

ANNUAL INFORMATION FORM

of

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ITEM 1 PRELIMINARY NOTES

1.1 Incorporation of Financial Statements, Proxy Circular and Other Documents

The information provided in this document is supplemented by disclosure contained in the documents listed below which are incorporated by reference into this document. These documents must be read together with this document in order to provide full, true and plain disclosure of all material facts relating to the Company. The documents listed below are not contained within, or attached to this document. The documents may be accessed by the reader at the following locations:

Type of Document	Effective Date / Period Ending	Date Filed / Posted	Document Name which may be viewed at the SEDAR website at " www.sedar.com " (or alternative location for nonSEDAR documents)
Management Information Circular	April 19, 2002	April 25, 2002	Management Proxy – Information Circular
Audited annual financial statements (most recent) ⁽¹⁾	December 31, 2001	May 7, 2002	Audited annual financial statements – English
Quarterly financial statements (most recent) and Form 61	March 30, 2002	May 29, 2002	Form 51-901F (BC) Interim financial statements –English
News Releases for 2002	various dates		Press Release – English

1.2 Date of Information

All information in this AIF is as of June 5, 2002 unless otherwise indicated.

1.3 Glossary of Terms

Certain terms used throughout this Annual Information Form are defined below:

“Affiliate”	In respect of any company or corporation, another company or corporation which is its parent or subsidiary or which is controlled by the same person who controls it.
“Company Act”	Company Act, R.S.B.C. 1996, c.62.
“g/t”	Grams per metric tonne.
“management committee”	A committee established under a joint venture agreement which determines the overall objectives of the venture, including the scope, size and nature of work programs. Each participant in the joint venture is represented on such committee and, unless otherwise set out in the joint venture agreement, voting is in proportion to the participants’ respective property interests, and all or most decisions are made by simple majority.

“mineralization”	A natural aggregate of one or more valuable minerals.
“net profit interest” or “interest”	A specified percentage of the entire proceeds received from a mine’s production less capital costs, labour and materials for the mining and treating of ore. Costs also usually include transportation to the point of sale, geological, assaying and local overhead expenses.
“Net Smelter Return Royalty” (“NSR”)	A phrase used to describe a royalty payment made by a producer of metals, usually to a previous property owner, based on gross mineral production from the property, less deduction of certain limited costs including smelting, refining, transportation and insurance costs.
“operator”	The party in a joint venture which carries out the operations of the joint venture
“ore”	A natural aggregate of one or more minerals which may be mined and sold at a profit.
“ounces”	Troy ounces.
“ton”	2,000 pounds or 907 kilograms.
“Tonnage” and “grade”	The quantity of ore reserves and the amount of gold and silver (or other products) contained in such reserves and include estimates for mining dilution but not for other processing losses.
“Tonne”	2,205 pounds or 1,000 kilograms
“wt%”	Percentage by weight.

1.4 Conversion Table

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

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

1.5 Currency

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

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ITEM 2: CORPORATE STRUCTURE

2.1 Name and Incorporation

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

2.2 Intercorporate Relationships

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

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

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

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

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

Carib Industries Ltd., a company duly incorporated under the laws of the Cayman Islands, B.W.I. on January 17, 1990, was originally under the name of Rayrock Zar. The name change was approved by a Special Resolution dated May 15, 1992 and it was registered May 26, 1992. The Company owns 78.5% of the issued and outstanding shares.

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), is 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..The Company owns 63% of the issued and outstanding shares.

ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS

3.1 Three-Year History

The Company commenced operations in 1987.

Over the course of the past three years, the Company has been engaged in natural resource exploration and development in Mexico, Canada and Suriname. The major events in the development of the Company's business are set out below.

In February, 1999 the Company's subsidiary, Minera Aztec Silver, 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 called 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

In May 1999, the Company 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 further bulldozer-trenching program from the Sara Kreek property also returned positive results.

In view of the results, the Company proceeded with a feasibility study on the DP vein zone that was completed in August. The study by Ross Glanville & Associates Ltd. concluded that the DP mine contained 65,000 tonnes of mineable ore at a strip ratio of 8:1, grading 7.5 gpt for a total of 16,000 contained oz gold or 13,500 recoverable oz at an estimated 85% recovery rate in the mill over the 8.5 month minelife. Capital costs came in at US\$1.25 million, gross revenues at US\$3.5 million, and net cash flow at US\$1.62 million. He recommended commercial production at an estimated operating cost of US\$62 per oz., generating a 150% internal rate of return and a US\$1.47 million net present value.

In June 1999 an accord was reached with N.V. Grasshopper Aluminum Company (Grassalco) to resolve a dispute regarding the Benzdorp property in the Republic of Suriname. 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, transfer the concession titles to that company and issue Canarc 40% of the shares.

On August 10, 1999 the Company's subsidiary Aztec Silver 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 could 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 of Cdn.\$1,000,000 within a 4 year period ending October 15, 2003. The agreement also covered two additional properties, the La Flor Del Trigo and the El Pavo Real mineral claims.

In December 1999 the Company 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 "the area remains prospective" and "further drilling is required".

During 1999 Minera Aztec and Far West carried out a US\$1 million exploration program to evaluate the potential on 20% of the nine properties. The work consisted of 14,500 line kilometres of airborne magnetics and radiometrics and 400 line kilometres of airborne EM and magnetics and drilling. In late 1999 1,200 meters of drilling was completed on two targets at Lobo 10. However, the holes did not reach the potential host rocks to test mineralization because of block faulting.

On March 18, 2000 the Company commenced a reverse circulation drilling program on its Lobo 14 property. The program was funded by Far West Mining Ltd. The drilling program focused on the San Vicente, Carmen and San Antonio areas of the Lobo 14 property. The program included 4,800 line kilometres of airborne geophysical magnetometer and scintillometer surveying (portions of two properties), CSAMT and geochemical surveys (covering targets of six properties).

Also in early 2000, Noranda Minerals scheduled a drilling program on the Lobo 6 and Lobo 8 properties in the State of Zacatecas, Mexico for the 2nd Quarter of 2000. The drill program tested four IP-resistivity geophysical anomalies for their polymetallic, massive sulfide potential in areas of prospective rock formations covered by thin desert pediment.

On June 2000, the Company announced that the drill program on the Lobo 14 property intersected a wide zone of vein mineralization in the Carmen prospect area along strike from the rich La Paz silver mine. In the initial RC drilling program at Lobo 14, a total of 6071 metres was drilled in 16 holes to test 6 separate targets in 2 prospect areas. Overall results on the properties did not meet expectations and Far West dropped all of their interests in Lobo properties. The Company also announced that Noranda had notified the Company that the drill program on the Lobo 6 property failed to intersect mineralization and that, as a result, it would be dropping its option on the Lobo 6 and 8 properties.

Minera Aztec Silver Corporation 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 was to raise approximately Cdn\$1,450,000 for Minera Aztec Silver Corporation. Part of the proceeds of the offering were to have been spent on the Nopalera Property, located in Chihuahua State, Mexico. In June, 2000 Canaccord Capital Corporation, the agent for Minera Aztec Silver Corporation, marketed out of the IPO and the offering was not completed. Canaccord also resigned as Agent for Aztec at the request of the Company. Due to the incompleteness of the IPO and the lack of funds for future exploration, the property option agreement on the Nopalera properties fell into default and was subsequently relinquished.

In March, 2001, Aztec was granted an option to acquire a 100% interest in two mineral claims located in Mexico known as the "Clara" properties in consideration of incurring exploration expenditures on the property of \$500,000, issuing 500,000 shares of the Company's subsidiary Minera Aztec Silver Corporation and paying an aggregate of \$185,000 to the optionor, over a four year period. The optionor will retain a 2% smelter return of which 50% may be purchased for \$1,000,000. The agreement is subject to a due diligence review and the signing of a formal agreement.

In May 2001, the Company announced a CA\$450,000 equity financing. The private placement for 3 million units priced at CA\$0.15 per unit, with each unit consisting of one common share and one common share purchase warrant, closed on June 1, 2001. The warrants have a three year term and each warrant can be exercised to purchase a common share at CA\$0.18 within two years and CA\$0.20 within the third year. The proceeds were added to working capital so as to maintain a positive treasury into 2002. The Company also announced further cost-cutting measures by laying off the balance of its geological staff.

On June 5, 2002, a new Board of directors was elected at the annual General Meeting of the Shareholders held in Vancouver. Two new directors were appointed, Leonard Harris and Stephen Peck, joining three incumbents, Derek Bullock, Chris Theodoropoulos and Bradford Cooke.

On May 17, 2002, the Company received final TSE approval for a 1,080,000 unit private placement at \$0.18 per unit, each unit consisting of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional share at \$0.21 for a two-year period. In addition, an insider also subscribed for 70,000 shares at \$0.22 per share and that placement is expected to close on June 7, 2002.

3.2 Significant Acquisitions and Significant Dispositions

There were no significant acquisitions or dispositions completed by the Company during its most recently completed financial year.

3.3 Trends

In March 2001, the price of gold bottomed at US\$255 and over the past year has slowly but steadily climbed 27.5% to the US\$325 range as of the date of this report. Not only has this trend made the gold mining business more profitable, it has attracted investors back into the gold equities, driving up the share prices of most gold companies and providing a market for capital financing to the gold industry for the first time in years.

Canarc's share price rose in the first five months of 2002 as a direct result of this trend and more share appreciation can be expected if the gold price continues to rise. Management now sees the opportunity to finance our own exploration and development work on Canarc gold properties for

the first time in several years. We also see the opportunity to evaluate and consider new acquisitions in the gold arena as a result of the rising gold price.

The Company has determined that a change in the provincial government in British Columbia will lead to increased incentives for resource development in the Province. In addition, the price of gold bullion has continued to increase, reflecting in part, a weakening United States dollar. In the opinion of the Company, these factors will make gold exploration in British Columbia increasingly attractive and increase the opportunities for its Polaris Taku property.

ITEM 4: NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 General Description

The Business of the Company

The Company 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 Company 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 Company also holds or has rights to acquire, directly or indirectly, interests of up to 100% in the Sara Kreek and Benzdorp properties in Suriname and the Clara property in Mexico.

The principal business of the Company is the acquisition, exploration and, if warranted, development of natural resource properties of merit. The Company currently holds an interest in the those properties set out in Item 4.2. The Company intends to seek and acquire additional properties worthy of exploration.

The Company acquires properties by staking initial claims, negotiation for permits from government authorities, negotiating with holders of claims or permits, or purchasing companies with claims or permits. On these properties, the Company explores for minerals on its own or in joint ventures with others. Exploration for metals usually includes surface sampling, airborne and/or ground geophysical surveys and drilling. Exploration for oil and gas involves farming in to properties operated by inexperienced operators. The Company is not geographically limited to any particular region.

Competitive Conditions

Canarc has no particular competitive advantage in British Columbia, Mexico and Costa Rica but it enjoys a significant advantage in Suriname because there is only one other gold mining company active in the country, Cambior. However this advantageous position is partly offset by the increased political risk in Suriname as compared to the other jurisdictions Canarc is active in. Canarc's agreement on the Benzdorp property in Suriname was breached by its partner, the state mining company, Grassalco, in 1997 for failure to incorporate a local joint venture company, transfer the Benzdorp

concession titles to that company and issue Canarc its 40% of the company shares. However, lengthy and repeated discussions with the partner has resulted in significant progress towards Grassalco repairing their breach and management believes that the contract will be returned to good standing in the second quarter of 2002.

Significant competition exists for natural resource acquisition opportunities. 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 Company, the Company may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company will acquire any interest in additional projects that would yield reserves or result in commercial mining operations.

Research and Development Expenditures

The Company is not in the research and development business.

Environmental Protection

Environmental legislation is evolving in a manner such that standards, enforcement, fines and penalties for non-compliance are becoming stricter. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in government regulations has the potential to reduce the profitability of future operations. To the Company's knowledge, it is in compliance with all environmental laws and regulations in effect in those countries where its properties are located.

Number of Employees

As of December 31, 2001, the Company had one full time employee, Mr. B. Cooke, the President of the Company.

Risk Factors Relating to the Company's Business

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

Precious and Base Metal Price Fluctuations

The profitability of the Company's metals operations is dependent in part upon the market price of certain precious and base metals. The price of such metals or interests related thereto has fluctuated widely and is affected by numerous factors beyond the control of the Company. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or the investment retaining its value.

Operating Hazards and Risks

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

Exploration and Development

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

Substantial expenditures are required to establish reserves through drilling, to develop, in the case of precious and base metal properties, metallurgical processes to extract metal from ore and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately predicted, such as market fluctuations, the global marketing conditions for precious and base metals, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection.

Calculation of Reserves and Mineralization and Precious and Base Metal Recovery

There is a degree of uncertainty attributable to the calculation of reserves and mineralization and corresponding grades being mined or dedicated to future production. Until reserves or mineralization are actually mined and processed, quantity of mineralization and grades must be considered as estimates only

Government Regulation

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

Environmental Factors

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

Title to Assets

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

Competition and Agreements with Other Parties

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

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

4.2 Asset-backed Securities Outstanding

Not applicable.

4.3 Material Mineral Projects

4.3.1 New Polaris Gold Project, British Columbia

The Company's interest in the above property is the subject of a report (the "Walton Report"), dated June 19, 2002, prepared by Godfrey Walton, P. Geo of G. J. Walton & Associates Ltd, 5463 Cortez Crescent, North Vancouver, British Columbia, V7R 4R1, a copy of which has been filed with the applicable regulatory bodies on approximately the same date as the filing of this Annual Information Form and which is incorporated herein by this reference.

The following description of the New Polaris Property has been summarized primarily from the Walton Report. Figures referred to are not reproduced in this Annual Information Form, and the reader is referred to the full report filed with the regulatory bodies and accessible at www.sedar.com.

Introduction: A small, high grade, underground past producing gold mine, New Polaris has become one of the largest gold deposits in western Canada as a result of Canarc's successful exploration programs. The geological resource is currently subject to a review suitable for a 44-133 report. The mineralisation is wide open along strike and at depth and could easily increase with further drilling. New Polaris is currently on the "back burner" until gold prices improve and the neighbouring Tulsequah Chief base metal mine project owned by Redcorp receives its final mine permits. Their project application includes the construction of an access road which would make New Polaris much more attractive economically.

Location and Access: Northwestern British Columbia, 60 miles south of Atlin, B.C., and 40 miles east of Juneau, Alaska, on the west bank of the Tulsequah River near the B.C.-Alaska border. Access is available by small aircraft from Atlin or Juneau but ocean barging of equipment to the mine-site is possible during high tides in the summertime. Redcorp recently received preliminary government approval to build their Tulsequah Chief mine located only 3 miles away from New Polaris and a 160 km access road from Atlin is planned.

Description and Ownership: Sixty-one crown granted mineral claims and 1 modified grid claim totaling 2,956 acres, 100% owned by Canarc subject to a 15% net profits interest to Rembrandt Gold Mines, which Canarc can reduce to 10% NPI.

Current Status: Currently on hold pending higher gold prices and the construction of the Tulsequah Chief access road, both of which will have a dramatic positive impact on the project economies. New Polaris is an advanced stage exploration project, requiring infill drilling to further define proven and probable ore reserves followed by a full feasibility study.

Mining History: Discovered by prospectors in 1929, the mine was constructed in 1936 and operated from 1937 to 1942 and again from 1946 to 1951. A total of 232,000 oz. Gold was produced from 760,000 tons ore grading 0.35 oz./ton. Flotation concentrates were shipped seasonally for refining to the smelter in Tacoma, Washington. The first barge load in 1951 sank in a storm off the B.C. Coast, causing the mine to shut down. Cominco upgraded the mill in 1952 and used it to process the nearby Tulsequah Chief ores from 1953 to 1957. New Polaris was then dormant for 30 years until exploration resumed in 1988. Canarc acquired New Polaris in 1992, completed 135,000 feet of core drilling in 182 drill holes and discovered major new ore zones below and beyond the mine workings.

Geology: Mineralization associated with disseminated arsenopyrite, pyrite, and stibnite in quartz-carbonate-fuchsite veins and stockworks, and related carbonatized and sericitized alteration zones. Zones are developed along principal shear sets adjacent to a major crustal break. Host rocks are Paleozoic volcanics. Gold mineralisation is late Cretaceous to early Tertiary and epithermal or mesothermal shear vein type. Gold is occluded in finely disseminated arsenopyrite grains that permeate the altered wall rocks and vein stockworks. Gold mineralisation occurs along three major shear sets: the AB zones trending northwest/southeast, Y zones trending north/south, and C zones trending east/west. C zones generally link with the AB and with the Y zones at “junction arcs”. Gold values in stockworks show excellent continuity and uniformity, with very little nugget effect. Individual zones pinch, swell, and overlap en echelon. Individual ore blocks range from less than 1,000 tons to more than 100,000 tons in size. Widths range from 1 to 45 feet in thickness, averaging about 10 feet.

Mineral Resources - Historical: The previous resource calculations were reviewed to identify the order of magnitude of the “resource”. Although all of the estimations were made prior to Policy 43-101 being implemented, the estimations are useful as a guide to an order of magnitude for the resource.

An estimate of New Polaris reserves was made prior to closure in 1951, where i) “reasonably assured” ore was projected 25 feet in the plane of the vein above and below sampled drift sections of mineable grade, ii) while “possible” ore was projected an additional 25 feet beyond these confines (Parliament 1949). These reserves were based solely on underground sampling. The “remaining reserves” at the time of closure were 105,000 tons grading 0.42 ounces of gold per ton including 17% dilution. Estimates after this have included parts of this estimate. No other information is available about this estimation.

Adtec Mining Consultants (1972) recalculated these “reserves”. These were recalculated to be 148,000 tons of 0.29 oz/ton Au based on similar definitions and existing mine drawings and assay plans. Adtec Consultants (1983) recalculated the remaining “reserves” within the mine workings and defined these to be in the order of 223,000 tons grading 0.32 oz/ton Au (diluted) based on a 0.15 oz/ton Au cutoff and

a minimum mining width of 4 feet. These reserves were subdivided into 151,000 tons of “assured” and 72,000 tons of “reasonably assured” reserves.

The resources were recalculated by Beacon Hill in 1988 for Suntac Minerals Corporation using a minimum mining width of 5 feet (instead of 4 feet) with similar results. Their resource estimate was “limited to those areas where continuous sampling data was available along drifts, raises and stope backs, etc and where it appears that minimal development work would be required to access the resource”. That calculation showed a total probable and possible resource of 244,420 tons grading 0.33 oz/ton Au with 132,210 tons grading 0.33 oz/ton Au classed as probable and 112,210 tons at 0.32 oz/ton Au classed as possible. In 1989, Beacon Hill added further probable and possible mining resource from 27 drill holes completed by Suntac. They estimated that the drilling had increased the resource by 380,000 tons grading 0.39 opt (probable) and 820,000 tons grading 0.39 opt (possible) which, added to their previously calculated resource, brought the overall resource potential up to 1,450,000 tons grading 0.38 opt (diluted) above the lowest worked level of the mine (600 level at elevation – 462 feet Below Sea Level ‘BSL’).

Montgomery Consultants were commissioned to conduct a geostatistical estimation of the geological resource for the Polaris-Taku Deposit in 1991. G.H. Giroux carried out this review and calculated a total resource of 2,225,000 tons grading 0.433 oz/ton based on a geostatistical approach using a cut-off grade of 0.25 oz/ton Au. These resources were divided into 333,000 tons grading 0.437 oz/ton Au (probable) and 1,892,000 tons grading 0.432 oz/ton (possible). The calculation discounted much of the reserves around the old workings and did not include dilution and minimum mining width provisions. These calculations were based on both old and new drilling and extended the resource base down to roughly 1200 feet BSL.

Watts, Griffis, and McOuat were contracted to review the previous resources in August 1992. Their review incorporated the residual resources within the mine workings, as calculated by Beacon Hill in 1989, into their overall estimate of a total (diluted) mineral resource of 1,600,000 tons at 0.46 oz/ton Au. Their calculations were based upon a minimum mining width of 5 feet or 15% dilution and a cut-off grade of 0.25 oz/ton Au. The improvement in grade stems from the inclusion of new deeper holes that extend the known mineralization to a depth of 1200 feet BSL and exclusion of lower grade material previously included in the Montgomery estimate.

Giroux was further contracted to provide resource updates throughout 1992 and in February 1995 he recalculated the resources for the deeper drilled portions of the “C” Zone. The total resources calculated by Giroux are summarized on Table 11 of the Report. His calculations are based on an in-situ estimation with a 0.25 oz/ton Au cut-off. He did not include any of the North zone drilling.

The Giroux estimate is the most up to date mineral inventory estimation, which includes what was left in the mine when it was closed and the new areas identified in drilling up to 1995. Although these estimations were completed prior to the implementation of National Policy 43- 101 they can conform with the Probable Resource used by Giroux being called an Indicated Resource and the Possible

Resource would be an Inferred Resource. This was confirmed by a telephone conversation between the author and Gary Giroux during the preparation of this report.

A new mineral inventory is warranted to add in the additional intersections identified in the geological modeling, the new intersections obtained during the 1996 and 1997 diamond drilling programs. At this time it would be beneficial for the project to re-classify the resource estimates so that they conform to National Policy 43-101.

Although the vein intersections require significant modeling and drilling to confirm vein continuity there are many vein intersections both in the old drilling and underground sampling and the new drilling that supports continuity. The stopes from the earlier mining also suggest good continuity of the vein systems even though they appear to have focused on mining the higher grades as evidenced by what was left on the edge of some of the stopes. The C zone is an area where significant widths have been obtained in drill holes and underground, which could develop tons quickly if continuity is demonstrated.

Mining: From 1931 to 1951, 51,825 feet of level development (on 10 levels) and 12,292 feet raise development were completed at New Polaris. Top level, Canyon, is 580 feet above sea level. Deepest level, 750, is 613 feet below sea level. An 821 foot deep internal winze was used for material handling, going from the A.J. to the 750 Level. Winze is accessed from the A.J. and Polaris Level adits, with Polaris being the main haulage and access level. Mine dewatered in 1996, ground conditions excellent. Historic mining methods were shrinkage and resueing. Plans are to develop a ramp access mine. Mining methods will include longhole, shrinkage, cut-and-fill. Mining techniques will depend on factors such as ore body geometry, grade, dilution, etc.

Metallurgy: Historically, the mine operated using sulphide flotation, milling at a rate of 200 tons per day. Ore was crushed through primary and secondary crushers, and ground in a ball mill in closed circuit with a rake classifier. Rougher and scavenger flotation was used and the sulphide concentrate thickened and filtered for shipment off site. Ninety percent gold recoveries were obtained, concentrate grade of 3.5-5.0 ounce per ton gold, and concentrate to ore ratio of 10:1. Recent test work completed on a preliminary basis. Using flotation and cyanidation of the flotation tailings, and pressure oxidation (autoclaving) of the flotation concentrate, up to 94 percent gold recovery was achieved. Additional metallurgical test work is planned to optimize grind, reagent addition and type, etc. Evaluation of direct marketing of the flotation concentrate, pressure oxidation, bio-oxidation, and microwave processes to treat the flotation concentrate will be completed in future work.

Site Infrastructure: New office/dry complex built on the site in 1996. Several existing buildings refurbished for bunkhouses and a kitchen facility. Existing camp is capable of supporting 35 personnel. Shop refurbished for a maintenance facility, pipe shop, power-house, and compressor house. Three, 200-kilowatt generators on site can be run separately or in parallel. Two, 200 cubic feet per minute portable air compressors on site can supply compressed air for underground. Two, 10,000 gallon fuel tanks, left from previous mining activities refurbished for additional fuel storage. Old main-street of the town-site is used as an air-strip. Manpower, equipment, and material mobilized to site using a Shorts Skyvan, capable of carrying 4,000 pounds.

Environmental: Canarc has been systematically eliminating all old mine buildings at the site, except those in current use. Test work indicates rock is non-acid generating. Water wells were installed and surface and ground water monitoring underway. Discharge permit obtained for the dewatering and care and maintenance phases of the mine pumping.

4.4 Other Mineral Projects

4.4.1 Eskay Creek Property, British Columbia

Introduction: The GNC property partially surrounds the high grade Eskay Creek mine of Barrick Gold. The property is joint ventured with Barrick (66 2/3%) and covers the favourable Eskay Creek ore horizon along strike and at depth. Barrick continues to explore the property systematically for Eskay Creek-type ore bodies. They tend to be of small tonnage but extremely high grade.

Location and Access: Northwestern British Columbia, 80 km northwest of Stewart, B.C., accessible by truck via highway 37 and the Eskay access road.

Description and Ownership: Three modified grid claims totaling 930 hectares. Canarc's 33 1/3% interest is carried whereby Barrick must incur all exploration and development costs to production, subject to repayment of those costs from cash flow.

Current Status: Early stage exploration.

Mining History: The Eskay Creek gold-silver deposit was discovered in 1988 and commenced production in 1994. The ore is so high grade (>3 oz. Gold equivalent per ton) that it is simply mined, crushed and shipped directly to smelters with no milling or concentrating. Canarc's GNC property partially surrounds Barrick's Eskay Creek mine and has had over \$3 million in exploration completed by Barrick. Several mineral prospects have been drilled and significant potential targets still remain to be drilled.

Geology: The Eskay Creek ore bodies are strata bound, volcanogenic sulfide deposits that occur within certain favourable rock types, specifically the hanging wall mudstones and the footwall ineralis. This "Eskay Creek horizon" has been traced across the entire GNC property and several mineralized prospects have been found. The footwall ineralis are typically altered to chlorite and sericite, and the hanging wall mudstones carry semi-massive sulfide ineralisation, including pyrite, chalcopyrite, sphalerite, and various silver minerals, encased by pervasive carbonate alteration.

4.4.2 Bellavista Gold Project, Costa Rica

Introduction: Bellavista is a large, low-grade development-stage epithermal gold deposit. Wheaton River Minerals, the operator, has identified a smaller, higher grade, mineable reserve suitable for low

cost open pit, heap leach gold production. Canarc owns an 18.3% carried interest (after payback) and Wheaton River is currently seeking project financing.

Location and Access: Costa Rica, 80 km west of San Jose near the town of Miramar, accessible by truck on the Pan American highway and a mine access road.

Description and Ownership: Several contiguous mineral concessions covering 2000 hectares in the Central Gold Belt, owned by Wheaton River Minerals (approximately 65%) and others. Canarc's 18.3% interest is carried whereby Wheaton River must incur all development costs to production, subject to payback from cash flow.

Current Status: Wheaton River is in discussions with financial institutions regarding project financing. Canarc receives pre-production advance royalty payments totaling US \$117,750 annually.

Mining History: The Bellavista and Montezuma mines produced small tonnages of gold-silver ore from underground workings at the turn of the century. In the 1980's, Minera Rayrock acquired a controlling interest and by 1996, had completed significant exploration work, including a feasibility study. Wheaton River bought out Rayrock's interest in 1997 and completed additional drilling required for a new feasibility study in 1998. A total of more than US\$30 million has been spent on the property to date.

Geology: Bellavista is an epithermal gold deposit hosted by volcanic rocks where they are crosscut by a major fault zone. Gold is associated with quartz-carbonate stockwork zones surrounded by minor quartz-sericite alteration.

Reserves: Rayrock outlined mineable reserves and resources totaling 1.96 million oz. contained in 37.4 million tonnes grading 1.63 gpt, economic at US \$400 gold. Wheaton River has identified a smaller proven reserve of 11.2 million tonnes grading 1.54 gpt for 556,000 oz. (436,000 recoverable oz.) suitable for low cost open pit mining and heap leach processing.

Mining: As disclosed by Wheaton River, if mining is undertaken, all ores will be mined from one open pit, crushed to 80% minus ¼ inch, higher grade ore will be crushed to 80% minus 65 mesh and agglomerated with the lower grade ore prior to stacking on the heap leach pad. Their metallurgical tests indicate gold recoveries of around 79%.

Production Model: The base case production model as disclosed by Wheaton River calls for 60,000 oz./year for 7.3 years at a mill rate of 5,745 tonnes/day at a strip ratio of 1.32:1. Capital costs are estimated at US \$28.3 million, operating costs come in at a low US \$156 per oz and total cash operating costs are US\$179 per oz.

4.4.3 *Sara Kreek Mine, Suriname*

Introduction: Sara Kreek is the largest operating gold mine in the Republic of Suriname, South America. Production in 2001 was approximately 10,000 oz. gold from the small, open pit placer mine and gravity recovery systems. A second high grade, open pit lode mine is also ready for development, subject to financing. The Sara Kreek property produced over 500,000 oz. gold historically and has the potential for additional discoveries in the million oz. plus range.

Location and Access: East central Suriname, 160 km south of Paramaribo, the capital city, accessible by charter aircraft to a 1500 ft. airstrip on the property or by boat across Van Blommestein Lake (a large, man-made lake for a hydroelectric project), then by truck on the property access road.

Property Description: One Exploitation Concession measuring 17 km x 19 km, totaling 22,500 hectares. Canarc owns a 100% interest (subject to a 20% NPI or 1½ to 5½% NSR) in the subsurface mineral rights, as well as an 80% interest (reverting to 50% after payback of our investment) in the surface mineral rights. Our local partner, Suriname Wylap Development Corp., currently operates the small placer mine on the property.

Current Status: The Sara Kreek Placer mine currently operates at a small profit notwithstanding the low gold price. Canarc recently completed a feasibility study recommending commercial production from one of the several lode prospects on the property. Management is now seeking project financing for the new DP lode mine.

Mining History: Gold production was first recorded from Sara Kreek in the late 1800's, when English and Dutch companies exploited the alluvial deposits. At their peak, several large dredges were in operation and a 200 km long narrow gauge railway was built from Paramaribo to Sara Kreek, to service the hundreds of families living there. The gold fields produced over 500,000 oz. gold, then fell dormant for 50 years, until Suriname Wylap Development Corp. modernized the placer mines and operated briefly in the late 1980's. Canarc acquired its property interests in 1993 and funded the re-commencement of placer gold mining in 1995. . Gold production for 2001 was 10,000 oz., and the mine operated at around break-even at the recent low gold prices.

Recent Work: Exploration to seek out the underlying lode sources to the placer gold began in earnest in 1994. In the past 5 years, Canarc has completed 20,000 soil and silt samples, hundreds of deep auger holes, several kms of machine trenching and 28 diamond drill holes at a cost exceeding US \$4 million. Most recently, Canarc completed a feasibility study on the DP zone that recommends commercial production from a small, high grade, open pit to produce 13,500 oz. at a cash cost of US \$62 per oz.!

Regional Geology: The Guyana Shield became the focus of exploration interest in the past six years as a result of the 12 million oz. Las Cristinas gold discovery by Placer Dome in Venezuela, as well as the commencement of commercial production by Cambior at the 4 million oz. Omai gold deposit in Guyana, the only modern gold mine operating throughout the Guyana Shield. Both of these gold

discoveries have strong affinities to the porphyry gold, bulk tonnage, open pit model. In addition, these lower Proterozoic greenstone belts are prolific for high grade, shear-hosted gold deposits elsewhere in the world, such as the 50 million oz. Ashanti mine in Ghana. The gold prospects at Sara Kreek exhibit shear-hosted or porphyry-type mineralization related to quartz-carbonate veins or stockworks within volcano-sedimentary greenstone belts intruded by tonalite-diorite plutons along major crustal breaks within the Guyana Shield. Deposit potential here is up to one million ounces, plus.

Property Geology: All of the known gold prospects fall along a north trending greenstone belt of meta-volcanic and meta-sedimentary rocks, crosscut by northeast and northwest trending structures. Mineralization also appears to be related to late-stage quartz-feldspar porphyry or diorite intrusions. Gold is associated with pyrite, chalcopyrite and other sulfide minerals in quartz-carbonate veins, shears and stockwork zones.

Significant Results: Canarc found multiple soil anomalies by reconnaissance sampling, including two main mineralized shear zones that extend for 7 km and 6 km respectively. Follow-up deep augering, machine trenching and diamond drilling has confirmed high grades over mineable widths in four gold prospect areas. Trench results include 13.6 gpt over 10 m, 2.3 gpt over 40 m and 1.2 gpt over 160 m. Drill intersections include 7.0 gpt over 13.5 m, 2.9 gpt over 16.6 m and 5.9 gpt over 10.7 m.

Reserves: DP mine reserves are 16,000 oz. gold contained in 65,000 tonnes soft saprolite ore grading 7.5 gpt, still open in 3 directions. No reserves are estimated for the placer mine but there are several kilometres of known gold-bearing creek gravels that should support many years of placer mining.

Mining: DP mine methods are shallow open pit truck and shovel operation, no drilling or blasting, 8:1 strip ratio, 8½ month mine life. The placer mine is an open pit, excavator and hydraulic-ing operation,

Processing: DP mine process gives an 85%+ recovery using gravity methods. The ore is cleaned and screened in a trommel, reduced to ¼ inch in a crusher, ground to 80%-200 mesh in a ball mill, and the gold is separated using Falcon concentrators and a shaking table. A bulk sample for metallurgical testing consistently returned higher grades than the channel sampling. The placer mine recovers coarse gold only with sluice boxes.

Exploration Target: The exploration target at Sara Kreek is for shear-hosted gold deposits of several million tonnes containing up to one million oz. gold or more to 300 m depth. The two main gold mineralized shear zones have been traced semi-continuously over 13 km of combined strike length on the property.

Production Model: Base case production for the DP mine is 13,600 oz. over a 9 month period, capital costs estimated at US \$1.25 million and total operating costs come in at US \$62 per oz! Similar positive exploration results were found at the ED, WP and PP prospects, leading management to believe that production will come from several high grade open pits that could eventually coalesce into one large lode gold mining operation with million oz. plus potential

Sara Kreek DP Mine Fact Sheet

Contained Gold	16,000 oz.
Mineable Reserves	65,000 t
Ore Grade	7.5 gpt
Mill Recovery	85%+
Recoverable Gold	13,500 oz.+
Strip Ratio	8:1
Mine Life	8½ months
Capital Cost	US \$1.25 million
Operating Cost	US \$0.81 million
Mine Revenues	US \$3.50 million
Equipment Resale	US \$0.20 million
Net Cash Flow (after capital & cash costs)	