

SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549

FORM 20-F

(Mark One)

Registration statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934, or

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal period ended December 31, 1999, or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-18860

Canarc Resource Corp.  
(Exact name of registrant as specified in its charter)

Province of British Columbia, Canada  
(Jurisdiction of incorporation or organization)

Suite 800-850 West Hastings Street, Vancouver, British Columbia V6C 1E1  
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act: NONE

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Common Shares without par value  
(Title of Class)

Securities for which there is a reporting obligation pursuant Section 15(d) of the Act: NONE

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**39,782,448** as at **December 31, 1999**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark which financial statement item the registrant has elected to follow.

ITEM 17  ITEM 18

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDING DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No  Not Applicable

SECURITIES AND EXCHANGE COMMISSION  
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**CAUTIONARY STATEMENT FOR PURPOSES OF THE SAFE HARBOR PROVISIONS OF THE  
PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

This document contains forward-looking statements. The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this statement for the express purpose of availing itself of the protections of the safe harbor with respect to all forward-looking statements. Several important factors, in addition to the specific factors discussed in connection with such forward-looking statements individually, could affect the future results of the Company and could cause those results to differ materially from those expressed in the forward-looking statements contained herein.

The Company's estimated or anticipated future results or other non-historical facts are forward-looking and reflect the Company's current perspective of existing trends and information. These statements involve risks and uncertainties that cannot be predicted or quantified and consequently actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others, the success of the Company's exploration and development activities, environmental and other regulatory requirements, foreign exchange issues, mineral deposit estimates and mineral prices, competition by other mining companies, financing risks, mineral title issues, insider conflicts of interest, political stability issues, and other risks and uncertainties detailed in this report and from time to time in the company's other Securities and Exchange Commission ("SEC") filings.

Therefore, the Company wishes to caution each reader of this document to consider carefully these factors as well as the specific factors that may be discussed with each forward-looking statement in this document or disclosed in the Company's filings with the SEC as such factors, in some cases, could affect the ability of the Company to implement its business strategy and may cause actual results to differ materially from those contemplated by the statements expressed therein.

## GLOSSARY OF MINING TERMS

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

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

**Au** - gold.

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

**Commission** - United States Securities and Exchange Commission.

**contained gold** - total measurable gold or gold equivalent in grams or ounces estimated to be contained within a mineral deposit. Makes no allowance for mining dilution or recovery losses.

**cutoff grade** - deemed grade of mineralization, established by reference to economic factors, above which material is included in mineral deposit calculations and below which the material is considered waste. May be either an external cutoff grade which refers to the grade of mineralization used to control the external or design limits of an open pit based upon the expected economic parameters of the operation, or an internal cutoff grade which refers to the minimum grade required for blocks of mineralization present within the confines of an open pit to be included in mineral deposit estimates.

**diamond drill** - a machine designed to rotate under pressure an annular diamond studded cutting tool to produce a more or less continuous solid sample of the material that is drilled.

**geological reserves** - mineralized material which in total does not constitute ore, but which may contain one or more zones of ore; geological reserves are categorized as possible, probable and proven, according to the degree of certainty with which their grade and tonnage are known; geological reserves are sometimes referred to as a "mineral resource" or "mineral inventory".

**gm/mt** - grams per tonne.

**gold deposit** - means a mineral deposit mineralized with gold.

**gold equivalent** - a method of presenting combined gold and silver concentrations or weights for comparison purposes. Commonly involves expressing silver as its proportionate value in gold based on the relative values of the two metals. When gold equivalent is used to express metal sold, the calculation is based on actual prices received. When grades are expressed in gold equivalent, the relative recoveries of the two metals are also taken into account.

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

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

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

**mineralized deposit** - a mineralized body which has been physically delineated by drilling, underground work, surface trenching and other workings or drill holes and found to contain a sufficient amount of mineralized material with an average grade sufficient to warrant further evaluation. Such a deposit does not qualify as a commercially mineable ore body until technical, economic and legal factors have been resolved sufficiently to classify the mineralized material as a "reserve".

**net smelter return royalty** - a phrase used to describe a royalty payment made by a producer of metals, usually to a previous property owner, based on gross metal production from the property, less deduction of certain limited costs including smelting, refining, transportation and insurance costs.

**ore** - a natural aggregate of one or more minerals which, at a specified time and place, may be mined and sold at a profit, or from which some part may be profitably separated.

**ounces** - troy ounces.

**oz/ton** - troy ounces per short ton.

**porkknockers** - a local term used in Guyana and Suriname to refer to small scale artisanal miners and prospectors.

**probable reserves** - mean reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

**proven/probable reserves** - is used if the difference in degree of assurance between the proven and probable categories cannot be reliably defined.

**proven reserves** - mean reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes: grade and/or quality are computed from the results of detailed sampling; and (b) the sites for inspection, sampling and measurement are spaced so closely and the geological character is so well defined that size, shape, depth and mineral content of reserves are well established.

**reserve** - means that part of a mineral deposit which can be economically and legally extracted or produced at the time of the reserve determination. Reserves are customarily stated in terms of “ore” when dealing with metalliferous minerals.

**saprolite** - a soft, earthy, clay rich and thoroughly decomposed rock formed in place by chemical weathering of igneous or metamorphic rocks.

**stock** - a body of intrusive rock that covers less than 40 square miles, has steep dips and is discordant with surrounding rock.

**stockwork** - small veins of mineralization that have so penetrated a rock mass that the whole rock mass can be considered mineralized.

**strike length** - the longest horizontal dimensions of a body or zone of mineralization.

**stripping ratio** - the ratio of waste material to ore that is experienced in mining an ore body.

**ton** - short ton (2,000 pounds).

**tonne** - metric tonne (2,204.6 pounds).

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

**For ease of reference, the following conversion factors are provided:**

1 mile	= 1.609 kilometres	2,204 pounds	= 1 tonne
1 yard	= 0.9144 meter	2,000 pounds/1 short ton	= 0.907 tonnes
1 acre	= 0.405 hectare	1 troy ounce	= 31.103 grams

## PART I

### ITEM I - DESCRIPTION OF BUSINESS

**Unless the context otherwise requires, all references to the “Registrant” or “Company” or “Canarc” refer to Canarc Resource Corp. and/or its subsidiaries. All monetary figures are in U.S. dollars unless otherwise indicated.**

#### **INCORPORATION AND REPORTING STATUS**

The Registrant 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 Registrant is a reporting issuer in British Columbia, Ontario, Alberta, Saskatchewan and Nova Scotia. The Registrant became a reporting issuer under the United States Securities Act of 1934 upon filing its registration statement on Form 20F dated October 9, 1990.

#### **CURRENT BUSINESS ADDRESS**

Suite 800, 850 West Hastings Street, Vancouver, British Columbia, Canada, V6C 1E1, telephone number: (604) 685 9700

#### **INTRODUCTION**

The Registrant is a Canadian resource company engaged in the acquisition, exploration and, if warranted, development of precious metal properties in British Columbia, Suriname, Mexico and Costa Rica. The Registrant owns or holds, directly or indirectly, interests of between 10% to 100% in a total of three precious metal properties, which are known as the New Polaris and GNC properties in British Columbia and the Bellavista property in Costa Rica. The Registrant also has rights to acquire, directly or indirectly, interests of up to 100% in certain mineral properties in Suriname and Mexico. See ITEM 2.

The Registrant has capitalized costs of **\$20,294,000** in connection with the acquisition, exploration and development on its currently held properties on a consolidated basis from inception to **December 31, 1999**.

The Registrant and its management group have been actively involved in the evaluation, acquisition and exploration of mineral properties in Canada, Central and South America and Indonesia. Starting with grass roots exploration prospects, the organization progressed to more advanced properties. To date the Registrant has not developed any commercial mineral production or significant revenues from its mining properties. The Registrant plans to continue exploring and developing its properties and, at the appropriate time, seek partners or buyers to purchase, or assist in further development (by way of joint venture or otherwise) of its properties. The Registrant seeks to source and identify properties with significant potential and to acquire those properties on the basis of an option agreement relying on the representations and warranties of the vendor as to the state of title, with limited or no title work being performed by the Registrant. Detailed title work is only undertaken once it has been determined that the property is likely to host a significant body of ore. Consequently, there is a significant risk that adverse claims may arise or be asserted with respect to certain of the Registrant’s properties. See “Risk Factors”, below, and ITEM 2 - Description of Property.

## CORPORATE STRUCTURE

The Registrant carries on its business in large part through its subsidiaries. The Registrant has a number of direct or indirect wholly or majority owned subsidiaries as follows:

New Polaris Gold Mines Ltd. ("New Polaris"), formerly Golden Angus Mines Ltd. (name change effective April 21, 1997) which is a corporation formed through the amalgamation of 2820684 Canada Inc. ("2820684"), a former wholly-owned subsidiary of the Registrant which was incorporated under the Canada Business Corporation Act on May 13, 1992 and Suntac.

Canarc (Barbados) Mining Ltd., a company duly incorporated under the laws of Barbados on July 26, 1993.

Canarc Virginia (Barbados) Ltd., a company duly incorporated under the laws of Barbados on July 26, 1993.

Corporacion Canarc de Venezuela, S.A., a company duly incorporated under the laws of the Republic of Venezuela on September 1, 1993. This company is no longer active for the Registrant and initial steps have been taken to dissolve it.

Venarc Holdings Inc., S.A., a company duly incorporated under the laws of the Republic of Venezuela on September 1, 1993. This company is no longer active for the Registrant and initial steps have been taken to dissolve it.

Canarc Suriname (Barbados) Ltd., a company duly incorporated under the laws of Barbados on January 26, 1994.

Sara Kreek Resource Corporation N.V., a company duly incorporated under the laws of Suriname January 9, 1995.

Canarc Guyana (Barbados) Ltd., a company duly incorporated under the laws of Barbados on January 26, 1994.

Canarc Guyana Resources Limited, a company duly incorporated under the laws of Guyana on July 6, 1994 and owned 100% by Canarc Guyana (Barbados) Ltd. This company is no longer active for the Registrant and initial steps have been taken to dissolve it.

Carib Industries Ltd., a company duly incorporated under the laws of the Cayman Islands, B.W.I. on January 17, 1990, originally under the name of Rayrock Zar. The name change was approved by Special Resolution dated May 15, 1992 and registered May 26, 1992. The Registrant owns 78.5% of the issued and outstanding shares. See ITEM 2-Bellavista Property, Costa Rica and ITEM 3 for details.

Minera Aztec Silver Corporation (formerly Aztec Silver Corporation, IndoAsia Gold Ltd. and Atec (Barbados) Ltd., name changes on January 7, 2000, March 27, 1998 and March 12, 1997), a Company duly incorporated under the Laws of Barbados on February 2, 1996 and continued into the province of British Columbia on January 7, 2000..

Gatec (Barbados) Ltd., a Company duly incorporated under the Laws of Barbados on February 2, 1996.

Hatec (Barbados) Ltd., a Company duly incorporated under the Laws of Barbados on February 2, 1996.

Matec (Barbados) Ltd., a Company duly incorporated under the Laws of Barbados on February 5, 1996.

Natec (Barbados) Ltd., a Company duly incorporated under the Laws of Barbados on February 5, 1996.

Patec (Barbados) Ltd., a Company duly incorporated under the Laws of Barbados on February 5, 1996.

Qatec (Barbados) Ltd., a Company duly incorporated under the Laws of Barbados on February 5, 1996.

Minera Aztec S.A. de C.V., a Company duly incorporated under the Laws of Mexico on May 28, 1998.

In addition, the Registrant has rights to acquire interests in certain other corporations which hold, directly or indirectly, mineral rights in Suriname. See ITEM 2 - Description of Property.

## GENERAL DEVELOPMENT OF BUSINESS OF THE REGISTRANT

### Early Development

In April 1991, Canarc entered into an agreement to acquire common shares of Suntac Minerals Corporation (“Suntac”) which at that time held an option to acquire a 60% interest in the New Polaris Property, owned by Rembrandt Gold Mines Ltd. (“Rembrandt”). In November 1992, Canarc made a share exchange take-over bid for all of the shares of Suntac it did not already own. Upon the completion of the bid, an arrangement pursuant to the Canada Business Corporations Act (“CBCA”) was completed which resulted in Suntac and 2820684 Canada Inc. (“2820684”), a wholly-owned subsidiary of Canarc, amalgamating and becoming a wholly-owned subsidiary of Canarc known as “Golden Angus Mines Ltd.” on June 1, 1993 (name changed to “New Polaris Gold Mines Ltd.” on April 21, 1997).

In September 1991, Canarc acquired an approximate 13% equity interest in Rembrandt pursuant to a private placement. Canarc subsequently privately acquired additional common shares of Rembrandt and in November 1992, made a share exchange take-over bid for all of the shares of Rembrandt. Following the expiration of the bid, Canarc held approximately 63% of the outstanding shares of Rembrandt. A former controlling shareholder of Rembrandt obtained leave and commenced a derivative action in the Supreme Court of British Columbia on behalf of Rembrandt against Canarc, the directors of Rembrandt and others. This action has been settled upon terms which resulted in the Company acquiring a 100% direct interest in New Polaris (subject to a 15% net profits interest in favour of Rembrandt) and a net 18.27% indirect carried interest in the Bellavista property, Costa Rica. In consideration of the settlement of the action and the acquisition of the New Polaris Property and the indirect interest in the Bellavista Property, Canarc issued 500,000 of the 600,000 common shares to be issued to Rembrandt, paid a further \$356,000 to Rembrandt in lieu of up to 100,000 of the 600,000 common shares required to be issued to Rembrandt and paid a further \$375,000 to Rembrandt and returned to Rembrandt all of the securities of Rembrandt owned by Canarc. The Supreme Court of British Columbia approved the settlement on May 12, 1994 and the transactions pursuant to the settlement were concluded on August 26, 1994. See ITEM 2- New Polaris Property and Bellavista Property and ITEM 3 for further details.

Beginning in 1993 the Registrant also began to focus its attention on South America. The Registrant focused on those countries whose territory includes portions of the Guyana Shield, due to the attractive geological environment associated with it. None of the Registrant’s properties in which it has a right to acquire an interest are with a known body of ore. See ITEM 2 for further details. In June 1993 the Registrant completed a private placement of 2,500,000 Special Warrants at \$2.70 Cdn per special warrant for gross proceeds of \$6,750,000 Cdn less commission with costs of \$585,000 Cdn. related to the issue. Each special warrant allowed the holder to acquire one unit without additional payment, each unit consisting of one common share and one warrant. One warrant entitled the holder to acquire one common share for \$3.00 Cdn. at any time up to June 6, 1994. All special warrants were exercised and during May and June 1994 warrant holders exercised all 2,500,000 warrants. The Registrant received total proceeds of \$7,500,000 Cdn. from the exercise of the warrants.

In February 1994, the Registrant concluded agreements with Barrick Gold Corporation of Toronto, Ontario (“Barrick”), then known as American Barrick Resources Corporation, pursuant to which Barrick invested \$5,000,000 Cdn. in the Registrant through a private placement of 1,094,092 units at a price of \$4.57 per unit. Each unit consisted of one share and one warrant, each warrant entitling Barrick to purchase an additional share at a price of \$4.57 Cdn. until February 10, 1995. The warrants expired without their exercise.

### General Development - Past Five years

In March 1995, the Registrant entered into an agreement to form a strategic alliance with Echo Bay Mines Ltd. of Edmonton, Alberta (Echo Bay”). Echo Bay provided a private placement of \$7,080,000 Cdn for 3,000,000 common shares at a price of \$2.36 Cdn per share. In connection with this agreement the Registrant was committed to spend private placement funds on the Baramita Property in Guyana. In addition Echo Bay reimbursed the Registrant 25% of its aggregate costs in the country of Guyana.

In August 1995 the Company acquired 5 properties in the Chihuahua district of Mexico. After results from a work program on the properties, the Company dropped its interest in the properties.



On November 14, 1995, the Board of Directors adopted a Shareholders' Rights Plan. The objective of the Plan is to ensure that all shareholders of the Company are treated equally and fairly in connection with any takeover bid for the Company. The Plan's intention is not to block takeover bids but to discourage discriminatory or unfair takeover tactics and to provide the Board sufficient time to fully evaluate a takeover offer. The Plan is operative for a term ending November 14, 2003. For further details see ITEM 16 Shareholder Rights Plan.

In February 1996 the Registrant acquired large mineral land holdings on the Island of Kalimantan, Indonesia. Thirteen separate Contract of Work applications totaling 1.95 million hectares were applied for with the Indonesian Government. Initially, the various joint ventures were formed on the majority of these properties. Due to the Bre-X scandal in early 1997 the majority of these partners have dropped their interest. By December of 1998 the Registrant had dropped its interest in all of the Contracts of Work. See ITEM 2 - Indonesian Properties for further details.

In April 1996 the Registrant acquired an option to earn an 80% interest in the 138,000 hectare Benzdorp property, located in Southeastern Suriname along the border with French Guyana. For further details see ITEM 2 - Suriname.

In June 1996 the Registrant entered into a private placement through its agent, Nesbitt Burns Securities Inc., which raised \$9,225,000 through the issuance of 4,100,000 special warrants at a price of \$2.25 per special warrant. A commission of 6% of the gross proceeds was paid in addition to 150,000 broker dealer warrants. Each special warrant is convertible into a unit consisting of 1 common share of the Registrant and one half share purchase warrant. Each whole warrant is exercisable for a period of two years at a price of \$2.75. Each broker dealer warrant entitled the agent to acquire one unit at a price of \$2.55 per unit for a period of two years. Each unit is convertible into one share and one half share purchase warrant, with one full warrant exercisable for one share at a price of \$2.75 per share for a period of two years. The prospectus qualifying the distribution of the 4,100,000 units issued upon the exercise of the special warrants was approved by the Ontario Securities Commission effective July 26, 1996. In addition, the prospectus qualified the agent's warrants. Part of the proceeds were used to begin a feasibility program on the New Polaris property, including extensive underground development and drilling.

During 1996 two properties in Manitoba, Canada, the Trout Lake and the Parker Lake properties were acquired and exploration work was carried out. Based on results, further work was not warranted and the properties were eventually dropped.

In May 1997 the Registrant acquired interests in three additional properties in Suriname and carried out preliminary exploration. The Registrant also entered into a private placement in Levelland Energy & Resources Ltd. ("Levelland") for 400,000 units at \$0.35 per unit and, as a result, held 14.0% of Levelland's 10,912,800 shares issued on a fully diluted basis. The purchase was made for investment purposes only. The Registrant also entered into an agreement with Minera Delta S.A. de C.V. on May 1, 1997 in relation to the La Nopalera and La Flor Del Trigo claims in Mexico. Under the terms of that agreement Minera Delta staked the properties on behalf of Canarc in return for a 10% carried interest in the properties. Both claims were allowed to lapse.

In November 1997 the Registrant and Placer Dome (CLA) Limited entered into an agreement whereby Placer Dome could earn up to a 60% interest in the Registrant's Benzdorp property in Suriname. Consideration included payments of up to US\$20.3 million and up to US\$3.5 million on exploration, including a minimum 3,000 meters of diamond drilling in Year 1, a schedule of annual work commitments over 3 years and being carried to a Feasibility Study.

In February 1998 the Registrant entered into a Cdn\$1,000,000 private placement with Minorca Resources Inc. Minorca purchased 1,333,400 Canarc shares at \$0.75 each. No commission was paid on the transaction.

In early 1998 the Registrant and a partner acquired by staking a 100% interest in 13 properties in the states of Zacatecas and San Luis Potosi Mexico known as the Lobo properties. The staking was based upon a compilation of geological, geochemical and geophysical data combined with an evaluation of the known deposits in the area.

On March 4, 1998 the Lobo 3 property, totalling 19,600 hectares, in San Luis Potosi State, Mexico was optioned to Mill City International Inc. Under the terms of the option, as amended January 27, 1999, Mill City can earn a 50% interest in Lobo 3 by paying US\$200,000, issuing 200,000 shares and spending US\$2,000,000 over a 4 year period. An additional 100,000 shares are to be issued upon completion of a bankable feasibility study on the project. For further information see the ITEM 2 - Description of Property, MEXICO.

In August, 1998 the Registrant announced that Placer Dome Inc. had elected not to proceed with their option to earn a 60% interest in the Registrant's Benzdorp property located in Suriname. In October, 1998 the Registrant began its filing for arbitration under the UNCITRAL rules in the Hague with its partner, Grassalco, regarding compensation for, and resolution of various Grassalco defaults under the Canarc-Grassalco agreement on the Benzdorp property.

In September, 1998 the Registrant entered into separate agreements on the Lobo 6 and Lobo 8 properties in Zacatecas State, Mexico with Minerales Noranda S.A. de C.V., a subsidiary of Noranda Minerals Inc., whereby Noranda can earn up to a 70% interest in each property over a 6-year period by making a schedule of cash payments, stock investments, and work commitments. For further information see the ITEM 2 - Description of Property, MEXICO.

In November, 1998 the Registrant entered into an agreement on the Lobo 7 property in Zacatecas State, Mexico with Minerales Noranda S.A. de C.V., a subsidiary of Noranda Minerals Inc. Noranda carried out some preliminary work and eventually dropped its interest in the property.

In December 1998 the Registrant closed two private placements. One placement was a Cdn\$312,000 private placement financing with a major shareholder. The placement consisted of 780,000 shares at \$0.40 per share, and 390,000 warrants, exercisable at \$0.60 per share until October 27, 2000. As of December 3, 1998, Anthony Low-Beer, a resident of New York, owned, or had control or direction over, 4,379,000 common shares and 390,000 share purchase warrants of the Registrant. The shares represented approximately 11.42% of Canarc's outstanding common shares at that time. The second private placement was a Cdn\$25,000 private placement financing comprised of 62,500 flow-through units of the Registrant at a price of \$0.40 per unit. Each unit was comprised of 1 flow-through share and 1/2 nonflow-through warrant with each full warrant exercisable for one (1) nonflow-through common share at a price of \$0.60 for a two year period expiring December 2, 2000. There were no commissions paid on these transactions.

In February, 1999 the Registrant entered into an agreement on 9 properties ( Lobos 4, 9, 10, 14 –19) covering 485,949 hectares in central Mexico with Far West Mining Ltd. The agreement calls for Far West to spend US\$5.5 million on work expenditures, make US\$500,000 in cash payments and issue 1 million shares (subject to regulatory approval) to Aztec Silver over a 3 year term to earn a 50% interest in the properties. For further information see the ITEM 2 - Description of Property, MEXICO.

In May 1999, the Registrant announced a machine trenching program on the Sara Kreek property in the Republic of Suriname. The goal of the program was to seek to establish a high grade, mineable gold ore reserve suitable for a feasibility study and, if positive, commercial production. In June a bulldozer trenching program from the Sara Kreek property returned positive results. In view of the results, the Registrant proceeded with a feasibility study on the DP vein zone that was completed in August. The study by Ross Glanville & Associates Ltd. recommended commercial production at an estimated operating cost of US\$62 per oz. gold.

In June 1999 an accord has been reached with N.V. Grasshopper Aluminum Company (Grassalco) to resolve a dispute regarding the Benzdorp property. The parties jointly agreed to withdraw their respective arbitration and legal actions and to finalize the discussions needed to complete the articles of incorporation for the Benzdorp joint venture company.

On August 10, 1999 the Registrant entered into an agreement with Minera Uruachic S.A. de C.V. to acquire up to a 60% interest in the La Nopalera mineral claim located in Chihuahua State, Mexico. Under the terms of the agreement, as amended October 8, 1999 Minera Aztec Silver Corporation can earn a 60% interest in the La Nopalera claim by paying Cdn. \$55,000, issuing 250,000 of its common shares (50,000 shares issued to date) and carrying out exploration expenditures totaling Cdn.\$1,000,000 within a 4 year period ending October 15, 2003. The agreement also covers two additional properties, the La Flor Del Trigo and the El Pavo Real mineral claims.

In December, the Registrant announced that a drill program by Homestake Mining on its GNC property intersected the same prospective rock formations that host the adjacent high grade Eskay Creek mine. Although no gold or silver mineralization was found, Homestake concluded that "the area remains prospective" and "further drilling is required".

In February 2000, the Registrant approved an optimization report on the DP Gold Mine, subject to financing. The proposed DP mine would be a small, high grade, open pit operation projected to produce approximately 13,000 oz. (420 kg) gold over a 9 month period. Additional production would be possible as the gold deposit appeared to be open at both ends as well as to depth.

Also in February, the operator of the Bellavista Property, Wheaton River Minerals Ltd., announced that it had received an offer of limited recourse project financing totaling US\$19 million from Barclays Bank PLC. An additional US\$3 million to US\$5 million subordinate financing was being sought by Wheaton River.

On March 18, 2000 the Registrant commenced a reverse circulation drilling program on its Lobo 14 property in the State of San Luis Potosi, Mexico. The program was funded by Far West Mining Ltd.

The Registrant's main focus for fiscal year 2000 will be to continue exploration and development work on the Mexican properties and potentially seek additional promising mineral properties in Mexico and other parts of the world. The Registrant will continue to seek partners to enable it to continue its exploration and development work on its South American properties and to seek partners for the New Polaris property and other minor properties. Those properties which do not show potential will likely be dropped or optioned to third parties. However, during this period, the Registrant will continue evaluating other promising mineral properties in these and other countries with a view to possibly making additional acquisitions.

## **OFFICERS AND EMPLOYEES**

The Registrant's business is administered principally from its head office in Vancouver, British Columbia, Canada and, with respect to its Central and South American activities, from offices in Mexico, Barbados and Suriname. As of May 1, 2000 the Registrant had a total of approximately 9 full-time staff of which approximately 7 were based in Vancouver, Canada.

## **RISK FACTORS**

The following is a brief discussion of those distinctive or special characteristics of the Registrant's operations and industry which may have a material impact on, or constitute risk factors in respect of, the Registrant's future financial performance.

### *Estimates of Mineral Deposits*

Although the figures with respect to the size and grade of mineralized deposits included herein have been carefully prepared by the Registrant, or, in some instances have been prepared, reviewed or verified by independent mining experts, these amounts are estimates only and no assurance can be given that an identified mineralized deposit will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. Estimates regarding mineralized deposits can also be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. There can be no assurance that gold recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions. Material changes in mineralized deposits, grades, stripping ratios or recovery rates may affect the economic viability of projects. The existence of mineralized deposits should not be interpreted as assurances of the future delineation of ore reserves or the profitability of future operations. The presence of clay in the mineralized material may adversely affect the economic recovery of gold from the alluvial operations planned at properties in Suriname.

### *Competition*

Significant and increasing competition exists for the limited number of gold acquisition opportunities available in Canada, South and Central America and elsewhere. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than the Registrant, the Registrant may be unable to acquire additional attractive gold mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Registrant's exploration and acquisition programs will yield any new reserves or result in any commercial mining operation.

### *Mineral Prices*

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of a mineral resource are discovered, a profitable market will exist for the sale of same. Factors beyond the control of the Registrant may affect the marketability of any substances discovered. The price of gold has experienced volatile and significant price movements over short periods of time, and is affected by numerous factors beyond the control of the Registrant, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the U.S. dollar relative to other currencies), interest rates and global or regional consumption patterns (such as the development of gold coin programs), speculative activities and increased production due to improved mining and production methods. The supply of and demand for gold are affected by various

factors, including political events, economic conditions and production costs in major gold producing regions including South Africa and the former Soviet Union, and governmental policies with respect to gold holdings by a nation or its citizens. There can be no assurance that the price of gold will be such that the Registrants properties can be mined at a profit.

#### *Exploration and Development Risks*

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, none of the Registrant's properties have a known body of commercial ore and the proposed exploration programs are an exploratory search for ore. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, cave-ins, land slides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. The Registrant has relied and may continue to rely upon consultants and others for construction and operating expertise. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuant, mineral markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Depending on the price of gold or other minerals produced, the Registrant may determine that it is impractical to commence or continue commercial production. There is no certainty that the expenditures to be made by the Registrant or its joint venture partners in the exploration of any of its properties as described herein will result in discoveries of commercial quantities of ore. Most exploration projects do not result in the discovery of commercially mineable deposits of ore.

In order to commence exploitation of certain properties presently held under exploration concessions it is necessary for the Registrant to apply for an exploitation concession. There can be no guarantee that such a concession will be granted.

#### *Financing and Development Risks*

The Registrant does not presently have sufficient financial resources to undertake by itself all of its planned exploration and development programs and has no significant source of cash flow. The development of the Registrant's properties may therefore depend on the Registrant's joint venture partners and on the Registrant's ability to obtain additional required financing. There is no assurance that the Registrant will be successful in obtaining the required financing which could result in the loss or substantial dilution of its interests (as existing or as proposed to be acquired) in its properties as disclosed herein. In addition, the Registrant has no experience in placing mining properties into production and its ability to do so will be dependent upon securing the services of appropriately experienced personnel or entering into agreements with other major mining companies who can provide such expertise.

#### *Uninsured Risks*

The Registrant may become subject to liability for cave-ins, pollution or other hazards against which it cannot insure or against which it has elected not to insure because of high premium costs or other reasons. The payment of such liabilities would reduce the funds available for exploration and mining activities.

#### *Title Matters*

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to and the area of mining concessions may be disputed. While the Registrant has diligently investigated title considerations to its mineral properties, in certain circumstances, the Company has only relied upon representations of property vendors. There is no guarantee of title to any of the Registrant's properties. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects.

In British Columbia and elsewhere, native land claims or claims of aboriginal title may be asserted over areas in which the Registrant's properties are located. To the best of the knowledge of the Registrant, although the Registrant understands that comprehensive land claims submissions have been received by Indian and Northern Affairs Canada from the Taku Tlingit (Atlin) Band (which encompasses the New Polaris property) and from the Association of United Tahltans and the Nisga'a Tribal Council (which may encompass the GNC property), no legal actions have been formally served on the Registrant to date asserting such rights with respect to mining properties in which the Registrant has an interest.

#### *Conflicts of interest*

The Registrant's directors and officers may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies and, to the extent that such other companies may participate in ventures in which the Registrant may participate, the directors of the Registrant may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In particular, Bradford Cooke and Bradley Aelicks directors of the Registrant were directors of Rembrandt and are still directors of Consolidated Magna Ventures Ltd. (one of the Registrant's previous joint venture partners in Venezuela). Patricio Varas, a Director of Minera Aztec Silver Corporation, is also a Director and Officer of Far West Mining Ltd., Minera Aztec's joint venture partner on the Lobo properties in Mexico. Also, some of the other directors and officers of Canarc Resource Corp are directors, officers or employees of Minera Aztec Silver Corporation. The interests of these companies may differ from time to time. In the event that such a conflict of interest arises at a meeting of the Registrant's directors, a director who has such a conflict will abstain from voting for or against the approval of such a participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of the Province of British Columbia, the directors of the Registrant are required to act honestly, in good faith and in the best interests of the Registrant. In determining whether or not the Registrant will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Registrant may be exposed and its financial position at that time.

#### *Foreign Countries and Regulatory Requirements*

Many of the Registrant's properties are located in countries outside of Canada and mineral exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political attitudes may vary from country to country and are beyond the control of the Registrant and may adversely affect its business. Such changes have, in the past, included nationalization of foreign owned businesses and properties. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income and other taxes and duties, expropriation of property, environmental legislation and mine safety. These uncertainties may make it more difficult for the Registrant and its joint venture partners to obtain any required production financing for its mineral properties.

#### *Currency Fluctuation and Foreign Exchange Controls*

The Registrant maintains a portion of its funds in U.S. dollar denominated accounts. The majority of the Registrant's property and related contracts are denominated in U.S. dollars. Accordingly, the Registrant has taken some steps to reduce its risk to foreign currency fluctuations. However, the Registrant's operations in countries other than Canada are normally carried out in the currency of that country and make the Registrant subject to foreign currency fluctuation and such fluctuations may materially affect the Registrant's financial position and results. In addition future contracts may not be denominated in U.S. dollars and may expose the Registrant to foreign currency fluctuation and such fluctuations may materially affect the Registrant's financial position and results. In addition, the Registrant is or may become subject to foreign exchange restrictions which may severely limit or restrict its ability to repatriate capital or profits from its properties outside of Canada to Canada. Such restrictions have existed in the past in countries in which the Registrant holds property interests and future impositions of such restrictions could have a materially adverse effect on the Registrant's future profitability or ability to pay dividends.

#### *Third Party Reliance*

The Registrant's rights to acquire an interest in certain mineral properties have been granted by third parties who themselves hold only an option to acquire such properties. As a result, the Registrant has no direct contractual relationship with the underlying property holder.

### *Environmental and other Regulatory Requirements*

The current or future operations of the Registrant, including exploration and development activities and commencement of production on its properties, require permits from various foreign, federal, state and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits.

There can be no assurance that approvals and permits required to be obtained in order for the Registrant to commence production on its various properties will be obtained. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, are necessary prior to operation of the other properties in which the Registrant has interests and there can be no assurance that the Registrant will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

New laws or regulations or amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation of current laws, regulations or permits, could have a material adverse impact on the Registrant and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

As a prior holder of an interest in a U.S. mineral property, the Registrant may be subject to the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (“CERCLA”). CERCLA, along with analogous statutes in certain states, imposes strict, joint and several liability on owners and operators of facilities which release hazardous substances into the environment. CERCLA imposes similar liability upon generators and transporters of hazardous substances disposed of at an off-site facility from which a release has occurred or is threatened. Under CERCLA’s strict joint and several liability provisions, the Registrant could potentially be liable for all remedial costs associated with property that it owned or operated regardless of whether the Registrant’s activities are the actual cause of the release of hazardous substances. Such liability could include the cost of removal or remediation of the release and damages for injury to the natural resources. The Registrant’s one prior property is located in a historic mining district and may include abandoned mining facilities (including waste piles, tailings, portals and associated underground and surface workings). Releases from such facilities or from any of the Registrant’s prior U.S. properties due to past or current activities could form the basis for liability under CERCLA and its analogs. In addition, off-site disposal of hazardous substances, including hazardous mining wastes, may subject the Registrant to CERCLA liability. The Registrant’s prior U.S. property is not, to the Registrant’s knowledge, currently listed or proposed for listing on the National Priority List and the Registrant is not aware of pending or threatened CERCLA litigation which names the Registrant as a defendant or concerns any of its prior U.S. properties or operations. The Registrant cannot predict the potential for future CERCLA liability with respect to its prior U.S. property, nor can it predict the potential impact or future direction of CERCLA litigation in the area surrounding its prior property.

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

### *Jurisdiction and Enforcement in U.S. and Canadian Courts*

The enforcement of civil liabilities under the U.S. federal and state securities laws may be affected adversely by the fact that the Registrant is incorporated under the laws of a foreign country, that all of its officers and directors are residents of a foreign country, that the independent accountants and some or all of the experts named in this report may be residents of a foreign country and that all or a substantial portion of the assets of the Registrant and said persons may be located outside the U.S. In particular, uncertainty exists as to whether Canadian courts would entertain claims or enforce judgments based on the civil liability provisions of the U.S. federal and state securities laws.

### *Year 2000 Implications*

The Board of Governors of The Toronto Stock Exchange has adopted a rule requiring listed companies to disclose material information regarding the implications of the Year 2000 century change. The impact of the century change on business organizations has become a matter of fundamental concern and in some instances could cause system failures or disruptions, with serious business consequences. Management has determined that, as the only material reliance by the Registrant on computers is for day to day data and word processing, and that the loss of this service, were it to occur, would be temporary and of limited consequence, there are no material Year 2000 implications to the Registrant. The Registrant has no material third party risk exposure.

## ITEM 2 - DESCRIPTION OF PROPERTY

### **PROPERTY SUMMARY CHART (AS OF DECEMBER 31, 1999)**

<b>Property Name</b>	<b>Location</b>	<b>Maximum<sup>1</sup> % Interest held (or to be earned)</b>	<b>Capitalized Acquisition Expenditures</b>	<b>Capitalized Exploration Expenditures</b>
New Polaris <sup>2</sup>	B.C., Canada	100%	\$3,605,000	\$8,659,000
GNC/Eskay Creek	B.C., Canada	33-1/3%	\$188,000	\$14,000
Benzdorp	Suriname	80%	\$151,000	\$1,744,000
Sara Kreek	Suriname	80%	\$1,567,000	\$3,407,000
Bellavista	Costa Rica	23.2%	\$560,000	N/A
Mexican Properties	Mexico	100%	\$296,000	\$103,000

<sup>1</sup> subject to any royalties or other interests as disclosed below

<sup>2</sup> previously known as "Polaris-Taku"

*NOTE: All references to U.S.\$ unless otherwise noted. See below for further details on each property. See Note 12 to Financial statements as of December 31, 1999, for description of differences between US and Canadian GAAP.*

Following is a more detailed description of some of the more material properties listed above in which the Registrant has an interest.

### **BRITISH COLUMBIA, CANADA**

#### **New Polaris Property, Atlin Mining Division, British Columbia, Canada**

##### *Details of Acquisition*

The New Polaris property, previously known as the Polaris-Taku property, was acquired by Rembrandt in the early 1950's with a view to reopening the former producing mine. This did not occur, and the property lay dormant until 1988, when Suntac (now Golden Angus) entered into an option agreement (the "Option Agreement") with Rembrandt to earn an undivided 60% interest in the New Polaris property. Pursuant to an agreement dated July 27, 1994, with Rembrandt and certain other parties, the Company acquired a 100% interest in New Polaris (subject to a 15% net profits interest in favour of Rembrandt which can be reduced to 10% upon the Registrant issuing 150,000 shares to Rembrandt during the first year of commercial production). See ITEM 3 and ITEM 13. At the time of the acquisition, Bradford Cooke and Bradley Aelicks, who are directors of the Company, were also directors of Rembrandt.

### *History of the New Polaris Property*

The New Polaris property comprises 61 Crown granted mineral claims located in the Atlin Mining Division, British Columbia. The former Polaris-Taku gold mine is located on the property. The former mine workings are located in the north-west quadrant of the claims area. Gold mineralization was first discovered in 1929 and surface exploration was carried out from 1929 to 1932 and underground development commenced in 1933. The mine on the property operated from 1938 to 1942 and again from 1946 to 1951 and produced a total of 760,000 tons of ore yielding some 231,000 ozs. of gold at an average grade of 0.30 oz/ton Au. The mine was closed because of increasing operating costs and a relatively low gold price. Mine records indicate the mining grade increased during the final years of operation and that in a number of areas the mineral resource remains undeveloped.

The upper part of the mine was developed on five levels - Canyon (elev. 580 ft. above sea level), C (elev. 482 ft.), B (elev. 364 ft.), AJ (elev. 246 ft.) and Polaris (elev. 136 ft.) All levels, except C were developed from adits. Prior to the suspension of operations during wartime the majority of the production was derived from the upper levels of the mine. In 1941 a vertical three compartment timbered shaft was sunk from AJ level to a depth of 900 feet, from which five levels, namely the 150, 300, 450, 600 and 750 were excavated. The 750 level is some 620 feet below sea level. After the war, the production rate gradually increased and most of the ore was mined from the levels below Polaris and at grades notably higher than had previously been obtained from the upper levels of the mine.

Up until 1949 the concentrates produced by the mill were stored on site over the winter and shipped in summer to a freight anchorage at the head of the Taku Inlet. In an attempt to improve gold recoveries and reduce the high cost of shipping, an "Edwards" roaster and cyanide plant were installed and tested in 1949 and commenced commercial operation in September of 1950. Although the addition of the roaster helped to improve the economics of the operation it could only treat approximately one-third of the concentrates produced from the flotation plant. The mine and mill ceased operation in March of 1951.

### *Historic Exploration Work*

During 1988 Suntac completed an initial Phase I exploration program which was designed to provide an initial evaluation of the property and consisted of surface diamond drilling, rehabilitation of the AJ Portal and other existing underground workings on the property, geochemistry, an environmental study and re-establishment of the old townsite as a camp facility, at an approximate cost of \$182,373. A total of eight surface drill holes were completed for a total of 3,373 feet to test targets within the old mine workings but in areas outside of the present delineated mineralized deposit.

During the 1989 season Suntac completed an exploration program for the purpose of further exploring and gathering data in respect of the area above the Polaris level and to upgrade the level of mineralization previously estimated. The program cost approximately \$1,481,171 to complete and included a further 18 surface drill holes totalling 13,377 feet, assays, geophysics, line cutting, sampling, surveying, mapping, logging and opening of the AJ portal for preliminary inspection. All 26 drill holes, totalling 16,750 feet, were confined to the lower elevations of the property, due to limited availability of road building equipment. All of the holes were designed to test the Y vein system either down-dip or along strike from the old workings. The Y vein system produced a large portion of the ore in the previous operation.

A computerized geologic data base was compiled from information obtained from the mine production period and the 1988 and 1989 exploration programs. The data base was compiled to aid in the interpretation of the deposit and provide a geological base from which to proceed with further exploration.

Suntac's consulting engineers developed a conceptual mine plan on the basis of mining the mineralized deposit projected to the 750 foot level at a production rate of 600 tons per day for 350 days per year and recommended a two phase exploration program estimated to cost \$5 million for the purpose of delineating the required reserves and establishing the criteria for a project feasibility study. The two phases were designated Phase III and Phase IV.

During January and February of 1990, Suntac completed a further 9,391 feet of drilling in 10 holes on the relatively unexplored and undeveloped "C" vein to confirm the potential for expanding the mineralized deposit below the deepest underground workings in this area of the Polaris Taku Mine. This target was selected following an intersection in 1989 of 28.1 feet averaging 0.685 oz/ton gold in hole PC89-18A. All 10 holes drilled hit one or more veins of which the "C" vein itself is the most extensive along strike and down dip. The entire vein system is open at depth and along strike. Expenditures on drilling were approximately \$344,661.



In the summer of 1991, a 12,013 foot, eleven hole diamond drilling program was conducted on the "C" and "Y" vein systems, of which seven out of eleven holes were drilled on the "C" vein system. All the holes on the "C" and "Y" vein systems intersected significant mineralization with the seven holes drilled on the "C" vein system averaging (arithmetically) 0.383 oz/ton over approximately 13.5 feet true width, and the four holes on the "Y" vein system averaging (arithmetically) 0.585 oz/ton gold over approximately 5.1 feet. The average of all the 1991 diamond drill holes intersections is 0.400 oz/ton gold over approximately 9.6 feet. Of the 47 holes drilled in 1989, 1990 and 1991, a total of 44 intersected "economic" grades over mineable widths (more than 0.25 oz ton gold over more than 5 feet).

A fourth vein system was identified in cross section as a series of north-south striking veins dipping nearly vertical west of a felsic dyke. These veins are typically narrow but have very sharp walls which make them ideal for shrinkage stoping. A total of thirteen intersections were identified and the area does constitute a future exploration target.

In December 1991, Mr. G.H. Giroux, P.Eng., M.A.S.C., of Montgomery Consultants Ltd. ("Montgomery") prepared a geostatistical study of the mineral resource contained within the New Polaris mineralized deposit. His estimation procedure involved identifying individual gold composite grades for these intersections. Individual veins with sufficient data were then rotated into the horizontal plane and treated on a two dimensional case, with the variable thickness and gold accumulation studied. Grids of 50 x 50 foot blocks were superimposed on longitudinal sections showing vein pierce points. Blocks containing a vein intersection and the aureole of blocks surrounding them were estimated for thickness and gold accumulation by ordinary kriging. The result, based on the Y, AB and C vein systems, was calculated probable reserves of 333,000 tons grading 0.437 oz/ton Au (approximately 145,521 ounces of total contained gold) at a cutoff of 0.25 oz/ton and further possible reserves of 1,892,000 tons grading 0.432 oz/ton Au at a cutoff of 0.25 oz/ton.

In 1992, Suntac completed 20,801 feet of diamond drilling, of which 15,263 feet were in the C vein and 5,538 feet were in the Y vein. The 1992 program indicated that the C vein has a strike length of over 1,500 feet. In February of 1993 Montgomery calculated that the C vein system contained a geological resource of 725,000 tons grading 0.398 oz/ton Au. This figure was reached by using the "inverse distance" geostatistical method and a cutoff of 0.2 oz/ton Au, an increase of 20,319 oz Au from the earlier study. This increase was smaller than expected because the 1991 estimate was based on kriging, whereas Montgomery used the inverse distance method in 1993. Montgomery considered that in situations where most data points are further away from the centre of each block than the range of the semi-variogram, ordinary kriging may overestimate the resource, hence the change.

In 1992, Watts, Griffis and McQuat Limited ("WGM") provided a complete review of the New Polaris mine and property. WGM delivered a report dated August 21, 1992. WGM audited the previously prepared resource estimates, and estimated a mineral resource of 1,600,000 tons at a grade 0.46 oz. Au/t at a dilution of 15%. WGM believes there is substantial untested exploration potential within the property in addition to the known structures such as the AB, Y and C veins, and that this should be investigated as part of the ongoing exploration program. Since the gold mineralization is typically mesothermal in nature, it has a potential vertical range of several thousand feet and there is no reason to believe the mineralization will not extend to significant depths, barring major changes in structure or lithology. WGM recommended that, prior to undertaking a preliminary feasibility study, a program consisting of continuing exploration, metallurgical testing and environmental studies, estimated to cost \$3,575,000 (including \$200,000 for a preliminary feasibility study be undertaken). The recommended work program budgeted approximately \$3,000,000 for diamond drilling and geological mapping and surveys, \$200,000 for a metallurgical test program and \$175,000 for environmental studies.

In 1992, Suntac also commissioned Beacon Hill Consultants (1988) Ltd. ("BHC") and Proton Engineering and Construction Ltd. ("PEC") to prepare a preliminary feasibility study on the New Polaris Property. In their report dated December 1992, BHC and PEC recommended that, if an in-depth study were to be undertaken, a 500 tons per day whole ore pressure oxidation plant should be considered for detailed technical and financial feasibility. The study indicated that improving the confidence level of ore reserve estimates and evaluating the suitability of pressure oxidation treatment of whole ore were the most important objectives to be pursued in a subsequent investigation. The study indicated diluted mining reserves of 231,000 tons grading 0.40 oz/ton Au in the probable category and 603,000 tons grading 0.44 oz/ton Au in the possible category, based on a cutoff grade of 0.25 oz/ton Au over a five foot minimum width except for small blocks or areas on the fringe of a mining zone, where a cutoff grade of 0.30 oz/ton was used.

During September and October, 1994, the Registrant completed 17,320 feet of core drilling in 28 holes. The program succeeded in expanding the reserves of the C vein and indicated the vein has open down dip potential. As well, a program of trenching geochemical anomalies in a new area to the north of any previous drilling or production indicated a potential new gold zone. This trenching on the North Zone was followed up with 14 drill holes which demonstrated a minimum strike length of 1,200 feet and widths up to 55 feet of gold assaying between 0.1 and 0.2 oz/ton.

Between June and November 1995, Canarc carried out 24,985 feet of diamond drilling and a small amount of trenching. The drilling targeted the down-dip potential of both the C veins and North Zone with footages of 13,389 and 11,596 feet respectively.

Drilling on the C veins completed four holes plus a fifth hole wedged off at a depth of 1,700 feet. Four distinct zones of mineralization were outlined to a maximum depth of -2,300 feet a.s.l. and carried gold values of up to 0.45 oz./ton over core lengths of up to 20.7 feet.

Drilling on the North Zone completed ten new holes and re-entered and extended three of the holes drilled during the 1994 program. Strong structure and alteration were outlined up to 400 feet down-dip and 1,000 feet along strike to the north of the 1994 drill holes, however, these zones carried limited gold mineralization.

The 1995 season also saw the completion of a Technical and Economic Review of the project by consulting engineers, Fluor Daniel Wright Ltd. A positive financial analysis was presented and a program of dewatering and rehabilitation of the deepest level of the mine for the purpose of further drifting and underground drilling was recommended.

In January, 1996, Fluor Daniel Wright Inc. completed a technical and economic review on the Polaris Taku Project. Based on a 10 year mine life, an operating rate of 750 tons per day, a gold price of US \$388.50 per ounce, an exchange rate of 0.725, mill recovery of 93.4 percent, and a head grade of 0.37 ounces per ton, the study showed an after tax rate of return of 21 percent for Polaris Taku. This was based on a fly in/fly out scenario, with construction of an autoclave at the mine site.

In June, 1996, McKay Engineering was retained to review the project and to provide advice on the steps necessary to advance Polaris Taku to feasibility. Based on these recommendations, Canarc hired new technical personnel, skilled in the development and permitting of new mines. Canarc then mobilized men and equipment and initiated dewatering and rehabilitation of the historic mine workings at Polaris Taku.

#### *Recent Exploration Work – Fall 1996 to May 1, 2000*

Between November 1996 and June 1997, Canarc completed approximately 40,000 feet of underground diamond drilling at Polaris Taku. Existing workings were successfully dewatered to the 600 level, the deepest level in the mine. Access was gained to the A.J., Polaris, 150, 300, 450, and 600 levels. An Alimak raise climber was installed in one of the compartments of the existing shaft for access to the mine. A hoist system was installed in a second shaft compartment to move materials and supplies.

A new office/dry/core logging building was constructed. The camp was upgraded to house up to 35 personnel. Generators were installed to operate the camp, diamond drills, and pumps for underground dewatering. Mobile equipment was acquired and existing equipment refurbished.

Canarc initiated environmental test work including surface water sampling, ground water sampling, and discharge water sampling. Ground water monitoring wells were installed to initiate collection of baseline data for mine permitting and to quantify any potential liabilities from past mining activities on the site. Preliminary fisheries and benthic invertebrate studies were completed. Acid base accounting work on existing waste rock at the mine indicated the mine was non acid generating. Clean up of the mine site progressed significantly, with the removal of old mine buildings, including the old mill.

In March, 1997, the subsidiary company, Golden Angus Mines Ltd. and the Polaris Taku Project name were consolidated into New Polaris Gold Mines Ltd. The name change reflects the evolution on the project into the feasibility and development stage from engineering.

In June 1997, due to the BRE-X scandal, Canarc temporarily postponed site work at New Polaris, pending additional financing. Work continued in the Vancouver office to build a detailed resource model, using GEMCOM software. New drill data and old drill data were combined into this new model. In late 1997, due to the fall in the gold price, the New Polaris site remained in care and maintenance. Canarc initiated contact with a number of major mining companies who are currently reviewing data on New Polaris for potential joint venture of the project.

**The Company has not yet established the presence of proven ore reserves on the property or that it can be economically or legally mined. There is a significant risk, due to environmental concerns, that the necessary governmental approvals to allow for the**

**development of the property may not be obtainable or may only be obtained on such terms and conditions as would render the property uneconomic.**

### **Eskay Creek/GNC Property, Skeena Mining Division, British Columbia, Canada**

#### *Details of Acquisition*

Canarc acquired an undivided 50% interest in certain mineral claims located in the Skeena Mining Division of British Columbia pursuant to the terms of an option agreement dated November 4, 1988 with ARC Resource Group Inc. of Vancouver, British Columbia ("ARC") in consideration of the payment to ARC of \$50,000 and the issuance of 200,000 shares of the Company. Two of the directors of Canarc, Bradley Aelicks and Bradford Cooke, were then directors of ARC and collectively held 50% of ARC's outstanding shares. (See ITEM 13 - Interest of Management in Certain Transactions).

Pursuant to an option and joint venture agreement dated November 4, 1988, Canarc granted to Calpine Resources Incorporated ("Calpine") (which agreement was subsequently assigned to Prime Resources Group Inc. ("Prime")) an option to acquire an undivided 16.67% interest in the property. This option was exercised by Prime by incurring \$300,000 in exploration and development of the property prior to November 4, 1989 and by making various cash payments and share issuances to ARC. Prime (through Calpine) had separately acquired a 50% undivided interest in the property from ARC. Pursuant to the terms of a letter agreement dated September 6, 1989, Prime became the operator of the property and committed to spend \$2.3 million on exploration. Upon Prime earning its interest, Prime and the Company formed a joint venture under the terms of which Prime has a 66-2/3% interest in the property and is solely responsible for all further costs and Canarc owns a 33-1/3% non-assessable carried interest. Any proceeds of production will be remitted first to Prime until it recovers all expenditures and costs incurred by it together with interest thereon at bank prime plus 1%. The property is subject to a 2% net smelter return royalty in favour of ARC.

The property is presently comprised of three claims totalling 923.1 hectares, located within the Skeena Mining Division approximately 100 kilometres northwest of Stewart in northwestern British Columbia. Three mining leases over these claims have been applied for but have not yet been issued. A fourth claim has been declared invalid, but such declaration has been appealed on behalf of Prime and Canarc.

In 1997 Prime began drilling on the property and received encouraging results. In December 1999, the Registrant announced that a drill program by Homestake Mining on its GNC property intersected the same prospective rock formations that host the adjacent high grade Eskay Creek mine. Although no gold or silver mineralization was found, Homestake concluded that "the area remains prospective" and "further drilling is required".

See ITEM 3.

## **MEXICO**

### **Minera Aztec Silver Corporation - Lobo and Nopalera Properties, Mexico**

#### Historical Development:

Minera Aztec Silver Corporation and its subsidiary Minera Aztec S.A. de C.V. are the subsidiaries of the Registrant carrying on mineral exploration and development in Mexico. Initially, the Registrant, on behalf of Minera Aztec Silver Corporation, entered into an agreement with RGI Resource GIS & Imaging Ltd. ("RGI") to collaborate on the staking of prospective mineral claims in the Zacatecas area of Mexico. By early 1998 Minera Aztec Silver Corporation and RGI acquired by staking a 100% interest in 13 properties in the states of Zacatecas and San Luis Potosi Mexico known as the Lobo properties, numbers 3, 4, 6 through 10 and 14 through 19. The staking was based upon a compilation of geological, geochemical and geophysical data combined with an evaluation of the known deposits in the area. In addition, on September 27, 1999 a property known as the Lobo 20 was staked independently by Minera Aztec Silver Corporation.

On March 4, 1998 Minera Aztec Silver Corporation entered into an option agreement with Mill City International Inc. whereby Mill City can earn a 50% interest in the Lobo 3 property by paying US\$200,000, issuing 200,000 shares and spending US\$2,000,000 over a 4 year period ending August 24, 2003.

In September, 1998 Minera Aztec Silver Corporation entered into separate agreements on the Lobo 6 and Lobo 8 properties in Zacatecas State, Mexico with Minerales Noranda S.A. de C.V., a subsidiary of Noranda Minerals Inc., whereby Noranda can earn up to a 70% interest in each property by making a schedule of cash payments, stock investments, and work commitments.

On February 19, 1999 Minera Aztec Silver Corporation entered into an agreement on Lobos 4, 9, 10 and 14–20 with Far West Mining Ltd. The agreement calls for Far West to spend US\$5.5 million on work expenditures, make US\$500,000 in cash payments and issue 1 million shares (subject to regulatory approval) to Minera Aztec Silver Corporation over a 3 year term ending February 1st, 2002 to earn a 50% interest in the properties.

On August 10, 1999 Minera Aztec Silver Corporation entered into an agreement with Minera Uruachic S.A. de C.V. to acquire up to a 60% interest in the La Nopalera mineral claim located in Chihuahua State, Mexico. Under the terms of the agreement, as amended October 8, 1999 Minera Aztec Silver Corporation can earn a 60% interest in the La Nopalera claim by paying Cdn. \$55,000, issuing 250,000 common shares (50,000 shares issued to date) and carrying out exploration expenditures totaling Cdn.\$1,000,000 within a 4 year period ending October 15, 2003. The agreement also covers two additional properties, the La Flor Del Trigo and the El Pavo Real mineral claims.

Canarc Resource Corp., previously did have an interest in the La Nopalera and La Flor Del Trigo claims. It had previously entered into an agreement with Minera Delta S.A. de C.V., executed on May 1, 1997, in relation to the La Nopalera and La Flor Del Trigo claims. Under the terms of that agreement Minera Delta staked the properties on behalf of Canarc in return for a 10% carried interest in the properties. Apart from a collection of 30 rock samples from the Flor del Trigo and surrounding property in the fall of 1995, no material exploration work was carried out by or on behalf of Canarc and, based on the decision of management of Canarc to focus on its properties outside of Mexico at that time and its desire to conserve funds, the ongoing yearly taxes were not paid and both claims were allowed to lapse.

Minera Aztec Silver Corporation recently finalized a Prospectus in the Province of British Columbia with an Effective Date of April 5, 2000. The 1,700,000 share offering proposed in the Prospectus, if completed, would raise approximately Cdn\$1,450,000 for Minera Aztec Silver Corporation. Part of the proceeds of the offering would be spent on the Nopalera Property, described below and located in Chihuahua State, Mexico, in search of mineable silver, gold, lead, copper and zinc deposits.

Minera Aztec Silver Corporation's main focus for the next year will be to carry out the recommended phase 1 work program on the Nopalera Property and a phase 2 follow up program, if recommended, and to continue with its work as operator on the Lobo properties optioned to Far West. In addition, Minera Aztec Silver Corporation will continue evaluating other promising mineral properties in Mexico with a view to possibly making additional acquisitions.

**See the Exhibit to this Form 20F titled Minera Aztec Prospectus for a complete description of Minera Aztec Silver Corporation and the properties and the share offering.**

## **COSTA RICA**

### **Bellavista Property, Costa Rica**

#### *Details of Acquisition*

Pursuant to a July 27, 1994 agreement with Rembrandt, Canarc acquired 78.5% of the issued shares of Carib Industries Ltd. ("Carib"), a Cayman Islands company. Carib is the holder of all the shares of Rayrock Esperanza, ("Holdco") which in turn is entitled to the proceeds of an annual pre-production payment of \$200,000, to be paid on or before January 31 of each year up to an including the year in which commercial production commences. The \$200,000 is divided as to 78.5% to Canarc and 21.5% to Rembrandt, after deducting therefrom \$50,000 (25%) payable to Intercontinental Precious Metals Inc. ("IPM").

The subject property is situated in the place known as Montezuma, second district of the fourth county Monte de Oro of the Province of Puntarenas, Costa Rica, Minera Rayrock Inc., an Ontario Corporation, ("Minera") is the operator in connection with the development and operation of the property.

Following the commencement of commercial production, as holders of the Class C shares of Holdco, Rembrandt and Canarc or New Polaris are entitled, out of money properly applicable by Holdco to the payment of dividends, to receive fixed cumulative preferential cash dividends as follows:

- (a) during the first payback period (defined to be the period from the commencement of commercial production until Minera has received dividends from Holdco aggregating an amount equal to the total amount of funds contributed by or on behalf of Minera and its affiliates prior to the commencement of commercial production), 7.22% of the amount by which net operating profit received by Holdco exceeds certain costs incurred by Holdco (subject to 35% of such dividend being paid to Minera until Minera has recovered an amount equal to its prior annual payments to Rembrandt/Carib);
- (b) during the second payback period (defined as the period commencing on the end of the first payback period and ending when Minera has received dividends from Holdco in an amount equal to that received by it during the first payback period), 12.59% of the amount by which net operating profit received by Holdco exceeds certain costs incurred by Holdco; and
- (c) after the second payback period, an amount equal to 23.2% of the amount by which net operating profit received by Holdco exceeds certain costs incurred by Holdco.

The net operating profit of Holdco is deemed to mean, for any period after commercial production, the aggregate gross cash income received by Holdco's operating subsidiaries (excluding certain borrowed funds or contributed equity capital) less the operating costs for the period related to the operation of the property as a mine.

The property covers approximately 1,700 hectares and consists of exploration permit number 6768 and Exploitation Concession 21A issued to Posesion Gran Galaxie S.A. ("Posesion" - a subsidiary of Holdco) by the Government of Costa Rica, together with certain other real property. An application for an additional exploration permit over ground formerly covered by exploration permit 6768 has been submitted. Exploitation Concession 21A has a perpetual term, subject to the owner of the concession paying property taxes producing ore from the property and filing with the Costa Rican government annual work reports with respect to such production. In late 1992 the concession area was expanded to encompass exploration permit 4832 and portions of exploration permit 6768, and now covers approximately seven square kilometres. In connection with the increase in size of Exploitation Concession 21 A, approximately six square kilometres of exploration permit 6768 was relinquished and "frozen" to prevent it from being acquired by other parties. Exploration permits have a three year term and can be extended for an additional two years. A work program and environmental impact plan for the property is required to be approved by the Costa Rican government. To maintain the permit, the owner of the permit must file semi-annual work reports with the government indicating compliance with the approved work program and pay all property taxes. On April 15, 1997, Wheaton River Minerals Ltd. announced it had acquired from Minera a 3 year option to purchase Minera's interest in the property. In April 1998, a prefeasibility study was completed by Wheaton River Minerals Ltd. which indicated that the mine could generate profits over an 8 year minimum minelife. Wheaton carried out a 7600 meter underground infill drilling program in June, 1998. In February 2000 Wheaton announced that it had received an offer of limited recourse project financing totaling US\$19 million from Barclays Bank PLC. An additional US\$3 million to US\$5 million subordinate financing was being sought by Wheaton River. To the best of Canarc's knowledge all exploration permits are up to date.

## **SURINAME**

### **Sarakreek Concession, Brokopondo District, Suriname**

Pursuant to agreements dated March 1, 1994 (collectively the "Wylap Agreement") among Canarc Suriname (Barbados) Ltd. (an indirect wholly owned subsidiary of Canarc) ("Canarc Suriname"), Suriname Wylap Development Co. Ltd. ("Wylap"), a Surinamese company of Saramacca Straat 80, Paramaribo, Suriname, and Sarakreek Resource Corp. N.V., a company incorporated under the laws of Suriname ("Sarakreek"), Wylap granted to the Company (through its subsidiary, Canarc Suriname) a right to earn a 80% indirect interest in the Sarakreek undersurface gold exploitation concession through the acquisition of 80% of the shares of Sarakreek. Wylap and its principals are at arm's length to the Company. In order to acquire the option, the Company was required to make a \$15,000 (U.S.) payment to Wylap (paid). Pursuant to the Wylap Agreement, Wylap was required to transfer the mineral title to the Sarakreek

Concession (transferred), and related equipment, facilities and supplies now held by Wylap and used on the Sarakreek Concession, to Sarakreek forthwith upon its incorporation (transferred). The Company earned its 80% interest in Sarakreek by advancing to Sarakreek in excess of a required total of \$2.3 million (U.S.). Canarc issued to Wylap 200,000 common shares of the Company for its 80% interest in Sarakreek. Canarc is required to issue 100,000 common shares upon the delivery of a positive feasibility study for production; and a further 100,000 common shares upon the commencement of commercial production. The Company has earned 80% of the shares of Sarakreek.

Wylap will be entitled to receive from Sarakreek the greater of 20% of the net profits from underground operations or a variable net smelter return royalty, based on the average gold price. The royalty payable to Wylap will vary between 1-1/2% and 5-1/2%, based on a floor of 1-1/2% when gold is \$300 (U.S.) per ounce or less, rising by 1% for each \$100 (U.S.) per ounce in the gold price, to a ceiling of 5-1/2% when the gold price is \$600 (U.S.) an ounce or higher.

Wylap acquired the Sarakreek Concession in 1985, and has spent approximately \$410,000 (U.S.) on exploration and development since then. Former joint venture partners spent an additional \$680,000 (U.S.) on alluvial mining exploration. Under the terms of the current mining rights for the Sarakreek Concession, Wylap has been granted the right to mine gold for a period of five years from April 15, 1993.

The Sarakreek Concession, totalling 22,500 hectares, lies 150 kilometres south of Paramaribo, the capital of Suriname, in an area of historical gold workings south of Van Blommestein Lake. In the 1930s, a narrow gauge railway was specially built and operated from Paramaribo to the Sarakreek gold fields. Access to Sarakreek from Paramaribo is by powerboat or light aircraft to an 800 meter (2,600 ft.) airstrip on site. Some 40 kilometres of roads have also been built on the property.

The property is situated in the Marowijne greenstone belt of the Precambrian Guyana Shield, similar in many ways to the greenstones that host the Las Cristinas deposit in Venezuela, the Omai deposit in Guyana, as well as Golden Star's Gros Rosebel deposit in Suriname which lies halfway between Paramaribo and Sarakreek. Gold has been produced from several areas on the property in recent years, typically by hydraulics and sluicing of surface alluvial deposits. There is currently a substantial amount of gold production equipment on site, including a small dredge, bulldozers and generators etc., as well as radio transmitters and a campsite, all of which are included in this transaction.

Pursuant to the Wylap Agreement, net proceeds of production from alluvial mining on the property (to a depth of five metres) is to be shared equally between Wylap and the Company.

The Company started a reconnaissance geochemical survey over the property in mid 1994 and by December 31, 1995 a major portion of the property was covered. More detailed geochemical surveys in late 1994, identified 3 large targets which by December 31, 1995, were tested by a 21 hole core drilling program.

In December 1996 a deep augering and diamond drilling program was carried out on the three areas to better assess their potential for open pit, high grade, saprolite gold mineralization.

#### *Recent Developments*

Based on initial favourable results, additional trenching and a 12 hole diamond drilling program were undertaken in 1997 and further soil sampling, deep augering and drilling was undertaken in 1998. High grade shear zones and bulk tonnage porphyry targets returned significant trench and drill intersections in saprolite over several kilometres of strike length, including 13.6 gpt over 10m, 2.3 gpt over 40m, 7.0 gpt over 13.5m, 2.9 gpt over 16.6m and 5.9 gpt over 10.7m.

In May 1999, the Registrant announced a machine trenching program the property. The goal of the program was to seek to establish a high grade, mineable gold ore reserve suitable for a feasibility study and, if positive, commercial production. In June a bulldozer trenching program returned positive results. In view of the results, the Registrant proceeded with a feasibility study on the DP vein zone that was completed in August. The study by Ross Glanville & Associates Ltd. recommended commercial production at an estimated operating cost of US\$62 per oz. gold.

In February 2000, the Registrant approved an optimization report on the DP Gold Mine, subject to financing. The proposed DP mine would be a small, high grade, open pit operation projected to produce approximately 13,000 oz. (420 kg) gold over a 9 month period.

Additional production would be possible as the gold deposit appeared to be open at both ends as well as to depth. Canarc is now seeking a joint venture partner to continue the exploration and development of the saprolite and bedrock gold potential at Sara Kreek.

**The Company has not yet established the presence of ore reserves on the property, or that it can be economically or legally mined.**

### **Benzdorp Property, Suriname**

On April 6, 1996 the Company entered into a shareholders' agreement (the "Benzdorp Agreement") with a Surinamese government-owned mining company, Grasshopper Aluminum Company N.V. ("Grassalco"), whereby Canarc may earn up to an 80% interest in the Benzdorp property located in south-eastern Suriname through its share ownership of Surcan Resources N.V.I.O. ("Surcan") To earn its interest in Surcan, the holding company and beneficial owner of the Benzdorp property, Canarc is required to spend US\$5,000,000 on exploration and make US\$750,000 in cash property payments to Grassalco over a four-year period.

Canarc is also required to fund the cost and use its best efforts to have a feasibility study completed as soon as reasonably possible. If a feasibility study has not been prepared within 54 months following the date of signing of the Benzdorp Agreement, Canarc is required to make an annual payment of US\$250,000 to Grassalco, which increases to US\$500,000 if a feasibility study has not been prepared within 90 months of the signing of the Benzdorp Agreement.

Furthermore, following the submission of an application for a right of exploitation, Surcan is required to commence commercial production within three years from the later of the date that Surcan obtains the right of exploitation or the date the Board of Surcan approves financing for the project. If Surcan does not commence commercial production within the three year period, then Surcan is required to make a payment of US\$250,000 to Grassalco. If commercial production does not commence within one year thereafter, then Surcan will be required to make an additional payment of US\$500,000 to Grassalco.

### *Geography and Geologic Setting*

Suriname is a humid tropical country the size of Florida, located on the north coast of South America. A coastal plain gives rise to hills and isolated mountains inland. Ninety-seven percent of the country is forested and only the coastal strip is developed.

Excepting the Cenozoic coastal plain, the country consists of crystalline Lower Proterozoic rocks of the Guiana Shield; granites, gneisses, and Paramaca greenstones. The Orapu-Bonidoro clastics are slightly younger. Some of the granulitic gneisses may be Archean. The Tafelberg outlier of Mid-Proterozoic Roiraima conglomerates lies near the center.

### *Location and Access*

The Benzdorp property is approximately 270km south-east of Paramaribo, the capital and largest city of Suriname, and is accessible by fixed wing aircraft, or by river boat along the Marowijne River. The Benzdorp concession covers a total of 138,000 hectares comprising three exploration blocks of 40,000 hectares and one exploration block of 18,000 hectares. The easternmost exploration block is accessible from the Kamina Tabiki airstrip, which is located on an island in the Marowijne River. The three other exploration blocks are accessible via the Assici Kreek and the Gonini/Emma River.

### *History*

Systematic reconnaissance exploration for bedrock mineralization in the Benzdorp area commenced in the early 1970's. Prior to the 1970's geological work focused on the evaluation of the alluvial gold deposits that occur in the area.

Alluvial mining commenced in the late nineteenth century and continued into the start of the twentieth century with a peak in production in 1908 of 1,209 kilograms of gold. Government-supported exploration for alluvial gold deposits in the Lawa area (1903 - 1908) indicated that the gold depositories are located near the contact zones between the granites and the country rocks. The Billiton Mining Company evaluated the alluvial deposits in 1941 and 1946/7, but decided not to go into production. Gold production from the alluvial deposits saw a revival between 1963 and 1969 when a large bucket-lined dredge (the Jungle Queen) was moved into the area. The most productive creeks/valleys in the Benzdorp area are the Antino, Aspi, Rufin, Eau Clair, Pointu and Maripa soela

areas. Recorded production figures show that 15 tons of gold has been produced from the alluvial deposits, but the true figure is believed to be substantially higher.

In 1973 and 1974 the Geological and Mining Service of Suriname (“GMD”) conducted a low density soil and stream sediment sampling survey over most of the concession. Elements analyzed included the following: Zn, Ni, Cr, TiO<sub>2</sub> (XRF), Cu, Sn, Mn (Colourimetry) and Co (AAS). The procedure followed involved dividing the area of interest into squares measuring 3 km by 3 km and then collecting one soil and one stream sediment sample from a pre-determined site in that block. The soil sample was collected 1000 metres upslope from the stream sediment sample location. In the area immediately west and north-west of the Kamina Tabiki airstrip (the north-eastern part of the property) there were coincident anomalous concentrations of Au, Cu, Zn, Sn, Ni, Cr, TiO<sub>2</sub>, Co and Mn in stream sediments. This area is surrounded by extensive alluvial gold workings.

Soil sampling programs were conducted by GMD around the gold-producing areas of Benzdorp between 1983 and 1986. A 40 square kilometre grid, 200 metres by 200 metres, was oriented east north-east and samples were collected from a depth of 30-50 centimetres. This anomaly has been named the “Jungle Queen” after the dredge that was left in the area. The gold anomaly (>100ppb contour) measures 2.9km in a north-south direction, and over 3km in an east-west direction. There are several areas within the 100ppb contour with gold assays greater than 500ppb. The most significant area (>500ppb) measures 600 metres by 400 metres. The anomalies located in the 1983-1986 program were followed up by GMD in 1987. Unfortunately, many of the samples were never analyzed due to the uprising in Eastern Suriname, hence the program did not reach completion.

After having completed tests in soils which confirmed that gold in soil anomalies are present, Canarc sought to acquire an interest in the property. In May, 1996 Canarc engaged Peter Christopher & Associates Inc. to prepare an independent report and evaluation and to make recommendations for proposed exploration programs.

Based on these recommendations, a work program was begun in 1996. During the summer of 1996 two gold soil anomalies, the Jungle Queen A and B were found. The anomalies lie along a north-south mineralized trend which appears to be at least 10 km long.

#### *Recent Exploration Work*

during 1997 two trenches were completed at a right angle to each other along the western flank of the JQA. Gold mineralization in quartz stockworks within granodiorite was found throughout both trenches in saprolite.

Trench JQA 97-1 (E-W) returned an average grade of 0.91 gpt (peak value 1.64 gpt) over its full length of 112 m. Trench JQA 97-2 (N-S) had an average grade of 1.18 gpt (peak value 1.88 gpt) over its full length of 62 m. Gold mineralization at JQA was traced continuously by deep augering to 15 m in depth over an area 700 m long by 300 m wide, and was still open to the west and south. A drill program is now being planned to test the JQA target to 300 m in depth.

Deep augering at the JQB target intersected high grade, shear zone gold mineralization in quartz veins.

Canarc has identified 12 separate gold targets to date on the easternmost 5% of the Benzdorp property. Further deep augering has returned encouraging results and further work, including diamond drilling, is planned during the coming year.

In November 1997 the Registrant and Placer Dome (CLA) Limited entered into an agreement whereby Placer Dome could have earned up to a 60% interest in the property. In August, 1998 Placer Dome Inc. advised Canarc that it had elected not to proceed with their option to earn a 60% interest in the property. In October, 1998 the Registrant began its filing for arbitration under the UNCITRAL rules in the Hague with its partner, Grassalco, regarding the resolution of, and compensation for, various Grassalco defaults under the Canarc-Grassalco agreement on the property. In June 1999 an accord had been reached with Grassalco to resolve the dispute. The parties jointly agreed to withdraw their respective arbitration and legal actions and to finalize the discussions needed to complete the articles of incorporation for the Benzdorp joint venture company. It is Canarc’s intention to proceed with the exploration and development of the Benzdorp property as soon as Grassalco meets its obligations under the existing agreement. At that time, Canarc will seek a new joint venture partner.

**The Company has not yet established the presence of ore reserves on this property, or that it can be economically or legally mined.**



**There is no certainty that the Company will be able to negotiate or obtain an acceptable foreign investment contract with the Government of Suriname with respect to the taxes payable by Canarc from the production of minerals from the Benzdorp property. While the government of Suriname is in the process of setting a standard Mineral Policy which will remove the necessity to negotiate an individual investment contract its potential effect on the Company not known at this time.**

#### ITEM 3 - LEGAL PROCEEDINGS

Except as set forth herein, there are no material legal proceedings to which the Registrant or any of its subsidiaries was a party or in respect of which the properties of the Registrant or any of its subsidiaries was subject, as of **December 31, 1999**, except for:

One of the mineral claims formerly comprising the GNC Property of the Registrant is the subject of a staking dispute. Upon completion of an inspection by the Office of the Chief Gold Commissioner for British Columbia as a result of a complaint filed by Mr. Ken MacKenzie, the "STOR" claim was cancelled and declared "void ab initio" (never to have existed) by the Chief Gold Commissioner on the basis that the locator could have placed additional identification posts and marked additional boundary lines. On September 25, 1991, the Registrant filed an appeal of this decision to the Supreme Court of British Columbia. The appeal has not yet been heard. The Registrant does not consider the loss of this claim to be material.

The Registrant's management has no knowledge of any material legal proceedings in which the Registrant or any of its subsidiaries may be involved which are contemplated by governmental authorities or otherwise except as set forth hereunder.

#### ITEM 4 - CONTROL OF REGISTRANT

To the best of the Registrant's knowledge, the Registrant is not directly or indirectly owned or controlled by another corporation or by any foreign government. There are no arrangements, known to the Registrant, the operation of which may at a subsequent date result in a change in its control.

As at **April 16, 2000**, the only persons or groups known to the Registrant to own more than 10% of the Registrant's issued and outstanding common shares and the number of common shares owned, directly or indirectly, by officers and directors of the Registrant as a group are as follows:

Title of Class	Identity of Person or Group	Shares Owned	Percentage of Class (2)
Common Shares	Cede & Co. New York, New York, U.S.A.	20,106,024 (1)	50.1%
Common Shares	CDS & Co. Toronto, Ontario	13,897,342 (1)	34.9%
Common Shares	Anthony Low-Beer, New York, New York, U.S.A.	5,323,500*	13.4%
Common Shares	Officers and Directors as a group	384,000	1.0%

\*as at April 16, 2000

- (1) Owners of record only. CDS & Co. is a clearing agency through which Canadian brokers and dealers hold their securities. Cede & Co. is a U.S. clearing agency. The Registrant believes that all of these shares are held by the registered holder in a fiduciary, trustee, or nominee capacity, and the identities of the beneficial owners of such shares are not known to the Registrant and, except for named individuals and the officers and directors as a group, the Registrant is not aware of any person or group of persons which beneficially owns more than 10% of the Registrant's outstanding common shares.
- (2) Based on **39,782,448** shares outstanding as at **April 16, 2000**. Certain of these shares may be held in "street form" and may be included in the shares registered in the name of CDS & Co. or Cede & Co.

## ITEM 5 - NATURE OF TRADING MARKET

Since November 2, 1994, the Registrant's common shares have traded on the TSE. From March 16, 1988 to June 2, 1995, the Registrant's common shares traded on the VSE. The Registrant relisted on the VSE from September 1996 to February 12, 1999. In February, 1997 the Registrant was listed for trading on the Frankfurt and Berlin Stock Exchanges and has since delisted from those exchanges. Management of the Registrant is not aware of any trading market for the Registrant's common shares in the United States. The following information regarding the trading of the Registrant's shares is provided by the TSE, where the majority of its trading takes place:

Quarter	High	Low	Volume
2000			
1st Quarter	\$0.37	\$0.19	1,183,900
1999			
4th Quarter	\$0.37	\$0.19	3,337,600
3rd Quarter	\$0.32	\$0.17	2,027,600
2nd Quarter	\$0.34	\$0.17	1,405,400
1st Quarter	\$0.28	\$0.20	1,370,227
1998			
4th Quarter	\$0.48	\$0.19	4,332,151
3rd Quarter	\$0.45	\$0.11	3,603,005
2nd Quarter	\$0.60	\$0.35	1,492,913
1st Quarter	\$0.75	\$0.49	2,384,635

*based on TSE volumes only.*

As of **April 16, 2000** there were **39,782,448** common shares of the Registrant issued and outstanding. Based on the records of the Registrant's registrar and transfer agent, Montreal Trust Company of Canada, of 4th Floor, 510 Burrard Street, Vancouver, British Columbia, Canada as at such date there were 480 registered holders of the Registrant's common shares resident in the United States (72% of all registered holders) holding 23,475,285 common shares. This number represents approximately 59% of the total issued and outstanding common shares of the Registrant at that date.

## ITEM 6 - EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS

There are no governmental laws, decrees or regulations in Canada relating to restrictions on the export or import of capital, or affecting the remittance of interest, dividends or other payments to non-resident holders of the Registrant's common shares. Any remittances of dividends to United States residents are, however, subject to a 15% withholding tax (10% if the shareholder is a corporation owning at least 10% of the outstanding common shares of the Registrant) pursuant to Article X of the reciprocal tax treaty between Canada and the United States. See ITEM 7.

Except as provided in the Investment Canada Act (the "Act"), there are no limitations under the laws of Canada, the Province of British Columbia or in the charter or any other constituent documents of the Registrant on the right of foreigners to hold or vote the common shares of the Registrant.

## ITEM 7 - TAXATION

**ALL SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE INCOME AND OTHER TAX CONSEQUENCES ARISING IN THEIR PARTICULAR CIRCUMSTANCES. THE FOLLOWING IS A SUMMARY ONLY AND OF A GENERAL NATURE AND IS NOT INTENDED, NOR**

## **SHOULD IT BE CONSTRUED, TO BE LEGAL OR TAX ADVISE TO ANY PARTICULAR SHAREHOLDER.**

### **MATERIAL CANADIAN FEDERAL INCOME TAX CONSEQUENCES**

Management of the Registrant considers that the following general summary fairly describes the principal Canadian federal income tax consequences applicable to a holder of common shares of the Registrant who is a resident of the United States and who is not a resident of Canada and who does not use or hold, and is not deemed to use or hold, his common shares of the Registrant in connection with carrying on a business in Canada (a “non-resident shareholder”).

This summary is based upon the current provisions of the Income Tax Act (Canada) (the “ITA”), the regulations thereunder (the “Regulations”), the current publicly announced administrative and assessing policies of Revenue Canada, Taxation, and all specific proposals (the “Tax Proposals”) to amend the ITA and Regulations announced by the Minister of Finance (Canada) prior to the date hereof. This description is not exhaustive of all possible Canadian federal income tax consequences and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial or foreign tax considerations which may differ significantly from those discussed herein.

#### *Dividends*

Dividends paid on the common shares of the Registrant to a non-resident holder will be subject to withholding tax. The Canada-U.S. Income Tax Convention (1980) (the “Treaty”) provides that the normal 25% withholding tax rate is reduced to 15% on dividends paid on shares of a corporation resident in Canada (such as the Registrant) to residents of the United States, and also provides for a further reduction of this rate to 10% where the beneficial owner of the dividends is a corporation which is a resident of the United States which owns at least 10% of the voting shares of the corporation paying the dividend.

On November 9, 1995, a third Protocol (“the Third Protocol”) was ratified amending the Convention between Canada and the United States with respect to taxes on income and capital. Article 5 of the Third Protocol amends paragraph 2(a) of Article X of the Treaty to reduce the 10% rate of withholding on dividends (where the beneficial owner of the dividends is a company which owns at least 10% of the voting stock of the company paying dividends) as follows:

- for amounts paid or credited after 1995 and before 1997, the rate is 6%; and
- for amounts paid or credits on or after December 31, 1996, the rate is 5%.

The existing withholding rate of 15% (where the beneficial ownership test is not met) is not altered by the Third Protocol.

#### *Capital Gains*

A non-resident of Canada is not subject to tax under the ITA in respect of a capital gain realized upon the disposition of a share of a public corporation unless the share represents “taxable Canadian property” to the holder thereof. The Registrant is listed on a prescribed stock exchange for purposes of the ITA and a common share of the Registrant will be taxable Canadian property to a non-resident holder if, at any time during the period of five years immediately preceding the disposition, the non-resident holder, persons with whom the non-resident holder did not deal at arm’s length, or the non-resident holder and persons with whom he did not deal at arm’s length owned not less than 25% of the issued shares of any class or series of the Registrant or, if the holder at any time elected to have the shares deemed to be taxable Canadian property under Section 48 of the ITA. In the case of a non-resident holder to whom shares of the Registrant represent taxable Canadian property and who is resident in the United States, no Canadian taxes will be payable on a capital gain realized on such shares by reason of the Treaty unless the value of such shares is derived principally from real property situated in Canada or the non-resident holder is an individual who was a resident of Canada for one hundred and twenty (120) months during any period of twenty (20) consecutive years preceding the sale of the shares and was resident of Canada at some time during the ten (10) years immediately preceding the sale of the shares and the shares (or property for which the shares were substituted in an alienation, the gain from which was not recognized in Canada) were owned by the individual holder at the time he ceased to be a resident of Canada. However, in such a case, certain transitional relief under the Treaty may be available.

## **MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES**

The following is a general discussion of certain possible United States Federal income tax consequences, under current law, generally applicable to a U.S. Holder (as defined below) of common shares of the Registrant. This discussion does not address all potentially relevant Federal income tax matters and it does not address consequences peculiar to persons subject to special provisions of Federal income tax law, such as those described below as excluded from the definition of a U.S. Holder. In addition, this discussion does not cover any state, local or foreign tax consequences. (See “Certain Canadian Federal Income Tax Consequences” above.)

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations, published Internal Revenue Service (“IRS”) rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. In addition, this discussion does not consider the potential effects, both adverse and beneficial, of any recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. The following discussion is for general information only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of common shares of the Registrant and no opinion or representation with respect to the United States Federal income tax consequences to any such holder or prospective holders is made. Accordingly, holders and prospective holders of common shares of the Registrant should consult their own tax advisors about the Federal, state, local, and foreign tax consequences of purchasing, owning and disposing of common shares of the Registrant.

### *U.S. Holders*

As used herein, a “U.S. Holder” includes a holder of common shares of the Registrant who is a citizen or resident of the United States, a corporation created or organized in or under the laws of the United States or of any political subdivision thereof, any entity which is taxable as a corporation for U.S. tax purposes and any other person or entity whose ownership of common shares of the Registrant is effectively connected with the conduct of a trade or business in the United States. A U.S. Holder does not include persons subject to special provisions of Federal income tax law, such as tax-exempt organizations, qualified retirement plans, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals or foreign corporations whose ownership of common shares of the Registrant is not effectively connected with the conduct of a trade or business in the United States and shareholders who acquired their stock through the exercise of employee stock options or otherwise as compensation.

### *Distributions on Common Shares of the Registrant*

U.S. Holders receiving dividend distributions (including constructive dividends) with respect to common shares of the Registrant are required to include in gross income for United States Federal income tax purposes the gross amount of such distributions to the extent that the Registrant has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder’s United States Federal Income tax liability or, alternatively, may be deducted in computing the U.S. Holder’s United States Federal taxable income by U.S. Corporate Holders or by U.S. individuals who itemize deductions. (See more detailed discussion at “Foreign Tax Credit” below). To the extent that distributions exceed current or accumulated earnings and profits of the Registrant, they will be treated first as a return of capital up to the U.S. Holder’s adjusted basis in the common shares and thereafter as gain from the sale or exchange of the common shares. Preferential tax rates for net capital gains are applicable to a U.S. Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder which is a corporation.

Dividends paid on the common shares of the Registrant will not generally be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations. A U.S. Holder which is a corporation may, under certain circumstances, be entitled to a 70% deduction of the United States source portion of dividends received from the Registrant (unless the Registrant qualifies as a “foreign personal holding company” or a “passive foreign investment company”, as defined below) if such U.S. Holder owns shares representing at least 10% of the voting power and value of the Registrant. The availability of this deduction is subject to several complex limitations which are beyond the scope of this discussion.

### *Foreign Tax Credit*

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of common shares of the Registrant may be entitled, at the option of the U.S. Holder, to either a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States Federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and applies to all foreign taxes paid by (or withheld from) the U.S. Holder during that year. There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate shares of the U.S. Holder's United States income tax liability that the U.S. Holder's foreign source income bears to his or its world-wide taxable income. In the determination of the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. There are further limitations on the foreign tax credit for certain types of income such as "passive income", "high withholding tax interest", "financial services income", "shipping income", and certain other classifications of income. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific and holders and prospective holders of common shares of the Registrant should consult their own tax advisors regarding their individual circumstances.

### *Disposition of Common Shares of the Registrant*

A U.S. Holder will recognize gain or loss upon the sale of common shares of the Registrant equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received, and (ii) the shareholder's tax basis in the common shares of the Registrant. This gain or loss will be capital gain or loss if the common shares are a capital asset in the hands of the U.S. Holder, which will be a short-term or long-term capital gain or loss depending upon the holding period of the U.S. Holder. Gains and losses are netted and combined according to special rules in arriving at the overall capital gain or loss for a particular tax year. Deductions for net capital losses are subject to significant limitations. For U.S. Holders which are individuals, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For U.S. Holders which are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years from the loss year and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

### *Other Considerations*

Generally, income earned by a foreign corporation, the stock of which is owned in whole or in part by U.S. Holders, is not taxed by the United States until the foreign corporation distributes those earnings to its U.S. stockholders. The Code does provide exceptions to this general deferral rule, including the foreign personal holding company rules, the controlled foreign corporation rules, and the passive foreign investment company rules. In addition, the foreign investment company rules can result in capital gains on disposition being treated as ordinary income. These rules are discussed briefly below.

### *Foreign Personal Holding Company*

If at any time during a taxable year more than 50% of the total combined voting power or the total value of the Registrant's outstanding shares is owned, directly or indirectly, by five or fewer individuals who are citizens or residents of the United States and 60% (50% after the first tax year) or more of the Registrant's gross income for such year was derived from certain passive sources (e.g., from dividends, interest, royalties, rents unless rental income exceeds 50% of gross income), the Registrant would be treated as a "foreign personal holding company." In that event, U.S. Holders that hold common shares of the Registrant would be required to include in gross income for such year their allocable portions of such passive income to the extent the Registrant does not actually distribute such income.

### *Foreign Investment Company*

If 50% or more of the combined voting power or total value of the Registrant's outstanding shares are held, directly or indirectly, by citizens or residents of the United States, United States domestic partnerships or corporations, or estates or trusts other than foreign estates or trusts (as defined by the Code Section 7701(a)(3i)), and the Registrant is found to be engaged primarily in the business of investing, reinvesting, or trading in securities, commodities, or any interest therein, it is possible that the Registrant might be treated as a "foreign investment company" as defined in Section 1246 of the Code, causing all or part of any gain realized by a U.S. Holder selling or exchanging common shares of the Registrant to be treated as ordinary income rather than capital gain.

### *Passive Foreign Investment Company*

As a foreign corporation with U.S. Holders, the Registrant could potentially be treated as a passive foreign investment company (“PFIC”), as defined in Section 1296 of the Code, depending upon the percentage of the Registrant’s income which is passive, or the percentage of the Registrant’s assets which is producing passive income. Generally, the Code defines a PFIC as any foreign corporation with either 75% or more of its gross income for the taxable year being passive income or at least 50% of the average value of its assets held during the taxable year producing passive income. Passive income generally includes income such as dividends, interest, rents, royalties, certain capital gains, the excess of gains over losses in certain commodity transactions and other income not derived in the active conduct of a trade or business. If a corporation qualifies as a PFIC, it will always be treated as such unless specific actions are taken to avoid the rule. U.S. Holders owning common shares of a PFIC are subject to an additional tax and to an interest charge based on the value of deferral of tax for the period during which the common shares of the PFIC are owned, in addition to treatment of gain realized on the disposition of common shares of the PFIC as ordinary income rather than capital gain tax and interest would also be payable on receipt of an excess distribution (any distributions received during the 3 preceding years, or, if shorter, the shareholder’s holding period). However, if the U.S. Holder makes a timely election to treat a PFIC as a qualified electing fund (“QEF”) with respect to such shareholder’s interest therein, the above-described rules generally will not apply. Instead, the electing U.S. Holder would include annually in his gross income his pro rata share of the PFIC’s ordinary earnings and net capital gain regardless of whether such income or gain was actually distributed. A U.S. Holder of a QEF can, however, elect to defer the payment of United States Federal income tax on such income inclusions. Special rules apply to U.S. Holders who own their interests in a PFIC through intermediate entities or persons.

The Registrant has not determined whether it is a PFIC in this or previous taxation years. However, as gross income has primarily been restricted to interest income, it may well qualify under the PFIC definition. U.S. holders and prospective holders of common stock may wish to consult their personal tax advisor concerning the possible application of the PFIC provisions to their personal circumstances.

### *Controlled Foreign Corporation*

If more than 50% of the voting power of all classes of stock or the total value of the stock of the Registrant is owned, directly or indirectly, by citizens or residents of the United States, United States domestic partnerships and corporations or estates or trusts other than foreign estates or trusts, each of whom own 10% or more of the total combined voting power of all classes of stock of the Registrant (“United States shareholder”), the Registrant could be treated as a “controlled foreign corporation” under Subpart F of the Code. This classification would effect many complex results including the required inclusion by such United States shareholders in income of their pro rata shares of “Subpart F income” (as specially defined by the Code) of the Registrant. In addition, under Section 1248 of the Code, gain from the sale or exchange of stock by a holder of common shares of the Registrant who is or was a United States shareholder at any time during the five year period ending with the sale or exchange is treated as ordinary dividend income to the extent of earnings and profits of the Registrant attributable to the stock sold or exchanged. Because of the complexity of Subpart F, and because it is not clear that Subpart F would apply to the holders of common shares of the Registrant, a more detailed review of these rules is outside of the scope of this discussion.

The foregoing summary is a general discussion of the United States Federal income tax considerations to U.S. Holders of common shares of the Registrant under current law. It does not discuss all the tax consequences that may be relevant to particular holders in light of their circumstances or to holders subject to special rules, such as tax-exempt organizations, qualified retirement plans, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident, alien individuals or foreign corporation whose ownership of common shares of the Registrant is not effectively connected with the conduct of a trade or business in the United States, shareholders who acquired their stock through the exercise of employee stock options or otherwise as compensation, and any other non-U.S. Holders. In addition, U.S. Holders may be subject to state, local or foreign tax consequences. This discussion is not intended to be, nor should it be construed to be legal or tax advice to any holder or prospective holder of common shares of the Registrant and no opinion or representation with respect to the United States Federal income tax consequences to any such holder or prospective holder is made. Holders and prospective holders should therefore consult their own tax advisors with respect to their particular circumstances.

## ITEM 8 - SELECTED FINANCIAL DATA

The following table summarizes selected consolidated financial data for the Registrant (stated in United States dollars) prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The table also summarizes certain corresponding information prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). The information in the table was extracted from the more detailed consolidated financial statements and related notes included herein and should be read in conjunction with such financial statements and with the information appearing under ITEM 9. Reference is made to **Note 12** of the consolidated financial statements of the Registrant as of **December 31, 1999** included herein for a discussion of the material differences between Canadian GAAP and U.S. GAAP, and their effect on the Registrant's financial statements. The effect of the differences between Canadian GAAP and U.S. GAAP on some parts of the balance sheets and statements of operations and cash flows are summarized as follows:

	December 31,	December 31,
	1999	1998
Assets under Canadian GAAP	\$ 21,302	\$ 21,102
Adjustments to reconcile to U.S. GAAP		
Adjustment for marketable securities	29	-
Adjustment for resource property exploration costs	(13,927)	(13,795)
Assets under U.S. GAAP	\$ 7,404	\$ 7,307

	December 31,	December 31,
	1999	1998
Shareholders' equity, under Canadian GAAP	\$ 20,764	\$ 20,996
Adjustments to reconcile to U.S. GAAP		
Adjustment for marketable securities	29	-
Adjustment for resource property exploration costs	(13,927)	(13,795)
Shareholders' equity, under U.S. GAAP	\$ 6,866	\$ 7,201

	Years ended December 31,		
	1999	1998	1997
Loss for the year, under Canadian GAAP	\$ (465)	\$ (2,799)	\$ (4,028)
Adjustments to reconcile to U.S. GAAP:			
Adjustment for marketable securities	29	-	-
Less deferred exploration costs included in write-down of resource properties	-	1,190	2,515
Add resource property exploration costs incurred in the year	(79)	(452)	(5,265)
Loss for the year, under U.S. GAAP	\$ (515)	\$ (2,061)	\$ (6,778)
Loss per share, under U.S. GAAP	\$ (0.01)	\$ (0.06)	\$ (0.20)

	Years ended December 31,		
	1999	1998	1997
Cash used for operating activities, under Canadian GAAP	\$ (270)	\$ (986)	\$ (1,535)
Adjustment for resource property exploration costs	(79)	(452)	(5,265)
Cash used for operating activities, under U.S. GAAP	\$ (349)	\$ (1,438)	\$ (6,800)

	Years ended December 31,		
	1999	1998	1997
Cash used for investing activities, under Canadian GAAP	\$ (59)	\$ (458)	\$ (3,776)
Adjustment for resource property exploration costs	79	452	5,265
Cash provided from (used for) investing activities, under U.S. GAAP	\$ 20	\$ 6	\$ 1,489

Based on the accounting principles in place at the relevant time, the differences between Canadian GAAP and U.S. GAAP for periods prior to those shown above were not significant. The Registrant has had no material long term debt and has paid no cash or share dividends over the last five years.

#### ITEM 9 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the financial condition, changes in financial condition and results of operations of the Registrant for the three most recent fiscal periods ended December 31 should be read in conjunction with the consolidated financial statements of the Registrant and related notes included herein. The Registrant's financial statements are stated in United States dollars and are prepared in accordance with Canadian GAAP Reference is made to **Note 12** of the consolidated financial statements of the Registrant included herein for discussion of the material differences between Canadian GAAP and U.S. GAAP and their effect on the Registrant's financial statements.

#### LIQUIDITY AND CAPITAL RESOURCES

The Registrant is in the development stage and has not yet determined whether its resource properties contain reserves that are economically recoverable. The recoverability of amounts capitalized for resource properties is entirely dependent upon the existence of economically recoverable reserves, the ability of the Registrant to obtain the necessary financing to complete the development and upon future profitable production.

The Registrant knows of no trends, demands, commitments, events or uncertainties which may result in the Registrant's liquidity either materially increasing or decreasing at the present time or in the foreseeable future. Material increases or decreases in the Registrant's liquidity are substantially determined by the success or failure of the Registrant's exploration programs.



Since its incorporation in 1987, the Registrant has endeavored to secure valuable mineral properties which in due course could be brought into production to provide the registrant with cash flow which would be used to undertake work programs on other projects. To that end, the Registrant has expended its funds on mineral properties which it believes has the potential to achieve cash flow within a reasonable time frame. As a result, the Registrant has incurred losses during each of its fiscal years since incorporation. This result is typical of junior mining companies and will continue unless positive cash flow is achieved.

#### ***December 31, 1999***

The Registrant's working capital was \$223,000 as compared to \$302,000 at December 31, 1998. These funds are sufficient for the Registrant's planned exploration activities and overhead for the next three months.

The Registrant's principal source of funds continues to be from raising capital by way of issuing securities. During the year ended December 31, 1999 the Registrant raised \$209,000 cash through the issue of securities as compared with \$1,105,000 for the year ended December 31, 1998 and \$860,000 for the year ended December 31, 1997. In addition the Registrant issued 20,000 shares as payment of a bonus on a loan to the Registrant from a non-arms length party and issued 150,000 shares as compensation for severance to two prior employees of the Registrant. The Registrant issued no securities for the non-cash acquisition of resource properties or for the settlement of any property payment commitment dispute in the year ended December 31, 1999 and the year ended December 31, 1998 as compared to the issuance of 231,897 securities valued at \$336,000 in the year ended December 31, 1997.

The use of capital during the year ended December 31, 1999 was mainly directed to resource properties and fixed assets with \$79,000 having been allocated to resource properties (1998 - \$500,000; 1997 - \$5,265,000) and \$4,000 to fixed assets (1998 - \$42,000 ; 1997 - \$(25,000);).

The Registrant has entered into a number of option agreements for resource properties involving a mix of payments in the form of cash and/or shares of the Registrant or Minera Aztec Silver Corporation and have minimum exploration expenditure requirements. As the Registrant performs exploration on these properties, it decides which ones to proceed with and which ones to abandon. Accordingly, the minimum expenditure commitments are reduced as the Registrant narrows its interests. To fully exercise the options under various agreements for the acquisition of interests in properties located in British Columbia, Suriname and Mexico, the Registrant must incur exploration expenditures on the properties and make payments to the optionors as follows:

for the year ended December 31, 2001 - \$295,000; 2002 - \$417,000; 2003-2006 - \$5,040,000 for a total of \$5,752,000. These amounts may be reduced in the future as the Registrant determines which properties continue to be of merit and abandons those with which it does not intend to proceed.

As discussed above, the Registrant operates in Mexico and Suriname, both of which have economies that have undergone significant inflation in the recent past and are viewed by the Registrant as carrying a certain degree of risk. In order to minimize the risk associated with such inflation, the Registrant does not maintain significant cash resources in any of these countries at any point in time, but rather maintains the majority of its investments in U.S. or Canadian denominated instruments.

#### **RESULTS OF OPERATIONS**

##### ***Fiscal 1999-year ended December 31, 1999 compared with fiscal 1998.***

The Registrant experienced a loss of only \$465,000 for the year ended December 31, 1999 as compared to a loss of \$2,799,000 for the year ended December 31, 1998. Write downs of resource properties and investments were a total of only \$82,000 as compared to \$2,258,000 for December 31, 1998

The Registrant incurred cash expenditures totalling \$306,000 on general and administration, travel and shareholder relations for December 31, 1999 as compared to \$522,000 for December 31, 1998. Property investigation costs were steady at \$62,000 for December 31, 1999 as compared to \$64,000 for December 31, 1998.

##### ***Fiscal 1998 - year ended December 31, 1998 compared with fiscal 1997.***

The Registrant experienced a loss of \$2,799,000 for the year ended December 31, 1998 as compared to a loss of \$4,028,000 for the year ended December 31, 1997. Write downs of resource properties and investments were a total of \$2,258,000 as compared to \$2,888,000 for December 31, 1997

The Registrant incurred cash expenditures totalling \$522,000 on general and administration, travel and shareholder relations for December 31, 1998 as compared to \$1,044,000 for December 31, 1997. Property investigation costs were \$64,000 for December 31, 1998 as compared to \$310,000 for December 31, 1997.

*Fiscal 1997, year ended December 31, 1997 compared with fiscal 1996.*

The Registrant experienced a loss of \$4,028,000 for the year ended December 31, 1997 as compared to a loss of \$2,586,000 for the year ended December 31, 1996. Write downs of resource properties and investments were a total of \$2,888,000 as compared to \$1,592,000 for December 31, 1996

The Registrant incurred cash expenditures totalling \$1,044,000 on general and administration, travel and shareholder relations for December 31, 1997 as compared to \$905,000 for December 31, 1996. Property investigation costs were \$310,000 for December 31, 1997 as compared to \$586,000 for December 31, 1996.

**ENVIRONMENTAL LIABILITIES**

The Registrant's policy is to maintain all operations at North American standards, notwithstanding that certain of the countries within which it operates have not yet fully developed such standards in respect to environmental concerns. In accordance with government requirements in Canada, refundable deposits of Cdn \$249,000 have been placed with regulatory agencies in respect to the Registrant's major property in British Columbia. There are no known environmental contingencies in respect to these or any of the other Registrant's resource property interests.

**The Reader is also referred to the Exhibit to this Form 20F titled Minera Aztec Prospectus for a complete description of Minera Aztec Silver Corporation and the financial summaries and audited statements included therein.**

## ITEM 10 - DIRECTORS AND OFFICERS OF REGISTRANT

The following table sets out certain information concerning the directors and executive officers of the Registrant.

Name	Present Position with the Registrant	Date of Commencement of Term of Office
Cooke, Bradford James	President and Director	January 22, 1987
Aelicks, Bradley Thomas	Director	January 22, 1987
Riva, Walter J.	Director	May 23, 1997
Bullock, Derek W.	Director	March 12, 1996
Theodoropoulos, Christopher	Director	March 12, 1996
Worth, Donald J.	Director	January 7, 1998
Lockwood, Stewart Leroy	Secretary & Chief Financial Officer	November 30, 1994
Godfrey Walton	Vice President Exploration	April 8, 1997

The term of office of each of the directors will continue until the next annual general meeting, or until his successor is duly elected, unless his office is vacated in accordance with the articles of the Registrant. Officers hold office at the pleasure of the directors.

## ITEM 11 - COMPENSATION OF DIRECTORS AND OFFICERS

**STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Toronto Stock Exchange (the "TSE") requires every listed company incorporated in Canada to disclose on an annual basis its approach to corporate governance in a "Statement of Corporate Governance Practices". The Corporation's response to each of the TSE guidelines is as follows:

**1. Stewardship of the Corporation** -The Board of Directors of the Corporation explicitly assumes responsibility for stewardship of the Corporation, including the ultimate responsibility for the following areas:

- (a) strategic planning;
- (b) risk assessment and risk management;
- (c) communications policies and practices; and
- (d) the integrity of internal control and management information systems.

Strategic planning is at the forefront of deliberations at meetings of the Board of Directors. Dedicated strategic planning sessions are also held on a periodic basis in conjunction with regular meetings of Directors. Management reports regularly to the Board of Directors in relation to the principal risks which potentially affect the Corporation's business activities. Management also responds to specific risk-related issues identified by Directors or by management, with the assistance of expert outside advisors where required. Management is required by the Board to comply with all statutory and regulatory obligations relating to communications with shareholders and the general public. The Corporation distributes written reports to shareholders each quarter, and maintains a program of regular communications with analysts and other members of the financial community. Inquiries from shareholders and others are welcomed, and receive a timely response from the appropriate Officer or employee of the Corporation.

**2. Composition of the Board of Directors and Relationship to Significant Shareholder** -The Corporation has six Directors. Four of these individuals qualify as unrelated directors, and unrelated Directors thereby constitute a majority of the Board. Bradford J. Cooke, the President and CEO of the Company, is an officer of the Company while Mr. Aelicks could be viewed as a related director due to a common private business relationship with Mr. Cooke. In the Board's view, the ratio of unrelated to related Directors, as outlined above, fairly reflects the investment in the Corporation by shareholders. There is no significant shareholder of the Company.

**3. Analysis of Status of Directors as “Unrelated”** -Other than interests and relationships arising from shareholdings of Directors, Messrs. Chris Theodoropoulos, Walter Riva, Derek Bullock, and Donald Worth, are independent of management of the Corporation and free of any interest which could, or could reasonably be perceived to, interfere with their respective abilities to act with a view to the best interests of the Corporation.

**4. Committee for Nomination and Assessment of Directors** -The Board has not yet constituted a Nominating Committee composed exclusively of non-management directors, a majority of whom are unrelated directors, for the purpose of proposing to the full Board new nominees for election as Directors, and for assessing Directors on an on-going basis. Given the Corporation’s current stage of development, the Board is presently of the view that it functions effectively as a committee of the whole in this regard. Nonetheless, it will continue to monitor its effectiveness on an on-going basis, with a view to fully implementing the TSE guideline at the appropriate time.

**5. Assessment of Effectiveness and Contribution** -For the reasons outlined under guideline 4 above, the Board has not yet established a Nominating Committee for assessing, in a separate process, the effectiveness of the Board as a whole, that of committees of the Board, or the contribution of individual Directors.

**6. Orientation and Education Program for the Board** -Management ensures that a new appointee to the Board of Directors receives the appropriate written materials to fully apprise him or her of the duties and responsibilities of a director pursuant to applicable law and policy.

**7. Size of the Board of Directors** -The Articles of the Corporation presently provide that the Board of Directors shall consist of not less than three and not more than that number of Directors that is set by an ordinary resolution by the shareholders of the Company (excluding additional directors that may be appointed between annual general meetings). The Board of Directors is of the view that its present complement of six individuals is appropriate and facilitates effective decision-making.

**8. Directors’ Compensation** -Taking into account the Corporation’s present status as an exploration-stage enterprise, the Board of Directors reviews the adequacy and form of compensation provided to Directors on a periodic basis to ensure that the compensation is commensurate with the responsibilities and risks undertaken by an effective director.

**9. Composition of Board Committees** -At present, the only Committee established by the Board is the Audit Committee (discussed below). The Board of Directors is of the view that the decision to not set up various committees such as a Nominating, Human Resources, Governance or Compensation Committee is appropriate having regard to cost and time issues and the shareholder structure of the Corporation.

**10. Governance Issues** -The Board of Directors affords a high priority to implementation of proper corporate governance practices, and has elected to address these requirements on an on-going basis as a committee of the whole.

**11. Position Descriptions for the Directors and Chief Executive Officer** -Having regard to the current stage of development of the Corporation, the Board is of the view that the well-recognized duties and responsibilities of directors of Canadian public companies provide adequate guidance to the Directors at this time. As a result, specific position descriptions for Directors have been deferred until the Corporation’s development reaches a more advanced stage. A position description for the President and CEO is in place. Objectives for the President and for other members of senior management are identified on an annual basis .

**12. Independence of the Board of Directors** - The Chairman of the Board is a member of management, as is the norm with corporations of the Company’s size. However, the Directors feel that this is not an impediment to the proper discharges of the directors’ responsibilities. Furthermore, the interaction between senior management and directors both at and outside meetings ensures that the directors are properly informed and that the directors experience is brought to bear when needed by management. The unrelated Directors believe that their majority on the Board, their knowledge of the Company’s business and their independence are sufficient to facilitate the functioning of the Board independently of management. The unrelated Directors have the discretion to meet in private in the absence of the other Directors whenever they believe it is appropriate to do so.

**13. Audit Committee** -The Corporation’s Audit Committee is made up of Messrs. Cooke, Aelicks and Theodoropoulos. While a majority of the Audit Committee is made up of related Directors, a majority of the members of the Audit Committee are not members of management, as required by the British Columbia *Company Act RSBC 1996*. The Board is of the view that the present composition of the Audit Committee is appropriate having regard to the size of the Company. Audit Committee meetings are held not less than once each year. Meeting procedures provide for direct communication between the Committee and members of management, and between the Committee and the external auditor. Management provides confirmation to the Committee on a periodic basis that the appropriate financial control procedures are in place.

**14. Engagement of Outside Advisers** -To date, no Director has requested the engagement of an outside adviser at the expense of the Corporation. If a request of this kind is made, the appropriate arrangements would be implemented.

#### **STATEMENT OF EXECUTIVE COMPENSATION**

The Company is required, under applicable securities legislation in Canada, to disclose to its shareholders details of compensation paid to its directors and officers. The following fairly reflects all material information regarding compensation paid to the Company's directors and officers that has been disclosed to the Company's shareholders under applicable Canadian law.

During the fiscal period ending **December 31, 1999**, the aggregate cash compensation paid by the Company to all individuals who were officers and directors in all capacities as a group was **Cdn\$280,000**.

The table below discloses information with respect to executive compensation paid by the Company to the Named Executive Officers indicated for the fiscal years ended December 31, 1999, 1998 and 1997. Named Executive Officers includes the CEO and any other executive officers serving as such at the end of the most recently completed fiscal year whose individual salary and bonus was at least Cdn. \$100,000. Also included are any additional individuals who would be required to disclose compensation but for the fact they were not serving as executive officers at the end of the most recently completed fiscal year end.

#### **NAMED EXECUTIVE OFFICERS SUMMARY COMPENSATION TABLE** (all amounts in **Canadian** dollars)

		Annual Compensation <sup>(1)</sup>			Long Term Compensation			
		Salary (\$) (c)	Bonus (\$) (d)	Other Annual Compensation (\$) <sup>(2)</sup> (e)	Awards		Payouts	
Name and Principal Position (a)	Year ended Dec. 31 (b)				Securities Under Options/ SARs granted (#)(1) (f)	Restricted Shares or Restricted Share Units (\$)(g)	LTIP Payouts (\$) (h)	All Other Compen- sation (\$) (i)
Bradford J. Cooke Chief Executive Officer and President	1999	111,000	0	0	500,000	0	0	0
	1998	163,500	0	0	0	0	0	0
	1997	180,000	37,500	0	700,000 <sup>(2)</sup>	0	0	0
Godfrey Walton VP Exploration	1999	105,000	0	0	700,000	0	0	0
	1998	111,000	0	0	0	0	0	0
	1997	110,000	5,000	0	88,500	0	0	0

- (1) An Incentive Stock Option Plan was created by the Company in June 1993 and revised in October 1994, May 1996 and May 1998. Full-time employees of the Company are eligible for stock options and share appreciation rights (SAR's) at the sole discretion of the Board of Directors. The Company does not currently have a pension plan.
- (2) These options were granted subject to disinterested shareholder approval that was obtained on May 21, 1998. These figures do **not** include 850,000 stock options, exercisable at \$1.50 per share which were granted to Mr. Cooke on April 2, 1997 and subsequently cancelled on June 1, 1997 with his consent.

The following table sets forth information concerning grants of stock options under the Company's Stock Option Plan during the fiscal period ended **December 31, 1999** to each of the executive officers named in the Summary Compensation Table. No SAR's are outstanding.

**NAMED EXECUTIVE OFFICERS OPTION/SAR GRANTS -FISCAL PERIOD ENDING December 31, 1999**  
(all amounts in **Canadian** dollars)

<i>Name</i>	<i>Securities Under Options/ SARs Granted</i>	<i>% of Total Options/ SARs Granted to Employees in Fiscal period</i>	<i>Exercise or Base Price (\$/Security)</i>	<i>Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)</i>	<i>Expiration Date</i>
Bradford J. Cooke CEO & President	500,000	18.2%	\$.25-\$.26	0	April to Sept.2009
Godfrey Walton VP Exploration	700,000	25.5%	\$.25-\$.26	0	April to Sept.2009

The following table sets out information with respect to all exercises of stock options/SARs during the fiscal period ended **December 31, 1999** by the executive officers named in the Summary Compensation Table as well as the fiscal period-end value of their unexercised options/SARs on an aggregated basis.

**NAMED EXECUTIVE OFFICERS**  
**AGGREGATED OPTIONS/SAR EXERCISES & PERIOD-END OPTION/SAR VALUES -FISCAL PERIOD**  
**ENDING December 31, 1999**  
(all amounts in **Canadian** dollars)

<i>Name</i>	<i>Securities Acquired on Exercise</i>	<i>Aggregate Value Realized</i>	<i>Unexercised Options/SARs at Fiscal Period-End (1)</i>	<i>Value of Unexercised In-the-Money Options/SARs at Fiscal Period-End (2)</i>
	<i>(#)</i> <i>(b)</i>	<i>(\$)</i> <i>(c)</i>	<i>Exercisable/ Not exercisable (#) (d)</i>	<i>Exercisable/ Not exercisable (3) (\$) (e)</i>
Bradford J. Cooke CEO & President	200,000	0	1,000,000 / 0	0 / 0
Godfrey Walton VP Exploration	500,000	0	288,500 / 0	0 / 0

- (1) As free-standing SARs have not been granted under the Plan to the above individuals, and are decided on a case by case basis, the numbers relate solely to stock options.
- (2) Value of unexercised in-the-money options calculated using the closing market price of common shares of the company on the TSE on the last trading day prior to and including **December 31, 1999**, less the exercise price of in-the-money stock options. Closing market price on the last trading day prior to and including **December 31, 1999** was **\$0.22** Cdn.

**REPORT ON EXECUTIVE COMPENSATION**

The Company's executive compensation program is administered by the board of directors (the "Board").

*Executive Compensation Program*

The Company's executive compensation program is based on a pay for performance philosophy. The executive compensation program is designed to encourage, compensate and reward employees on the basis of individual and corporate performance, both in the short and the long term. Base salaries are set at levels which are competitive with the base salaries paid by companies within the mining industry having comparable capitalization to that of the Company, thereby enabling the Company to compete for and retain executives critical to the Company's long term success. Incentive compensation is directly tied to corporate and individual performance. Share ownership opportunities are provided to align the interests of executive officers with the longer term interests of shareholders.

Compensation for each of the named executive officers, as well as for executive officers as a whole, consists of a base salary, along with annual incentive compensation in the form of an annual bonus, and a longer term incentive in the form of stock options. As an executive officer's level of responsibility increases, a greater percentage of total compensation is based on performance (as opposed to base salary and standard employee benefits) and the mix of total compensation shifts towards stock options, thereby increasing the mutuality of interest between executive officers and shareholders.

### *Base Salary*

The Board approves ranges for base salaries for employees at all levels of the Company based on reviews of market data from peer groups and industry in general. The level of base salary for each employee within a specified range is determined by the level of past performance, as well as by the level of responsibility and the importance of the position to the Company.

The Company's Chief Executive Officer prepares recommendations for the Board with respect to the base salary to be paid to the CEO and other senior executive officers. The CEO's recommendations for base salaries for the senior executive officers, including the CEO and the Chief Financial Officer, are then submitted for approval by the Board.

### *Bonus*

The Board annually evaluates performance and allocates an amount for payment of bonuses to executive officers and senior management. The aggregate amount for bonuses to be paid will vary with the degree to which targeted corporate performance was achieved for the year. The individual performance factor allows the Company effectively to recognize and reward those individuals whose efforts have assisted the Company to attain its corporate performance objective.

The CEO prepares recommendations for the Board with respect to the bonuses to be paid to the executive officers and to senior management.

### *Stock Options*

A Stock Option Plan is administered by the Board. The Stock Option Plan is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term, to enable the Company to attract and retain individuals with experience and ability and to reward individuals for current performance and expected future performance. The Board considers stock option grants when reviewing executive officer compensation packages as a whole.

### *Other Compensation*

For the fiscal period ending **December 31, 1999**, the Board has entered into an employment agreement with the Company's Chief Executive Officer. The employment agreement also provides certain severance benefits to the executive officer in the event of termination of the agreement or in the case of a change of control where the executive officer does not continue in the employ of the Company. The Chief Executive Officer is entitled to receive, as severance compensation, the equivalent of three years' salary.

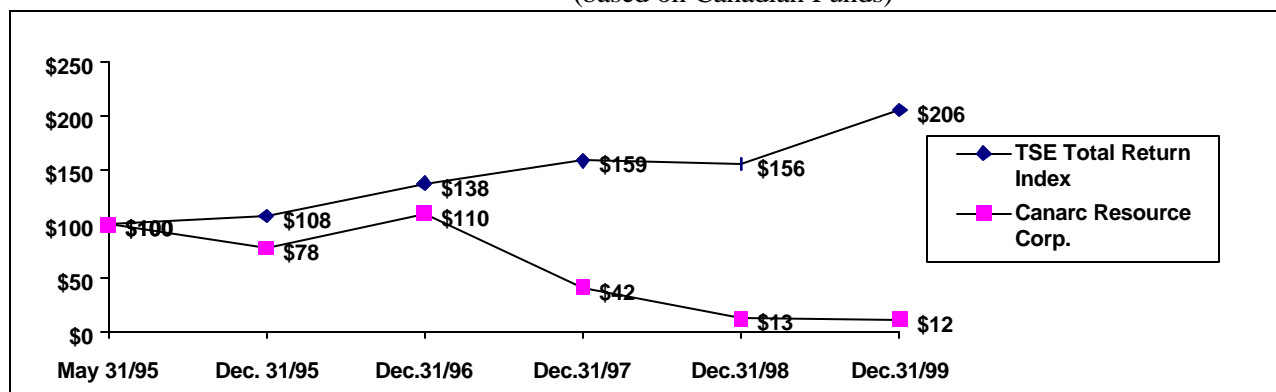
### *Directors' and Officers' Liability Insurance*

The Company has the benefit of insurance policies for itself and its directors and officers against liability incurred by them in the performance of their duties as directors and officers of the Company. The approximate amount of the premiums charged in respect of these policies on account of directors' and officers' liability was approximately Cdn\$28,000 per annum. The premiums are paid by the Company or its affiliates to its insurance brokers, Aon Reed Stenhouse Inc. The aggregate amount of coverage under the policies is the sum of US\$3,000,000 subject to a \$50,000 general and \$150,000 SEC retention payable by the Company.

**PERFORMANCE GRAPH**  
**Shareholder Return Performance Graph**

The charts below compare the yearly percentage change in the cumulative total shareholder return on the Company's common shares against the cumulative total shareholder return of the Toronto Stock Exchange 300 Total Return Index for the period commencing **May 31st, 1995** and ending **December 31, 1999**.

Comparison of Total Shareholder Return on Common Shares  
of the Company and the Toronto Stock Exchange Index  
(based on Canadian Funds)



The graphs assume that the initial value of the investment on the stock exchange in the Company's common shares and in the indice was \$100 Cdn. on the initial date.

**COMPENSATION OF DIRECTORS**

The Company does not compensate its directors in their capacities as such. Bradford J. Cooke, the President and Chief Executive Officer, receives cash compensation as consideration for his duties as an officer of the Company as disclosed in the Summary Compensation Table above. All other directors of the Company who are not Named Executive Officers received no cash compensation from the Company other than reimbursement for out-of-pocket expenses incurred on behalf of the Company, with the exception of Mr. Theodoropoulos who received compensation valued at **Cdn\$10,000** for legal and consulting fees provided to the Company in the past.

During the fiscal period ended **December 31, 1999**, the Company granted a total of **500,000** stock options to its directors who are not Named Executive Officers.

The following table sets out information with respect to all exercises of stock options during the fiscal period ended **December 31, 1999** by directors as a group (including directors who resigned during the years) who are not Named Executive Officers and the fiscal year-end value of unexercised options on an aggregated basis:

**DIRECTOR (excluding NAMED EXECUTIVE OFFICERS)**  
**AGGREGATED OPTIONS/SAR EXERCISES & PERIOD-END OPTION/SAR VALUES FISCAL PERIOD**  
**ENDING December 31, 1999**  
(all amounts in **Canadian dollars**)

<i>Securities Acquired on Exercise(1)</i>	<i>Aggregate Value Realized(2)</i>	<i>Unexercised Options/SARs at Fiscal Year-End (3)</i>	<i>Value of Unexercised In-the-Money Options/SARs at Fiscal Year-End (4)</i>
(#)	(\$)	Exercisable/Not exercisable	Exercisable/Not exercisable
(a)	(b)	(#) (c)	(\$) (d)
0	\$0	1,175,000 / 0	\$0 / \$0

(1)Number of common shares of the Company acquired on the exercise of stock options.



(2)When applicable, calculated using the difference between the closing market price of the common shares of the Company on the TSE and the exercise or base price of the options.

(3)As free-standing SARs have not been granted under the Stock Option Plan during the year to the above individuals and are granted on a case by case basis, the numbers relate solely to stock options.

(4)Value of unexercised in-the-money options calculated using the closing market price of common shares of the Company on the Toronto Stock Exchange on the last trading day prior to and including **December 31, 1999**, less the exercise price of in-the-money stock options. Closing market price on the last trading day prior to and including **December 31, 1999** was **\$0.22`** Cdn.

No other funds were set aside or accrued by the Company or its subsidiaries during the period ended **December 31, 1999** to provide pension, retirement or similar benefits for directors or officers of the Company pursuant to any existing plan provided or contributed to by the Company or its subsidiaries under applicable Canadian laws.

#### ITEM 12 - OPTIONS TO PURCHASE SECURITIES FROM REGISTRANT OR SUBSIDIARIES

Details of all outstanding options, warrants and other rights to purchase securities of the Registrant and its subsidiaries as at **May 1, 2000** are set forth below:

##### Stock Option Summary

Amount Outstanding	Price	Date Granted	Expiry Date
217,000	\$0.92	July 4, 1997	July 4, 2007
169,000	\$0.65	August 22, 1997	August 22, 2007
1,100,000	\$0.69	October 3, 1997	October 3, 2007
100,000	\$0.83	November 10, 1997	November 10, 2007
25,000	\$0.92	January 29, 1997	January 29, 2008
325,000	\$0.65	January 29, 1997	January 29, 2008
40,000	\$0.65	June 9, 1998	June 9, 2008
1,340,000	\$0.25	April 20, 1999	April 20, 2009
1,210,000	\$0.26	Sept. 30, 1999	Sept. 30, 2009
4,526,000	<b>TOTAL</b>		

##### Warrant Summary Chart

Amount Outstanding	Price	Date Granted	Expiry Date
n/a			

The total amount of securities, subject to the above options and warrants held by directors and officers of the Registrant as a group, is **2,809,000**. For additional disclosure see ITEM 11.

##### *Stock Option/Share Incentive Plan*

The Registrant's directors and shareholders have approved a Share Incentive Plan (the "Plan"). The Plan was approved by the TSE in 1996. The principal purposes of the Plan are to promote a proprietary interest in the Registrant among its directors and employees: to retain, attract and motivate the qualified managers the Registrant requires; to provide a long-term incentive element in overall compensation: and to promote the long-term profitability of the Registrant.

Incentives to participate under the Plan may be provided by the granting of share options or share appreciation rights (SAR's). The share appreciation right entitles the participant in the Plan to elect, subject to approval by the Board of Directors, in lieu of exercising an outstanding share option, to receive the number of common shares of the Registrant equivalent in value to the difference between his

option exercise price and the net existing market price of the Registrant's common shares multiplied by the number of common shares over which he could otherwise exercise his option.

Under the Plan, the Board of Directors of the Registrant or its Executive Committee may from time to time grant to directors, officers, consultants and full and part time employees of the Registrant and its associated, affiliated, controlled and subsidiary companies, as the Board or its Executive Committee shall designate, the option to purchase from the Registrant such number of its common shares as the Board or its Executive Committee may designate. Options may be granted on authorized but unissued common shares up to but not exceeding **7,413,989** common shares of the Registrant under this Plan, provided that the total number of common shares to be optioned to any one optionee shall not exceed 5% of the issued common shares of the Registrant at the time of grant. The purchase price per common share for any option granted under the Plan shall not be less than the 5-day average of the high and low trading prices of the Registrant's shares on the Toronto Stock Exchange on the trading day immediately preceding the date of grant. Pursuant to the Plan, options shall be granted pursuant to an option agreement in a form that complies with the rules and policies of the Toronto Stock Exchanges, which provide as follows:

- (a) all options granted shall be non-assignable;
- (b) an option must be exercisable during a period not extending beyond 10 years from the time of grant;
- (c) no financial assistance will be provided with respect to the exercise of stock options.

#### ITEM 13 - INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS

The following is a summary of material transactions since January 1, 1999 or proposed material transactions, to which the Registrant or and of its subsidiaries was or is a party, in which a director or officer or any relative or spouse of any director or officer has or will have a direct or indirect material interest. In each case the transactions were, in the Registrant's view, completed on terms no less favourable to the Registrant than if they had been entered into with unaffiliated parties.

##### **Options to Purchase Securities**

See ITEM 11-Compensation of Directors and Officers and ITEM 12-Options to Purchase Securities for details of compensation paid to, and options granted to and held by, directors and executive officers of the Registrant.

##### **Indebtedness of Directors, Executive Officers and Senior Officers**

At any time during the Registrant's last completed financial year, no director, executive officer or senior officer of the Registrant, proposed management nominee for election as a director of the Registrant or each associate or affiliate of any such director, executive or senior officer or proposed nominee is or has been indebted to the Registrant or any of its subsidiaries or is and has been indebted to another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Registrant or any of its subsidiaries, other than routine indebtedness and other than as disclosed in the Registrant's audited financial statements.

##### **Interest of Insiders in Material Transactions**

Other than as set forth below and in the Registrants audited financial statements and other than transactions carried out in the ordinary course of business of the Registrant or any of its subsidiaries, none of the directors or senior officers of the Registrant, a proposed management nominee for election as a director of the Registrant, any member beneficially owning shares carrying more than 10% of the voting rights attached to the shares of the Registrant nor an associate or affiliate of any of the foregoing persons had since January 1, 1999 (being the commencement of the Registrant's last audited fiscal period) any material interest, direct or indirect, in any transactions which materially affected or would materially affect the Registrant or any of its subsidiaries.

On June 18, 1999 the Registrant issued 20,000 common shares to Arc Resource Group Ltd., a company equally owned by two directors of the Registrant, Messrs. Cooke and Aelicks. The shares were issued as partial consideration for a demand loan of \$40,000 from Arc to the Registrant. Under the terms of the loan agreement dated September 24, 1998 interest of 1% per month was also payable. TSE approval for the share bonus was given on November 13, 1998. The loan has since been repaid to the Registrant.

The Registrant's directors and officers may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies and, to the extent that such other companies may participate in ventures in which the Registrant may participate, the directors of the Registrant may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In particular, Bradford Cooke and Bradley Aelicks directors of the Registrant were directors of Rembrandt and are still directors of Consolidated Magna Ventures Ltd. (one of the Registrant's previous joint venture partners in Venezuela). Patricio Varas, a Director of Minera Aztec Silver Corporation, is also a Director and Officer of Far West Mining Ltd., Minera Aztec's joint venture partner on the Lobo properties in Mexico. Also, some of the other directors and officers of Canarc Resource Corp are directors, officers or employees of Minera Aztec Silver Corporation. The interests of these companies may differ from time to time. See "Risks - *Conflicts of interest*"

## PART II

### ITEM 14 - DESCRIPTION OF SECURITIES TO BE REGISTERED

Pursuant to General Instruction G(b) of Form 20-F, this annual report includes the information specified in Parts I, III and IV.

## PART III

### ITEM 15 - DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 16 - CHANGES IN SECURITIES AND CHANGES IN SECURITY FOR REGISTERED SECURITIES

#### Shareholder Rights Plan:

On October 25, 1995, the shareholders of the Registrant approved a shareholders rights plan (the "Plan"). The Plan became effective on November 14, 1995. The Plan is intended to ensure that any entity seeking to acquire control of the Registrant makes an offer that represents fair value to all shareholders and provides the board of directors with sufficient time to assess and evaluate the offer, to permit competing bids to emerge, and, as appropriate, to explore and develop alternatives to maximize value for shareholders.

Under the Plan, each shareholder at the time of the Plan's adoption was issued one Right for each common share of the Registrant held. Each Right entitles the registered holder thereof to purchase from treasury one common share at Cdn. \$25, subject to certain adjustments intended to prevent dilution. Until the occurrence of certain events the rights will trade with the common shares and be represented by the certificates for the common shares.

The Rights are exercisable after the occurrence of specified events set out in the Plan generally related to when a person, together with affiliated or associated persons, acquires, or makes a take-over bid to acquire, beneficial ownership of 20% or more of the outstanding common shares of the Registrant in a transaction not approved by the Directors. On the occurrence of these certain triggering events, the Rights will entitle holders (other than the acquiring person or group) to acquire shares of the Registrant at a 50% discount to the prevailing market price. The rights will not be triggered, however, by purchasers of common shares of the Registrant made under a "permitted bid": A takeover bid made for all shares to all holders of common shares on identical terms which complies with other conditions, including a requirement that it remain open for at least 60 days. The Rights expire in November 2003.

## PART IV

## ITEM 17 - FINANCIAL STATEMENTS

See the Consolidated Financial Statements and Exhibits listed in ITEM 19 hereof and filed as part of this Annual Report. These financial statements were prepared in accordance with generally accepted accounting principles in Canada and are expressed in U.S. dollars.

## ITEM 18 - FINANCIAL STATEMENTS

Not applicable. The Registrant has elected to provide financial statements pursuant to ITEM 17.

## ITEM 19 - FINANCIAL STATEMENTS AND EXHIBITS

Financial Statements			Page # in Sequential Numbering System
1.1	Auditors' Report dated March 28, 2000.		45
1.2	Consolidated Balance Sheets as at December 31, 1999 and December 31, 1998 (audited) together with the consolidated statements of operations and deficit and statements of cash flows for the years ended December 31, 1999 and December 31, 1998 and December 31, 1997 (audited).		45-52
<b>(b) Exhibits</b>			
Exhibit #	Date	Description	
1	April 5, 2000	Minera Aztec Prospectus	53-87
2	August 10, 1999	Option Agreement with Minera Uruachic on the Nopalera properties	88-91

**SIGNATURE**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATED at Vancouver, British Columbia, as of May 1, 2000.

**CANARC RESOURCE CORP.**

Per:

“Bradford J. Cooke “

Bradford J. Cooke, President and Director