



**ANNUAL INFORMATION FORM**

**("AIF")**

**of**

**CANARC RESOURCE CORP.**

**(the "Company" or "Canarc")**

**Suite #810 – 625 Howe Street  
Vancouver, BC, Canada  
V6C 2T6**

**Phone: (604) 685-9700  
Fax: (604) 685-9744**

**For the Year Ended December 31, 2017**

**Dated: March 28, 2018**

## TABLE OF CONTENTS

<b>ITEM 1: PRELIMINARY NOTES.....</b>	<b>2</b>
1.1 Date of Information.....	2
1.2 Glossary of Terms.....	2
1.3 Conversion Table.....	3
1.4 Currency.....	3
<b>ITEM 2: CORPORATE STRUCTURE .....</b>	<b>3</b>
2.1 Name, Address and Incorporation.....	3
2.2 Intercorporate Relationships .....	3
<b>ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS .....</b>	<b>4</b>
3.1 Three-Year History .....	4
3.2 Significant Acquisitions .....	9
<b>ITEM 4: DESCRIPTION OF THE BUSINESS.....</b>	<b>10</b>
4.1 General Description .....	10
4.2 Risk Factors Relating to the Company's Business.....	11
4.3 Asset-backed Securities Outstanding .....	14
4.4 Material Mineral Projects.....	14
4.5 Other Mineral Projects .....	22
<b>ITEM 5: DIVIDENDS.....</b>	<b>24</b>
5.1 Dividends .....	24
5.2 Dividend Policy.....	24
<b>ITEM 6: DESCRIPTION OF CAPITAL STRUCTURE.....</b>	<b>25</b>
6.1 General Description of Capital Structure .....	25
<b>ITEM 7: MARKET FOR SECURITIES.....</b>	<b>26</b>
7.1 Trading Price and Volume .....	26
7.2 Prior Sales .....	26
<b>ITEM 8: ESCROWED SECURITIES.....</b>	<b>27</b>
8.1 Escrowed Securities .....	27
<b>ITEM 9: DIRECTORS AND OFFICERS.....</b>	<b>27</b>
9.1 Name, Occupation and Security Holding.....	27
9.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions .....	29
9.3 Conflicts of Interest.....	30
<b>ITEM 10: PROMOTERS.....</b>	<b>30</b>
10.1 Promoters .....	30
<b>ITEM 11: LEGAL PROCEEDINGS .....</b>	<b>30</b>
11.1 Legal Proceedings .....	30
11.2 Regulatory Actions.....	31
<b>ITEM 12: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....</b>	<b>31</b>
12.1 Interest of Management and Others in Material Transactions .....	31

<b>ITEM 13:</b>	<b>TRANSFER AGENT AND REGISTRAR .....</b>	<b>31</b>
	13.1 Transfer Agent and Registrar .....	31
<b>ITEM 14:</b>	<b>MATERIAL CONTRACTS .....</b>	<b>31</b>
	14.1 Material Contracts .....	31
<b>ITEM 15:</b>	<b>INTERESTS OF EXPERTS .....</b>	<b>32</b>
	15.1 Names of Experts .....	32
	15.2 Interests of Experts.....	32
<b>ITEM 16:</b>	<b>ADDITIONAL INFORMATION.....</b>	<b>32</b>
	16.1 Additional Information.....	33
	16.2 Audit Committee.....	33
<b>Schedule A</b>	<b>Audit Committee Charter .....</b>	<b>i</b>

## **CAUTION – FORWARD LOOKING STATEMENTS**

Certain of the statements made and information contained herein may contain forward-looking information within the meaning of applicable Canadian and United States securities laws.

Forward-looking statements or information relate to future events and future performance and include statements regarding the expectations and beliefs of management and include, but are not limited to, statements with respect to the estimation of mineral resources and reserves, the realization of mineral resources and reserve estimates, the timing and amount of estimated future production, the future acquisition of additional natural resource properties, capital costs, costs of production, capital expenditures, success of mining operations, environmental risks and other mining related matters. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as “plans”, “expects”, “potential”, “is expected”, “anticipated”, “is targeted”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements or information include, but are not limited to, statements or information with respect to known or unknown risks, uncertainties and other factors which may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information.

Forward-looking statements or information are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements or information, including, without limitation, risks and uncertainties relating to: general business and economic conditions; changes in commodity prices; the supply and demand for, deliveries of, and the level and volatility of prices of metals and minerals; changes in project parameters as development plans continue to be refined; the timing of the receipt and/or renewal of permits and other regulatory and governmental approvals for mining operations; labour and equipment costs; production and productivity levels; changes in credit market conditions and conditions in financial markets generally; the ability to obtain financing; the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; the availability of qualified employees and contractors; the impact of changes in Canadian-U.S. dollar and other foreign exchange rates on costs and financial results; changes in engineering and construction timetables and capital costs; market competition; the accuracy of reserve and resource estimates (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based; changes in taxation rates; changes in environmental regulation; environmental compliance issues; other risks of the mining industry; and those factors discussed in the section entitled “Risk Factors” in this AIF. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements or information. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that could cause results not to be as anticipated, estimated or intended. For more information on Canarc and the risks and challenges of its business, investors should review Canarc’s annual filings that are available at [www.sedar.com](http://www.sedar.com).

The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Any forward looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, changing circumstances, or otherwise.

## ITEM 1: PRELIMINARY NOTES

### 1.1 Date of Information

All information in this AIF is as of March 28, 2018 unless otherwise indicated and the information contained herein is current as of such date, other than certain financial information which is current as of December 31, 2017, being the date of the Company's most recently completed financial year end.

### 1.2 Glossary of Terms

Certain terms used throughout this AIF are defined below:

“affiliate”	A company is an affiliate of another company if (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same person or company.
“g/t” and “gpt”	Grams per metric tonne.
“grade”	The relative amount of valuable minerals contained in mineralization or ore.
“management committee”	A committee established under a joint venture agreement which determines the overall objectives of the venture, including the scope, size and nature of work programs. Each participant in the joint venture is represented on such committee and, unless otherwise set out in the joint venture agreement, voting is in proportion to the participants' respective property interests, and all or most decisions are made by simple majority.
“mineralization”	A natural aggregate of one or more valuable minerals.
“net profit interest” or “NPI” royalty	A royalty based on net profits expressed as a specified percentage of the entire proceeds received from a mine's production less all capital, operating, administrative, transportation, smelting, refining, tax, insurance, interest and other costs.
“net smelter return” or “NSR” royalty	A royalty based on net smelter returns expressed as a specified percentage of the entire proceeds received from a mine's gross mineral production, less certain limited costs including smelting, refining, transportation, and insurance costs.
“NI 43-101”	National Instrument 43-101 – Standards of Disclosure for Mineral Projects.
“operator”	The party in a joint venture which carries out the operations of the joint venture.
“ounces”	Troy ounces.
“o/T” or “opT”	Ounces per short ton.
“semivariogram”	A mathematical function used to quantify the variance between groups of values.
“ton”	Short ton weighing 2,000 pounds or 907 kilograms.

“tonne” Metric tonne weighing 2,205 pounds or 1,000 kilograms.

“wt%” Percentage by weight.

### 1.3 Conversion Table

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

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

### 1.4 Currency

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

## ITEM 2: CORPORATE STRUCTURE

### 2.1 Name, Address and Incorporation

The Company was incorporated under the laws of British Columbia on January 22, 1987 under the name “Canarc Resource Corp.” by registration of its Memorandum and Articles with the British Columbia Registrar of Companies. The Company is a reporting company in British Columbia, Ontario, Alberta, Saskatchewan and Nova Scotia, and became a reporting company under the United States Securities Act of 1934 upon filing its Form 20F registration statement dated October 9, 1990.

The Company’s address is as follows:

Head office: #810 – 625 Howe Street  
Vancouver, BC, Canada, V6C 2T6

Registered and records office: Maxis Law Corporation  
#910 – 800 West Pender Street  
Vancouver, BC, Canada, V6C 2V6

### 2.2 Intercorporate Relationships

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

New Polaris Gold Mines Ltd. (“New Polaris”) is a corporation formed through the amalgamation of 2820684 Canada Inc. (“2820684”), a former wholly-owned subsidiary of the Company which was incorporated under the Canada Business Corporation Act on May 13, 1992, and Suntac Minerals Inc. The Company owns 100% of its issued and outstanding shares.

AIM U.S. Holdings Corp. is a corporation duly incorporated in the State of Nevada, USA, on March 14, 2017. The Company owns 100% of its issued and outstanding shares.

American Innovative Minerals, LLC (“AIM”) is a limited liability company existing pursuant to the laws of Nevada, USA, on January 20, 2011. The Company owns 100% membership interest in AIM.

### **ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS**

#### **3.1 Three-Year History**

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

- New Polaris property (British Columbia, Canada),
- Windfall Hills properties (British Columbia, Canada), and
- Fondaway property (Nevada, USA).

The New Polaris and Fondaway properties are considered as the material properties of the Company.

Over the course of the past three years, the Company has been engaged in mineral exploration and development in North America with current mineral property interests in Canada and the U.S. Events affecting the development of the Company’s business over the last three years are set out below and in Item 4.

#### ***Pre-Development and Earn-In Binding Agreement with PanTerra Gold (British Columbia) Limited***

On February 24, 2015, Canarc entered into a Pre-Development and Earn-In Binding Agreement (the “Earn-In Agreement”) with PanTerra Gold (British Columbia) Limited (“PanTerra”), a wholly-owned subsidiary of PanTerra Gold Limited pursuant to which PanTerra was granted a 30-month option to earn a 50% interest in the New Polaris project by spending a total of CAD\$10 million in three stages of predevelopment activities including metallurgical test work, drilling, detailed mine planning, tailings dam design, environmental permitting, and completion of a definitive feasibility study. In Stage One, PanTerra shall spend CAD\$500,000 for laboratory production of flotation concentrate followed by test work through the Glencore Technology Albion pilot plant and for comprehensive technical and economic review and commencement of environmental baseline data collection required for permitting. In Stage Two, PanTerra can earn a 20% interest in the New Polaris project by spending CAD\$3.5 million in predevelopment expenditures which would include a 10,000 m drilling program and engineering and completion of field data required for environmental permitting. In Stage Three, PanTerra can earn an additional 30% interest in the project for a total interest of 50% by spending CAD\$6 million in predevelopment expenditures which would primarily focus on the completion of a definitive feasibility study and would include further 10,000 m of infill drilling, additional metallurgical test work, and preliminary engineering. PanTerra can increase its interest in the New Polaris project to 51% by purchasing 1% from Canarc within six months of completion of the definitive feasibility study at a cost of 1% of the net present value established by the definitive feasibility study using a 10% discount rate.

Canarc received the CAD\$500,000 for Stage One in 2015. In August 2015, PanTerra informed Canarc that it will not be able to commit to further expenditures to commence Stage Two exploration and permitting work on Canarc’s New Polaris project until PanTerra received the approval from the Dominican Republic government for importing New Polaris gold concentrate into the country for processing. In September 2016, PanTerra provided 30-day notice of its intent to withdraw from the first option of the agreement, which agreement was effectively terminated on October 22, 2016.

#### ***Agreement for the Purchase of All the Shares of Oro Silver Resources Ltd. with Marlin Gold Mining Ltd., and Purchase and Sale Agreement with Endeavour Silver Corp.***

#### ***Agreement for the Purchase of All the Shares of Oro Silver Resources Ltd. with Marlin Gold Mining Ltd.:***

In July 2015, Canarc and Marlin Gold Mining Ltd. (“Marlin”) entered into a letter of intent which resulted in the Agreement for the Purchase of All the Shares of Oro Silver Resources Ltd. dated October 8, 2015 (the “Share

Purchase Agreement”), whereby Canarc acquired 100% of the shares of Marlin’s wholly owned subsidiary, Oro Silver Resources Ltd. (“Oro Silver”), which indirectly owns 100% of the El Compas gold-silver project located in Zacatecas, Mexico, in exchange for the issuance to Marlin of 19 million common shares of Canarc. Canarc’s acquisition of Oro Silver closed on October 30, 2015. The terms of the agreement included the following:

- On each of the first three anniversaries of the closing date of the agreement, 55 troy ounces of gold (or the US dollar equivalent) will be paid by Canarc to Marlin or to any of its subsidiaries;
- Certain mineral concessions named Altiplano include a 3% NSR royalty and a buy back option. Marlin retains the Altiplano royalty and buy back option and will receive a 1.5% NSR on all non-Altiplano claims that currently have no royalties associated with them;
- Marlin invested CAD\$100,000 in Canarc’s private placement of 1.67 million units at CAD\$0.06 per unit with each unit comprised of one common share and one-half of one common share purchase warrant in October 2015; each whole warrant is exercisable to acquire one common share at an exercise price of CAD\$0.08 per share until October 30, 2018; and
- Marlin nominated one person, namely, Mr. Akiba Leisman, to Canarc’s board of directors.

The closing of the Share Purchase Agreement resulted in Marlin becoming an Insider of Canarc by virtue of having a 10.79% interest in Canarc as at the closing date of October 30, 2015.

The El Compas property was a fully permitted gold silver project located in Zacatecas, Mexico and was comprised of 24 concessions totaling 3,900 hectares.

In October 2015, Canarc commissioned Mining Plus Canada Consulting Ltd. (“Mining Plus”) to complete a NI 43-101 resource report and preliminary economic assessment for the El Compas project to determine the project’s potential viability which was completed in January 2016. Their technical report entitled “NI 43-101 Technical Report for the El Compas Project” (the “El Compas Technical Report”) was authored by J Collins PGeo, N Schunke PEng, S Butler PGeo, L Bascome MAIG and F Wright PEng, who are independent Qualified Persons as defined by NI 43-101, was dated January 19, 2016, and was prepared in compliance with NI 43-101.

In January 2016, Canarc signed a definitive agreement with the Zacatecas state government to lease and operate the permitted 500 tonne per day La Plata ore processing plant located in the city of Zacatecas, Mexico, approximately 20 kilometres from El Compas. Highlights of the lease agreement included the following:

- Lease term was 5 years with the right to extend for another 5 years;
- Canarc assumed responsibility for the plant as of January 29, 2016;
- Plant would be exclusively operated by Canarc’s Mexican subsidiary, Minera Oro Silver de Mexico SA de CV (“Minera Oro Silver”);
- Canarc was to pay a monthly lease payment of MXP 136,000;
- Grace period of 6 months to allow time for plant refurbishing;
- Power and water were available for plant operations;
- Plant capacity was 500 tonnes per day with the possibility to expand;
- Permitted tailings facilities had a current capacity for approximately 1 million tonnes;
- Certain plant refurbishment costs were to be reimbursed to Canarc by lease payment offsets; and
- Canarc would reserve up to 100 tonnes per day for toll mining of ore produced by local small miners.

In March 2016, Canarc entered into an indicative term sheet for up to \$10 million in debt financing by way of a gold prepaid facility to develop the El Compas gold-silver project subject to a 60 day due diligence period which did not advance due to the subsequent sale of the project.

*Purchase and Sale Agreement with Endeavour Silver Corp.:*

On May 6, 2016, Canarc entered into a Purchase and Sale Agreement with Endeavour Silver Corp., a company sharing one common director, (“Endeavour”) pursuant to which Canarc sold to Endeavour 100% of the shares of Canarc’s wholly-owned subsidiary, Oro Silver, which indirectly holds a 100% interest in the El Compas project in Zacatecas, Mexico, in consideration for 2,147,239 free-trading common shares of Endeavour, with an aggregate

deemed value of CAD\$10.5 million (the “Sale Transaction”). The Endeavour shares had a deemed price of CAD\$4.89 per share, equal to the volume-weighted average trading price on the TSX for the 10 trading-day period immediately prior to May 6, 2016. As additional consideration, Endeavour assumed Canarc’s obligation to deliver an aggregate of 165 troy ounces of gold (or the US dollar equivalent) to Marlin in three equal payments of 55 troy ounces which are due in October 2016, 2017 and 2018. The foregoing gold delivery obligation was incurred by Canarc in connection with its acquisition of El Compas from Marlin. The Sale Transaction closed on May 27, 2016 at which time Canarc received 2,147,239 free-trading common shares of Endeavour with a fair value of CAD\$3.99 per share at that date. In conjunction with the closing of the Sale Transaction with Endeavour, Mr. Akiba Leisman, Marlin’s nominee to Canarc’s Board, resigned as a Director of Canarc.

#### ***Option Agreement regarding the FG Gold Property with Eureka Resources, Inc.***

On August 24, 2016, Canarc entered into the Option Agreement for the FG Gold Property with Eureka Resources, Inc., (“Eureka”) which closed on October 12, 2016. In consideration for the grant of the property option agreement, Canarc issued 250,000 common shares at a value of CAD\$0.10 per share to Eureka, and subscribed to Eureka’s private placement for 750,000 units at a price of CAD\$0.14 per unit for a total of CAD\$105,000; each unit was comprised of one common share of Eureka and one-half of one common share purchase warrant with an exercise price of CAD\$0.20 and expiry date of September 9, 2018. Canarc can earn up to a 75% interest in the FG gold property in two stages.

In the first stage, Canarc can earn an initial 51% interest over three years by:

- incurring CAD\$1.5 million in exploration expenditures with an annual minimum of CAD\$500,000;
- issuing 750,000 common shares in three annual tranches of 250,000 shares; and
- paying 50% of the annual BC mineral exploration tax credits (“BC METC”) claimed by Canarc to Eureka to an aggregate maximum exploration expenditure of CAD\$1.5 million.

In the second stage, Canarc can earn an additional 24% interest for a total interest of 75% over the following two years by:

- incurring CAD\$1.5 million in exploration expenditures;
- issuing 1.5 million common shares in two annual tranches of 750,000 shares; and
- paying the greater of: (i) CAD\$75,000 and (ii) 50% of the annual BC METC claimed by Canarc to Eureka to an aggregate maximum exploration expenditure of CAD\$1.5 million.

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

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

The FG Gold project was located in the historic Cariboo Gold Camp within the Quesnel Trough area of central British Columbia. Mineralization occurs as quartz veins and stringer zones containing coarse free gold and finer grained iron sulphides bearing gold in a broad shear zone conformable to bedding within deformed and metamorphosed Paleozoic sedimentary rocks. The property consisted of 33 contiguous mineral claims totalling 10,400 hectares.

#### ***Purchase Agreement with American Innovative Minerals, LLC***

On February 28 2017, the Company entered into a purchase letter agreement (the “Letter Agreement”) with AIM and securityholders of AIM (“the AIM Securityholders”) to acquire either a direct or indirect 100% legal and beneficial interests in mineral resource properties located in Nevada, Idaho and Utah (USA) for a purchase price of \$2 million in cash and honouring pre-existing NSRs. Upon execution of the Letter Agreement, the Company deposited \$200,000 “in trust” towards the purchase price. On March 20, 2017, the Company entered into and closed the Membership Interest Purchase Agreement with AIM (the “Membership Agreement”) which replaced and superseded the Letter Agreement, and the Company paid the remaining balance of \$1.8 million in cash, whereby the Company acquired all interests in AIM from the AIM Securityholders.

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

AIM owns 10 gold properties in Nevada of which two properties (Fondaway Canyon and Dixie Comstock) contain historic gold resource estimates, and owns one gold property in Idaho, and has two royalty interests on other properties. These properties include the following:

- **Fondaway Canyon** is an advanced exploration stage gold property located in Churchill County, Nevada. The land package contains 136 unpatented lode claims. The property has a history of previous surface exploration and mining in the late 1980s and early 1990s. The Fondaway Canyon mineralization is contained in a series of 12 steeply dipping *en-echelon* quartz-sulphide shears outcropping at surface and extending laterally over 1200 m, with drill-proven depth extensions to > 400m. Additional exploration targets include near-surface oxide gold along favourable structural and host rock targets and deeper extensions of the sulphide zones.
- **Dixie Comstock**, also located in Churchill County, Nevada, consists of 26 unpatented lode claims. It has evidence of some historic mining but no records of production are available.
- **Clear Trunk** property is located in Pershing and Humboldt Counties, Nevada on 4500 acres of fee mineral and unpatented claims in the Sonoma Range, south of Winnemucca. Identified exploration target include breccia pipes and quartz stockwork with untested gold anomalies and untested soil gold anomaly overlying intrusive host rock.
- **Bull Run** property is located in Elko County, Nevada on two large patented claim groups of 500 acres near Jerritt Canyon.
- **Hot Springs Point** property is located in Eureka County, Nevada on 160 acres of fee land on north end of the prolific Cortez Trend. Klondex Mining claims surround the project on three sides.
- **Jarbidge** property is located in Elko County, Nevada on 8 patented claims along the east end of major gold veins in the Jarbidge mining district.
- **Lightning Tree** property is located in Lemhi County, Idaho on 11 unpatented claims near the Musgrove gold deposit.
- **Silver King** property is located in Humboldt County, Nevada on 4 patented claims near Golconda Summit. Previous exploration focused on low grade gold values but the property was never been explored for silver.
- **A&T** property is located in Humboldt Co., Nevada on 2 patented claims on Winnemucca Mountain. The property contains two veins and a quartz breccia in altered shale adjacent to intrusive dikes.
- **Eimis** property is located in Elko County, Nevada on one 20 acre patented claim adjacent to a new Coleman Canyon gold discovery by Arnevet Resources. Gold anomalies extend onto Eimis property.
- **Silver Peak** property is located in Esmeralda County, Nevada on 2 patented (40 acre) mining claims. The property is surrounded by claim blocks held by Scorpio Gold Corporation at the Mineral Ridge mine.

In April 2017, a technical report was commissioned for the Fondaway project. Item 4.4 provides further details.

***Confirmation and Agreement with Barrick Gold Inc. and Skeena Resources Ltd.***

In December 2017, Canarc signed a Confirmation and Agreement with Barrick Gold Inc. (“Barrick”) and Skeena Resources Ltd. (“Skeena”) involving Canarc’s 33.3% carried interest in certain mining claims adjacent to the past-producing Eskay Creek Gold mine located in northwest British Columbia, whereby Canarc will retain its 33.33% carried interest. Canarc and Barrick have respectively 33.33% and 66.67% interests in 6 claims and mining leases totaling 2323 hectares at Eskay Creek. Pursuant to an option agreement between Skeena and Barrick, Skeena has the right to earn Barrick’s 66.67% interest in the property. Canarc wrote off the property in 2005.

### ***Other***

In May 2015, certain directors and officers of Canarc cancelled 3,360,000 stock options with exercise prices ranging from CAD\$0.10 to CAD\$0.145 and expiry dates from September 2015 to June 2017.

At Canarc’s annual general meeting of shareholders held on June 11, 2015, disinterested shareholders passed two resolutions relating to shares for debt settlements to certain insiders of Canarc in which debts of up to CAD\$63,520 owed to certain current and former directors would be settled by the issuance of up to 1.27 million shares and debts of up to CAD\$127,400 owed to senior officers would be settled by the issuance of up to 2.55 million shares.

On September 21, 2015, Canarc closed the first tranche of a private placement of 11.5 million units at a price of CAD\$0.06 per unit for gross proceeds of CAD\$690,000. Each unit was comprised of one common share and one-half of one common share purchase warrant; each whole warrant is exercisable to acquire one common share at an exercise price of CAD\$0.08 per share until September 21, 2018. Canarc paid CAD\$36,200 in cash and issued 594,844 in warrants as finders’ fees. The finders’ fee warrants have the same terms as the underlying warrants in the unit private placement. On October 30, 2015, Canarc closed the second tranche of a private placement for 1.67 million units at a price of CAD\$0.06 per unit for gross proceeds of CAD\$100,000. Each unit was comprised of one common share and one-half of one common share purchase warrant; each whole warrant is exercisable to acquire one common share at an exercise price of CAD\$0.08 per share until October 30, 2018.

On September 24, 2015, Canarc issued 2 million shares at a value of CAD\$0.07 in settlement of partial salaries owed to certain officers and fees owed to directors in which the latter also forgave a certain portion of outstanding directors fees owed, resulting in a gain on debt settlement of \$54,000.

In December 2015, Canarc granted 5,950,000 stock options to directors, officers and employees with an exercise price of CAD\$0.06 and an expiry date of December 8, 2020 and which are subject to vesting provisions in which 25% of the options vest immediately on the grant date and 25% vest every six months thereafter.

In March 2016, Canarc closed a private placement in two tranches totalling 22.7 million units at a price of CAD\$0.09 per unit for gross proceeds of CAD\$2.04 million, with each unit comprised of one common share and one-half of one common share purchase warrant; each whole warrant is exercisable to acquire one common share at an exercise price of CAD\$0.12 per share for a period of three years. On March 3, 2016, Canarc closed the first tranche of 17.7 million units for gross proceeds of CAD\$1.59 million. On March 14, 2016, Canarc closed the second tranche of 5 million units for gross proceeds of CAD\$449,500 with a finder’s fee of 311,111 units issued with the same terms as the units issued in the private placement.

In 2016, Canarc granted the following stock options:

- 3,260,000 stock options to directors, officers and employees with an exercise price of CAD\$0.08 and an expiry date of July 7, 2021, and which are subject to vesting provisions in which 25% of the options vest immediately on the grant date and 25% vest every six months thereafter;
- 3,000,000 stock options to a director, officers and a consultant with an exercise price of CAD\$0.08 and an expiry date of July 7, 2021, and which shall vest only when Canarc closes a material transaction or at the discretion of Canarc’s Board of Directors;
- 1,000,000 stock options to consultants with an exercise price of CAD\$0.08 and an expiry date of July 7, 2021, and which fully vest on grant date; and
- 750,000 stock options to a consultant with an exercise price of CAD\$0.11 and an expiry date of September 21, 2021, and which fully vest on December 20, 2016.

In October 2016, Canarc received 576,503 common shares of Aztec Minerals Corp., a company sharing one common director, (“AzMin”), in which Aztec Metals Corp., a company sharing one common director, (“AzMet”) and AzMin

completed a distribution by way of a reduction of AzMet's paid up capital pursuant to Section 74 of the British Columbia *Business Corporations Act* whereby AzMet distributed all its 11 million common shares of AzMin to its shareholders on the basis of one AzMin share for every two AzMet shares held.

In February 2017, Canarc received regulatory approval for a normal course issuer bid to acquire up to 10.9 million of its common shares representing approximately up to 5% of its issued and outstanding common shares at that time. The bid commenced on February 8, 2017 and terminated on February 7, 2018, or on such earlier date as the bid was completed. The actual number of common shares purchased under the bid and the timing of any such purchases will be at Canarc's discretion. Purchases under the bid shall not exceed 86,128 common shares per day. Canarc will pay the prevailing market price at the time of purchase for all common shares purchased under the bid, and all common shares purchased by Canarc will be returned to treasury and cancelled. For the year ended December 31, 2017, Canarc purchased 2.6 million shares for CAD\$213,700 with an average price of CAD\$0.08 per share, of which 2.5 million common shares have been cancelled and the remaining common shares were cancelled in February 2018. Subsequent to December 31, 2017, a further 86,000 common shares for CAD\$6,450 were purchased at an average price of CAD\$0.08 per share and which were all cancelled in February 2018.

On April 21, 2017, Canarc closed a private placement for 3.8 million flow through common shares at CAD\$0.13 per share for gross proceeds of CAD\$500,000. Finder fees were comprised of CAD\$32,500 in cash and 250,000 warrants; each warrant is exercisable to acquire one non-flow through common share at an exercise price of CAD\$0.15 per share until April 21, 2019.

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

On June 2, 2017, Canarc's Board of Directors provided for the full vesting of 2.25 million performance based stock options which were granted in July 2016 and which have an exercise price of CAD\$0.08 and an expiry date of July 7, 2021. On June 2, 2017, Canarc granted 3.1 million stock options to directors, officers and employees with an exercise price of CAD\$0.10 and an expiry date of June 2, 2022, and which are subject to vesting provisions in which 25% of the options vest immediately on the grant date and 25% vest every six months thereafter. On September 13, 2017, Canarc granted 500,000 stock options to an employee with an exercise price of CAD\$0.09 and an expiry date of September 13, 2022, and which are subject to vesting provisions in which 25% of the options vest immediately on the grant date and 25% vest every six months thereafter.

In July 2017, Canarc extended the expiry date of warrants for 8.45 million common shares with an exercise price of CAD\$0.10 from July 31, 2017 to July 31, 2018. These warrants were originally issued pursuant to a private placement which closed on January 31, 2014.

In January 2018, Mr. Jacob Margolis, PhD, was appointed Vice President of Exploration for Canarc.

On February 12, 2018, Canarc entered into a Forbearance Agreement with the debtor in which the loan principal totaling \$220,000, which was previously written off in 2014, will be repaid in full in 2018 as follows:

Date	Amount
February 14, 2018 (received)	\$ 25,000
June 30, 2018	25,000
September 30, 2018	85,000
December 31, 2018	85,000
	<u>\$ 220,000</u>

### 3.2 Significant Acquisitions

There were no significant acquisitions completed by the Company during its most recently completed fiscal year ended December 31, 2017, other than those disclosed in the Company's continuous disclosure documents and regulatory and public filings and in this AIF.

## **ITEM 4: DESCRIPTION OF THE BUSINESS**

### **4.1 General Description**

#### ***The Business of the Company***

The principal business of the Company is the evaluation, acquisition, exploration and development of natural resource properties of merit. The Company intends to seek and to acquire additional properties worthy of exploration and development.

The Company is a Canadian mineral exploration company which is engaged in the acquisition, exploration and development of precious metal properties. The Company owns or holds, directly or indirectly, interests in the following material projects:

- 100% ownership of the New Polaris property (British Columbia, Canada), and
- 100% ownership of the Fondaway property (Nevada, USA), subject to advance royalty commitments.

The Company also holds interests in the non-material Windfall Hills and Eskay Creek properties, both located in British Columbia. The Eskay Creek property was written off in 2005 but the Company continues to have a 33.3% carried interest.

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

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

#### ***Trends***

The cumulative annual average for gold prices per ounce increased from \$1,160 in 2015 to \$1,251 in 2016 and slightly increased to \$1,257 in 2017 and closed at \$1,352 on March 26, 2018. Over the past 3 years, gold prices achieved a high of \$1,366 in July 2016, but only achieved annual highs of \$1,296 in 2015 and \$1,346 in 2017. The high for 2018 was \$1,355 on January 25, 2018 which is suggestive of an improving trend in gold prices.

The Company continues to foresee favourable opportunities to finance the mineral exploration and development efforts on its gold property interests and also to evaluate and to consider new acquisitions in the gold arena.

The Company has determined that the price of gold bullion continues to make gold exploration attractive and should facilitate opportunities for the advancement of its New Polaris property in British Columbia (Canada).

#### ***Competitive Conditions***

Significant competition exists for natural resource acquisition opportunities. As a result of this competition, some of which is with large, well established mining companies with substantial capabilities and significant financial and technical resources, the Company may be unable to compete for, nor acquire rights to, and to exploit attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company will be able to acquire any interest in additional projects that would yield reserves or results for commercial mining operations.

#### ***Environmental Protection***

Environmental legislation is evolving in a manner such that standards, enforcement, fines and penalties for non-compliance are becoming stricter and can be foreboding. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The costs of compliance

with changes in government regulations have the potential to reduce the profitability of future operations. To the best knowledge of the Company, it is in compliance with all environmental laws and regulations in effect in those countries where its properties are located.

### ***Number of Employees***

As of March 28, 2018, Canarc had three full-time and one part-time employees on staff.

## **4.2 Risk Factors Relating to the Company's Business**

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

### ***Precious and Base Metal Price Fluctuations***

The Company does not have any precious and base metal mining operations, but is seeking a joint venture partner to advance its New Polaris project and seeks to acquire projects of merit including those which can be placed into production in a relatively short time frame. The profitability of any such operations in which the Company has an interest will be significantly affected by changes in the market prices of precious and base metals. Prices for precious and base metals fluctuate on a daily basis, have historically been subject to wide fluctuations and are affected by numerous factors beyond the control of the Company such as the level of interest rates, the rate of inflation, central bank transactions, world supply of precious and base metals, foreign currency exchange rates, international investments, monetary systems and political developments. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. The value of the Company's securities may be significantly affected by the market price of gold and other metals, which are cyclical and subject to substantial price fluctuations. The Company may also curtail or suspend some or all of its exploration or development activities on its mineral projects in response to lower gold or other metals prices.

### ***Operating Hazards and Risks***

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Hazards such as unusual or unexpected formations and other conditions can occur. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Company's financial position.

### ***Exploration and Development***

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

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

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, the global

marketing conditions for precious and base metals, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection.

### ***Calculation of Reserves and Resources and Precious Metal Recoveries***

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

### ***Reclamation***

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

### ***Government Regulation***

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

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

### ***Environmental Factors***

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

### ***Title to Assets***

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

### ***Uncertainty of Funding***

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

Further exploration work and development of the properties in which the Company has an interest or option to acquire depend upon the Company's ability to obtain financing through joint venturing of projects, debt financing or

equity financing or other means. Failure to obtain financing on a timely basis could cause the Company to forfeit all or parts of its interests in mineral properties or reduce or terminate its operations.

### ***Competition and Agreements with Other Parties***

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

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

### ***Current Global Financial Conditions are Difficult for Mining Companies***

Current global financial conditions for mining companies have been affected by a prolonged decline in metals prices, including the price of gold. Access to public financing has been negatively impacted by the prolonged decline in previous metals prices, and the resulting decrease in the values of the securities of many mining companies. These factors may impact the ability of the Company to obtain equity or debt financing in the future on terms favourable to the Company, or at all. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such decreased levels of metals prices continue, the Company's operations could be adversely impacted and the trading price of the Company's securities may be adversely affected.

### ***The Company Has a Lack of Operating History and Has no History of Earnings***

The Company has no history of earnings. The Company has paid no cash dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is through the sale of its equity shares or by way of debt facilities or more recently from the disposition of marketable securities, if any. While the Company may generate additional working capital through the operation, development, sale or possible syndication of its properties, there is no assurance that any such funds will be generated.

### ***Shareholder Dilution***

It is likely that additional capital required by the Company will be raised through the issuance of additional equity securities, resulting in dilution to the Company's shareholders.

### ***The Company is Dependent on Key Personnel and the Absence of Any of these Individuals could Result in a Significantly Negative Effect on the Company***

The success of the Company and its ability to continue to carry on operations is dependent upon its ability to retain the services of certain key personnel. The loss of their services to the Company may have a material adverse effect on the Company. The Company does not presently have "key person" life insurance for any of its officers.

### ***Currency Risk***

The Company is exposed to currency fluctuations in the acquisition of foreign currencies. The Company holds balances in cash and accounts payable and accrued liabilities in foreign currencies and is therefore exposed to gain or losses on foreign exchange.

### ***Potential Conflicts of Interest***

The directors and officers of the Company may serve as directors and/or officers of other public and private companies and may devote a portion of their time to manage other business interests. This may result in certain conflicts of interest. To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers of the Company may have a conflict of interest in negotiating and

reaching an agreement with respect to the extent of each company's participation. The laws of British Columbia, Canada, require the directors and officers to act honestly, in good faith, and in the best interests of the Company and its shareholders. However, in conflict of interest situations, directors and officers of the Company may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions. There is no assurance that the needs of the Company will receive priority in all cases. From time to time, several companies may participate together in the acquisition, exploration and development of natural resource properties, thereby allowing these companies to: (i) participate in larger programs; (ii) acquire an interest in a greater number of programs; and (iii) reduce their financial exposure to any one program. A particular company may assign, at its cost, all or a portion of its interests in a particular program to another affiliated company due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, it is expected that the directors and officers of the Company will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

### **4.3 Asset-backed Securities Outstanding**

Not applicable.

### **4.4 Material Mineral Projects**

The New Polaris and Fondaway properties are considered the material properties of Canarc.

#### ***4.4.1 New Polaris Gold Project (British Columbia, Canada)***

The information in this section has been derived from and is based on the assumptions, qualifications and procedures set out in the Technical Report titled "New Polaris Project – Preliminary Assessment Update" (the "New Polaris Preliminary Economic Assessment Report") dated April 10, 2011, that was prepared by Moose Mountain Technical Services ("Moose Mountain") and Giroux Consultants Limited ("Giroux Consultants"). J.H. (Jim) Gray, P.Eng. of Moose Mountain is the Qualified Person for the New Polaris Preliminary Economic Assessment Report.

The following extract is the executive summary from the New Polaris Preliminary Economic Assessment Report. In addition, the New Polaris Preliminary Economic Assessment Report is specifically incorporated by reference into this AIF and may be accessed on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com). Defined terms and abbreviations used herein and not otherwise defined shall have the meanings ascribed to such terms in the New Polaris Preliminary Economic Assessment Report.

#### ***Summary from the New Polaris Preliminary Economic Assessment Report***

New Polaris (formerly Polaris-Taku) is an early Tertiary mesothermal gold mineralized body located in northwestern British Columbia about 100 kilometres south of Atlin, BC and 60 kilometres northeast of Juneau, Alaska. The nearest roads in the area terminate twenty kilometres 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 “A-B” veins are northwest striking and southwest dipping, the “Y” veins are north striking and dipping steeply east and finally the “C” veins are east-west striking and dipping to the south to southeast at 65° to vertical. The “C” veins appear to hook around to the north and south into the other two sets of veins so that their junctions form an arc. The gold is refractory and occurs dominantly in finely disseminated arsenopyrite grains that mineralize the altered wallrock and stockwork veins. The next most abundant mineral is pyrite, followed by minor stibnite and a trace of sphalerite. The zones of mineralization range from 15 to 250 metres in length and 0.3 to 14 metres in width.

Canarc explored the “C” vein system between 1988 and 1997, and carried out infill drilling in 2003 through 2006, to better define the continuity and grade of the vein systems.

An updated resource estimate was prepared by Giroux Consultants Ltd. in March 2007, using ordinary kriging of 192 recent drillholes and 1,432 gold assay intervals constrained within four main vein segments as modeled in 3D by Canarc geologists. The total New Polaris database consists of 1,056 diamond drillholes with a total of 31,514 sample intervals.

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

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

The following tables list the undiluted resource estimate of the insitu geology model before mining limits have been applied, and include the “C” vein west (CWM) from the –90m elevation down, and the “C” vein east (CLOE and CHIE) from the –135m elevation down (the elevations, –90m in the west, and –135m in the east, represent the lower elevations of previous mine development and production. The resource above these elevations has been excluded from this study. This is to ensure that any Historical estimates are not included in this estimate. The material included in this report below the elevations stated above is new ground, excludes resource calculations previous to the March 14, 2007 Technical Report, and is based on surface diamond drilling, and limited underground drilling data as listed in The March 14, 2007 report and repeated here.

**Measured, Undiluted Resource (Insitu)**

Cutoff grade, g/t Au	Tonnes > Cutoff (tonnes)	Grade > Cutoff Au (g/t)	Contained Metal (oz)
6.00	271,000	11.89	104,000
7.00	233,000	12.77	96,000
8.00	203,000	13.54	88,000
9.00	173,000	14.42	80,000

**Indicated, Undiluted Resource (Insitu)**

Cutoff grade, g/t Au	Tonnes > Cutoff (tonnes)	Grade > Cutoff Au (g/t)	Contained Metal (oz)
6.00	1,017,000	12.71	416,000
7.00	910,000	13.45	393,000
8.00	806,000	14.22	368,000
9.00	696,000	15.11	338,000

**Measured + Indicated, Undiluted Resource**

Cutoff grade, g/t Au	Tonnes > Cutoff (tonnes)	Grade > Cutoff Au (g/t)	Contained Metal (oz)
6.00	1,288,000	12.54	519,000
7.00	1,143,000	13.31	489,000
8.00	1,009,000	14.08	457,000
9.00	870,000	14.97	419,000

**Inferred, Undiluted Resource**

Cutoff grade, g/t Au	Tonnes > Cutoff (tonnes)	Grade > Cutoff Au (g/t)	Contained Metal (oz)
6.00	1,628,000	12.15	636,000
7.00	1,473,000	12.74	603,000
8.00	1,340,000	13.27	571,000
9.00	1,149,000	14.06	519,000

The deposit represents an important gold resource and follow-up work should include test mining and infill drilling.

The above resource estimate has been documented in the Technical Report "Resource Potential – New Polaris Project" March 5, 2007 which was posted on Sedar on March 15, 2007.

For continuity this current report includes the above Technical Report verbatim plus additional work defining an economic mine plan and operation at a Preliminary Assessment level. The preliminary assessment is based on resources, not reserves, and a portion of the modeled resources to be mined are in the inferred resource category. Inferred Resources are considered too speculative geologically to have economic considerations applied to them so the project does not yet have proven economic viability. For this "Preliminary Assessment Update", the input gold price has been increased to \$1,200/oz, and the subsequent cutoff grade is lowered. The lower cutoff grade leads to larger stope sizes and increased minable resources at a lower average gold grade. The cost inputs have also been increased to reflect 2011 pricing. The site plan, mill plan, mine development plan, and mine plan itself have not been modified from the 2007 Preliminary Assessment Report.

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

**The results of the updated Preliminary assessment planning are:**

Scheduled Resources	1,056,000 tonnes measured and indicated grading 11.7 gpt Au (after dilution) and 1,132,000 tonnes inferred grading 10.8 gpt Au (after dilution) and a 7 gpt cutoff
Production Rate	600 tonnes per day
Grade	11.3 grams per tonne (diluted 13%)
Recoveries	91% gold into concentrate
Average Output	72,000 oz gold per year
Mine life	10 years

**The base case financial parameters are:**

Gold Price	US\$ 1200 per oz	
Exchange Rate	US\$ 1.00 = CA\$ 1.00	
Capital Cost	\$101.1 million	
Cash Cost	US\$ 481 per oz (excluding offsites)	
	<u>Pre-Tax</u>	<u>After Tax</u>
Cash Flow (LoM)	\$280.8 million	\$188.1 million
Net Present Value (NPV)		
NPV (5%)	\$197.2 million	\$129.8 million
NPV (8%)	\$160.0 million	\$103.7 million
NPV (10%)	\$139.3 million	\$ 89.0 million
	<u>Pre-Tax</u>	<u>After Tax</u>
Internal Rate of Return	38.1%	31.4%
Payback Period	2.41 years	2.51 years

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

Canarc is contemplating a future work program to include driving a decline from surface down to the 1050 mine level (1000 feet below surface), developing one or more drifts and raises within the C vein, “trial” mining to extract a bulk sample, shipping and processing of a representative portion of the bulk sample for final metallurgical testing, finalizing the process flow sheet and completing a feasibility study at an estimated cost of \$25 million.

**[End of extract]**

#### *The PanTerra Earn-In Agreement*

On February 24, 2015, Canarc entered into the Earn-In with PanTerra pursuant to which PanTerra was granted a 30-month option to earn a 50% interest in the New Polaris project by spending a total of CAD\$10 million in three stages of predevelopment activities including metallurgical test work, drilling, detailed mine planning, tailings dam design, environmental permitting, and completion of a definitive feasibility study. In Stage One, PanTerra shall spend CAD\$500,000 for laboratory production of flotation concentrate followed by test work through the Glencore Technology Albion pilot plant, and for comprehensive technical and economic review and commencement of environmental baseline data collection required for permitting. In Stage Two, Panterra can earn a 20% interest in the New Polaris project by spending CAD\$3.5 million in predevelopment expenditures which would include 10,000 m drilling program and engineering and completion of field data required for environmental permitting. In Stage Three, PanTerra can earn an additional 30% interest in the project for a total interest of 50% by spending CAD\$6 million in predevelopment expenditures which would primarily focus on the completion of a definitive feasibility study and would include further 10,000 m of infill drilling, additional metallurgical test work, and preliminary engineering. PanTerra can increase its interest in the New Polaris project to 51% by purchasing 1% from Canarc within six months of completion of the definitive feasibility study at a cost of 1% of the net present value established by the definitive feasibility study using a 10% discount rate.

The Albion process is a technology for recovering gold from refractory sulfide ores owned by Glencore Plc and used commercially under license by PanTerra.

Canarc received the initial CAD\$250,000 in February 2015 with another CAD\$250,000 received in May 2015. In April 2015, 59 kg of gold concentrate was produced by an independent metallurgical lab from 500 kg of New Polaris project’s prior drill core, which had been shipped to Glencore’s test lab in Australia, for metallurgical testing of the Albion process. In July 2015, the Albion testing had entered into the second and final phase aimed at further optimizing test conditions for improving gold recoveries. Canarc had initiated collection of environmental baseline data required for environmental permitting, and had also submitted notice of work for an in-fill drilling program. In August 2015, PanTerra informed Canarc that it will not be able to commit to further expenditures to commence Stage Two exploration and permitting work on Canarc’s New Polaris project until PanTerra received the approval from the Dominican Republic government for importing New Polaris gold concentrate into the country for processing and it requested a 12 month extension of the Earn-In Agreement. In September 2016, PanTerra provided 30-day notice of its intent to withdraw from the first option of the agreement, which agreement was effectively terminated on October 22, 2016.

Canarc continues with its efforts to seek a joint venture partner to advance the New Polaris project through permitting and feasibility.

#### **4.4.2 Fondaway Canyon Project (Nevada, USA)**

The information in this section has been derived from and is based on the assumptions, qualifications and procedures set out in the Technical Report titled “Technical Report for the Fondaway Canyon Project” (the “Fondaway Technical Report”) dated April 3, 2017, that was prepared by Techbase International Ltd. (“Techbase”). Messrs. Michael Norred, SME-RM, and Simon Henderson, MSc, MAusImm CP, are the Qualified Persons for the Fondaway Technical Report.

The following extract is the executive summary from the Fondaway Technical Report. In addition, the Fondaway Technical Report is specifically incorporated by reference into this AIF and may be accessed on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com). Defined terms and abbreviations used herein and not otherwise defined shall have the meanings ascribed to such terms in the Fondaway Technical Report.

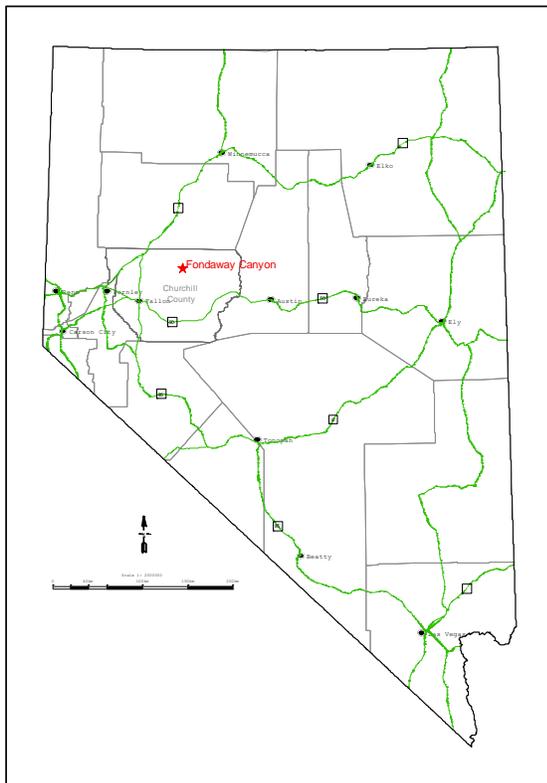
## Summary

Canarc Resource Corp. (Canarc) acquired the Fondaway Canyon Project and a portfolio of ten other mineral projects from American Innovative Minerals, LLC (AIM) in March, 2017. Canarc commissioned Techbase International Ltd to provide this report on the current status and a current Resources estimate for the Fondaway Canyon project.

## Property Description and Location

The Fondaway Canyon property includes 136 contiguous, unpatented mining claims, covering approximately 2,220 acres (898 ha), on land administered by the U.S. Bureau of Land Management (BLM) in Churchill County, approximately 43 miles (69 km) northeast of Fallon, Nevada. The claim group is on the western flank of the Stillwater Range.

**Figure 1: Fondaway Canyon Location**



The claims are currently controlled by Canarc under a Mining Lease/Purchase Agreement with the owner, Richard Fisk. Production from the properties is subject to NSR royalties of 3% to Richard Fisk, and 2% to Hale Capital, for a total of 5%. Each of these royalties can be bought out.

The Fondaway Canyon property is surrounded on three sides by the Stillwater Wilderness Study Area (WSA). The WSA boundary overlaps portions of some claims. The WSA has been recommended as non-wilderness by the BLM, but its status is pending final action by the US Congress.

## History

The Fondaway Canyon property was originally staked by the George Fisk and his son Richard (the Fisks) in 1956 for tungsten. The property has been optioned, leased, sub-leased, and joint-ventured by a series of mining companies, including Occidental Minerals, Tundra Gold Mines Ltd, New Beginnings Resource Corp, Homestake Mining Company, Mill Creek Mining, Tenneco Minerals, Consolidated Granby, Stillwater Gold, Agnico Eagle, Royal Standard Minerals, American Innovative Minerals, and Aorere Resources Limited.

The earliest mine production by the Fisks was approximately 10,000 tons of tungsten ore, recovering 200,000 pounds of tungsten trioxide (WO<sub>3</sub>). Fisk Mining later used a vat leaching process to recover 2,500 ounces of gold from 25,000 tons of ore.

In 1989 and 1990, Tenneco Minerals operated an open pit mine with cyanide heap leach processing that recovered 5,402 ounces of gold from 186,000 tons of ore.

### **Geologic Setting and Mineralization**

At Fondaway Canyon, gold mineralization is localized along over 2 miles of an echelon, east-northeast trending and steeply south dipping structures developed within fine grained Triassic carbonaceous siliciclastic sedimentary rocks and Jurassic limestone, cut by Tertiary dikes.

### **Exploration**

The previous operators of the Fondaway Canyon Project conducted numerous exploration programs. In addition to drilling, exploration has included extensive surface sampling, underground channel sampling, geological mapping, and geophysical surveys.

### **Drilling**

Many exploration holes were drilled by the various mining companies between 1980 and 2002, including Core, Reverse Circulation, and Air-track holes. The Fondaway Canyon database currently contains validated records for 591 holes totaling 161,043 feet (49,086m) of drilling.

Drilling in 2002 by Nevada Contact Inc (NCI) intersected the mineralized zone at greater depths than previous drilling in the Half Moon and Paperweight veins, and also intersected mineralization below the pediment at the west end of the property, confirming this as a new prospective exploration target.

### **Mineral Processing and Metallurgical testing**

Historical metallurgical testing and operating experience have shown that the oxide mineralized materials at Fondaway Canyon are readily leachable. The metallurgical response of the sulfide mineralized materials have been problematic, however testing results showed recoveries of up to 95% can be achieved by using an oxidizing pre-treatment followed by CIL leach. A multi-stage flotation process also yielded satisfactory laboratory results with flotation results of 93 to 95% being achieved.

The 2016 metallurgical testing provided confidence that the mineralized material tested to date can be treated appropriately to concentrate 79-85% of the gold in less than 10% weight percent via flotation processes. Test results indicate that additional gold might be recovered by incorporating a gravity circuit, and also through treatment of the tails with conventional cyanidation methods. Further testing is needed to find the most cost-effective process for future mining.

### **Mineral Resource Estimates**

Resource estimates have been included in technical reports by previous authors. The resource statements from each report have been examined by the Author, and were found to be in general agreement, in particular as to the total contained gold. None of the previous estimates included the 2002 drilling, which tested the down-dip extension of the mineralized veins.

A new resource estimate was completed in 2016 by Techbase International (the 2016 Resource Estimates). This new estimate incorporated the 2002 drilling, which had not been used for previous estimates. The 2016 estimate

included the vein hosted, potentially underground mineable sulfide mineralization. No estimate was made of the shallow, oxide mineralization.

**Table 1: 2016 Resource Estimates**

<b>Estimated Resources Summary</b>						
<b>Resource Category</b>	<b>Tons<sup>6</sup></b>	<b>Au opt</b>	<b>Ounces oz-Au<sup>3</sup></b>	<b>Tonnes<sup>6</sup></b>	<b>Au g/t</b>	<b>Ounces oz-Au<sup>3</sup></b>
Indicated	2,260,000	0.180	409,000	2,050,000	6.18	409,000
Inferred	3,600,000	0.19	660,000	3,200,000	6.4	660,000
<sup>1</sup> CIM Definition Standards were followed for the Mineral Resource estimates.						
<sup>2</sup> Mineral Resources were estimated using the polygonal modeling method.						
<sup>3</sup> Rounding differences may occur.						
<sup>4</sup> For the purpose of the resource estimation, no grade capping was applied.						
<sup>5</sup> Metal price for the Mineral Resource estimates was \$1,225 per ounce Au, the trailing three-year average on December 31, 2016.						
<sup>6</sup> The minimum reporting cutoff was 0.10 opt Au (3.43 g/t), over a minimum horizontal width of 6 ft (1.8m).						
<sup>7</sup> A specific gravity of 2.56 (specific volume of 12.5 ft <sup>3</sup> /ton) was used to convert volume to						
<sup>8</sup> Mineral Resources were estimated from the surface to approximately 1,000 ft (305m)						
<sup>9</sup> Mineral Resources are classified as Indicated and Inferred based on drill hole location, interpreted geologic continuity and quality of data.						
<sup>10</sup> Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues. There is no certainty that all or any part of the Inferred Mineral Resource will be upgraded to an Indicated or Measured Mineral Resource as a result of continued exploration.						

The Mineral Resource was estimated for each vein using polygonal estimation on drill intercepts projected onto a vertical long-section parallel to the average strike direction of that vein. Techbase Version 2015 software was used to perform the estimation.

Polygonal estimation was chosen by the Author as a robust method for estimating the global mineral resources at Fondaway Canyon, considering both the nature of the deposit and the currently available data. The multiple, sub-parallel veins and splays in the mineralized system introduce the risk of mis-correlation without further drilling and interpretation. The majority of the historical drilling data was RC, without downhole surveys, introducing uncertainty as to position and true thickness.

The polygonal methodology applied for this estimate is less sensitive than other methods to these risks. Polygonal estimation was also used for all of the historical resource estimates, including the previous, NI 43-101 compliant technical report (Strachan, 2003), making it possible to directly compare the results.

## **Interpretation and Conclusions**

### ***Interpretation***

At Fondaway Canyon, gold Mineralization is localized along over 2 miles of an echelon, east-northeast trending and steeply south dipping structures developed within fine grained Triassic carbonaceous siliciclastic sedimentary rocks and Jurassic limestone, cut by Tertiary dikes.

To date, resources have been estimated for 12 named veins. The bulk of the current resources are hosted by the Paperweight, Half-moon, and Colorado zones, with the remainder in parallel veins or splays of the major veins. The most persistent vein strike length is 3,700 feet on the combined Paperweight – Hamburger Hill zones, and the down-dip extent of the gold mineralization is greater than 1,000 feet based on the drilling by NCI. Vein width is commonly 5 - 20 feet.

### ***Opportunities***

The geologic interpretation and modeling for the 2016 Resource estimates have identified opportunities to increase the confidence and continuity in existing structures both along strike and at depth. Several additional adjacent and oblique structures coincident with surface gold anomalies also have high prospectivity, and have not been drill tested to date.

All of the estimated Resources in this report relate to the high grade, sulfide vein mineralization in the eastern half of the project area. Much work remains to integrate the western portion of the project area, which has a correspondingly sparse and predominantly shallow drill history, along a 1 mile corridor to the South Mouth zone, the area of previous surface mining. This corridor has detailed rock and soil geochemistry, with several areas of highly anomalous gold geochemistry suggesting continuity of gold mineralization through this zone.

The South Mouth zone, where mining excavated the shallow oxide mineralization, has not been explored sufficiently to quantify the down dip extension of the sulfide mineralization to depth. The 2002 NCI drilling intercepted mineralized zones with two holes drilled in the pediment west of the South Mouth pit. These results should be followed up with additional drilling to determine if a bulk tonnage, disseminated gold deposit exists in that area, or if there are potentially offset extensions of the Fondaway Canyon vein systems associated with mineralization at the South Mouth pit.

### ***Metallurgy***

There is significant metallurgical testing completed recently and historically (including sizeable underground bulk sampling). Historical test results included using an oxidizing pre-treatment, followed by CIL leaching, which yielded gold recoveries of 86 to 95%. Other historical tests used a two-product flotation circuit, producing a carbon concentrate, then a sulfide concentrate, followed by CIL leaching of the flotation tails, producing combined total recoveries from 93 to 95%.

The 2016 metallurgical testing provided confidence that the mineralized material tested to date can be treated appropriately to concentrate 79-85% of the gold in less than 10% weight percent via flotation processes. Test results indicate that additional gold might be recovered by incorporating a gravity circuit, and also through treatment of the tails with conventional cyanidation methods. Further testing is recommended to find the most cost-effective process for future mining.

### ***Conclusion***

The Fondaway Canyon Project is a well-explored mineral deposit, with significant potential at depth and along strike of the identified mineralized systems. Some of that potential has not been realized due to multiple changes in management over the life of the project, and to operational uncertainties because of its proximity to the adjacent Stillwater WSA. The available data from the various sources has not been well-integrated, and consequently much of it has not been exploited for maximum exploration success.

Based on the Mineral Resource estimates, the opportunities for additional discovery, and the encouraging metallurgical results, it is the Authors' opinion that the project has the potential to develop into a profitable mining operation.

**[End of extract]**

In the second quarter of 2017, Canarc completed 92 surface rock chip sampling and mapping program on the Fondaway Canyon project which returned several high grade gold values.

In the fourth quarter of 2017, Canarc completed an initial 7-hole, 2500-meter core-drilling program at the Fondaway Canyon project. All seven holes intersected gold mineralization with the following drilling highlights:

- 65.4 meters (m) grading 2.83 grams per tonne (gpt) Au (including 10.20 gpt Au over 1.4 m, 7.69 gpt Au over 9.8 m and 7.70 gpt Au over 3.7 m) in hole FC17-3
- 62.9 m grading 1.77 gpt Au (including 4.39 gpt Au over 3.5 m, 4.48 gpt Au over 3.2 m and 6.15 gpt Au over 3.0 m) in hole FC17-2
- 30.1 m grading 1.45 gpt Au and 6.1 m grading 3.74 gpt Au (including 0.6 m grading 14.20 gpt Au) in hole FC17-1
- 24.4 meters (m) grading 1.80 grams per tonne (gpt) Au including 6.35 gpt Au over 0.9 m, 5.58 gpt Au over 1.6 m and 6.96 gpt Au over 1.3 m in hole FC17-4
- 12.8 m grading 3.48 gpt Au including 5.97 gpt Au over 6.1 m (contains 13.50 gpt Au over 0.6 m) in hole FC17-5
- 8.3 m grading 2.83 gpt Au including 5.91 gpt Au over 3.7 m in hole FC17-4
- 5.2 m grading 2.06 gpt Au including 5.99 gpt Au over 1.2 m in hole FC17-7
- 4.0 m grading 4.19 gpt Au including 13.40 gpt Au over 0.9m in hole FC17-5

The 2017 drilling results, integrated with historical drilling, indicate the project has bulk-mineable, open-pit potential, as opposed to the underground mining of narrow high-grade zones that was the focus of previous project owners.

Further details of the drilling program for the Fondaway Canyon project are provided in Canarc's news releases:

- News release dated December 5, 2017 which is titled, "*Canarc Intersects Significant Gold Mineralization in First Three Drill Holes at Fondaway Canyon Project in Nevada, Including 2.83 Grams per Tonne Gold over 65.4 Meters*"; and
- News release dated January 16, 2018 which is titled, "*Canarc Continues to Intersect High-Grade Gold at Fondaway Canyon, Nevada, Including 3.24 Grams per Tonne Gold over 12.8 Meters*".

Plans for 2018 for the Nevada projects include:

- Update the Fondaway Canyon resource model with the new drill results and assess targets to expand the open pit, bulk tonnage potential of the project,
- Develop a Phase 2 exploration plan at Fondaway Canyon for near term production potential, and
- Evaluate the nine other Nevada projects and prioritize the projects for further work and possible sale or joint venture.

Dr. Jacob Margolis, a consultant to Canarc as Vice-President (Exploration), a qualified person as defined by National Instrument 43-101, has approved the technical information from the drilling program for the Fondaway Canyon project.

## **4.5 Other Mineral Projects**

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

### **4.5.1 Windfall Hills Property (British Columbia, Canada)**

In April 2013, Canarc entered into two property purchase agreements to acquire 100% interests in two adjacent gold properties located in British Columbia known as the Uduk Lake and Dunn properties. Canarc entered into a property purchase agreement with Atna Resources Ltd. ("Atna") whereby Canarc acquired a 100% undivided interest in the Uduk Lake properties by the issuance of 1,500,000 common shares at a fair value of CAD\$0.10 per share, honouring a pre-existing 1.5% NSR production royalty that can be purchased for CAD\$1 million, and granting Atna a 3% NSR production royalty. Canarc also entered into a property purchase agreement whereby Canarc acquired a 100% undivided interest in the Dunn properties by the issuance of 500,000 common shares at a fair value of CAD\$0.10 per share and granting the vendor a 2% NSR royalty which can be reduced to 1% NSR royalty for \$500,000.

In June 2014, Canarc received government permit for the drilling program which was mobilized in July 2014 and was financed by a flow-through financing of CAD\$400,000 which closed in July 2014. In 2014, Canarc completed 3 holes and 1,149 metres of drilling that intersected an alteration zone anomalous in gold-silver.

In October 2016, Canarc completed a geophysical 3D IP-resistivity survey which covered 3.8 sq km, representing about 10% of the property. The survey was at 100 m intervals on 200 m spaced line to a depth of 350 m below surface. The main exploration targets are low sulphidation epithermal, disseminated and stockwork gold-silver deposits with tertiary rhyolite volcanic centers. The IP survey identified four geophysical anomalies which cover an area of coincidental high resistivity and chargeability.

Canarc is developing an exploration program for 2018 for the Windfall Hills property to include stream sediment sampling, soil sampling, trenching and geophysics to identify new drilling targets on the property.

#### **4.5.2 FG Gold property (British Columbia, Canada)**

On August 24, 2016, Canarc entered into a property option agreement with Eureka which closed on October 12, 2016. In consideration for the grant of the property option agreement, Canarc issued 250,000 common shares at a value of CAD\$0.10 per share to Eureka, and subscribed to Eureka's private placement for 750,000 units at a price of CAD\$0.14 per unit for a total of CAD\$105,000; each unit was comprised of one common share of Eureka and one-half of one common share purchase warrant with an exercise price of CAD\$0.20 and expiry date of September 9, 2018. Canarc can earn up to a 75% interest in the FG gold property in two stages.

In the first stage, Canarc can earn an initial 51% interest over three years by:

- incurring CAD\$1.5 million in exploration expenditures with an annual minimum of CAD\$500,000;
- issuing 750,000 common shares in three annual tranches of 250,000 shares; and
- paying 50% of the annual BC mineral exploration tax credits ("BC METC") claimed by Canarc to Eureka to an aggregate maximum exploration expenditure of CAD\$1.5 million.

In the second stage, Canarc can earn an additional 24% interest for a total interest of 75% over the following two years by:

- incurring CAD\$1.5 million in exploration expenditures;
- issuing 1.5 million common shares in two annual tranches of 750,000 shares; and
- paying the greater of : (i) CAD\$75,000 and (ii) 50% of the annual BC METC claimed by Canarc to Eureka to an aggregate maximum exploration expenditure of CAD\$1.5 million.

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

In early July 2017, Canarc terminated the option agreement with Eureka and wrote off the FG Gold project.

The FG Gold project is located in the historic Cariboo Gold Camp within the Quesnel Trough area of central British Columbia. Mineralization occurs as quartz veins and stringer zones containing coarse free gold and finer grained iron sulphides bearing gold in a broad shear zone conformable to bedding within deformed and metamorphosed Paleozoic sedimentary rocks. The property consisted of 33 contiguous mineral claims totalling 10,400 hectares.

#### **4.5.3 Eskay Creek property (British Columbia, Canada)**

In December 2017, Canarc signed an agreement with Barrick Gold Inc ("Barrick") and Skeena Resources Ltd. ("Skeena") involving Canarc's 33.3% carried interest in certain mining claims adjacent to the past-producing Eskay Creek Gold mine located in northwest British Columbia, whereby Canarc will retain its 33.33% carried interest. Canarc and Barrick have respectively 33.33% and 66.67% interests in 6 claims and mining leases totaling 2323 hectares at Eskay Creek. Pursuant to an option agreement between Skeena and Barrick, Skeena has the right to earn Barrick's 66.67% interest in the property. Canarc wrote off the property in 2005.

## ITEM 5: DIVIDENDS

### 5.1 Dividends

To date and including each of the three most recently completed fiscal years ended December 31, 2017, the Company has not paid any cash dividends on its common shares nor does it intend to pay any cash dividends on its shares in the immediate future. Cash dividends will, in all probability, only be paid in the event the Company successfully brings one of its mineral property interests into production. The Company has no present intention of paying cash dividends on its common shares as it anticipates that all available funds will be invested to finance further acquisition, exploration and development of its mineral properties.

### 5.2 Dividend Policy

The Company's dividend policy is as follows:

#### 1. *Payment of Dividends Subject to Special Rights*

The provisions of this section are subject to the rights, if any, of shareholders holding shares with special rights as to dividends.

#### 2. *Declaration of Dividends*

Subject to the *Business Corporations Act* (British Columbia), the directors may from time to time declare and authorize payment of such dividends as they may deem advisable.

#### 3. *No Notice Required*

The directors need not give notice to any shareholder of any declaration under these sections.

#### 4. *Record Date*

The directors may set a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend. The record date must not precede the date on which the dividend is to be paid by more than two months. If no record date is set, the record date is 5 p.m. on the date on which the directors pass the resolution declaring the dividend.

#### 5. *Manner of Paying Dividend*

A resolution declaring a dividend may direct payment of the dividend wholly or partly by the distribution of specific assets or of fully paid shares or of bonds, debentures or other securities of the Company, or in any one or more of those ways.

#### 6. *Settlement of Difficulties*

If any difficulty arises in regard to a distribution, the directors may settle the difficulty as they deem advisable, and, in particular, may:

- (1) set the value for distribution of specific assets;
- (2) determine that cash payments in substitution for all or any part of the specific assets to which any shareholders are entitled may be made to any shareholders on the basis of the value so fixed in order to adjust the rights of all parties; and
- (3) vest any such specific assets in trustees for the persons entitled to the dividend.

#### 7. *When Dividend Payable*

Any dividend may be made payable on such date as is fixed by the directors.

#### 8. *Dividends to be Paid in Accordance with Number of Shares*

All dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.

9. *Receipt by Joint Shareholders*

If several persons are joint shareholders of any share, any one of them may give an effective receipt for any dividend, bonus or other money payable in respect of the share.

10. *Dividend Bears No Interest*

No dividend bears interest against the Company.

11. *Fractional Dividends*

If a dividend to which a shareholder is entitled includes a fraction of the smallest monetary unit of the currency of the dividend, that fraction may be disregarded in making payment of the dividend and that payment represents full payment of the dividend.

12. *Payment of Dividends*

Any dividend or other distribution payable in cash in respect of shares may be paid by cheque, made payable to the order of the person to whom it is sent, and mailed to the address of the shareholder, or in the case of joint shareholders, to the address of the joint shareholder who is first named on the central securities register, or to the person and to the address the shareholder or joint shareholders may direct in writing. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

13. *Capitalization of Surplus*

Notwithstanding anything contained in the Company's articles, the directors may from time to time capitalize any surplus of the Company and may from time to time issue, as fully paid, shares or any bonds, debentures or other securities of the Company as a dividend representing the surplus or any part of the surplus.

## **ITEM 6: DESCRIPTION OF CAPITAL STRUCTURE**

### **6.1 General Description of Capital Structure**

The Company is authorized to issue an unlimited number of common shares without par value.

All common shares of the Company rank equally as to dividends, voting powers and participation in assets and in all other respects. Each share carries one vote per share at meetings of the shareholders of the Company. There are no indentures or agreements limiting the payment of dividends and there are no conversion rights, special liquidation rights, pre-emptive rights or subscription rights attached to the common shares. The shares presently issued are not subject to any calls or assessments.

The rights of holders of common shares may not be modified other than by vote of at least 2/3 of the common shares voting on such modification. Because a quorum for a general meeting can exist with two shareholders, present in person or by proxy, the rights of holders of common shares may be modified by the votes of less than a majority of the issued common shares of the Company. Notwithstanding the foregoing, at the annual general meeting of shareholders of the Company held on June 2, 2017, the shareholders of the Company approved an amendment to the Company's articles to allow the directors of the Company to approve by directors' resolution the alteration in certain respects of the authorized share capital of the Company. Pursuant to the amended articles, among other things, the directors of the Company may approve by directors' resolution the creation of new classes of shares, and the subdivision or consolidation of outstanding classes of shares.

In February 2017, Canarc received regulatory approval for a normal course issuer bid to acquire up to 10.9 million of its common shares representing approximately up to 5% of its issued and outstanding common shares at that time. The bid commenced on February 8, 2017 and terminated on February 7, 2018, or on such earlier date as the bid was completed. The actual number of common shares purchased under the bid and the timing of any such purchases will be at Canarc's discretion. Purchases under the bid shall not exceed 86,128 common shares per day. Canarc will pay the prevailing market price at the time of purchase for all common shares purchased under the bid, and all common shares purchased by Canarc will be returned to treasury and cancelled. For the year ended December 31, 2017, Canarc purchased 2.6 million shares for CAD\$213,700 with an average price of CAD\$0.08 per share, of which 2.5 million common shares have been cancelled and the remaining common shares were cancelled in February 2018. Subsequent to December 31, 2017, a further 86,000 common shares for CAD\$6,450 were purchased at an average price of CAD\$0.08 per share and which were all cancelled in February 2018.

## ITEM 7: MARKET FOR SECURITIES

### 7.1 Trading Price and Volume

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

The following table provides the high and low prices and volume for the Company's shares for the periods indicated as traded on the TSX:

(Stated in terms of Canadian dollars)

Month	High (CAD\$)	Low (CAD\$)	Volume
2017			
January	\$0.09	\$0.08	6,107,800
February	\$0.11	\$0.08	7,265,300
March	\$0.12	\$0.09	13,691,500
April	\$0.12	\$0.10	5,485,900
May	\$0.11	\$0.10	4,153,800
June	\$0.11	\$0.09	4,217,300
July	\$0.09	\$0.08	1,595,400
August	\$0.09	\$0.08	1,528,400
September	\$0.09	\$0.08	1,687,900
October	\$0.09	\$0.08	1,218,000
November	\$0.08	\$0.07	1,764,500
December	\$0.11	\$0.08	3,271,800
2018			
January	\$0.09	\$0.07	4,488,700
February	\$0.08	\$0.07	1,264,600
March 1 to 26	\$0.08	\$0.06	717,400

### 7.2 Prior Sales

#### *Warrants*

In 2017, Canarc issued 250,000 warrants, including finders fee warrants, pursuant to a flow through private placement, as follows:

<u>Date of Issue</u>	<u>Expiry Date</u>	<u>Exercise Price (CAD\$)</u>	<u>Number of Warrants Issued</u>	
April 21, 2017	April 21, 2019	\$0.15	250,000	Finders fee warrants
<b>Total Number of Warrants issued during 2017</b>			<u>250,000</u>	

In July 2017, Canarc extended the expiry date of warrants for 8.45 million common shares with an exercise price of CAD\$0.10 from July 31, 2017 to July 31, 2018. These warrants were originally issued pursuant to a private placement which closed on January 31, 2014.

### ***Stock Options***

In fiscal 2017, the Company granted the following stock options to directors, officers, employees and/or consultants:

<u>Date of Grant</u>	<u>Expiry Date</u>	<u>Exercise Price (CAD\$)</u>	<u>Number of Stock Options Granted</u>	<u>Vesting Provisions</u>
June 2, 2017	June 2, 2022	\$0.10	3,100,000	25% vest on grant date and 25% vest every 6 months thereafter.
September 13, 2017	September 13, 2022	\$0.09	500,000	25% vest on grant date and 25% vest every 6 months thereafter.
<b>Total Number of Stock Options granted during 2017</b>			<u>3,600,000</u>	

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

## **ITEM 8: ESCROWED SECURITIES**

### **8.1 Escrowed Securities**

The Company does not have any escrowed securities.

## **ITEM 9: DIRECTORS AND OFFICERS**

### **9.1 Name, Occupation and Security Holding**

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

Name and Ordinary Residence <sup>(1)</sup>	Principal Occupation or Employment during the past five years <sup>(1) (2)</sup>	Period as a Director of the Company	Approximate number and percentage of voting securities beneficially owned, directly or indirectly or over which direction or control is exercised (as of March 26, 2018) <sup>(8)</sup>
<b>Bradford J. Cooke</b> <sup>(7)</sup> Chairman and Director BC, Canada	Chairman and Director (since Jan. 22, 1987) and CEO (from Jan. 22, 1987 to Jan. 13, 2014) of Canarc Resource Corp.; CEO and a Director of Endeavour Silver Corp. (since July 2002)	Since January 22, 1987	8,268,580 (3.78%)
<b>Martin Burian</b> <sup>(3),(4),(7)</sup> Director BC, Canada	Managing Director of RCI Capital Group (since Jan. 2018); Chief Financial Officer (part time) of Heffel Fine Art Auction House (since April 2016); Chief Financial Officer of ML Gold Ltd. (formerly, Cap-Ex Iron Ore Ltd. (from July 2013 to May 2017); Director and Chief Financial Officer of Tinkerine Studio Ltd. (from Feb. 2014 to Feb. 2016); Managing Director of Investment Banking for Haywood Securities Inc. (from Nov. 2010 to May 2013)	Since November 1, 2013	24,820 (0.01%)
<b>Deepak Malhotra</b> <sup>(3),(4),(5),(6)</sup> Director Colorado, USA	President of Resource Development Inc. (since June 1993)	Since June 29, 2015	416,667 (0.19%)
<b>Leonard Harris</b> <sup>(3),(5)</sup> Director Colorado, USA	Retired, Former President and General Manager of Newmont Peru Ltd.	Since June 5, 2001	2,074,290 (0.95%)
<b>Catalin Kilofliski</b> Chief Executive Officer BC, Canada	Chief Executive Officer of Canarc Resource Corp. (since January 2014); Director of Corporate Communications for Aurcana Corporation (Sept 2012 to Dec 2013); Manager/Director of Investor Communications for Selwyn Resources Corp. (from July 2010 to Sept 2012)	Officer only	15,000 (0.01%)
<b>Garry Biles</b> President and Chief Operating Officer BC, Canada	President and Chief Operating Officer of Canarc Resource Corp. (since March 2007); General Manager for Glencairn Gold Corp. from April 2005 to January 2007	Officer only	1,077,766 (0.49%)

Name and Ordinary Residence <sup>(1)</sup>	Principal Occupation or Employment during the past five years <sup>(1) (2)</sup>	Period as a Director of the Company	Approximate number and percentage of voting securities beneficially owned, directly or indirectly or over which direction or control is exercised (as of March 26, 2018) <sup>(8)</sup>
<b>Philip Yee</b> Chief Financial Officer, Vice-President, Finance and Interim Corporate Secretary BC, Canada	Chief Financial Officer, VP-Finance, Interim Corporate Secretary, and/or Controller of Canarc Resource Corp. (from May 2003 to Present); Chief Financial Officer and VP Finance of Aztec Minerals Corp. (from July 2016 to Present); Director, Chief Financial Officer and VP-Finance of Caza Gold Corp. (from November 2007 to March 2017)	Officer only	0 (0%)

- (1) The information as to residence and principal occupation during the past five years is not within the knowledge of the Company and has been furnished by the respective directors and officers.
- (2) Unless otherwise stated above, each of the above-named nominees has held the principal occupation or employment indicated for at least five years.
- (3) Member of Audit Committee.
- (4) Member of Compensation Committee.
- (5) Member of Nomination Committee.
- (6) Member of Technical, Environmental, Social and Safety.
- (7) Member of Investment Committee.
- (8) As of March 26, 2018, Canarc had 218,693,144 shares issued and outstanding.

At the Company's Annual General Meeting held on June 2, 2017, Messrs. Bradford Cooke, Martin Burian, Deepak Malhotra and Leonard Harris were re-elected as directors for the ensuing year.

As at March 26, 2018, 11,877,123 common shares of Canarc are beneficially owned, directly or indirectly, by the directors and executive officers, as a group, representing 5.43% of Canarc's issued and outstanding voting securities (218,693,144 common shares).

## 9.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that:

- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief

executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Company, and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Company, and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to:

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

### **9.3 Conflicts of Interest**

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

## **ITEM 10: PROMOTERS**

### **10.1 Promoters**

Within the two most recently completed financial years ended December 31, 2017 and up to the date of this AIF, the Company does not have nor employed any person or company acting or performing as a promoter for the Company.

## **ITEM 11: LEGAL PROCEEDINGS**

### **11.1 Legal Proceedings**

During the most recently completed financial year and as at the date of this AIF, there are no known legal proceedings to which the Company is a party or which any of its property is the subject or any such proceedings known to the Company to be contemplated.

## **11.2 Regulatory Actions**

During the most recently completed financial year and as at the date of this AIF, there are no known current regulatory actions to which the Company is a party or are which any of its mineral property interests is the subject or are any such actions known to the Company to be contemplated, other than those disclosed in the Company's continuous disclosure documents and regulatory and public filings and in this AIF.

## **ITEM 12: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

### **12.1 Interest of Management and Others in Material Transactions**

Except as noted in this AIF, within the three most recently completed financial years ended December 31, 2017 and up to the date of this AIF, none of the following:

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

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

## **ITEM 13: TRANSFER AGENT AND REGISTRAR**

### **13.1 Transfer Agent and Registrar**

The Company's transfer agent and registrar is:

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

## **ITEM 14: MATERIAL CONTRACTS**

### **14.1 Material Contracts**

There are no other contracts, other than those herein disclosed in this AIF and other than those entered into in the ordinary course of the Company's business, that are material to the Company and which were entered into from January 1, 2018 to March 28, 2018, in the most recently completed fiscal year ended December 31, 2017 or before the most recently completed financial year, but is still in effect as of the date of this AIF.

The Company's material contracts include:

- a. The Earn-In Agreement with PanTerra in respect of the New Polaris project. For more information, see "General Development of The Business – Three-Year History".
- b. The definitive agreement with the Zacatecas state government to lease and operate the permitted 500 tonne per day La Plata ore processing plant located in the city of Zacatecas, Mexico. For more information, see "General Development of The Business – Three-Year History".

- c. The Purchase and Sale Agreement with Endeavour for the sale by Canarc of Oro Silver, which indirectly owns the El Compas project. For more information, see “General Development of The Business – Three-Year History”.
- d. Option Agreement with Eureka, pursuant to which Canarc has an option to earn up to a 75% interest in the FG Gold project. For more information, see “General Development of The Business – Three-Year History”.
- e. Letter Agreement with AIM, pursuant to which Canarc can acquire 100% legal and beneficial interests in mineral resource properties located in Nevada, Idaho and Utah (USA) along with NSR obligations. For more information, see “General Development of The Business – Three-Year History”.
- f. Forbearance Agreement with the debtor in which the loan principal totaling \$220,000 will be repaid in full in 2018. For more information, see “General Development of The Business – Three-Year History”.

## **ITEM 15: INTERESTS OF EXPERTS**

The following are names of persons or companies that have prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under NI 51-102 *Continuous Disclosure Obligations* by the Company during, or relating to, the Company’s most recently completed financial year end and whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company.

### **15.1 Names of Experts**

J.H. (Jim) Gray, P.Eng. of Moose Mountain was the independent Qualified Person as defined by NI 43-101 and prepared the Technical Report referred to in this document, titled “*New Polaris Project - Preliminary Assessment Update*”, which was dated April 10, 2011. The report was prepared by Moose Mountain and Giroux Consultants.

Messrs. Michael Norred, SME-RM, and Simon Henderson, MSc, MAusImm CP, of Techbase International Ltd., are the independent Qualified Persons as defined by NI 43-101 and prepared the Technical Report referred to in this document, titled “*Technical Report for the Fondaway Canyon Project*”, which was dated April 3, 2017. The report was prepared by Techbase International Ltd.

Dr. Jacob Margolis, a consultant to Canarc as Vice-President (Exploration), a Qualified Person, as defined by NI 43-101, has approved certain technical information in this AIF in connection with the drilling program for the Fondaway Canyon project.

Smythe LLP provided a report of independent registered public accounting firm dated March 28, 2018 in respect of the Company’s audited consolidated financial statements for the financial year ended December 31, 2017.

### **15.2 Interests of Experts**

Smythe LLP is independent within the meaning of the code of professional conduct of the Chartered Professional Accountants of British Columbia.

To the best of the Company’s knowledge, the experts named above do not hold and have not received, any registered or beneficial interest, direct or indirect, in any securities or other property of the Company or of one of the Company’s associates or affiliates when that expert prepared their respective reports, nor will such persons receive any registered or beneficial interest, direct or indirect, in any securities or other property of the Company in connection with the preparation of their respective reports.

## **ITEM 16: ADDITIONAL INFORMATION**

## 16.1 Additional Information

Additional information relating to the Company are as follows:

- (a) may be found on SEDAR at [www.sedar.com](http://www.sedar.com);
- (b) additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's Information Circular pertaining to its most recent Annual General Meeting of security holders that involves the election of directors; and
- (c) is also provided in the Company's financial statements and management discussion and analysis for its most recently completed financial year ended December 31, 2017.

## 16.2 Audit Committee

### 1. The Audit Committee's Charter

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

### 2. Composition of the Audit Committee

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

Martin Burian      Deepak Malhotra      Leonard Harris

As defined in NI 52-110, Martin Burian, Deepak Malhotra and Leonard Harris are "independent". The Company therefore meets the requirement of NI 52-110 that all audit committee members be independent.

All of the members of the audit committee are financially literate as defined in NI 52-110.

### 3. Relevant Education and Experience

*Martin Burian* – Mr. Burian is a Chartered Professional Accountant and Chartered Business Valuator with over twenty-five years of investment banking experience. He has a wealth of knowledge and expertise in corporate finance and advisory services, including mergers and acquisition in mineral exploration and mining. He is currently Managing Director of RCI Capital Group; the CFO (part time) of Heffel Fine Art Auction House; and a director of Elysee Development Corp., Ynvisible Interactive Inc., Canvass Ventures Ltd., Assure Holdings Corp., and Russell Breweries Inc. From February 2014 to February 2016, Mr. Burian was CFO and a director of Tinkerine Studio Ltd. Mr. Burian was Managing Director of Investment Banking at Haywood Securities Inc. from 2010 until mid-2013, prior to which he served as President of Bolder Investment Partners from 2009 until its merger with Haywood Securities in 2010. Mr. Burian obtained his CPA and CBV designations while at KPMG, and obtained his Bachelor of Commerce from the University of British Columbia in 1986.

*Deepak Malhotra* – Mr. Malhotra holds a PhD in mineral economics and is a metallurgical engineer and mineral economist with over 40 years of experience. He has a wealth of knowledge and experience in metallurgical research, process development for new mineral properties, plant troubleshooting, plant audits, detailed engineering and overall business management. He has worked for over 50 gold projects throughout the world. Mr. Malhorta is President of Resource Development Inc., a mining consulting services company. He is currently a director of Cardero Resource Corp. and Blackrock Gold Corp.

*Leonard Harris* - Mr. Harris is a professional engineer with a Metallurgy diploma and 50 years' experience in all aspects of mineral processing and mining operations worldwide, including the construction of the Yanacocha gold mine in Peru. He is currently a director of Coronet Metals Inc., Wealth Minerals Ltd., and Standard Tolling Corp.

4. Reliance on Certain Exemptions

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

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

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

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

6. Reliance on Section 3.8

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

7. Audit Committee Oversight

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

8. Pre-Approval Policies and Procedures

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

9. External Auditor Service Fees (By Category)

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

<b>Financial Year End</b>	<b>Audit Fees <sup>(1)</sup></b>	<b>Audit Related Fees <sup>(2)</sup></b>	<b>Tax Fees <sup>(3)</sup></b>	<b>All Other Fees <sup>(4)</sup></b>
December 31, 2016	CAD\$32,000	\$Nil	\$Nil	Nil
December 31, 2017	CAD\$35,000	\$Nil	\$Nil	Nil

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

**SCHEDULE "A"**

**CANARC RESOURCE CORP. (the "Company")**

**AUDIT COMMITTEE CHARTER**

Effective as of May 31, 2005

<b>1. Audit Committee Mandate</b> .....	<b>i</b>
<b>2. Committee Organization</b> .....	<b>i</b>
2.1 Composition & Independence .....	i
2.2 Financial Training & Financial Expert .....	i
2.3 Financial Expert Duties .....	ii
2.4 Annual Appointment and Chairman Appointment .....	ii
2.5 Removal & Compensation.....	ii
<b>3. Meetings</b> .....	<b>ii</b>
3.1 Quarterly Meetings .....	ii
3.2 Chairman Duties .....	ii
3.3 Third Party Attendees at Meetings .....	ii
3.4 Quorum & Majority Voting.....	ii
<b>4. Authority</b> .....	<b>ii</b>
4.1 Authority to Investigate & Require Disclosure.....	iii
4.2 Authority to Engage Outside Advisers .....	iii
4.3 Authority Over Company Auditors .....	iii
<b>5. Annual Performance Evaluation</b> .....	<b>iii</b>
<b>6. Specific Duties</b> .....	<b>iii</b>
<b>7. Complaint Procedures</b> .....	<b>iv</b>
<b>8. Limitations on Committee's Duties</b> .....	<b>v</b>

**1. AUDIT COMMITTEE MANDATE**

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

**2. COMMITTEE ORGANIZATION**

**2.1 Composition & Independence**

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

**2.2 Financial Training & Financial Expert**

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

### **2.3 Financial Expert Duties**

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

### **2.4 Annual Appointment and Chairman Appointment**

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

### **2.5 Removal & Compensation**

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

## **3. MEETINGS**

### **3.1 Quarterly Meetings**

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

### **3.2 Chairman Duties**

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

### **3.3 Third Party Attendees at Meetings**

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

### **3.4 Quorum & Majority Voting**

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

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

## **4. AUTHORITY**

#### **4.1 Authority to Investigate & Require Disclosure**

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

#### **4.2 Authority to Engage Outside Advisers**

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

#### **4.3 Authority Over Company Auditors**

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

### **5. ANNUAL PERFORMANCE EVALUATION**

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

### **6. SPECIFIC DUTIES**

In carrying out its oversight responsibilities, the Committee will:

- (a) Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
- (b) Review with the Company's management and, as necessary, its external auditors and recommend to the Board the Company's quarterly and annual financial statements and management discussion and analysis that is to be provided to shareholders, stakeholders and the appropriate regulatory authorities, including any financial statement contained in a prospectus, information circular, registration statement or other similar document.
- (c) Review the Company's management annual and interim earnings press release before any public disclosure.
- (d) Recommend to the Board the external auditors to be nominated for the purposes of preparing or issuing an audit report or performing other audit's review or attest services and the compensation to be paid to the external auditors. The external auditors shall report directly to the Committee.
- (e) The Committee will annually review the qualifications, expertise and resources and the overall performance of external auditor and, if necessary, recommend to the Board the termination of the external auditor (and its affiliates), in accordance with the applicable securities laws.
- (f) Review with management the scope and general extent of the external auditors' annual audit. The Committee's review should include an explanation from the external auditors of the factors considered in determining the audit scope, including major risk factors. The external auditors should confirm to the Committee whether or not any limitations have been placed upon the scope or nature of their audit procedures.
- (g) Be directly responsible for the oversight of the work of the external auditors, including the resolution of disagreements between management of the Company and the external auditors.
- (h) Review with the Company's management and external auditors the Company's accounting and financial reporting controls. Obtain annually in writing from the external auditors their observations, if any, on significant weaknesses in internal controls as noted in the course of the auditor's work.
- (i) Evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Company and ensure that the external auditors discuss with the

- Committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.
- (j) The Committee is to meet at least once annually, with the independent auditors, separately, without any management representatives present for the purpose of oversight of accounting and financial practices and procedures.
  - (k) Review with the Company's management and external auditors significant accounting and reporting principles, practices and procedures applied by the Company in preparing its financial statements. Discuss with the external auditors their judgment about the quality of the accounting principles used in financial reporting.
  - (l) Inquire as to the independence of the external auditors and obtain from the external auditors, at least annually, a formal written statement delineating all relationships between the Company and the external auditors and the compensation paid to the external auditors.
  - (m) At the completion of the annual audit, review with management and the external auditors the following:
    - i. The annual financial statements and related notes and financial information to be included in the Company's annual report to shareholders.
    - ii. Results of the audit of the financial statements and the related report thereon and, if applicable, a report on changes during the year in accounting principles and their application.
    - iii. Significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit. Inquire about the cooperation received by the external auditors during the audit, including all requested records, data and information.
    - iv. Inquire of the external auditors whether there have been any material disagreements with management, which, if not satisfactorily resolved, would cause them to issue a not standard report on the Company's financial statements.
  - (n) Meet with management, to discuss any relevant significant recommendations that the external auditors may have, particularly those characterized as "material" or "serious". Typically, such recommendations will be presented by the external auditors in the form of a Letter of Comments and Recommendations to the Committee. The Committee should review responses of management to the Letter of Comments and Recommendations from external auditors and receive follow-up reports on action taken concerning the aforementioned recommendations.
  - (o) Have the sole authority to review in advance, and grant any appropriate pre-approvals, of all non-audit services to be provided by the independent auditors and, in connection therewith, to approve all fees and other terms of engagement. The Committee shall also review and approve disclosures required to be included in periodic reports filed with securities regulators with respect to non-audit services performed by external auditors.
  - (p) Be satisfied that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements, and periodically assess the adequacy of those procedures.
  - (q) Review and approve the Company's hiring of partners, employees and former partners and employees of the present and past auditors.
  - (r) Review with management and the external auditors the methods used to establish and monitor the Company's policies with respect to unethical or illegal activities by the Company employees that may have a material impact in the financial statements.
  - (s) The Committee will conduct an appropriate review of all proposed related party transactions to identify potential conflict of interest and disclosure situations. The Committee shall submit the related party transaction to the Board of Directors for approval by a majority of independent directors, excluding any director who is the subject of a related transaction, and implementation of appropriate action to protect the Company from potential conflicts of interest.
  - (t) The Committee will, if required, prepare a report for the inclusion on the Company's proxy statement for its annual meeting of stockholders describing the Committee's structure, its members and their experience and education. The report will address all issues then required by the rules of the regulatory authorities.

## **7. COMPLAINT PROCEDURES**

The Committee shall establish procedures for:

- (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
- (b) the confidentiality, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

- (c) ensuring that significant findings and recommendations made by management and the external auditor are received and discussed on a timely basis;
- (d) the review of policies and procedures in effect for considering officers' expenses and perquisites; and
- (e) the performance of other oversight functions as requested by the Board. The Committee must periodically review such procedures to ensure they are effective and ensure compliance by the Company with such procedures.

## **8. LIMITATIONS ON COMMITTEE'S DUTIES**

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