



**Consolidated Financial Statements**

**(expressed in thousands of United States dollars)**

**Nine Months ended September 30, 2008 and 2007**

**(Unaudited – Prepared by Management)**

# SHAREHOLDER UPDATE

## Third Quarter Review of Fiscal 2008

**Bradford Cooke, Chairman and CEO of Canarc Resource Corp.**, is pleased to provide the following review of the Third Quarter of Fiscal 2008 and the outlook for the Fourth Quarter of Fiscal 2008.

### Third Quarter Review and Fourth Quarter Outlook

During Q3, 2008, Canarc management continued to work on refining and assessing the process alternatives and economic models for the New Polaris gold mine project in northwestern B.C. A term sheet was received from a process facility offering to purchase the proposed gold concentrates from New Polaris, confirming that the project can produce a saleable gold con. An updated economic summary should be released shortly.

Canarc continued to await the re-issuance of the Benzdorp concessions by the Suriname Minister of Natural Resources. The Minister's office informed the Company in the 3rd quarter that its applications to renew these concessions required amendments so a revised application was filed in October.

Canarc management continued to evaluate several gold project submittals in North America during the 3rd Quarter and carried out several site visits, but none met the Company's acquisition requirements. Additional gold mine projects have been identified and are scheduled for due diligence review in Q4, 2008.

A non-brokered private placement equity financing was announced in late September and amended in early November. The net proceeds will be used as working capital and to evaluate prospective gold mine property acquisitions as they arise.

The outlook for the fourth quarter will continue to be dominated by the global economic crisis that has negatively impacted junior mining shares such as Canarc. However, management is of the belief that this market environment is very attractive now for making strategic gold property acquisitions.

In a recent national interview, Donald Coxe, Global Market Strategist of BMO Financial, was asked if the commodity boom was over. Mr. Coxe responded, "No, it is just on hold".

### CANARC RESOURCE CORP.

Per:

/s/ *Bradford J. Cooke*

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

November 10, 2008

### CAUTIONARY DISCLAIMER – FORWARD LOOKING STATEMENTS

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. The Company expressly disclaims any obligation to update any forward-looking statements.

**Notice to Readers of the Interim Unaudited Consolidated Financial Statements  
For the Nine Months Ended September 30, 2008**

The interim unaudited consolidated financial statements of Canarc Resource Corp. (the “Company”) for the nine months ended September 30, 2008 (“Financial Statements”) have been prepared by management and have not been reviewed by the Company’s auditors. The Financial Statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2007 which are available at the SEDAR website at [www.sedar.com](http://www.sedar.com). The Financial Statements are stated in terms of United States dollars, unless otherwise indicated, and are prepared in accordance with Canadian generally accepted accounting principles.

# CANARC RESOURCE CORP.

Consolidated Balance Sheets

(Unaudited – Prepared by Management)

(expressed in thousands of United States dollars)

	September 30, 2008	December 31, 2007
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 13	\$ 633
Marketable securities (Note 5)	-	16
Receivables and prepaids	491	526
Royalty receivable - current portion (Note 6(c)(i))	25	50
	<b>529</b>	<b>1,225</b>
<b>NONCURRENT ASSETS</b>		
Mineral properties (Note 6)	18,323	18,629
Equipment (Note 7)	4	8
Royalty receivable - long-term portion (Note 6(c)(i))	135	127
Long-term investments (Note 8)	453	126
	<b>18,915</b>	<b>18,890</b>
	<b>\$ 19,444</b>	<b>\$ 20,115</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 198	\$ 331
Notes payable (Note 10)	-	304
	<b>198</b>	<b>635</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9(a))	55,272	55,289
Contributed surplus	2,181	2,014
Accumulated other comprehensive income	-	(28)
Deficit	(38,207)	(37,795)
	<b>19,246</b>	<b>19,480</b>
	<b>\$ 19,444</b>	<b>\$ 20,115</b>

Nature of operations (Note 1)

Commitments and contingencies (Note 6)

Subsequent event (Note 9(a))

Refer to the accompanying notes to the consolidated financial statements.

Approved by the Directors:

/s/ *Bradford Cooke*

Director

/s/ *William Price*

Director

# CANARC RESOURCE CORP.

Consolidated Statements of Operations and Comprehensive (Loss) Income

(Unaudited – Prepared by Management)

(expressed in thousands of United States dollars, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
<b>Expenses:</b>				
Amortization	\$ -	\$ 1	\$ 1	\$ 2
Corporate development	9	26	13	71
Employee and director remuneration (Note 11)	94	160	292	497
Foreign exchange (gain) loss	19	62	(15)	(59)
General and administrative	56	108	275	343
Shareholder relations	20	28	104	171
Stock-based compensation (Note 9(b))	54	152	167	386
<b>Loss before the undernoted</b>	<b>(252)</b>	<b>(537)</b>	<b>(837)</b>	<b>(1,411)</b>
Accretion of royalty receivable	3	-	9	-
(Loss) gain from disposition of marketable securities	1	460	(30)	1,124
Gain from long term investments	-	-	194	-
Disposition of subsidiary	250	-	250	-
Investment and other income	-	5	2	24
<b>(Loss) income before income tax</b>	<b>2</b>	<b>(72)</b>	<b>(412)</b>	<b>(263)</b>
Future income tax recovery	-	-	-	1,769
<b>(Loss) income for the period</b>	<b>\$ 2</b>	<b>\$ (72)</b>	<b>\$ (412)</b>	<b>\$ 1,506</b>
Other comprehensive income:				
Unrealized gain (loss) on marketable securities	(31)	(38)	(31)	(21)
Realized gain (loss) on marketable securities	29	-	29	-
Foreign exchange on realized gain (loss)	2	-	2	-
<b>Total other comprehensive income</b>	<b>\$ 2</b>	<b>\$ (110)</b>	<b>\$ (412)</b>	<b>\$ 1,485</b>
<b>Basic and diluted (loss) earnings per share</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0.01)</b>	<b>\$ 0.02</b>
Weighted average number of shares outstanding	<b>71,704,505</b>	70,750,688	<b>71,714,359</b>	69,285,486

Refer to the accompanying notes to the consolidated financial statements.

# CANARC RESOURCE CORP.

Consolidated Statements of Shareholders' Equity

(Unaudited – Prepared by Management)

(expressed in thousands of United States dollars)

	Nine months ended		Year ended	
	September 30, 2008		December 31, 2007	
	Shares	Amount	Shares	Amount
<b>Common shares:</b>				
Balance, beginning of period	71,734,505	\$ 55,289	68,470,476	\$ 55,629
Issued:				
Private placement	-	-	2,200,000	1,039
Property acquisition	-	-	45,000	24
Exercise of options	-	-	830,000	530
Exercise of share appreciation rights	-	-	189,029	106
Provision for flow-through shares	-	-	-	(2,039)
Write-off of mineral properties (Note 9(a))	(30,000)	(17)	-	-
Balance, end of period	71,704,505	55,272	71,734,505	55,289
<b>Contributed surplus:</b>				
Balance, beginning of period		2,014		1,855
Exercise of options		-		(177)
Fair value of stock options recognized		167		405
Fair value of share appreciation rights		-		(69)
Balance, end of period		2,181		2,014
<b>Accumulated other comprehensive income:</b>				
Balance, beginning of period		(28)		-
Adoption of new accounting policy for available-for-sale securities (Note 2(p))		-		837
Unrealized (loss) gain on available-for-sale securities		(3)		289
Realized gain on sale of available-for-sale securities		29		(1,152)
Foreign exchange on unrealized (loss) gain on available-for-sale securities		-		68
Foreign exchange on realized gain on available-for-sale securities		2		(70)
Balance, end of period		-		(28)
<b>Deficit:</b>				
Balance, beginning of period		(37,795)		(39,272)
Adoption of new accounting policy for royalty receivable (Note 2(o))		-		(38)
(Loss) income for the period		(412)		1,515
Balance, end of period		(38,207)		(37,795)
<b>Total Shareholders' Equity</b>		<b>\$ 19,246</b>		<b>\$ 19,480</b>

Refer to the accompanying notes to the consolidated financial statements.

# CANARC RESOURCE CORP.

Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

(expressed in thousands of United States dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
<b>Cash provided from (used for):</b>				
<b>Operations:</b>				
(Loss) income for the period	\$ 2	\$ (72)	\$ (412)	\$ 1,506
Items not involving cash:				
Accretion of royalty receivable	(3)	-	(9)	-
Amortization	-	1	1	2
Loss (gain) on disposition of marketable securities	(1)	-	30	-
Gain on disposition of long term investments	51	(460)	(143)	(1,124)
Gain on disposition of subsidiary	(250)	-	(250)	-
Future income tax recovery	-	-	-	(1,769)
Stock-based compensation	54	152	167	386
Unrealized currency translation gain	(49)	36	(25)	(30)
	(196)	(343)	(641)	(1,029)
Changes in non-cash working capital items:				
Receivables and prepaids	20	(88)	59	(117)
Accounts payable and accrued liabilities	(37)	(257)	(57)	(35)
	(213)	(688)	(639)	(1,181)
<b>Financing:</b>				
Issuance of common shares	-	1,428	-	1,454
<b>Investing:</b>				
Proceeds from disposal of marketable securities	-	661	12	1,643
Acquisition of marketable securities	-	(1)	-	(13)
Royalty receivable	-	-	25	25
Mineral properties, net of recoveries	(9)	(980)	(56)	(3,407)
Proceeds from disposal of long term investments	-	-	203	-
Long term investment	(2)	(1)	(340)	(54)
Proceeds from disposition of subsidiary	175	-	175	-
	164	(321)	19	(1,806)
<b>Decrease in cash and cash equivalents</b>	<b>(49)</b>	<b>419</b>	<b>(620)</b>	<b>(1,533)</b>
Cash and cash equivalents, beginning of the period	62	315	633	2,267
<b>Cash and cash equivalents, end of period</b>	<b>\$ 13</b>	<b>\$ 734</b>	<b>\$ 13</b>	<b>\$ 734</b>

Supplemental disclosure with respect to cash flows (Note 12)

Refer to the accompanying notes to the consolidated financial statements.

# CANARC RESOURCE CORP.

Notes to the Consolidated Financial Statements

Nine Months ended September 30, 2008

(Unaudited – Prepared by Management)

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

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## 1. Nature of Operations

Canarc Resource Corp. (the “Company”), a company incorporated under the laws of British Columbia, is in the mineral exploration business and has not yet determined whether its mineral properties contain reserves that are economically recoverable. The recoverability of amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves in its mineral properties, the ability of the Company to arrange appropriate financing to complete the development of its properties, confirmation of the Company’s interest in the underlying properties (Notes 6(e) and 6(f)), the receipt of necessary permitting and upon future profitable production or proceeds from the disposition thereof.

The Company has incurred significant operating losses and has an accumulated deficit of \$38,207,000 at September 30, 2008. Furthermore, the Company has working capital of \$331,000 as at September 30, 2008, which is not sufficient to achieve the Company’s planned business objectives. These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent on the continued financial support from its shareholders and other related parties, the ability of the Company to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company’s liabilities as they become payable. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

## 2. Significant Accounting Policies

### (a) Basis of presentation:

These consolidated financial statements include the accounts of the Company and its subsidiaries and equity investments, all of which are wholly-owned except for:

- Aztec Metals Corp. (“Aztec”), in which the Company held a 13% as at September 30, 2008 and such investment was accounted for using the cost method;
- Caza Gold Corp. (“Caza”), in which the Company held a 11% as at September 30, 2008 and such investment was accounted for using the cost method; and
- its 40% owned investee, Benzdorp Gold N.V., which is proportionately consolidated.

All significant intercompany transactions and balances have been eliminated.

### (b) Cash and cash equivalents:

Cash and cash equivalents include cash and short-term liquid investments having terms to maturity when acquired of three months or less. Short-term investments having terms to maturity when acquired of greater than three months and less than one year are included in marketable securities or other investments as appropriate.



# CANARC RESOURCE CORP.

Notes to the Consolidated Financial Statements

Nine Months ended September 30, 2008

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## 2. Significant Accounting Policies (continued)

### (c) Marketable securities:

Marketable securities include investments in shares of companies and other investments capable of reasonably prompt liquidation. Refer to Note 2(o) for change in accounting policy effective January 1, 2007.

### (d) Mineral properties:

All costs related to investments in mineral properties are capitalized on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. The costs related to a property from which there is production, together with the costs of mining equipment, will be amortized using the unit-of-production method. When there is little prospect of further work on a property being carried out by the Company or its partners or when a property is abandoned or when the capitalized costs are not considered to be economically recoverable, the related property costs are written down to the amount recoverable.

The amounts shown for mineral properties represent costs incurred to date, less recoveries and write-downs, and are not intended to reflect present or future values.

### (e) Equipment:

Equipment is recorded at cost and, for that equipment subject to amortization, the Company uses the declining balance method at rates varying from 10% to 30% annually. Amortization on equipment used directly on exploration projects is included in mineral properties.

### (f) Long-term investment:

Investment in shares of an affiliated company in which the Company's ownership is greater than 20% but no more than 50% is, where significant influence is present, accounted for by the equity method. Investment in shares in which the Company's ownership is less than 20%, where significant influence does not exist, is accounted for in accordance with the Company's policy for financial instruments as defined in Note 2(o)(i).

### (g) Stock-based compensation plan:

The Company has a share option plan which is described in Note 9(b). The Company records all stock-based payments using the fair value method. Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable, and are charged to operations over the vesting period. The offset is credited to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

# CANARC RESOURCE CORP.

Notes to the Consolidated Financial Statements

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## 2. Significant Accounting Policies (continued)

### (g) Stock-based compensation plan: (continued)

The Company has a share appreciation rights plan which provides option holders the right to receive the number of common shares, valued at the quoted market price at the time of exercise of the stock options, that represent the share appreciation since granting the options. The fair value of the underlying stock option, which is cancelled on the exercise of the share appreciation rights, is transferred from the related contributed surplus to share capital. The difference between the quoted market price, on the date the share appreciation right is exercised, of the shares issued and the fair value of the stock option is recorded as share capital and charged to operations.

### (h) Asset retirement obligations:

Any statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, are recognized if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. The Company assessed its mineral properties, and based upon such assessments, there were no known material asset retirement obligations as at September 30, 2008.

### (i) Earnings per share:

Basic earnings per share is computed by dividing the earnings available to common shareholders by the weighted average number of shares outstanding during the period. For all periods presented, earnings available to common shareholders equals the reported earnings. The Company uses the treasury stock method for calculating diluted earnings per share. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted earnings per share presented is the same as basic earnings per share as the effect of outstanding options and warrants in the earnings per share calculation would be anti-dilutive.

### (j) Foreign currency translation:

The Company uses the United States dollar as its reporting currency, and accounts denominated in currencies other than the United States dollar have been translated as follows:

- Revenue and expense items at the rate of exchange in effect on the transaction date;
- Non-monetary assets and liabilities at historical exchange rates, unless such items are carried at market, in which case they are translated at the exchange rate in effect on the balance sheet date; and
- Monetary assets and liabilities at the exchange rate at the balance sheet date.

Exchange gains and losses are recorded in the statement of operations in the period in which they occur.

# CANARC RESOURCE CORP.

Notes to the Consolidated Financial Statements

Nine Months ended September 30, 2008

(Unaudited – Prepared by Management)

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

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## 2. Significant Accounting Policies (continued)

### (k) Flow-through shares:

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

### (l) Use of estimates:

The preparation of financial statements requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to impairment of mineral properties, determination of reclamation obligations, valuation allowances for future income tax assets, and assumptions used in determining the fair value of non-cash stock-based compensation. Actual results could differ from those estimates.

### (m) Fair value of financial instruments:

The fair values of the Company's cash and cash equivalents, receivables, accounts payable and accrued liabilities, and notes payable approximate their carrying values due to the short terms to maturity.

### (n) Variable interest entities:

Consolidation principles apply to entities that meet the definition of a variable interest entity ("VIE"). An enterprise holding other than a voting interest in a VIE could, subject to certain conditions, be required to consolidate the VIE if it is considered its primary beneficiary whereby it would absorb the majority of the VIE's expected losses, receive the majority of its expected residual returns, or both. The Company does not have any VIE's.

# CANARC RESOURCE CORP.

Notes to the Consolidated Financial Statements

Nine Months ended September 30, 2008

(Unaudited – Prepared by Management)

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

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## 2. Significant Accounting Policies (continued)

### (o) Change in accounting policy:

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”) relating to financial instruments. The new standards have been adopted on a prospective basis with no restatement of prior period financial statements.

#### (i) CICA Handbook Section 3855 – Financial Instruments – Recognition and Measurement

The standard addresses the classification, recognition and measurement of financial instruments in the financial statements. This standard requires all financial instruments within its scope, including derivatives, to be included in the Company’s balance sheet and measured either at fair value on initial recognition or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are recognized in the statements of operations.

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the item. As such, any outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to the adoption date are recognized by adjusting accumulated other comprehensive income.

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings;
- Available-for-sale financial assets are measured at fair value based on quoted market prices. Investment in equity instruments classified as available-for-sale that does not have a quoted market price in an active market is measured at cost. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet either by disposition or permanent impairment at which time the realized gain or loss is transferred to net earnings;
- Held-for-trading financial instruments are measured at fair value. All gains and losses are included in net earnings in the period in which they arise; and
- All derivative financial instruments are classified as held-for-trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net earnings in the period in which they arise.

# CANARC RESOURCE CORP.

Notes to the Consolidated Financial Statements

Nine Months ended September 30, 2008

(Unaudited – Prepared by Management)

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

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## 2. Significant Accounting Policies (continued)

### (o) Change in accounting policy: (continued)

#### (i) CICA Handbook Section 3855 – Financial Instruments – Recognition and Measurement (continued)

In accordance with the new standard, the Company has classified its marketable securities as available-for-sale securities. Such securities are measured at fair market value in the consolidated financial statements with realized gains or losses recorded in net earnings and unrealized gains or losses recorded in other comprehensive income. This change in accounting policy resulted in an increase of \$837,000 in the carrying value of its marketable securities on initial adoption on January 1, 2007.

The Company's royalty receivable from disposition of subsidiary (Note 6(c)(i)) is classified as loans and receivables. It is measured at amortized cost and is amortized to interest income using the effective interest rate method. This change in accounting policy resulted in a decrease of \$38,000 in the carrying value of its royalty receivable from disposition of subsidiary on initial adoption on January 1, 2007.

Its investments in shares of Aztec and Caza are classified as available-for-sale but such shares do not have a quoted market price in an active market and are therefore measured at cost.

#### (ii) CICA Handbook Section 3865 - Hedging

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. Section 3865, "Hedges" specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of foreign currency exposures of net investments in self-sustaining foreign operations. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, or the derivative is terminated or sold, or upon the sale or early termination of the hedged item. The Company does not have any hedges.

#### (iii) CICA Handbook Section 1530 - Comprehensive Income

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements.

Accordingly, the Company now includes the account "accumulated other comprehensive income" in the shareholders' equity section of the consolidated balance sheet and the account "other comprehensive income" in the statement of operations.

# CANARC RESOURCE CORP.

Notes to the Consolidated Financial Statements

Nine Months ended September 30, 2008

(Unaudited – Prepared by Management)

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

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## 2. Significant Accounting Policies (continued)

### (p) New Accounting Pronouncements:

#### (i) Capital disclosures:

In February 2007, the CICA issued Handbook Section 1535, “Capital Disclosures”, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity’s objectives, policies and procedures for managing capital. The new section is effective for years beginning on or after October 1, 2007. Note 3 provides further details.

#### (ii) Financial instruments:

In February 2007, the CICA issued two new standards, Section 3862 “Financial Instruments Disclosures” and Section 3863 “Financial Instruments Presentation”. These sections replace the existing Section 3861, “Financial Instruments Disclosure and Presentation”. Section 3862 provides users with information to evaluate the significance of the financial instruments of the entity’s financial position and performances, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interests, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The new sections are effective for years beginning on or after October 1, 2007. Note 4 provides further details.

#### (iii) Goodwill and intangible assets:

In February 2008, the CICA issued Handbook Section 3064 “Goodwill and intangible assets”, replacing Section 3062, “Goodwill and other intangible assets” and Section 3450, “Research and development costs”. This section establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new section is effective for years beginning on or after October 1, 2008. The Company is in the process of assessing the impact of this new section on its consolidated financial statements.

# CANARC RESOURCE CORP.

Notes to the Consolidated Financial Statements

Nine Months ended September 30, 2008

(Unaudited – Prepared by Management)

(tabular dollar amounts expressed in thousands of United States dollars, except per share amounts)

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## 2. Significant Accounting Policies (continued)

### (p) New Accounting Pronouncements: (continued)

#### (iv) International Financial Reporting Standards (“IFRS”):

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

#### (v) Going concern:

In June 2007, the CICA amended Handbook Section 1400, “General Standards of Financial Statement Presentation”, which requires management to make an assessment of the Company’s ability to continue as a going-concern. When financial statements are not prepared on a going-concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the Company is not considered a going-concern. The new section is effective for years beginning on or after October 1, 2008. The Company is in the process of assessing the impact of this new section on its consolidated financial statements.

The Company does not expect the adoption of the standards to result in any material changes to the Company’s financial statements.

### (q) Comparative figures:

Certain of the prior periods’ comparative figures have been reclassified to conform to the presentation adopted in the current period.

# CANARC RESOURCE CORP.

Notes to the Consolidated Financial Statements

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### 3. Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company considers the components of shareholders' equity, as well as its cash and equivalents and notes payable as capital. The Company manages its capital structure and makes adjustments to them in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue equity, issue debt, acquire or dispose assets, and / or adjust the amount of investments. The Company is not subject to externally-imposed capital requirements.

There were no changes to the Company's approach to capital management during the nine months ended September 30, 2008.

### 4. Management of Financial Risk

The Company is exposed in varying degrees to a variety of financial instrument related risks, including credit risk, liquidity risk, and market risk which includes commodity price risk, foreign exchange risk and interest rate risk. The types of risk exposure and the way in which such exposure is managed are provided as follows:

(a) Credit risk:

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. The Company does not have financial assets that are invested in asset backed commercial paper.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short term cash requirements and commitments.

Accounts payable and accrued liabilities are due within the current operating period.



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## 4. Management of Financial Risk (continued)

### (c) Market risk:

The significant market risk exposures to which the Company is exposed are commodity price risk, foreign exchange risk, and interest rate risk.

#### (i) Commodity price risk:

The value of the Company's mineral properties is dependent on the price of gold and the outlook for this precious mineral. The Company does not have any hedging or other commodity-based risks respecting its operations.

Market prices for this precious metal historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk.

#### (ii) Foreign exchange risk:

The Company's mineral properties and operations are in Canada and Suriname, and would subject it to foreign currency fluctuations including currency transaction risk and currency translation risk. Its operating expenses are incurred in Canadian dollars and Surinamese dollars, and fluctuations in U.S. dollars would impact the earnings (losses) of the Company and the values of its assets and shareholders' equity as its financial statements are stated in U.S. dollars. The Canadian dollar fluctuates and floats with the U.S. dollar. The Suriname dollar is tied to a U.S. dollar-dominated currency basket and has only changed nominally from 2.768 to 2.780 since 2004 and has remained unchanged at 2.780 in 2008.

At September 30, 2008, the Company is exposed to currency risk for its U.S. dollar equivalent of financial assets and liabilities denominated in currencies other than U.S. dollars as follows:

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	Held in Canadian dollars (stated in U.S. dollars)
Cash and cash equivalents	\$ 13
Receivables and prepaids	416
Accounts payable and accrued liabilities	<u>(181)</u>
Net financial assets	<u>\$ 248</u>

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Based upon the above net exposure as at September 30, 2008 and assuming all other variables remain constant, a 10% depreciation or appreciation of the U.S. dollar relative to the Canadian dollar could result in a decrease/increase of \$24,800 in the Company's net earnings.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

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## 4. Management of Financial Risk (continued)

### (c) Market risk: (continued)

#### (iii) Interest rate risk:

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return. Fluctuations in interest rates impact on the value of cash equivalents.

## 5. Marketable Securities

In the second quarter of fiscal 2008, the Company disposed all its remaining shares in marketable securities.

## 6. Mineral Properties

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	September 30, 2008		
	Acquisition Costs	Exploration/ Development	Total
British Columbia:			
New Polaris (Note 6(a)(i))	\$ 3,605	\$ 8,481	\$ 12,086
Suriname:			
Benzdorp (Note 6(c)(ii))	301	5,936	6,237
	<hr/>	<hr/>	<hr/>
	\$ 3,906	\$ 14,417	\$ 18,323

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### (a) British Columbia:

#### (i) New Polaris:

The New Polaris property, which is located in the Atlin Mining Division, British Columbia, is 100% owned by the Company subject to a 15% net profit interest which may be reduced to a 10% net profit interest within one year of commercial production by issuing 150,000 common shares to Rembrandt Gold Mines Ltd. Acquisition costs at September 30, 2008 include a reclamation bond for CAD\$249,000.

# CANARC RESOURCE CORP.

Notes to the Consolidated Financial Statements

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## 6. Mineral Properties (continued)

### (a) British Columbia: (continued)

#### (ii) Eskay Creek:

The Company continues to own a one-third carried interest in the Eskay Creek property, Skeena Mining Division, British Columbia, pursuant to a joint venture with Barrick Gold Corporation (“Barrick”). The property is subject to a 2% net smelter return in favour of a related company. In 2005, the Company elected to write-off the associated property costs.

### (b) Bellavista, Costa Rica:

The Company held a net profit interest in the Bellavista property, which is located near San Jose, Costa Rica. A property agreement giving Central Sun Mining Inc. (formerly, Glencairn Gold Corporation) (“Central Sun”) the right to earn a 100% working interest in the property calls for pre-production payments which ended in fiscal 2005. The Company had a net profit interest in Bellavista in which the Company was entitled to 5.67% of the net profits during the first payback period, as defined, then increasing to 10.40% during the second payback period and then to 20.24% of net profits thereafter, once commercial production commences. Thirty-five percent of this net profit interest will reduce the net profit interest to be received from Central Sun until \$317,741 in advance royalty payments were repaid.

In July 2008, the Company entered into a purchase and sale agreement for the sale of all its 78.5% interest in the subsidiary which holds the net profit interest in the Bellavista property, for CAD\$250,000 of which CAD\$75,000 remained outstanding as at September 30, 2008.

### (c) Suriname:

#### (i) Sara Kreek:

As at December 31, 2005, the Company held 80% of the shares of Sara Kreek Resource, the company that holds the Sara Kreek concession. On April 15, 2006, the Company entered into a Settlement and Termination Agreement with Suriname Wylap Development N.V., (“Wylap Development”), to transfer its interest in Sara Kreek Resource to Wylap Development. The Company received a cash payment of \$400,000 in 2006 and shall receive the greater of \$50,000 per year, payable semi-annually, or 1.5% royalty on annual gross production from the Sara Kreek property until December 31, 2011, in settlement of all claims, loans and advances owed to the Company.

# CANARC RESOURCE CORP.

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## 6. Mineral Properties (continued)

### (c) Suriname: (continued)

#### (i) Sara Kreek: (continued)

The royalty receivable has been determined using the effective interest rate method. The expected future cash flows have been discounted using the effective interest rate to determine the present value as at September 30, 2008.

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Present value of expected cash flows from royalties as at January 1, 2007	\$	212
Add: Accretion for the year		15
Less: Royalty received during the year		(50)
Present value of expected cash flows from royalties as at December 31, 2007		177
Less: Current portion of royalty receivable as at December 31, 2007		(50)
Long-term portion of royalty receivable as at December 31, 2007		127
Add: Accretion for the period		8
Long-term portion of royalty receivable as at September 30, 2008	\$	135

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#### (ii) Benzdorp:

In April 1996, the Company entered into an option agreement with Grasshopper Aluminum Company N.V. (“Grassalco”) to earn up to an 80% interest in the Benzdorp property by making cumulative cash payments of \$750,000 and property expenditures totalling \$5 million over a four-year period. In August 2002, the Company and Grassalco amended the option agreement. Cash payments prior to commercial production were reduced to \$300,000 with the balance of \$450,000 to be paid on or before 30 days after the commencement of commercial production, and exploration expenditures of \$5 million were to be incurred by April 2005. In April 2005 a further amendment to the option agreement was made which extended the date, by which the property expenditures had to be completed, to December 6, 2005, subject to a payment of \$40,000 which was made by the Company in April 2005. By December 6, 2005, the Company incurred property expenditures in excess of \$5 million.

Pursuant to the amended option agreement, the Company will owe Grassalco an additional \$250,000 payable on or before 30 days after the commencement of commercial production if a feasibility study has not been completed by October 6, 2005. For the years 2006 to 2008, the Company will owe an additional \$250,000 payable on or before 30 days after the commencement of commercial production. However, if a feasibility study has not been completed by October 6, 2008, then the annual additional cash payments of \$250,000 will increase at that time to \$500,000 payable on or before 30 days after the commencement of commercial production. These additional cash payments will be treated as advance payments against Grassalco’s shareholder ownership interest and will be deductible from Grassalco’s net profit share or net smelter profit from exploiting the deposits. As at September 30, 2008, the Company did not complete a feasibility study.

# CANARC RESOURCE CORP.

Notes to the Consolidated Financial Statements

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## 6. Mineral Properties (continued)

### (c) Suriname: (continued)

#### (ii) Benzdorp: (continued)

The Company has earned a 40% interest in the Benzdorp property, and can exercise its right to increase its interest by making additional option payments (Note 6(e)). During fiscal 2004, Grassalco transferred the Benzdorp concessions to an incorporated company in which the Company owns 40% and Grassalco owns 60%.

The exploration concessions for the Benzdorp property expired in July 2007, and Benzdorp Gold NV, the joint venture company held by the Company and Grassalco, has applied to the Minister of Natural Resources of Suriname for a three year extension to the Company's exploration concessions at Benzdorp. An extension is available at the discretion of the Suriname Minister of Natural Resources. The Company continues to have the exclusive right to explore the Benzdorp concessions after the expiry date until there is a decision on the application to extend.

### (d) Mexico:

#### (i) Los Arrastres:

In February 2007, the Company entered into an option agreement to acquire a 100% interest in the Los Arrastres gold/silver property by making \$2.5 million in cash payments and spending \$2 million on exploration over a 3 year period. The vendor will retain a 2% NSR and the Company had the right to reduce the NSR to 1% by paying \$1 million at any time. An initial payment of \$50,000 was made upon the signing of the option agreement and a further payment of \$75,000 was made in August 2007. A cash payment of \$25,000 was made in February 2008. Pursuant to the Plan of Arrangement which closed in June 2008, the property was transferred to Caza (Note 14).

#### (ii) Providencia and San Felix:

In March 2007, the Company entered into a preliminary option agreement to acquire a 100% interest in the Providencia and San Felix gold/silver properties by issuing 30,000 common shares to the vendors on signing a formal agreement within 30 days and making \$2 million in cash payments over a 2 ½ year period, including \$30,000 on signing. The Company issued 30,000 shares at a deemed value of CAD\$0.63 per share. The vendors will retain a 2 ½ % net smelter return royalty ("NSR"), and the Company had the right to reduce the royalty to 1 ½ % at any time by paying \$750,000 and issuing an option to the vendors to purchase 250,000 common shares of the Company at the five day closing share price average on the Toronto Stock Exchange prior to the royalty reduction.

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

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## 6. Mineral Properties (continued)

### (d) Mexico: (continued)

#### (iii) Santiago:

In May 2007, the Company entered into an option agreement to acquire a 100% interest in the Santiago gold property by making \$2 million in cash payments over a 5 year period and spending \$200,000 on exploration over a 2 year period. The vendor will retain a 2% NSR. An initial payment of \$30,000 was made upon the signing of the option agreement and a further payment of \$30,000 was made in November 2007. A cash payment of \$60,000 was made in May 2008. Pursuant to the Plan of Arrangement which closed in June 2008, the property was transferred to Caza (Note 14).

#### (iv) Santiago Fraction:

In September 2007, the Company entered into an option and joint venture agreement to acquire up to a 75% interest in the Santiago Fraction property by issuing 15,000 common shares, paying \$25,000 in cash after 1 year, and spending up to \$1 million in exploration over a 5-year period. The Company issued 15,000 common shares at a deemed value of CAD\$0.45 per share. Pursuant to the Plan of Arrangement which closed in June 2008, the property was transferred to Caza (Note 14).

### (e) Expenditure options:

As at September 30, 2008, to maintain the Company's interest and to fully exercise the options under various property agreements covering its properties, the Company must incur exploration expenditures on the properties and/or make payments in the form of cash and/or shares to the optionors as follows:

	Option/Advance Royalty Payments	Shares
Benzdorp (Note 6(c)(ii)):		
On commercial production <sup>(i)</sup>	\$ 450	-
New Polaris (Note 6(a)(i)):		
Net profit interest reduction or buydown	-	150,000
	\$ 450	150,000

<sup>(i)</sup> Payable on or before 30 days after the commencement of commercial production.

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

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## 6. Mineral Properties (continued)

### (f) Mineral properties contingencies:

The Company has diligently investigated rights of ownership of all of its mineral properties/concessions and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties/concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

## 7. Equipment

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	September 30, 2008		
	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 141	\$ 137	\$ 4

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## 8. Long-Term Investments

In May 2007, the Company exercised its warrants for 500,000 common shares of Aztec at an exercise price of CAD\$0.12. As at December 31, 2007, the Company had an interest of 17% in Aztec.

In 2008, the Company disposed of 815,000 shares of Aztec which reduced the Company's interest in Aztec to 13%.

As at September 30, 2008, the Company held 2,396,050 Caza shares representing approximately 11% interest in Caza. The Company closed the Plan of Arrangement (Note 14) with Caza in June 2008.

## 9. Share Capital

### (a) Authorized and issued:

The authorized share capital of the Company is comprised of unlimited common shares without par value.

Common shares issued for consideration other than cash are recorded at the quoted market value of the shares as of the agreement date, except in the case of common shares issued on exercise of stock options and share appreciation rights under the Company's stock option plan, which include the fair value of related options or rights previously allocated to contributed surplus.

In 2008, the Company wrote-off the Providencia property and 30,000 shares which were previously issued on acquisition were returned to treasury. Note 6(d)(ii) provides further details.

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## 9. Share Capital (continued)

### (a) Authorized and issued: (continued)

In November 2008, the Company announced a private placement for up to 1,500,000 units at CAD\$0.10 per unit for gross proceeds of up to CAD\$150,000. Each unit consists of one common share and one-half of a whole share purchase warrant; each whole warrant can be exercised to purchase an additional common share at CAD\$0.15 within an 18 month period.

### (b) Stock option plan:

The Company has a stock option plan that allows it to grant options to its employees, directors and consultants to acquire up to 18,374,095 common shares, of which options for 8,124,000 common shares are outstanding as at September 30, 2008. The exercise price of each option equals the high/low average price for the common shares on the Toronto Stock Exchange based on the last five trading days before the date of the grant. Options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of death, in which case they terminate one year after the event. Vesting of options is made at the discretion of the Board at the time the options are granted. At the discretion of the Board, certain option grants provide the holder the right to receive the number of common shares, valued at the quoted market price at the time of exercise of the stock options, that represent the share appreciation since granting the options.

The continuity of stock options for the nine months ended September 30, 2008 is as follows:

	September 30, 2008	
	Number of Shares	Weighted average exercise price (CAD\$)
Outstanding, beginning of period	7,074,000	\$0.54
Granted	1,800,000	\$0.29
Expired	(750,000)	\$0.55
Outstanding, end of period	8,124,000	\$0.48
Exercise price range (CAD\$)	\$0.25 - \$1.00	



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## 9. Share Capital (continued)

### (b) Stock option plan: (continued)

The following table summarizes information about stock options outstanding at September 30, 2008:

Price Intervals (CAD\$)	Options Outstanding			Options Exercisable	
	Number Outstanding at Sept 30, 2008	Weighted Average Remaining Contractual Life (Number of Years)	Weighted Average Exercise Prices (CAD\$)	Number Exercisable at Sept 30, 2008	Weighted Average Exercise Prices (CAD\$)
\$0.25 - \$0.49	4,714,000	3.6	\$0.33	3,274,000	\$0.34
\$0.50 - \$0.74	2,920,000	3.0	\$0.64	2,670,000	\$0.65
\$1.00 - \$1.24	490,000	0.4	\$1.00	490,000	\$1.00
	8,124,000	3.2	\$0.48	6,434,000	\$0.52

At September 30, 2008, 8,124,000 options are outstanding of which 6,434,000 options are exercisable and expire at various dates from April 20, 2009 to May 15, 2014, with a weighted average remaining life of 3.2 years. During the nine months ended September 30, 2008, the Company recognized stock-based compensation of \$167,000 based on the fair value of options granted that were earned by the provision of services during the period.

Options for 500,000 common shares with an exercise price of CAD\$0.54 and an expiry date of June 15, 2012 have vesting provisions in which options for 250,000 common shares vested on June 15, 2008 and the balance of 250,000 vest on June 15, 2009.

Options for 1.8 million shares which were granted in May 2008 are subject to a vesting provision of 20% in which 20% of the options vest immediately and 20% vest every six months.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

The fair value of stock options granted and the assumptions used to calculate compensation expense are estimated using the Black-Scholes Option Pricing Model as follows:

	September 30, 2008
Fair value of options vested during the period	\$0.07
Risk-free interest rate	2.59%
Expected dividend yield	0%
Expected stock price volatility	57%
Expected option life in years	4

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## 9. Share Capital (continued)

### (c) Warrants:

At September 30, 2008, the Company had outstanding warrants as follows:

Exercise Prices (CAD\$)	Expiry Dates	Outstanding at December 31, 2007	Issued	Exercised	Expired	Outstanding at September 30, 2008
\$0.65	July 24, 2008	1,100,000	-	-	(1,100,000)	-
		1,100,000	-	-	(1,100,000)	-

### (d) Shares reserved for issuance:

	Number of Shares
Outstanding, September 30, 2008	71,704,505
Property agreements (Note 6(e))	150,000
Stock options (Note 9(b))	8,124,000
Fully diluted, September 30, 2008	79,978,505

### (e) Shareholder rights plan:

On May 31, 2005, the shareholders of the Company approved a shareholder rights plan (the “Plan”), that became effective on April 30, 2005. The Plan is intended to ensure that any entity seeking to acquire control of the Company makes an offer that represents fair value to all shareholders and provides the board of directors with sufficient time to assess and evaluate the offer, to permit competing bids to emerge, and, as appropriate, to explore and develop alternatives to maximize value for shareholders. Under the Plan, each shareholder at the time of the Plan’s adoption was issued one Right for each common share of the Company held. Each Right entitles the registered holder thereof, except for certain “Acquiring Persons” (as defined in the Plan), to purchase from treasury one common share at a 50% discount to the prevailing market price, subject to certain adjustments intended to prevent dilution. The Rights are exercisable after the occurrence of specified events set out in the Plan generally related to when a person, together with affiliated or associated persons, acquires, or makes a take-over bid to acquire, beneficial ownership of 20% or more of the outstanding common shares of the Company. The Rights expire on April 30, 2015.

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## 10. Notes Payable

In December 2007, the Company's previous wholly-owned subsidiary, Caza, received proceeds of CAD\$300,000 in demand loans of which CAD\$180,000 were from directors and officers of the Company. The loans were repayable on demand and had an interest rate of 9% per annum. In June 2008, the Company closed a Plan of Arrangement with Caza in which Caza is no longer a wholly-owned subsidiary of the Company (Note 14).

## 11. Related Party Transactions

General and administrative costs during the nine months ended September 30, 2008 include:

- CAD\$47,000 of salaries paid to a director;
- CAD\$26,700 to directors in their capacity as Directors of the Company;
- CAD\$52,100 in office rent paid to a company with certain common directors;
- CAD\$53,500 in legal fees to a law firm in which a senior officer of the Company is a partner; and
- CAD\$83,200 in salaries were allocated to companies with certain common directors, net of expense allocation to the Company.

Details of transactions with Aztec and Caza are provided in Note 8, and notes payables for Caza are provided in Note 10 and the Plan of Arrangement in Note 14.

## 12. Segment Disclosures

The Company has one operating segment, being mineral exploration, and substantially all assets of the Company are located in Canada except for certain mineral properties as disclosed in Note 6.

## 13. Supplemental Disclosure with respect to Cash Flows

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September 30, 2008

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Non-cash financing and investing activities:

Shares returned to treasury from write-off of property	\$	17
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# CANARC RESOURCE CORP.

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## 14. Plan of Arrangement

On June 25, 2008, the Company proceeded to close the Plan of Arrangement (the “Arrangement”) with Caza whereby approximately 83% of the Company’s interest in Caza was distributed to the shareholders of the Company. Under the Arrangement, the Company transferred all its interest in its wholly-owned Mexican subsidiary which holds all the rights to the Mexican gold exploration properties (Note 6(d)) to Caza in return for 14,346,800 shares of Caza, of which the Company distributed 11,950,750 Caza shares by way of a dividend in kind to the Company’s shareholders on the basis of one share of Caza for every six shares of the Company held by shareholders as of the dividend record date. As at September 30, 2008, the Company holds 2,396,050 Caza shares representing approximately 11% interest in Caza. The property rights which were transferred from the Company to Caza include Los Arrastres, Santiago and Santiago Fraction properties.

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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  
DBFrankfurt: CAN