6109 | 4472 | Snow | 3497 | 4545 |
| Polaris No.2 | 6140 | 5223 | Snow #2 | 3495 | 5088 |
| Polaris No.3 | 6141 | 5223 | Snow #3 | 3494 | 5495 |
| Polaris No.4 | 3498 | 4545 | Snow #4 | 3499 | 5495 |
| Polaris No.5 | 6143 | 5223 | Snow #5 | 6105 | 4472 |
| Polaris No.6 | 6144 | 5223 | Snow #8 | 6107 | 4472 |
| Polaris No.7 | 6145 | 5223 | Snow #7 | 3500 | 4472 |
| Polaris No.8 | 6146 | 5223 | Snow #6 | 6106 | 4472 |
| Polaris No.9 | 6147 | 5223 | Snow #9 | 6108 | 4472 |
| Polaris No.10 | 6148 | 5290 | Black Diamond | 3491 | 4472 |
| Polaris No.11 | 6149 | 5290 | Black Diamond No.3 | 6030 | 4944 |
| Polaris No.12 Fr | 6150 | 5290 | Blue Bird No.1 | 5708 | 4545 |
| Polaris No.13 Fr | 6151 | 5290 | Blue Bird No.2 | 5707 | 4545 |
| Polaris No.14 | 6152 | 5290 | Lloyd | 6035 | 5010 |
| Polaris No.15 | 6153 | 5290 | Lloyd No.2 | 6036 | 5010 |

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| | | |
|--------------------|---------------------------|----------|
| Silver King No.1 | 54894804Rand No.1 | 60395010 |
| Silver King No.2 | 54904804Rand No.2 | 60405010 |
| Silver King No.3 | 54934804Minto No.2 | 60334944 |
| Silver King No.4 | 54944804Minto No.3 | 60344944 |
| Silver King No.5 | 54914804Jumbo No.5 | 60314944 |
| Silver King No.6 | 54924804Ready Bullion | 60324944 |
| Silver King No.7 | 54954804Roy | 60425088 |
| Silver King No.8 | 57174545Frances | 60415010 |
| Sliver Queen No 1 | 60264545Eve Fraction | 61705495 |
| Sliver Queen No 2 | 60274545Eve No.1 Fraction | 61715495 |
| Sliver Queen No 3 | 60284944P.T. Fraction | 34935495 |
| Sliver Queen No 4 | 60294944Ant Fraction | 34925088 |
| Silver Strand | 60375010Atlin Fraction | 34965088 |
| Silver Strand No.2 | 60385010Powder Fraction | 60435088 |
| F.M Fraction | 60445088Jay Fraction | 60455088 |
| Par Fraction | 61545290 | |

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.

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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

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

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

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

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

The core was logged and stored in the camp. Access to be 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.

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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, MASC., 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.