



ANNUAL REVIEW 2009

A scenic mountain landscape featuring a winding road through a valley with vibrant autumn foliage. The foreground is filled with dense, golden-brown trees and shrubs, interspersed with grey rocks. In the middle ground, a narrow, light-colored road curves through the valley. The background shows steep, rocky mountain slopes with patches of green and yellow vegetation, leading up to rugged, brownish-grey mountain peaks under a clear sky.

“A Gold Resource
Company Focused
on Growth”

CORPORATE PROFILE

Canarc Resource Corp. (CCM: TSX, CRCUF: OTC-BB, CAN: DBF) is a growth-oriented gold exploration and mining company focused on the acquisition, discovery and development of strategic gold deposits in North America.

By seeking a JV partner to help develop its principal asset, the high-grade New Polaris gold mine project in BC, through feasibility and into production and by exploring the attractive new Tay-LP gold project in the Yukon, Canarc aims to deliver resource growth and enhance shareholder value.

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HIGHLIGHTS 2009

- Acquired an option to earn up to a 100% interest in the Tay LP property within the prolific Tintina Gold Belt of the Yukon Territory.
- Raised \$960,000 in two private placements to fund working capital and exploration drilling at Tay LP.
- Completed 1840 meters of diamond drilling in 10 holes at Tay LP to extend two historic gold-mineralized zones along strike and down dip.
- Updated the preliminary economic assessment of New Polaris at US\$900 gold to reflect the enhanced economics of building an 80,000 oz per year high grade, underground gold mine.

LETTER TO SHAREHOLDERS



Bradford J Cooke, Chairman and CEO

Dear Shareholders,

The main investment theme in 2009 seemed to be looking for early signs of recovery from the 2008 global financial crisis, led by the bounce back in the gold price. Gold was once again one of the best performing investment sectors in 2009, up 30% to close the year at US\$1087 per oz.

Resource stocks bottomed in late December 2008 due to tax loss selling and enjoyed a 25-50% bounce back in 2009. Canarc's share price opened 2009 at CA\$0.05 per share, peaked at \$0.19 in September and closed the year in the CA\$0.13 range.

Notwithstanding the difficult market conditions, Canarc management continued to seek opportunities for growth, as evidenced by our option to acquire the Tay LP property. We evaluated several other possible acquisitions during the year and updated the preliminary economic assessment of our New Polaris property.

Canarc's President, Garry Biles, oversaw the updating and optimization of the preliminary assessment on New Polaris by Moose Mountain Technical Services. The economics of the New Polaris gold mine project were substantially improved thanks to the higher gold price. At \$US900 per oz gold and a \$US /\$CA exchange rate of 0.95, the project generates a pre-tax Net Present Value ("NPV5%") of CA\$104.9 million (after-tax \$68.6 million), a pre-tax internal rate of return ("IRR") of 32.0% (after-tax 25.8%) and a payback period of 2.7 years. Cash costs were estimated at US\$383 per oz of gold produced.

Canarc's Vice President of Exploration, James Moors oversaw

the evaluation and exploration of the Tay LP property within the prolific Tintina Gold Belt of the Yukon Territory. A total of 1840 meters of diamond drilling was completed in 10 holes at Tay LP to extend two historic gold-mineralized zones along strike and down dip. Drilling highlights included 9.14 gpt gold over 1.0 m (0.27 oz per ton over 3.3 feet) contained within a broader mineralized zone grading 0.71 gpt gold over 29.2 m in hole TLP09-1.

Caza Gold Corp. acquired a large new gold exploration project in the Moris district of western Chihuahua in 2009. Caza also completed a two phase surface mapping and sampling program at its primary Santiago gold project, also located in western Chihuahua. Canarc sold 800,000 shares of Caza privately in 2009 to hold approximately 1.6 million shares, or about 7% of Caza Gold Corp. at year-end.

Aztec Metals Corp. optioned a 50% interest in its primary property at Matehuala in San Luis Potosi to Parallel Resources in 2009. The Company subsequently optioned a 50% interest in a second property at Charcas West in San Luis Potosi to Parallel Resources. Aztec owns a third property at Viesca in Coahuila. Canarc continues to hold approximately 2.4 million shares, or about 11% of the shares of Aztec.

Outlook For 2010

The outlook for gold and gold stocks for 2010 remains positive as evidenced by the run in the gold price late last year to US\$1200 per oz and some forecasters are calling for US\$1500

gold or higher this year. Management is also bullish that gold will seek new highs this year due to the continuing decline of fiat currencies and the inflation that inevitably arises from reflationary monetary policies.

Canarc plans three strategic initiatives this year to create value for shareholders.

Firstly, Canarc will continue to seek strategic alternatives such as a joint venture or other means to advance the New Polaris high grade gold mine project to mine development and a full feasibility study. Discussions are currently underway with a couple of interested parties.

Secondly, the Company will look for ways to optimize its investment in, and option to acquire, the Tay LP property. Gold mineralization at Tay-LP shares some geological similarities with other recent gold discoveries within the Tintina Gold Belt, such as the Rau property of Atac Resources (ATC: TSX-V) and the Ketz River gold deposit of Yukon-Nevada Gold (YNG: TSX). Management is of the opinion that the exploration potential at Tay LP remains very attractive. The 2009 drill holes are still 1000 m east of the intrusive contact and have yet to test the full length of the MaxMin anomaly. Combine these factors with the existence of two other intrusive bodies, and numerous other untouched geophysical and geochemical anomalies and it is safe to say we have many attractive targets that we are looking forward to testing with the next exploration program.

Thirdly, we will continue to pursue new opportunities for growth by evaluating attractive gold projects in the USA and Canada for acquisition where management's exploration and mining experience can add value. Management is of the belief that this market environment is very attractive for making strategic gold property acquisitions at this time while asset values are depressed.

We appreciate the support of our many shareholders, and we can all look forward to a more rewarding year of growth for the Company.

Bradford J. Cooke
Chairman and C.E.O.

March 30, 2010



NEW POLARIS PROJECT B.C., Canada

Canarc owns a 100% interest (subject to a net profits royalty) in the New Polaris gold mine project, one of the largest, undeveloped, high grade gold deposits in western Canada. This 1196 hectare (2956 acre), past producing, gold mine property is located about 60 km (40 miles) northeast of Juneau, Alaska and 100 km (60 miles) south of Atlin, B.C. on the west bank of the Tulsequah River.

Location and Access

New Polaris is located at approximately sea-level near the border with Alaska in north-western B.C. Year round access is available by charter air services from Juneau, Alaska or Atlin, BC, and seasonal barge access is also possible along the Taku River.

History

Prospectors discovered gold at the mine-site in 1929. The Polaris Taku mine, as it was then known, was built in 1936 and commissioned a year later. It operated for 5 years until 1942 and then again after the WWII from 1946 to 1951.

A total of 232,000 oz. gold was produced from 760,000 tons of ore grading 0.35 oz./ton (12 gpt). Gold concentrates were shipped to the smelter in Tacoma, Washington for refining.

The mine closed in 1951 and the town and mill facilities were leased to Cominco Lt.d. who operated the adjacent Tulsequah Chief copper-zinc-silver-gold mine from 1952-1957.

New Polaris then lay dormant for 31 years until exploration resumed in 1988. Canarc acquired New Polaris in 1992 and has since drilled 291 holes, totaling 245,000 feet of core (75,000 meters), to outline major new extensions to the mineralized zones below and beyond the mine workings.



High Gold Grades, Robust Economic Potential

NI 43-101 Resource Estimate

In Q1, 2007, the Company received an updated, independent NI 43-101 report that estimated measured and indicated undiluted resources ranging from 457,000 to 570,000 oz of gold contained in 1,009,000 to 1,670,000 tonnes (1,112,233 to 1,840,861 tons) of mineralized vein material grading 10.6 to 14.1 grams per tonne (0.31 to 0.41 oz per ton) using a range of cutoff grades from 2 to 8 gpt (0.06 to 0.23 opt). Greater than 95% of the measured and indicated resources are located within the C vein system where infill drilling programs were conducted over the past three years.

Inferred undiluted resources range from 571,000 to 697,000 oz of gold contained in 1,340,000 to 2,060,000 tonnes (1,477,098 to 2,270,763 tons) of mineralized vein material grading 10.5 to 13.3 grams per tonne (0.31 to 0.39 oz per ton) using a range of cutoff grades from 2 to 8 gpt (0.06 to 0.23 opt). Approximately 75% of the inferred resources are also located within the C vein system, with the remainder attributable to the Y19 and Y20 veins.

This updated NI 43-101 Compliant resource estimate was a key first step in advancing the New Polaris gold project towards the feasibility stage.



NI- 43-101 Optimized Economic Assessment

An updated NI 43-101 preliminary economic assessment report (“PEA”) by Moose Mountain Technical Services (Moose Mountain”) on the New Polaris gold mine project in north-western British Columbia has significantly improved the estimated project economics for an 80,000 oz per year gold mine.

In the new base case preliminary economic model, higher gold prices appear to have a significant positive impact on the New Polaris gold mine project economics. Using new base case parameters for the gold price (\$US 900 per oz), \$CA /\$US exchange rate (0.95) and cash costs (US\$383 per oz), the updated Moose Mountain PEA generates a discounted (5%) after-tax Net Present Value (“NPV”) of CA\$68.6 million with an after-tax Internal Rate of Return (“IRR”) of 25.8% and a 2.7 year pay-back period.

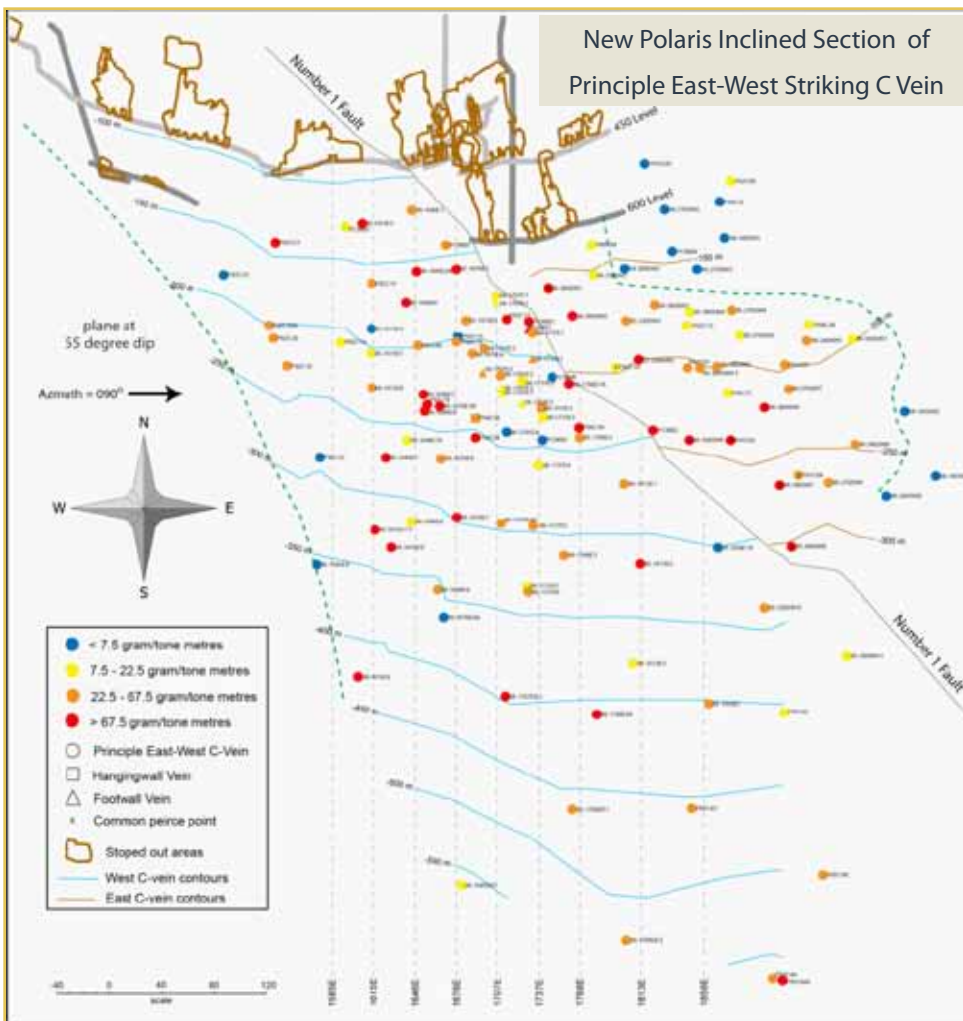
Canarc’s proposed feasibility work program would include driving a decline from surface down to the 1050 mine level (1000 feet below surface), developing one or more drifts and raises within the C vein, trial mining to extract a bulk sample, shipping and processing of a representative portion of the bulk sample for final metallurgical testing, finalizing the process flow sheet and completing a feasibility study at an estimated cost of CA\$18.7 million.

New Polaris - Base Case Production Model:

Scheduled Resources	806,000 tonnes measured and indicated grading 13.2 gpt Au (after dilution) and 944,000 tonnes inferred grading 11.9 gpt Au (after dilution) and a 9 gpt cutoff
Production Rate	600 tonnes per day
Grade	12.5 grams per tonne (diluted 20%)
Recoveries	91% gold into concentrate
Output	80,000 oz gold per year
Mine Life	8 years

The updated preliminary economic parameters are as follows:

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



Over 250 Drill Holes Have Tested Extensions of Previously Mined Deposit



In June, 2008 Canarc spun-out its Mexican gold project to its wholly-owned subsidiary Caza Gold Corp., and distributed by way of a dividend approximately 83% of the Caza shares pro rata to Canarc shareholders under a Plan of Arrangement. The purpose of the spin-out was for Canarc shareholders to realize the full potential of Canarc's Mexican gold projects by advancing them through the financing of Caza Gold rather than financing Canarc.

In 2009, Caza Gold Corp. acquired two gold exploration projects in Chihuahua, Mexico. The first acquisition was the Moris Exploration properties that are located in the well-mineralized Ocampo-Moris Mining District of western Chihuahua. Several mining companies including Hochschild, Gammon Gold, Agnico Eagle, and Minefinders have active exploration and mining operations in this region. Caza's Moris properties are adjacent to the Hochschild open-pit heap leach gold mining operation that produces 25,000 oz gold per year.

The 47,433 hectare Moris land package encompasses several prospective gold areas including three principal sub-districts, Moris, Tecolote, and La Cienega-Balleza. The Cienega-Balleza area hosts multiple historic mine workings and surface exploration and drilling by Exmin and Hochschild identified interesting gold and silver values related to large silicified areas and in vein structures. Caza is excited with the excellent potential of the area and plans to complete further exploration activities in 2010 and 2011.

The second acquisition was the 791 hectare Santiago Fraction property located in the Batopilas silver-gold district of southwestern Chihuahua. The Santiago Fraction surrounds Caza's Santiago Property which is a high grade gold project (962 hectares).

The Santiago gold project (962 hectares) is located 12 km east of the town of Batopilas, an historic silver district famous for its bonanza silver grades, in the southwestern part of Chihuahua State, Mexico. The city of Chihuahua 230 km to the northeast has an international airport and the city of Parral 200 km east is a regional distribution centre. The properties are accessed by a good gravel road and local infrastructure is excellent for labour, power and water.

The Santiago properties cover two prominent iron oxide-silica-clay alteration zones, one of which surrounds multiple parallel, gold-bearing, quartz-sulfide veins. These properties have been owned by the same family for over 100 years and have never been explored by modern methods.

Sampling of the veins returned consistently high grade gold assays including 30.3 gpt gold over 2.3 m (0.88 opt over 7.5 ft) in the Veta Blanca, 7.0 gpt gold over 5.0 m (0.2 opt over 16.4 ft) in the Veta Tajos and 17.7 gpt gold over 2.5 m (0.52 opt over 8.2 ft) in the Veta Verde.

The 2009 Santiago exploration program consisted of additional mapping and sampling of the two altered and mineralized zones. Two hundred and fifty two samples were collected in the Cliff Zone and 326 samples were collected along the Road Zone to the west. Cliff Zone samples returned assays up to 144 grams per tonne (gpt) over 1.5 meters from the three main gold bearing quartz veins. Road Zone samples returned highly anomalous bismuth analyses ranging from 3 to 392 ppm. Gold has a strong association with silver, bismuth and other indicator metals in the vein zone. The altered zone along the road contains low gold values but very high indicator metal values, indicating a possible vein continuation of at least 625 meters to the west of the vein outcrops. Caza plans to test the high grade gold veins with a drilling program in the fall of 2010.



Caza Projects Location Map



AZTEC METALS corp.

Canarc continues to hold approximately 11% of the shares of Aztec Metals Corp. Aztec currently holds three attractive exploration properties in northern Mexico totalling 93,000 hectares. The company intends to seek an Exchange listing in order to finance further property exploration and acquisitions.

Exploration Targets – Aztec’s business model entails “elephant-hunting” for poly-metallic mineral discoveries with precious metal credits through the acquisition and exploration of “district-scale” properties in Mexico. Two recent examples of such discoveries within 80 km of Aztec’s properties include the massive new Penasquito mine of Goldcorp (26.8 million oz gold and 1.79 billion oz silver combined reserves/resources) and the exciting new Camino Rojo discovery of Canplats Resources (4.0 million oz gold and 68 million oz silver) who were recently taken over by Goldcorp in a \$238 million friendly transaction.

Initial Properties - The Company owns three early-stage, poly-metallic mineral properties in Mexico: Matehuala and Charcas West in San Luis Potosi state, and Viesca in Coahuila state.

The Matehuala property (25,000 hectares) is Aztec’s most advanced exploration project. It is attractively located only 50 km east of the recent Camino Rojo gold-silver-lead-zinc discovery of Canplats Resources in Zacatecas within the same favourable geological belt. These properties cover several small historic mines located at the junction of two major structural trends that have potential to host large, silver-gold-zinc-lead, breccia pipe orebodies (Penasquito or Camino Rojo-type) and carbonate replacement deposits (Naica or Santa Eulalia-type). Following geological mapping, rock chip sampling and geophysical IP and MAG surveys, a 1500 m drill program was initiated in May of this year.

The Charcas West property (65,900 hectares) adjoins Camino Rojo about 50 km to the south and also covers similar favourable geology. Initial prospecting surveys have been completed and multiple virgin prospect areas were discovered, including two areas of quartz float assaying up to 0.4 gpt gold, one area containing widespread argillic alteration, iron enrich-

ment and anomalous pathfinder elements, and one area with massive sulfide potential as evidenced by outcropping, geochemically anomalous barite-chert beds.

The Viesca property (2,325 hectares). It covers more than 50 small historic mine pits, shafts and workings along an 8.5 km long trend that includes three styles of mineralization: CRD-type zinc-lead-silver manto replacements in limestone; Vein-type copper in quartz-carbonate-hematite veins; and copper-silver-lead strata-bound replacements of a 10-20 m thick tuff or sandstone unit that can be traced for several kms. Sampling of the main 300 m long mine workings and dumps returned average grades of 1.98% Cu, 1.78% Pb and 62 gpt Ag. The extensive surface showings suggest that this style of mineralization could have major tonnage potential – up to 8 km along strike by 1 km down dip.

Current Status - An NI 43-101 report was prepared on the Matehuala project for a draft Prospectus in 2008 but due to poor market conditions, Aztec had to delay the proposed IPO and elected to enter into an option agreement with Parallel Resources Ltd, whereby Parallel has earned a 50% interest in the Matehuala property by paying \$45,000 cash, issuing 500,000 shares and spending \$322,000 on exploration. Aztec recently reached a second agreement with Parallel to option a 50% interest in the Charcas West property for \$150,000 cash and \$425,000 in exploration expenditures.





MANAGEMENT & DIRECTORS

From left to right: Canarc's Management Team Gregg Wilson (Investor Relations), Garry Biles (President), Brad Cooke (CEO), Philip Yee (CFO), James Moors (VP Exploration)

Canarc's management and directors have successful track records for discovering ore deposits and developing them into production. Their high level of technical expertise comes from having decades of experience in the mining industry, and shareholders include Barrick Gold.

Bradford Cooke, M.Sc., P.Geo., President, CEO and Director, is a professional geologist with 33 years experience in the mining industry, focusing on the financing, acquisition, exploration and development of mining projects world-wide.

Garry Biles, P. Eng., President, is a professional engineer with 36 years experience, most recently as the General Manager of the Bellavista gold mine for Glencairn Gold.

Philip Yee, M.B.A., C.P.A., C.G.A., Chief Financial Officer, is a certified general accountant with an MBA degree and 20 years experience in corporate management, regulatory reporting, accounting, auditing and taxation.

James Moors, B.Sc., P.Geo., VP Exploration, is a professional geologist with 20 years experience in the minerals industry, specializing in exploration for and discovery of precious metal deposits in North America.

Gregg Wilson, M.SCI., Manager, Investor Relations, is a corporate communications professional with over 13 years experience in the natural resource sector as well as an extensive background in business administration and management.

Stewart Lockwood, L.L.B., M.B.A., Secretary and Legal Counsel, is a securities lawyer with an MBA degree and 24 years experience in corporate and securities law, business management and stock exchange listings.

Derek Bullock, P.Eng., Director, is a mining engineer who brings over 42 years of mine operating, engineering, and consulting experience and resource company management to the Board of Directors .

Leonard Harris, Metallurgical Engineer, Director, is a professional engineer with a metallurgy diploma and over 52 years experience in all aspects of mineral processing and mining operations, including the construction of the Yanacocha gold mine in Peru.

William Price, Director, brings to Canarc a wealth of experience and expertise in the financial world, formerly Chairman, CEO and CIO of RCM Capital Management LLC and Global Chief Investment Officer of Allianz Global Investors AG. where he was responsible for over US\$ 500 billion under management.

Bruce Bried, P.Eng., Director, is a professional engineer with over 33 years experience in mine engineering, operations, and reclamation, especially for underground, high grade vein gold and silver mines in North America.



Certain statements contained herein regarding the Company and its operations constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. All statements that are not historical facts, including without limitation statements regarding future estimates, plans, objectives, assumptions or expectations of future performance, are “forward-looking statements”. We caution you that such “forward looking statements” involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Such risks and uncertainties include fluctuations in precious metal prices, unpredictable results of exploration activities, uncertainties inherent in the estimation of mineral reserves and resources, fluctuations in the costs of goods and services, problems associated with exploration and mining operations, changes in legal, social or political conditions in the jurisdictions where the Company operates, lack of appropriate funding and other risk factors, as discussed in the Company’s filings with Canadian and American Securities regulatory agencies. Resource and production goals and forecasts may be based on data insufficient to support them. James Moors, P.Geo. and/or Bradford Cooke, P.Geo. are the Qualified Persons for the Company as required by NI 43-101. The Company expressly disclaims any obligation to update any forward-looking statements. We seek Safe Harbour.

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Garry Biles ~ President and Chief Operating Officer
James Moors ~ Vice-President, Exploration
Philip Yee ~ Chief Financial Officer
Stewart Lockwood ~ Secretary

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SHARES LISTED

Trading Symbols
TSX: CCM
OTC-BB: CRCUF
DB-Frankfurt: CAN

ANNUAL & SPECIAL GENERAL MEETING

June , 2010, 10 : 00 AM
Head Office, Boardroom
Vancouver, BC, Canada

