



Canarc Resource Corp.
MANDATE OF THE BOARD OF DIRECTORS
(effective June 30, 2011)

The directors of the Company are responsible for managing the business and affairs of **Canarc Resource Corp.** (the “Company”) and, in doing so, must act honestly and in good faith with a view to the best interests of the Company.

The Board’s mandate includes setting long-term goals and objectives for the Company, formulating the plans and strategies necessary to achieve those objectives, and supervising senior management who are responsible for the implementation of the Board’s objectives and day-to-day management of the Company. The Board retains a supervisory role and ultimate responsibility for all matters relating to the Company and its business.

The Board discharges its responsibilities both directly and through its committees, including the Audit Committee, the Compensation Committee, the Corporate Disclosure Committee and the Nominating Committee and through the adoption of mandates and codes, such as this mandate and a Code of Conduct. The Board may also appoint ad hoc committees periodically to address issues of a more short-term nature.

Specific responsibilities of the Board include the following:

- (a) The Board takes into account recommendations of the Nominating Committee, but retains responsibility for managing its own affairs by giving its approval of its composition and size, the selection of the Chair of the Board, candidates nominated for election to the Board, committee and committee chair appointments, committee charters and director compensation. When the Chair of the Board is not an independent director, the independent directors of the Board shall designate an independent director to be the lead director. The Board is responsible for determining the roles and responsibilities of the independent Chair or, if applicable, lead director. The Board shall annually evaluate the independence of the Chair or, if applicable, lead director.
- (b) The Board has oversight responsibility to participate directly, and through its committees, in reviewing, questioning and approving the strategic planning, goals and objectives of the Company.
- (c) The Board is responsible for the identification of the principal risks of the Company’s business and monitoring and managing those risks with a view to the long-term viability of the Company and achieving a proper balance between the risks incurred and the potential return to the Company’s shareholders.
- (d) The Board may delegate to Board committees matters that the Board is responsible for, including the following:
 - o through the Audit Committee and its Charter, the Board assesses the integrity of internal control over financial reporting and management information systems. It will review and approve capital, operating and exploration and development expenditures including any

budgets associated with such expenditures. The Board is responsible for approving the annual audited financial statements and, if required by applicable securities legislation, the interim financial statements, and the notes and Management's Discussion and Analysis accompanying such financial statements. The Board may delegate responsibility for approving interim financial statements to the Audit Committee;

- through the Compensation Committee and its Charter, the Board approves the compensation of officers and management and reviews and approves the Company's incentive compensation plans. In doing so, the Board takes into account the advice and recommendations of the Compensation Committee;
- through a Nominating Committee and its Charter, the Board addresses the conduct of performance evaluations and director nominations and related matters. This may also include specific ongoing expectations and responsibilities for directors, including basic duties and responsibilities with respect to attendance at board meetings and related matters. It shall also annually evaluate the performance of individual directors (including their competencies and skills), the performance of the Chair and the performance of the lead director, if any. It will ensure that adequate plans are in place for management development and succession. Such charter and procedures may also include measures for receiving feedback from stakeholders;
- through a Corporate Disclosure Committee and its Policy, the Board addresses communications with shareholders, employees, financial analysts, governments and regulatory authorities, the media and the communities in which the business of the Company is conducted. Such policy and procedures may also include measures for receiving feedback from stakeholders; and
- developing a set of corporate governance principles and guidelines that may be set throughout the various mandates, charters and codes that adopted on behalf of the Company. These documents may also include measures for receiving feedback from stakeholders, such as the adoption of Whistleblower policy and the adoption of processes in other charters, policies and codes,

but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities.

- (e) The Board is responsible for adopting a written code of ethical business conduct for the directors, officers and employees of the Company and is responsible for monitoring compliance with the code and to encourage and promote a culture of ethical business conduct.
- (f) The Board shall annually review the performance of the Board and its committees against their respective charters, policies, codes and mandates, and review such documents.
- (g) The Board is responsible for approving and monitoring compliance with all significant policies and procedures by which the Company is operated and approving policies and procedures designed to ensure that the Company operates at all times within applicable laws and regulations.

Limitation The duties and responsibilities set out above do not extend, and are not to be interpreted as extending, the obligations and liabilities of the directors beyond those imposed by applicable law and in each case are subject to the Articles of the Company and applicable law.

Approved by the Board as of the date first written above.