Canarc Resource Corp.

- Canarc Resource Corp. is a growth-oriented gold exploration and mining company listed on the Toronto Stock Exchange (symbol CCM) and the OTC Bulletin Board (symbol CRCUF).

- The Company owns interests in one small producing gold mine in South America, two large gold deposits ready for development in North and Central America, and several strategic exploration projects that have the potential for significant new mineral discoveries.

- Canarc's principal asset is the 1.3 million oz. gold resource on its New Polaris property (100% Canarc) located in northwestern British Columbia. A high grade, past producing underground mine, New Polaris is one of the largest gold deposits in Western Canada. Development of the neighbouring Tulsequah Chief base metal mine and road should significantly enhance the economics of the New Polaris project.

- Our most advanced development project is the 2 million oz. Bellavista gold deposit (18% carried interest after payback) in Costa Rica. Wheaton River Minerals, the Operator, has identified a 550,000 oz. higher grade, proven mineable reserve that is amenable to heap leach operations with low US$ 156 per oz. operating costs.

- The Sara Kreek gold mine is a small open pit placer operation (80% Canarc) in the Republic of Suriname. Production was approximately 10,000 oz. and the mine operated at about break-even in 2001. A second, small, high grade, open pit lode mine at Sara Kreek with an estimated US$62 operating cost per oz. also is planned, subject to financing.

- Canarc's next major gold discovery may be on the Benzdorp property in Suriname, where several large gold prospects have been found and are now ready for drilling. The target here is a large gold porphyry system with the potential for several million ounces.

- The Company also owns the prospective Clara high sulphidation, gold-silver property in the prolific Sierra Madre Belt in Mexico through its subsidiary company, Aztec Silver.

- The Company is strong financially with over $800,000 in cash and marketable securities, no significant debt, and annual income of US$117,750.

- Canarc's management team and Board of Directors have decades of experience in exploration and mining, much of it with senior companies. Our major shareholders include Barrick Gold and Echo Bay Mines.

- With 44.8 million shares issued trading at CA $0.40 per share, Canarc is undervalued compared to other junior gold companies and offers substantial upside potential for prudent investors.

Bradford Cooke, President and CEO of Canarc Resource Corp. is pleased to provide shareholders with this review of the year 2001 and our outlook for 2002.

Introduction

In summary, the past year was one of consolidation and retrenchment in the gold mining industry. Large gold companies like Newmont, Franco Nevada and Normandy merged and some small gold companies folded. Canarc grew smaller as all staff were laid off but we have survived and are stronger for it. The gold price remained close to its 20 year low, although it moved up 6% in the first three months of 2002, part of a solid 12% uptrend in the past year. Gold stocks have also shown renewed life recently – most major gold stocks are up 30 to 60% from their year lows and selected junior resource stocks have more than doubled. Canarc is now well positioned to reap the benefits of better gold and resource markets in 2002. Our main gold property assets are all intact, we have no significant debt, our burn rate is low and the company holds over $800,000 in cash and marketable securities. Management also hopes to finally resolve the Benzdorp property situation in Suriname early this year so Canarc can get back to work developing this large gold prospect.

Project Review

Benzdorp, Suriname: In 2001, the new government of Suriname slowly but surely took measures to reactivate the gold mining sector of their economy. Early in the year, a new Board of Directors was appointed to Grassalco, the state mining company and Canarc's partner at Benzdorp. By year-end, the government concluded that different state gold mining companies should be formed to assume Grassalco's gold property portfolio. Grassalco's operating agreement with Cambior was amended to reduce the government's participating interest in Gros Rosebel to 5%, reduce the tax rate to 30% and provide cheap hydroelectric power so that Cambior can commence construction of the Gros Rosebel mine in 2002. Canarc anticipates that the new state gold mining company will also be Canarc's new partner for the Benzdorp project. Amendments to the existing Benzdorp operating agreement are needed in order to allow Canarc to get back to work at Benzdorp in 2002. Last but not least, the government finally read into Parliament the foreign investment legislation that had been pending for 10 years. This is indeed good news for both foreign investors as well as the Republic of Suriname. Sara Kreek, Suriname: The Sara Kreek placer mine continues to operate at break even under current gold prices. The proposed new DP lode mine still requires financing or a partner in order to proceed. Bellavista, Costa Rica: Canarc was approached by Wheaton River last year to reduce the annual pre-production cash payments they pay us. We elected to accept part of this year's payment and all of next year's payment in shares of Wheaton River at $0.50 per share. Canarc now holds over 500,000 Wheaton River shares for short-term investment purposes. The shares are up 100% to $1.00 at this time. Clara, Mexico: Canarc's 65% owned subsidiary, Minera Aztec Silver Corporation, holds an option to earn a 100% interest in the Clara high sulphidation gold – silver prospect in Jalisco, Mexico. Aztec intends to seek additional financing or a joint venture partner in order to drill this large attractive target.GNC, British Columbia: Homestake did not carry out any exploration work in 2001 on our 33% owned GNC claims adjacent to their Eskay Creek mine in northwestern, B.C. New Polaris, British Columbia: The New Polaris project has been on care and maintenance since 1997 pending higher gold prices. Our neighbour, Redfern Resources, completed a feasibility study on their Tulsequah Chief copper-zinc-gold-silver orebody in 1998 and has been seeking permitting to proceed with mine and road development since that time. Most recently, The B.C. Supreme Court came down with a decision setting aside Redfern's requirement for a new Environmental Review. Instead, the Court directed the new B.C. government to deal directly with native concerns about development and Redfern's application for their project permits. This should accelerate Redfern's government approval, which would also be very good news for Canarc's New Polaris project.

Conclusion

Management's survival strategy for 2001 has worked. One year ago, we predicted that gold would bottom and Canarc should be well positioned to participate in the next rally. It would appear that a new gold uptrend is now underway. At Canarc, we remain focused on developing our gold projects as the principal means of creating shareholder value. I would like to thank all of our shareholders for their support over the past four difficult years. As always, you are invited to contact us for updates, comments or questions.

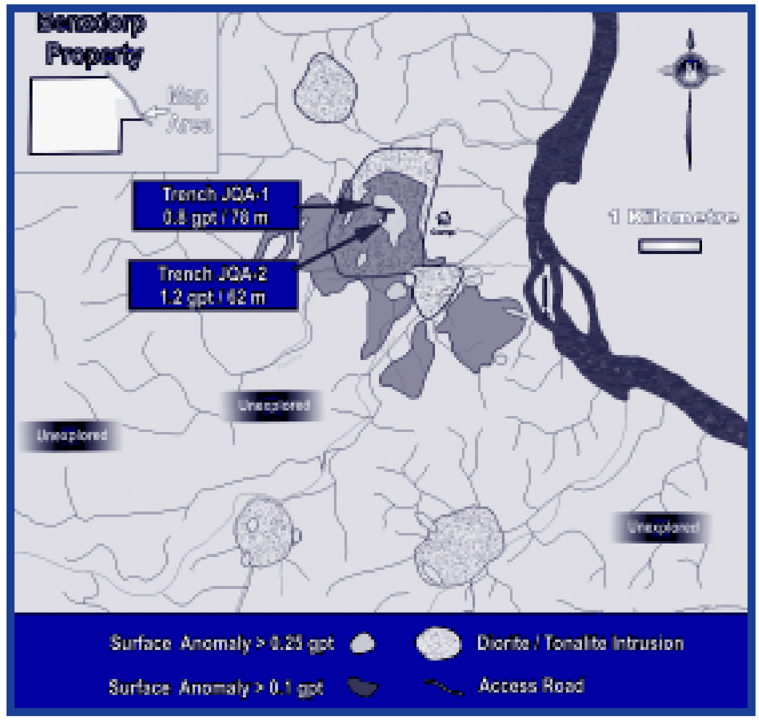
ON BEHALF OF THE BOARD OF DIRECTORS
Bradford J. Cooke
President and CEO

BENZDORP PROPERTY

Introduction:
Benzdorp is historically the most prolific gold producing region in the Republic of Suriname with alluvial production exceeding 1 million oz. gold. Canarc's recent exploration results confirm the potential for a major new gold discovery. Canarc plans to carry out the next phase of trenching work in 2002 in order to identify top priority targets for drilling.

Location and Access: Southeastern Suriname, 300 km southeast of Parimaribo, the capital city, accessible by charter aircraft to the near-by Tabiki airstrip or by boat up the Marowijne River, then by ATV on the property roads.

Property Description:
Four exploration concessions measuring 42 km x 31 km, totaling 138,000 hectares. Canarc holds an option to acquire a 100% interest (subject to a 20% NPI or 1% to 6% NSR) in the subsurface mineral rights from Grassalco, the state-owned mining company.



Current Status:
Canarc and Grassalco are in the process of incorporating the Suriname company into which the mineral titles will be transferred. Upon completion, Canarc intends to proceed with trenching work to further develop Benzdorp. Management believes Benzdorp has the potential to be Canarc's next major gold discovery.

Mining History:
Gold production was first recorded from Benzdorp in the late 1800's when English and Dutch companies exploited the alluvial deposits. The Jungle Queen dredge produced over 500,000 oz. alone over a 40 year period. In recent times, hundreds of illegal smallscale miners produce 10,000's oz. gold each year reprocessing the river gravels. Canarc acquired its property option in 1996 and since then has spent US $2 million on 1000's of soil samples, 100's of deep auger drill holes, and three long bulldozer trenches.

Deposit Potential:
Up to several million oz. gold, with some geological similarities to both the 4 million oz. Omai mine and the 50 million oz. Ashanti mine.

Property Geology:
Most of the known gold prospects occur on the easternmost 5% of the property within a northeast-trending greenstone belt of meta-volcanic and meta-sedimentary rocks intruded by dioritic plutons and crosscut by northeast, north and northwest-trending structures. Every creek for 20 km has produced or is currently producing placer gold. Canarc has focused on four gold prospects which are now drill ready. The JQA prospect alone measures 750 m long x 250 m wide averaging 1 gpt gold, open in all directions. The exploration target here is a porphyry gold deposit of several hundred million tonnes containing 2 to 20 million oz. gold to 300 m depth.

NEW POLARIS

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 estimate is currently 1.3 million oz. at US $325 gold, but the mineralization is wide open along strike and at depth and could easily double with further drilling. New Polaris is currently on the "back burner" until gold prices improve and the neighbouring Tulsequah Chief base metal mine project commences 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 provided by small aircraft from Atlin or Juneau but ocean barging of equipment and supplies to the minesite is possible. Redfern Resources recently received preliminary government approval to build their Tulsequah Chief mine and access road only 3 miles away from New Polaris.

Description and Ownership

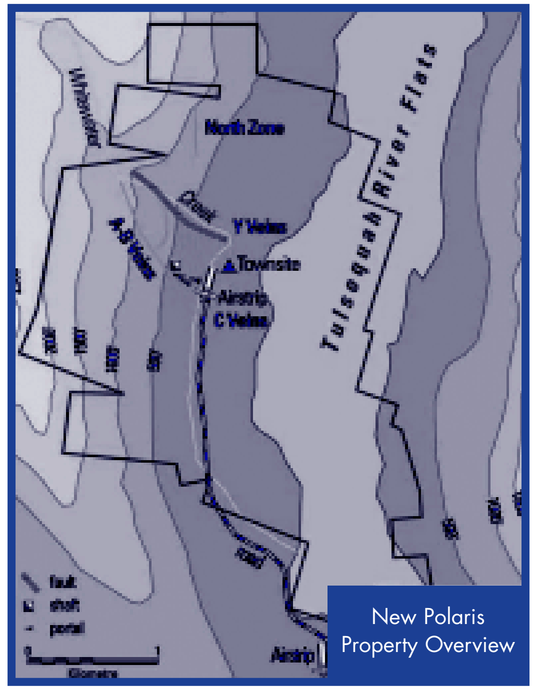
Sixty-one crown granted mineral claims and 1 modified grid claim totaling 2,956 acres, 100% owned by Canarc subject to a 15% net profits interest to Rembrandt Gold Mines, which Canarc can reduce to 10% NPI.

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 their 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.



New Polaris Property Overview

Deposit Potential

Three million ounces plus, similar geologically to Placer Dome's Campbell Red Lake Mine (10 million oz.) high grade refractory ore body. Canarc's goal is to create sufficient reserves to allow development of 1,000 ton per day mine, producing over 120,000 ounces of gold per year.

Geology

Mineralization associated with disseminated arsenopyrite, pyrite, and stibnite in quartz carbonate veins and stockworks, and related carbonatized and sericitized alteration zones. Zones developed along principal shear sets adjacent to a major crustal break. Host rocks are Paleozoic volcanics. Gold mineralization 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. Lesser pyrite, stibnite, and rare sphalerite occur within an alteration assemblage of quartz, carbonate, sericite, fuchsite, and albite, composing the gangue mineralogy. Gold mineralization occurs along three major shear sets: 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.

Resources

Current resources estimated at 3.6 million tons at a grade of 0.36 ounce per ton gold (1.3 million ounces). Detailed modeling is currently underway using GEMCOM software.

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 internal winze 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 resuing. 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 crushed through primary and secondary crushers, and ground in a ball mill in closed circuit with a rake classifier. Rougher and scavenger flotation used and the sulphide concentrate thickened and filtered for shipment off site. Ninety percent gold recovery, concentrate grade of 3.5-5.0 ounce per ton gold, and concentrate to ore ratio of 10-15:1. Recent test work completed on a preliminary basis. Using flotation, cyanidation of the flotation tailings, and pressure oxidation (autoclaving) of the flotation concentrate, 94 percent gold recovery 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. Several existing buildings refurbished for bunkhouses and a kitchen facility. Existing camp capable of supporting 35 personnel. Shop refurbished for a maintenance facility, pipe shop, power house, and compressor house. Three 200 kilowatt generators on site that can be run separately or in parallel. Two 200 cubic feet per minute portable air compressors on site to 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 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 installed and surface and ground water monitoring underway. Discharge permit obtained for the dewatering and care and maintenance phases of the mine pumping.

Production Model
Base case 90,000 oz./year for 8 years at 750 tons/day, with potential to expand to 1,000 tons/day or 120,000 oz./year, capital costs estimate US $50 million, operating costs estimate US $180 to $240 per oz., Canarc is currently investigating a more aggressive development plan to transport New Polaris ores to an offsite mill facility in order to reduce capital costs and enhance project economies.

COSTA RICA PROJECT: Bellavista

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% 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% 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.

GNC PROPERTY

Introduction:

The GNC property partially surrounds the high grade Eskay Creek mine of Barrick Gold. The property is joint ventured with Homestake (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 that tend to be small 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.

SARA KREEK MINE

Introduction:

Sara Kreek is the only legally-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, totalling 22,500 hectares. Canarc owns a 100% interest (subject to a 20% NPI or 11/2 to 51/2% 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.

Bradford J. Cooke, President, C.E.O. and Director
Bradford Cooke, P.Geo., holds B.Sc. and M.Sc. degrees in Geology and has more than 25 years experience in the mining industry. He worked with Noranda, Shell and Chevron early in his career and since 1987, has overseen the growth of Canarc Resource Corp. into a successful international gold exploration and mining company. Mr. Cooke has agreed to act as the interim President.

W. Derek Bullock, Director
Derek Bullock is a retired Mining Enginee who brings over 30 years of mine operating, engineering, and consulting experience to Canarc's Board of Directors. His hands-on experience in the mining industry took him from the position of contract miner to Superintendent of Mining Engineering, to consulting engineer, giving him exceptional skills in mining operation and management. Derek is also a Director of IAMGold Corp.

Leonard Harris, Director
Leonard Harris is a retired Metallurgical Engineer with more than 45 years experience in the mining industry. He worked as a metallurgist with Mount Morgan, Mount Isa, Texada Mines and Radium Hill mining companies in Australia, Taquah and Aboso Mines in Ghana, Cerro de Pasco Corporation in Peru, and Cerro Corporation in New York until 1974 when he moved to the Newmont group of companies, holding senior management positions including President of Newmont Peru, Vice President and General Manager for Newmont Latin America and General Manager of Minera Yanacocha. Len is also a Director of Glamis Gold Ltd.

Stephen Peck, Director
Stephen Peck is an economist who has been active in the financial and investment sectors for many years. He co-founded the investment firm of Weiss, Peck and Greer, was a Governor of the New York Stock Exchange for several years and acted as its Vice-Chairman from 1971 to 1972. He has served on the Audit Committee of the City of New York, and as a Director of several large corporations, including Tiger International, Greyhound Lines, Grand Union, and Reliance Insurance. Stephen is currently affiliated with The Torrey Funds.

Chris Theodoropoulos, Director
Chris Theodoropoulos brings over 20 years of experience in mining, corporate and securities law to the Company. He was Vice- President and General Counsel to Cedar Group Inc., an international engineering and infrastructure company, and a partner with the law firm, Smith Lyons. Most recently Chris has focused on his own legal practice as well as founding Novra Technologies Inc.

Stewart Lockwood, Corporate Secretary, Legal Counsel
Stewart Lockwood holds an LLB degree from Osgoode Hall and an MBA from UBC and the London Business School. Stewart has over 20 years of experience working in the security industry in Vancouver, both at law firms and at the VSE, having daily interaction with the BC Securities Commission. He is responsible for preparation of all corporate documentation of public companies both from the regulatory and the corporate viewpoint. Stewart is with the firm Vector Corporate Finance Lawyers.

Godfrey Walton, Geological Consultant
Godfrey Walton, M.Sc., P.Geo., has broad experience and knowledge in mining exploration and project management, including precious metals, base metals and diamonds in North America, South America and Europe. Mr. Walton previously held senior technical and management positions with Canarc, Hemlo and Chevron and is currently active as a geological consultant.

Richard Williams, Exploration Consultant
Richard Williams, MSc., has a Bachelor's degree in Geology from Portsmouth University, England, and a Masters Degree in Mineral Exploration from Queen's University, Kingston, Canada. Mr. Williams has 15 years experience in gold mining and mineral exploration. Mr. Williams joined Canarc in 1994, and spent 5 years in Suriname, South America as Canarc's Exploration Manager. Mr. Williams was transferred to Canarc's Vancouver office to become Acquisitions Manager from 1998 to 2001.

James Moors, Exploration Geologist
James Moors, B.Sc. P.Geo, has a Bachelor's degree in Geology from the University of Waterloo, Waterloo, Canada. He has 14 years experience in gold exploration; three of which were with Canarc from 1993 to 1995 when he managed exploration activities on the New Polaris property. He rejoined the Canarc team in 2002 after managing exploration and evaluation programs for Homestake Canada Inc. and serving as Director of Information with the BC & Yukon Chamber of Mines.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Canarc Resource Corp. as at December 31, 2001 and 2000 and the consolidated statements of operations and deficit and cash flows for each of the years in the three year period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2001 in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

KPMG LLP (signed)
Chartered Accountants
Vancouver, Canada
March 21, 2002
Canarc Resource Corp.

CONSOLIDATED BALANCE SHEETS

December 31, 2001 and 2000

Canarc Resource Corp.

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

	December 31, 2001	December 31, 2000
Assets		
Current assets:		
Cash and cash equivalents	$ 70	$ 98
Marketable securities (note 3)	300	179
Due from related parties (note 7)	11	7
Receivables	93	36
	474	320
Resource properties (note 4)	16,408	19,886
Capital assets (note 5)	199	490
	$ 17,081	$ 20,696
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 108	$ 349
Due to related party (note 7)	-	13
	108	362
Non-controlling interest in subsidiary	136	130
Shareholders' equity:		
Share capital (note 6)		
Authorized:		
100,000,000 common shares		
Issued:		
43,834,801 common	44,491	44,198
shares (2000 – 40,834,801) Deficit		
	(27,654)	(23,994)
	16,837	20,204
	$ 17,081	$ 20,696

Going concern (note 1)
Commitments and contingencies (note 4)
Subsequent event (note 11)
See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

December 31, 2001, 2000 and 1999

Canarc Resource Corp.

(expressed in thousands of United States dollars, except per share amounts) **Years ended December 31,**

	2001	2000	1999
Revenue:			
Investment and other income	$ 41	$ 21	$ 46
Expenses:			
General and administrative	211	326	227
Shareholder relations	- 44	72	
Property investigation	62	169	62
Amortization	6	8	11
Corporate development	-	5	17
Travel	1	11	7
Loss on disposal of capital assets	258	-	41
Write-down of marketable securities	7	108	82
Write-down of resource properties	3,150	245	-
	3,695	916	519
Loss before the undernoted	3,654	895	473
Non-controlling interest	6	(124)	(8)
Loss for the year	3,660	771	465
Deficit, beginning of year	23,994	23,223	22,758
Deficit, end of year	$ 27,654	$ 23,994	$ 23,223
Basic loss per share	$ 0.09	$ 0.02	$ 0.01
Weighted average number of shares outstanding	42,569,048	40,298,759	38,739,708

CONSOLIDATED STATEMENTS OF CASH FLOWS

December 31, 2001, 2000 and 1999

Canarc Resource Corp.

(expressed in thousands of United States dollars, except per share amounts)	Years ended December 31,		
	2001	**2000**	**1999**
Cash provided from (used for):			
Operations:			
Loss for the year	$ (3,660)	$ (771)	$ (465)
Items not involving cash:			
Marketable securities received for interest income	-	-	(13)
Shares issued for expenses	-	1	24
Expenses paid with marketable securities	-	-	37
Loss on disposal of capital assets	258	-	41
Gain on marketable securities	(31)	(12)	-
Write-down of marketable securities	7	108	82
Write-down of resource properties	3,150	245	-
Non-controlling interest	6	(124)	(8)
Amortization	6	8	11
Changes in non-cash operating working capital:			
Due to/from related parties	(17)	28	(150)
Receivables	(57)	37	(8)
Accounts payable and accrued liabilities	(143)	51	179
	(481)	(429)	(270)
Financing:			
Issue of common shares for cash	293	210	209
Issue of shares of subsidiary for cash	-	-	133
	293	210	342
Investments:			
Purchase of short-term deposits	(63)	-	-
Proceeds from disposal of marketable securities	44	-	16
Resource properties, net of recoveries	151	138	(79)
Proceeds from disposition of capital assets, net	28	2	4
	160	140	(59)
Increase (decrease) in cash and cash equivalents	(28)	(79)	13
Cash and cash equivalents, beginning of year	98	177	164
Cash and cash equivalents, end of year	$ 70	$ 98	$ 177

Supplemental disclosure with respect to cash flows (note 10)

See accompanying notes to consolidated financial statements

1. Going concern:
The Company is in the mineral exploration business and has not yet determined whether its resource properties contain reserves that are economically recoverable. The recoverability of amounts capitalized for resource properties is dependent upon the existence of economically recoverable reserves in its resource properties, the ability of the Company to arrange appropriate financing to complete the development of its properties, confirmation of the Company's interest in the underlying properties (Note 4(f)), the receipt of necessary permitting and upon future profitable production or proceeds from the disposition thereof. The Company has incurred significant operating losses and has an accumulated deficit of $27,654,000 at December 31, 2001. Furthermore, the Company has working capital of $366,000 as at December 31, 2001, which is not sufficient to achieve the Company's planned business objectives. These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on continued financial support from its shareholders and other related parties, the ability of the Company to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company's liabilities as they become payable. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

2. Significant accounting policies:

(a) Basis of presentation:
These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned except for Sara Kreek Resource Corporation N.V., in which the Company holds an 80% interest, and Minera Aztec Silver Corporation, in which the Company holds a 63% interest at December 31, 2001, 2000 and 1999. All significant intercompany transactions and balances have been eliminated. These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, which conform in all material respects to those in the United States, except as disclosed in note 12.

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

(c) Marketable securities:
Marketable securities includes investments in shares of companies and other investments capable of reasonably prompt liquidation. Share investments are carried at the lower of cost and quoted market value at the reporting date. Short term deposits and other short-term investments are carried at the lower of cost plus accrued interest and quoted market value.

(d) Resource properties:
All costs related to investments in resource properties are capitalized on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. The costs related to a property from which there is production, together with the costs of mining equipment, will be amortized using the unit-of-production method. When there is little prospect of further work on a property being carried out by the Company or its partners or when a property is abandoned or when the capitalized costs are not considered to be economically recoverable, the related property costs are written down to the amount recoverable. The amounts shown for resource properties represent costs incurred to date, less write-downs, and are not intended to reflect present or future values.

(e) Capital assets:
Capital assets are recorded at cost and, for those assets subject to amortization, the Company uses the declining balance method at rates varying from 20% to 30%annually. Amortization on capital assets used directly on exploration projects is not charged against operations until the related property is in production.

(f) Stock-based compensation plan:
The Company has a fixed stock option plan that is described in note 6(b). No compensation expense is recognized when stock options are granted to directors, employees and consultants. Any consideration paid by directors, employees and consultants on exercise of stock options is credited to share capital. Should a director, employee or consultant elect to utilize a share appreciation right instead of their stock option, the quoted market value of the common shares issued is charged to compensation expense.

(g) Income taxes:
The Company uses the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using the enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(h) Loss per share:
Loss per share is calculated based on the weighted average number of shares outstanding during the year. During 2001, the Company retroactively adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") for accounting for earnings per share, which requires the use of the treasury stock method for calculating diluted earnings per share. However, diluted loss per share has not been presented as the exercise of options and warrants would reduce the calculated loss per share.

(i) Foreign currency translation:
The Company uses the United States dollar as its reporting currency and accounts denominated in currencies other than the United States dollar have been translated as follows:
- Revenue and expense items at the rate of exchange in effect on the transaction date;
- Non-monetary assets and liabilities at historical exchange rates; and
- Monetary assets and liabilities at the exchange rate at the balance sheet date.

Exchange gains and losses are recorded as income or expense in the period in which they occur.

(j) Use of estimates:
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include recoverability of resource properties, amortization periods for capital assets and valuation allowances for future income tax assets. Actual results could differ from those estimates.

(k) Fair value of financial instruments:
The fair values of the Company's cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity. The fair value of marketable securities is set out in note 3. It is not practicable to determine the fair value of amounts due to or from related parties due to their related party nature and the absence of a market for such instruments.

3. Marketable securities:

	2001	**2000**
Investment in shares of companies, at cost	$725	$660
Cumulative write-downs	(488)	(481)
	237	179
Short-term deposits	63	-
	$300	$179

The quoted market value of shares of companies is approximately $391,300 (2000 - $178,900) at December 31, 2001 and the fair value of short-term deposits approximated their carrying amount. Included in investment in shares of companies is shares of Consolidated Magna Ventures Ltd., ("Magna"), a company with certain common directors (note 7). At December 31, 2001, these shares had a cost of $324,000 (2000 - $630,000), a carrying value of $49,000 (2000 - $101,200) and a quoted market value of approximately $114,300 (2000 - $101,200). During 2001, the Company transferred 720,000 shares of Magna that it held to a related party in settlement of Cdn$72,000 of the amounts due to a related party.

4. Resource properties:

December 31, 2001 December 31, 2000

	Acquisition costs	Exploration/ development	Total	Acquisition costs	Exploration/ development	Total
British Columbia:						
New Polaris (note 4(a)(i)):	$ 3,605	$ 5,469	$ 9,074	$ 3,605	$ 8,656	$ 12,261
Eskay Creek (note4(a)(ii)):	188	14	202	188	14	202
Costa Rica:						
Bellavista (note 4(b)):	90	- 90	442	-	442	
Suriname:						
Sara Kreek (note 4(c)(i))	1,567	3,434	5,001	1,567	3,434	5,001
Benzdorp (note 4(c)(ii))	151	1,876	2,027	151	1,829	1,980
Mexico:						
Clara (note 4(d)(i))	-	14	14	-	-	-
	$ 5,601	$ 10,807	$ 16,408	$ 5,953	$ 13,933	$19,886

(a) British Columbia:

(i) New Polaris:

The New Polaris property, which is located in the Atlin Mining Division, British Columbia, is 100% owned by the Company subject to a 15% net profit interest which may be reduced to a 10% net profit interest within one year of commercial production by issuing 150,000 common shares to Rembrandt Gold Mines Ltd. During fiscal 2001, the Company wrote-down the property by $3,187,104 to reflect management's estimate of the property's recoverable value.

(ii) Eskay Creek:

The Company owns a one-third carried interest in the Eskay Creek property, Skeena Mining Division, British Columbia, pursuant to a joint venture with Barrick Gold Corp. (formerly Homestake Canada Inc.). The property is subject to a 2% net smelter return in favour of a related company.

(b) Bellavista, Costa Rica:

The Company owns an 18.3% carried interest in this property, which is located near San Jose, Costa Rica. A property agreement giving Wheaton River Minerals Ltd. ("Wheaton") the right to earn a 100% working interest in the property calls for pre-production payments to be made to the Company in the amount of $117,750 annually up to and including the year commercial production commences. During 2001, in addition to the cash pre-production payment for 2001, Wheaton made the pre-production payments due for the years ending December 31, 2002 and 2003 by paying cash of $58,875 and issuing 529,000 common shares of Wheaton.

(c) Suriname:

(i) Sara Kreek:

The Company holds 80% of the shares of Sara Kreek Resource Corporation N.V., the company that holds the Sara Kreek concession. The Company may be required to issue an additional 200,000 shares to the vendor upon completing a feasibility study and commencing commercial production of the underground deposits.

(ii) Benzdorp:

In April 1996, the Company entered into an option agreement to earn up to an 80% interest in the Benzdorp property by making cumulative cash payments of $750,000 and property expenditures totalling $5 million over a four year period. The agreement provides for escalated advance royalty payments commencing in October 2000 in connection with the timing of completion of a feasibility study. The Company has earned a 40% interest in the Benzdorp property, but has exercised its right not to expend any further monies or to make any further payments until the property owner transfers the exploration rights on the property to the corporate entity contemplated in the agreement, as provided under the terms of the agreement.

(d) Mexico:

(i) Clara:

In March 2001, pursuant to a Letter of Intent with Teck Cominco Limited, the Company's 63% owned subsidiary, Minera Aztec Silver Corporation ("Aztec") was granted an option to acquire a 100% interest in two mineral claims located in Mexico in consideration of incurring exploration expenditures on the property in the aggregate of $500,000 and issuing an aggregate of 500,000 shares of Aztec over a four year period. If Aztec is not listed on a stock exchange within two years, then Aztec will have the option to pay a series of cash payments totalling $185,000 over a four year period. The optionor will retain a 2% net smelter return royalty of which 50% may be purchased by the Company for $1,000,000. Completion of this Letter of Intent is subject to a due diligence review and the signing of a formal agreement.

(ii) Lobo properties:
In 1998 and 1999, the Company acquired by staking a 100% interest in fourteen properties, known as the Lobo properties, located in the states of Zacatecas and San Luis Potosi, Mexico. In 1998, options were granted to Minerales Noranda S.A. de C.V. ("Noranda") on the Lobo 6, 7 and 8 properties. The option on the Lobo 7 property was terminated during 1998. The options on the Lobo 6 and Lobo 8 properties were terminated during 2000. As of December 31, 2000, the Company ceased further exploration activity on these three properties and wrote•off acquisition and exploration costs, net of recoveries, in the aggregate of $67,012.

In March 1998, the Company granted an option to Mill City International Inc. ("Mill City") to earn a 50% interest in the Lobo 3 property. In early 2001, Mill City terminated its option and the Company ceased further exploration activity on the property. Accordingly, the Company wrote off deferred costs, net of option payments and recoveries received from Mill City, of $7,615 at December 31, 2000.

In February 1999, the Company granted an option to Far West Mining Ltd. ("Far West") to earn a 50% interest in ten of the Lobo properties. In early 2001, Far West terminated its option and the Company ceased further exploration activity on the properties. Accordingly, the Company wrote off the net deferred costs of $120,624 at December 31, 2000. In 2001, the Company recovered $37,197 of expenditures previously
incurred on the properties.

(iii) Nopalera properties:
In August 1999, the Company entered into an option agreement to earn up to a 60% interest in three mineral claims located in the State of Chihuahua, Mexico, in consideration of making cash payments in the aggregate of Cdn$55,000 (Cdn$5,000 paid), issuing 250,000 common shares of the Company's subsidiary, Aztec (50,000 shares issued), and incurring exploration expenditures of Cdn$1,000,000 over a four year period ending October 15, 2003. In October 2000, the Company terminated the option and wroteoff acquisition and exploration costs in the aggregate of $49,808.

(e) Expenditure options: To maintain the Company's interest and to fully exercise the options under various property agreements covering the properties located in British Columbia, Suriname and Mexico, the Company must incur exploration expenditures on the properties and make payments in the form of cash and/or shares to the optionors as follows:

		Option/Advance Royalty Payments	**Expenditure Commitment**	**Shares**
Benzdorp (Note 4(c)(ii))				
December 31,	2002 (i)	$ 150	$	- -
	2003	200	-	-
	2004	250	3,500	-
	2005	250	-	-
	2006	250	-	-
	2007	500	-	-
Sara Kreek (Note 4(c)(i))				
On commercial production		-	-	200,000
New Polaris (Note 4(a)(i))				
Net profit interest buyout		-	-	150,000
Clara (Note 4(d)(i))	2002	50	-	50,000 (ii)
	2003	100	-	50,000 (ii)
	2004	150	-	100,000 (ii)
	2005	200	-	300,000 (ii)
		$ 2,100	$ 3,500	850,000

4. Resource properties (continued):

(i) The timing of these option/advance royalty payments is dependent upon theowner transferring the exploration rights to the Benzdorp property to the corporate entity contemplated under the agreement. Should this transfer not occur in 2002, these payments and the expenditure commitment, will each be extended by one year.

(ii) Shares of the Company's subsidiary, Minera Aztec Silver Corporation, to be issued. These amounts may be reduced in the future as the Company determines which properties to continue to explore and which to abandon. These amounts do not include future cash payments payable to the Company and related exploration expenditures on properties optioned to third parties.

(f) Resource properties contingencies:
The Company has diligently investigated rights of ownership of all of the resource properties/concessions to a level which is acceptable by prevailing industry standards with respect to the current stage of development of each property/concession in which it has an interest and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, all properties/concessions may be subject to prior claims, agreements or transfers, and rights of ownership may be affected by undetected defects.

5. Capital assets:

December 31, 2001 December 31, 2000

	Cost	**Accumulated amortization**	**Net book value**	**Cost**	**Accumulated amortization**	**Net book value**
Mining equipment	$ 142	$ -	$ 142	$ 311	$ -	$ 311
Vehicles	15	-	15 78	-	78	
Office furniture and equipment	146	104	42	200	99	101
	$ 303	$ 104	$ 199	$ 589	$ 99	$ 490

6. Share capital:

(a) Issued:

	Number of shares	**Amount**
Balance at December 31, 1998	38,412,448	$ 43,754
Loan bonus	20,000	4
Employee remuneration	150,000	20
Exercise of stock options	1,200,000	209
Balance at December 31, 1999	39,782,448	43,987
Private placement	1,050,000	210
Exercise of share appreciation rights	2,353	1
Balance at December 31, 2000	40,834,801	44,198
Private placement	3,000,000	293
Balance at December 31, 2001	43,834,801	$ 44,491

Common shares issued for consideration other than cash are recorded at thequoted market value of the shares as of the agreement date.

(b) Stock option plan:
The Company has a stock option plan that allows it to grant options to its employees, officers and directors to acquire up to 7,956,450 common shares. The exercise price of each option equals the high/low average price for the common shares on the Toronto Stock Exchange based on the last five trading days before the date of the grant. At the discretion of the Board, certain option grants provide the holder the right to receive the
number of common shares, valued at the quoted market price at the time of exercise of the stock options, that represent the share appreciation since granting the options. Options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of death, in which case they terminate one year after the event. Vesting of options is made at the discretion of the Board at the time the options are granted.

The continuity of stock options for the years ended December 31, 2001, 2000 and 1999 is as follows:

	Number of shares	**2001** Weighted average exercise price (Cdn)	Number of shares	**2000** Weighted average exercise price (Cdn)	Number of shares	**1999** Weighted average exercise price (Cdn)
Outstanding, beginning	4,258,500	$0.46	3,526,000	$0.51	2,400,000	$0.73
of yearGranted	-	-	770,000	0.27	2,750,000	0.25
Exercised	-	-	-	-	(1,200,000)	0.26
Expired/cancelled	(1,709,500)	0.49	0.36	(424,000)	0.81	
		(37,500)				
Outstanding, end of year	2,549,000	$0.45	$0.46	3,526,000	$0.51	
		4,258,500				
Exercise price range (Cdn)		$0.25-$0.92		$0.25-$0.92		$0.25-$0.92

At December 31, 2001, the options outstanding are all exercisable and expire at various dates from March 27, 2005 to June 23, 2010 (note 11) with a weighted average remaining life of 6.4 years.

(c) Warrants:

	Maturity Dates	Exercise Prices	Warrants
Outstanding, December 31, 1999			421,250
Expired			(421,250)
Issued pursuant to private placement	June 16, 2002	Cdn $0.35	525,000
Outstanding, December 31, 2000			525,000
Issued pursuant to private placement	May 17, 2003/2004	Cdn $0.18/$0.20	3,000,000
Outstanding, December 31, 2001			3,525,000

Each warrant entitles the holder to purchase one common share of the Company.

(d) Shares reserved for issuance:

	Number of shares
Outstanding, December 31, 2001	43,834,801
Property agreements (note 4(e))	350,000
Stock options (note 6(b))	2,549,000
Warrants (note 6(c))	3,525,000
Fully diluted, December 31, 2001	50,258,801

(e) Shareholder rights plan:

On October 25, 1995, the shareholders of the Company approved a shareholdersrights 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 Company makes an offer that represents fair value to all shareholders and provides the board of directors with sufficient time to assess and evaluate the offer, to permit competing bids to emerge, and, as appropriate, to explore and develop alternatives to maximise value for shareholders. Under the Plan, each shareholder at the time of the Plan's adoption was issued one Right for each common share of the Company held. Each Right entitles the registered holder thereof to purchase from treasury one common share at Cdn$25, subject to certain adjustments intended to prevent dilution. The Rights are exercisable after the occurrence of specified events set out in the Plan generally related to when a person, together with affiliated or associated persons, acquires, or makes a take-over bid to acquire, beneficial ownership of 20% or more of the outstanding common shares of the Company. The Rights expire in November 2003.

7. Related party transactions:

At December 31, 2001 and 2000, amounts due from related parties comprise balances owing from companies with certain common directors. The amounts were for reimbursement of costs in the normal course of business. During 2000, the Company received 1,553,960 common shares of Magna, one of the companies with certain common directors, in settlement of Cdn$233,094 of their debts to the Company (1999 – 666,383 shares of Magna in a settlement of Cdn$67,920 of debts) (note 3). During 2000, the Company also received loans from Magna in the aggregate of Cdn$25,000 to assist in funding the Company's operations. At December 31, 2000, the Company had a balance due to Magna of Cdn$19,051. At December 31, 2001, the Company had a balance due from Magna of Cdn$9,220. General and administrative costs during 2001 include Cdn$90,660 (2000: Cdn$11,000 and 1999: Cdn$27,000) of consulting fees charged by a company controlled by a director of the Company, and a total of Cdn$27,695 (2000: nil and 1999: nil) of legal and consulting fees charged by directors of the Company. During 1999, the Company issued 20,000 shares valued at $4,040 to a company related by virtue of two common directors as a bonus on a loan provided to the Company in a prior year.

8 . Segment disclosures:

The Company has one operating segment, being mineral exploration, and substantially all assets of the Company are located in Canada except for certain resource properties as disclosed in Note 4 and $60,000 (2000 - $463,000) of mining equipment and vehicles which are located in Suriname.

9. Income taxes:

During 2000, the Company retroactively adopted the asset and liability method of accounting for income taxes in accordance with the new recommendations of the CICA. However, there was no effect of the change in accounting policy on the 2000 or 1999 financial statements as the recognition criteria for future income tax assets has not been met. The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2001	**2000**	**1999**
	44.62%	45.62%	45.62%
Income tax benefit computed at Canadian statutory rates	$ 1,630	$ 351	$ 212
Foreign tax rates different from statutory rate	(19)	(30)	(11)
Temporary differences not recognized in year	(1,523)	(121)	(52)
Unrecognized tax losses	(88)	(200)	(149)
	$ -	$ -	$ -

The significant components of the Company's future income tax assets as at December 31, 2001 and 2000 are as follows:

	2001	**2000**
Future income tax assets		
Non-capital losses carried forward	$ 2,068	$ 3,158
Capital losses carried forward	22	-
Resource properties	4,953	5,367
Capital assets	1,301	277
	8,344	8,802
Valuation allowance	(8,344)	(8,802)
Future income tax assets, net	$ -	$ -

At December 31, 2001, the Company has non-capital losses for Canadian tax purposes of approximately $4,635,000 which expire on various dates to 2008, and Canadian capital losses of approximately $99,000 which are without expiry. In addition, the Company has operating losses in Suriname of approximately $7 million and operating losses in Mexico of approximately $400,000, which may be carried forward and used to reduce certain taxable income in future years. The foreign losses expire at various dates prior to 2015.

10. Supplemental disclosure with respect to cash flows:

	2001	2000	1999
Significant non-cash financing and investing activities:			
Shares of subsidiary issued for resource property	$ -	$ -	$ 128
Marketable securities received for related party debt	-	156	54
Marketable securities received for resource property	177	39	48
Resource property expenditures paid with marketable securities	-	14	-
Settlement of accounts payable with marketable securities	98	-	-
Supplemental cash flow information:			
Income taxes paid	$ -	$ -	$ -
Interest paid	-	4	8

11. Subsequent event:

On January 16, 2002, the Company granted options to acquire an aggregate of 1,500,000 common shares exercisable at Cdn $0.17 per share on or before January 16, 2007 to directors, employees and consultants.

12. Differences between Canadian and United States generally accepted accounting principles:

Accounting practices under Canadian and United States generally accepted accounting principles ("GAAP"), as they affect the Company, are substantially the same, except for the following:

Under U.S. GAAP, marketable securities considered trading securities would be recorded at market value with any unrealized gains (2001: $91,719; 2000: $nil; 1999: $29,226) being recorded in operations. Canadian GAAP for stock-based compensation is similar to that allowed under U.S. GAAP, whereby share compensation in the form of options granted to employees is not recorded as a compensation expense, but recorded as an addition to share capital at the time the options are exercised. However, U.S. GAAP requires additional disclosure of the effects of accounting for stock-based compensation as compensation expense using the fair value method. In addition, under U.S. GAAP, stock options granted to non-employees for services rendered to the Company are required to be accounted for based on the fair value of the services provided or the consideration issued. The compensation cost is to be measured based on the fair value of stock options granted, with the compensation cost being charged to operations. The Company has not granted any options to non-employees during the years ended December 31, 2001, 2000 and 1999.

Under Canadian GAAP until December 31, 1999, corporate income taxes were accounted for using the deferral method of income tax allocation whereby deferred taxes are provided on differences between accounting and taxable income due to the difference in the timing of recognition of items in income for accounting and tax purposes ("timing differences"). Under U.S. GAAP, corporate income taxes are accounted for using the liability method of income tax allocation, which is comparable to the Canadian standard adopted in 2000, whereby future taxes are provided on "temporary differences" which is a broader concept than "timing differences" and future tax liabilities and assets are not offset against each other, as under Canadian GAAP prior to 2000. Under U.S. GAAP and Canadian GAAP in 2000 and 2001, future tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. As at December 31, 1999, the Company did not recognize any future tax assets or liabilities for U.S. GAAP purposes as the available benefits were fully offset by a valuation allowance.

Financial Accounting Standards Board Statement No. 121 ("FAS 121") "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Company is to estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. SEC staff have recently indicated that their interpretation of FAS 121 requires resource property exploration costs to be expensed as incurred until commercially minable deposits are determined to exist within a particular property as cash flows cannot be reasonably estimated prior to such determination. Accordingly, for all periods presented, the Company has expensed all resource property exploration costs for U.S. GAAP purposes.

For Canadian GAAP, cash flows relating to resource property exploration costs are reported as investing activities. For U.S. GAAP, these costs would be characterized as operating activities. The effect of the differences between Canadian GAAP and U.S. GAAP on the balance sheets and statements of operations and cash flows is summarized as follows:

	December 31, 2001	**December 31, 2000**
Assets under Canadian GAAP	$ 17,081	$ 20,696
Adjustments to reconcile to U.S. GAAP		
Adjustment for marketable securities	92	-
Adjustment for resource property exploration costs	(10,807)	(13,933)
Assets under U.S. GAAP	$ 6,366	$ 6,763

12. Differences between Canadian and United States generally accepted accounting principles (continued):

	December 31, 2001	**December 31, 2000**
Shareholders' equity, under Canadian GAAP	$ 16,837	$ 20,204
Adjustments to reconcile to U.S. GAAP		
Adjustment for marketable securities	92	-
Adjustment for resource property exploration costs	(10,807)	(13,933)
Shareholders' equity, under U.S. GAAP	$ 6,122	$ 6,271

Years ended December 31,	**2001**	**2000**	**1999**
Loss for the year, under Canadian GAAP	$ (3,660)	$ (771)	$ (465)
Adjustments to reconcile to U.S. GAAP:			
Adjustment for marketable securities	92	-	29
Resource property exploration costs incurred in the year	(25)	(91)	(132)
Deferred exploration costs included in writedown of resource properties	3,149	85	-
Loss for the year, under U.S. GAAP	$ (444)	$ (777)	$ (568)
Loss per share, under U.S. GAAP	$ (0.01)	$ (0.02)	$ (0.01)

Years ended December 31,	**2001**	**2000**	**1999**
Cash used for operating activities, under Canadian GAAP	$ (479)	$ (429)	$ (270)
Adjustment for resource property exploration costs	(25)	(91)	(132)
Cash used for operating activities, under U.S. GAAP	$ (504)	$ (520)	$ (402)

Years ended December 31,	**2001**	**2000**	**1999**
Cash provided from (used for) investing activities, under Canadian GAAP	$ 158	$ 140	$ (59)
Adjustment for resource property exploration costs	25	91	132
Cash provided from investing activities, under U.S. GAAP	$ 183	$ 231	$ 73

Financial Analysis

This Management Discussion and Analysis (MD&A) for the year ended December 31, 2001 should be read in conjunction with the audited financial statements for the twelve-month period ended December 30, 2000. The MD&A is an assessment of the financial affairs of the Company for the most recent fiscal period. All figures are in $US. Since its incorporation the Company has endeavored to secure valuable mineral properties that in due course could be explored, developed and brought into production to provide the Company with positive cash flow. To that end, the Company has expended its funds exploring and developing mineral properties each year since incorporation. As a result, the Company has incurred losses during each of its fiscal years since incorporation. Losses are typical of development-stage exploration and mining companies and are expected to continue until positive cash flow is achieved. The Company knows of no trends, demands, commitments, events or uncertainties outside of the normal course of business that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future. Material increases or decreases in the Company's liquidity are substantially determined by the success or failure of the Company's exploration programs and overall market conditions for smaller resource companies. The Company is not aware of any seasonality in the business that have a material effect upon its financial condition, results of operations or cash flows other than those normally encountered by public reporting smaller resource companies. The Company is not aware of any changes in it's the results of its operations that are other than those normally encountered in its ongoing business.

Liquidity and Capital Resources

The Company had positive working capital of $366,000 at December 31, 2001 as compared to ($42,000) at December 31, 2000. Current assets rose 48% to $474,000 and current liabilities dropped 70% to $108,000 during the fiscal year 2001 as the Company continued to pay down its current accounts. The Company's principal sources of funds continue to be the annual cash payments

from our partner on the Bellavista project in Costa Rica and the raising of capital from time to time by issuing securities.

Results of Operations

The Company experienced a loss of $3,660,000 ($0.09 per share) for the 13 month period ending December 31, 2001 as compared to a loss of $771,000 (0.02 per share) for the 12 month period ended December 31, 2000. The Company incurred cash expenditures totalling $280,000 on general, administrative, and other costs in the fiscal year 2001 as compared to $563,000 in the fiscal year 2000. The use of capital during the period was mainly directed toward company operating expenses rather than asset acquisitions or

development programs. Management elected to take a writedown of $3,187,000 on the New Polaris property to reflect the impairment of this project and value due to the lack of recent development activity, the depressed gold price and capital markets for gold shares, and the reduced values of comparable projects in the junior resource sector. The Company also incurred a $258,000 loss on the disposition of certain capital assets, principally in Suriname, where there was a significant reduction in the size of Canarc's offices, equipment and furniture.

MANAGEMENT TEAM

Bradford Cooke, M.Sc., P.Geo.	President, CEO & Director
James Moors, B.Sc., P.Geo.	Exploration Geologist
Godfrey Walton, M.Sc., P.Geo.	Exploration Consultant
Richard Williams, M.Sc.	Exploration Consultant
Gregg Wilson	Investor Relations
Stewart Lockwood, LLB, MBA	Secretary, Legal Counsel
Chris Theodoropoulos, LLB	Director
Derek Bullock, P.Eng.	Director
Stephen Peck, B.S. Econ.	Director
Leonard Harris, P.Eng.	Director

INVESTOR INFORMATION

CCM TSE
CRCUF OTC.BB

Shares issued:	44,800,000
Stock Options:	5,800,000
Fully Diluted:	50,600,000
Recent Price Range:	CA $0.40 per share
Market Capitalization:	CA$18 million
Market Capitalization per Resource oz.:	US$8 per oz.

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FIELD OFFICES:	Parimaribo, Suriname and San Luis Potosi, Mexico
LEGAL COUNSEL:	Chris Theodoropoulos and Stewart Lockwood
AUDITORS:	KPMG Peat Marwick
BANKERS:	Royal Bank of Canada
TRANSFER AGENT:	Computershare