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CANARC RESOURCE CORP.

"An independent engineering study of Polaris-Taku has confirmed gold reserves of 2.225 million tons grading 0.433 oz/ton gold, or 963,000 ounces to the end of 1991."

1992

annual report

Achievements 1992

Initiated consolidation of Polaris-Taku holdings through merger of Rembrandt Gold Mines and Suntac Minerals into Canarc.

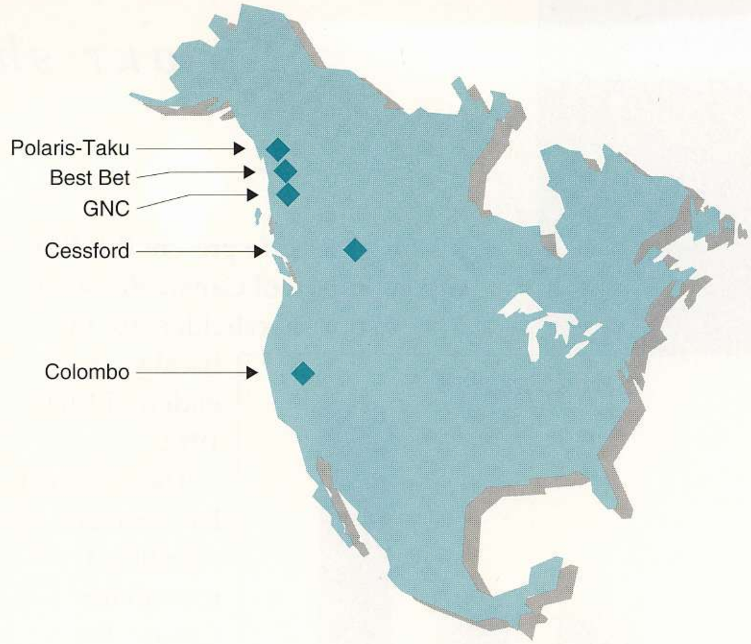
Increased Polaris-Taku gold reserves by 33% to 2.2 million tons grading .44 oz/ton, or 963,000 ounces of gold.

Launched a new 3-phase, $5.5 million development program at Polaris-Taku to further expand reserves.

Refined corporate strategy to focus on extraordinary asset growth, culminating in the sale of the property or company—thereby maximizing returns and minimizing risks for shareholders.

Raised more than $1.6 million through private and public financings.

Benefitted from $600,000 exploration program carried out by Homestake Minerals on GNC claims.



Canarc holds interests in five resource properties in North America.

Objectives 1993

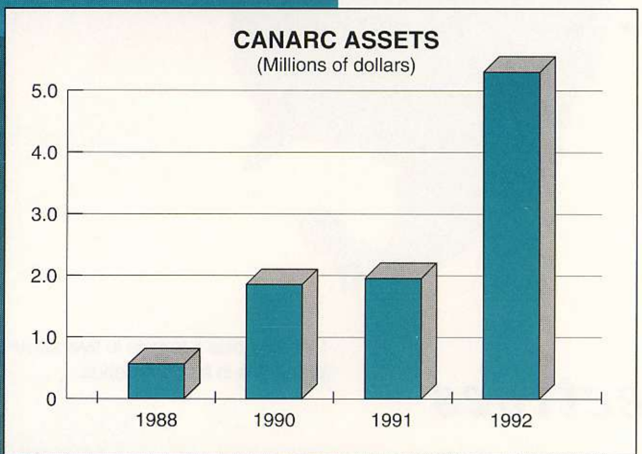
Complete consolidation of Polaris-Taku ownership through friendly takeovers of Rembrandt and Suntac.

Finance and complete $3.5 million, 2-phase drilling program at Polaris-Taku, in order to increase gold reserves towards 2 million ounces.

Initiate $2 million, Phase 3 development program in order to attract buyers for the property or the Company.

Continue exploration of the priority gold and silver targets on the GNC property by Homestake.

To our shareholders



"Canarc's corporate strategy offers shareholders the rewards of a pure gold asset play without the inherent risks and costs of going into production"

I am pleased to present this fifth Annual Report of Canarc Resource Corp. to our shareholders for the fiscal year ended 31 May, 1992.

The past year has been one of significant growth for Canarc. We enjoyed continued success on the Polaris-Taku gold project, increasing reserves by 33% to 963,000 ounces. As well, our partners launched a major drill program on the GNC property.

The year also brought about a significant change in Canarc's corporate strategy. We originally set out in Canarc to bring a gold mine to production within five years. However, we now feel that to maximize shareholder value and minimize risk, Canarc should develop the Polaris Taku deposit to the pre-feasibility stage and then sell out to a major mining company.

This strategy allows Canarc to offer shareholders the rewards of a pure gold asset play without the risks and costs inherent in bringing a mine into production.

Our primary goal in 1991-92 was to boost gold reserves at Polaris-Taku towards the 1 million ounce mark in terms of a total geological gold resource.

In January 1992, an independent engineering study of Polaris-Taku confirmed gold reserves of 2.225 million tons grading 0.433 oz/ton gold, or 963,000 ounces to date. By September 1992, Canarc successfully completed the first phase of our 3-phase, $5.5 million development program at Polaris-Taku, totalling 15,000 feet of drilling in 16 holes at a cost of $600,000.

The Phase 1 drilling was 100% successful in intersecting the target veins, and 13 holes intersected high grade gold exceeding our minimum widths and grades. We now expect the new reserve estimate will be well in excess of the 1 million ounce benchmark.

Canarc has just launched the Phase 2, $2 million drilling program at Polaris-Taku that should result in a further dramatic increase in gold reserves over the next 9 months.

A secondary goal this past year has been to increase and consolidate the Company's Polaris-Taku holdings into one corporate vehicle so the property could be developed more efficiently.

Since two affiliated companies, Rembrandt Gold Mines Ltd. and Suntac Minerals Corporation, hold ownership and the right to develop Polaris-Taku, Canarc successfully increased its Polaris-Taku holdings by purchasing treasury shares in both companies.

At fiscal year-end, Canarc held 51% of Suntac and 28% of Rembrandt, and a corporate arrangement to merge the three companies was approved by all of the directors. Even though the vast majority of the shareholders of the three companies voted in favour of the arrangement in August 1992, one Rembrandt shareholder objected to the transaction and successfully blocked the final court order to merge in September.

As a result, Canarc has offered to acquire Suntac and Rembrandt through friendly takeover bids, in order to consolidate its Polaris-Taku holdings and satisfy the many Suntac and Rembrandt shareholders who voted for the merger.

Our 3-phase, $5.5 million, 18-month development program at Polaris-Taku is therefore targeted at proving up to 2 million ounces of gold reserves and attracting a buyer for the property or the company.

Our partners at Eskay Creek, Prime Resources Inc. and Stikine Resources Ltd., launched a 10,000-foot, 7-hole drilling program this summer to further test for extensions to the Eskay Creek gold orebodies and favourable rock formations onto Canarc's GNC claims that virtually surround Eskay Creek. While early reports suggest positive results, no major finds have yet been indicated. However, assays are still pending.

Interestingly, Prime and Stikine were taken over in 1990 by International Corona, who themselves were taken over in 1992 by Homestake Minerals. Our new operating partner at Eskay Creek, therefore, is North America's oldest operating gold company, Homestake Minerals.

The financial statements enclosed herein reflect $1.6 million in financings completed over the fiscal year, as well as the long term $250,000 investment in Rembrandt and the consolidation of Suntac into Canarc's balance sheet.

Total assets jumped 267% to $5.3 million and total liabilities of $2.4 million should largely disappear once the Suntac offer is completed and that company is rolled up. Shareholder equity also rose from $1.56 million to $2.86 million.

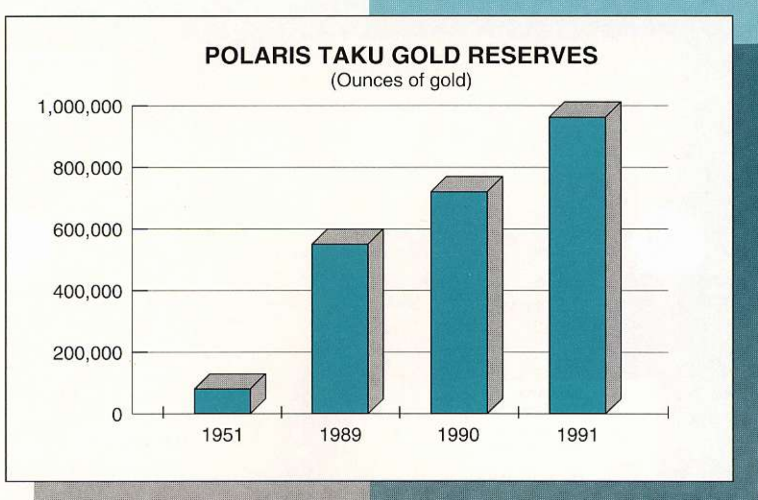
Canarc is now poised for dramatic growth in the next year as a result of our success at Polaris-Taku and Eskay Creek. Thanks to our dynamic employees and loyal shareholders, we can all look forward to a prosperous and successful 1992-1993.

ON BEHALF OF THE BOARD OF DIRECTORS:

Brad Cooke

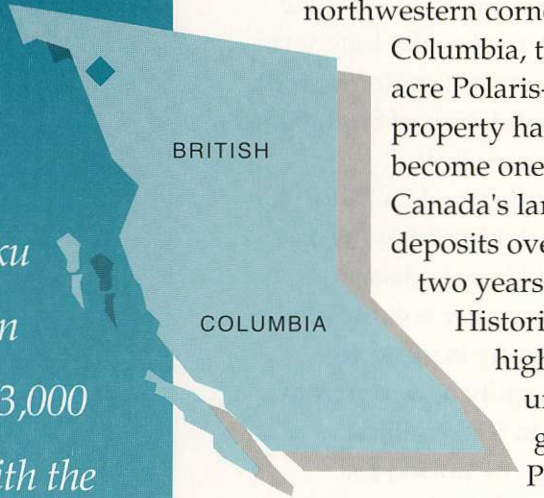
Bradford J. Cooke
President

"Canarc is now poised for dramatic growth in the next year as a result of our successes at Polaris-Taku and Eskay Creek."



Polaris - Taku Property

"Gold reserves at Polaris-Taku rose 33% in 1991 to 963,000 ounces. With the very successful drilling to date in 1992, gold reserves are now estimated to exceed 1 million ounces."



Located only 40 miles northeast of Juneau, Alaska in the northwestern corner of British Columbia, the 2100-acre Polaris-Taku property has quietly become one of Canada's largest gold deposits over the last two years.

Historically a high-grade, underground gold mine, Polaris-Taku now contains geological reserves estimated at 2.2 million tons grading 0.44 oz/ton gold, or 963,000 ounces. Access is provided by two airstrips and a barge landing. The property is well-situated for mining, being located on the Tulsequah River close to tidewater. Barge transport was used for shipping gold concentrates to the smelter in Tacoma, Washington during the production years.

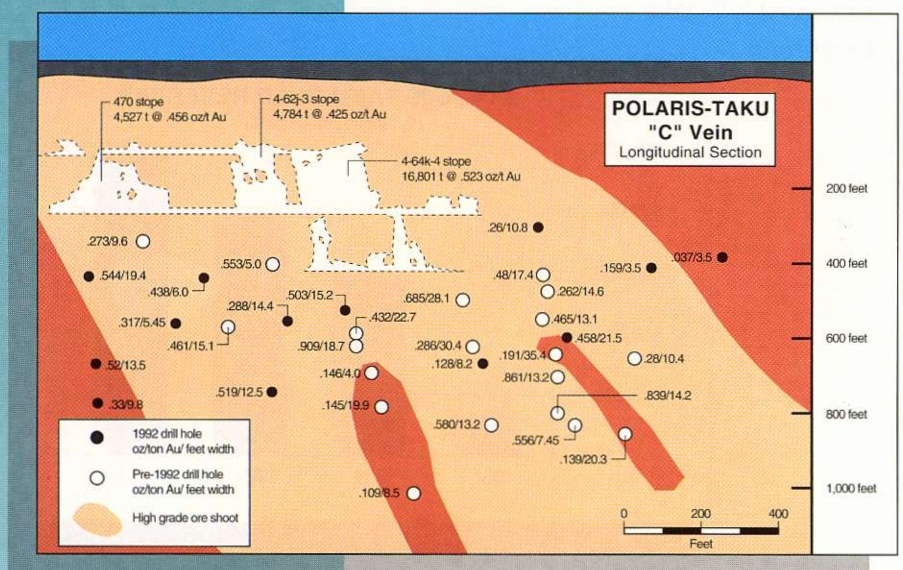
The original Polaris-Taku mine operated from 1937 to 1942 and again from 1946 to 1951, producing 231,000 ounces of gold from 760,000 tons of ore reserves at an average recovered grade of 0.30 oz/ton gold. The mine was closed in 1951 due to financial problems caused by unmanageable debt load, steadily increasing costs and fixed revenues with gold at $35 per ounce. Mine records show that much ore remained at shutdown and that the grade was increasing with depth.

Beginning in 1991, Canarc launched a multi-phase development program aimed at increasing gold reserves towards 2 million ounces and delivering a pre-feasibility study for production.

Building upon Suntac's previous exploration, which included 36 drill holes, Canarc drilled 11 new holes in 1991.

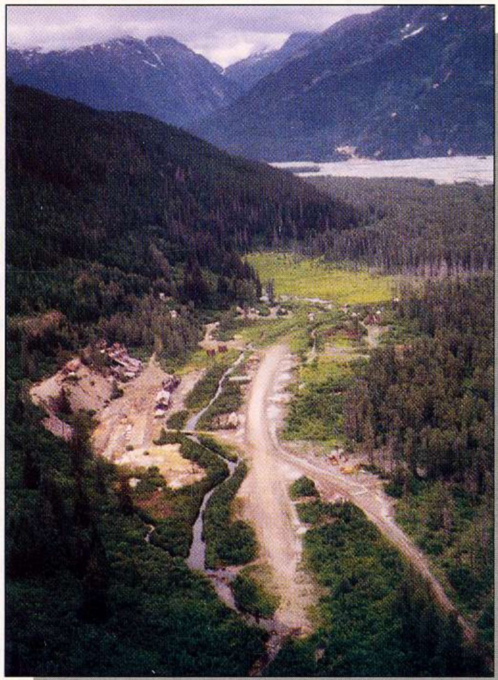
This program added 243,000 ounces to existing reserves in 1991—excluding the very successful drilling to date in 1992. In the four years of exploration that spanned 1988-1992, exploration expenditures of $4 million have returned geological reserves of nearly 1 million ounces. These figures equate to a gold discovery cost of about $4 per ounce—amongst the very lowest in North America.

The property's ultimate potential is estimated in the 5 million-ounce-plus range, typical of other mesothermal vein gold deposits.



Left:
Drilling in 1991 added 243,000 ounces to existing reserves. The 1992 drilling has continued to successfully expand gold reserves.

The Polaris-Taku gold deposit is a classic mesothermal vein gold deposit contained in steeply-dipping shear zones crosscutting volcanic rocks. Being arsenical and refractory in nature, Polaris-Taku is remarkably similar to other well known gold mines such as the Campbell mine of Placer Dome in Red Lake, Ontario, where more than 6 million ounces of gold have been produced over the last 60 years.



The three main vein systems, AB, Y and C, are all open along strike and down dip for extension of gold reserves. Recent drilling has intersected multiple high-grade veins in 44 out of 47 drill holes, and neither the margins nor the bottoms of these high-grade ore shoots have yet been defined.

Gold reserves could approximately double simply by doubling the depth extents of the C and Y veins from the 900-foot level to 2,000 feet in depth over the existing 3,000-foot combined strike lengths, using the average widths (10 feet) and grades (0.44 oz/ton gold) from existing drill intersections.

Numerous gold veins and underground levels should allow for a high mining rate and large mill through-put in the range of 600 to 1,200 tons per day (80,000 to 160,000 ounces per year), while the high gold grades permit the raising of cut-off grades to increase profitability during periods of low gold prices. Cash costs are projected at about U.S.$240 per ounce.

Present plans call for gold recovery by autoclaving, similar to Placer Dome's Campbell Mine. Campbell is one of Canada's largest and most profitable gold mines, producing 270,000 ounces per year at a cost of $160 per ounce.

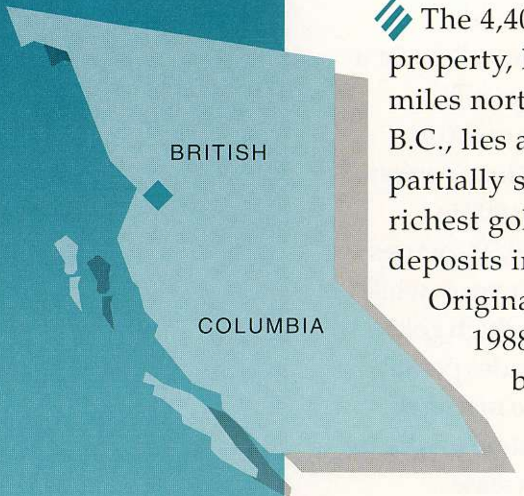
Canarc indirectly owns Polaris-Taku through its equity investments in two affiliated companies, Suntac Minerals Corporation and Rembrandt Gold Mines Ltd. A consolidation of Canarc's holdings in Polaris-Taku is now underway.

Above:
The Polaris-Taku property is well situated for mining, being located on the Tulsequah river close to tidewater.

Right:
The original Polaris-Taku mine produced 231,000 ounces of gold. It operated from 1937 to 1942 and again from 1946 to 1951.

"Our goal in 1992-1993 is to again substantially increase gold reserves at Polaris-Taku."

GNC Property



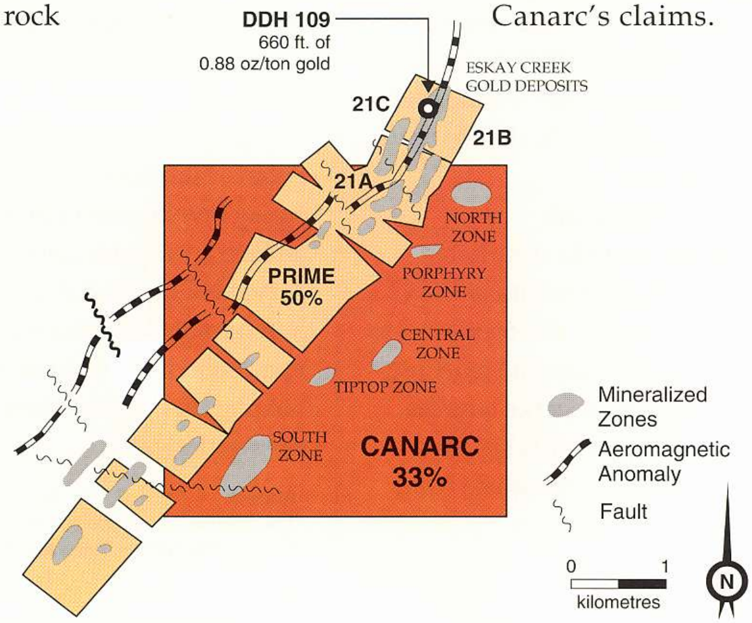
The 4,400-acre GNC property, located about 50 miles northwest of Stewart, B.C., lies adjacent to and partially surrounds one of the richest gold and silver deposits in North America.

Originally acquired in 1988, the property became the focus of a joint venture between Canarc (1/3), Prime Resources Group (1/3) and Stikine Resources Ltd. (1/3) as a result of the spectacular Eskay Creek gold discovery.

Prime/Stikine, with Homestake Minerals as the operator, recently completed a $600,000 drill program as part of a $2.3 million exploration commitment that began in 1989. The latest phase included a 10,500-foot, 7-hole drilling program that tested extensions of key Eskay Creek rock formations and gold deposits both along strike and at depth. Homestake is presently assembling and analyzing results from the program, and they should be available during over the next six months.

The 1991 program included a $265,000 surface program of geological mapping, geochemical sampling, geophysical surveying and diamond drilling over selected targets on the GNC property. Homestake's geologists confirmed that the GNC claims are underlain by the same rock formations that host the rich 21 Zone gold-silver deposit at Eskay Creek. Most importantly, Homestake found these favorable rock formations outcropping within a few hundred yards of the Eskay Creek gold orebodies and they appear to continue across the full five kilometre length of Canarc's claims.

"Homestake's geologists confirmed that the GNC claims are underlain by the same rock formations that host the rich 21 Zone gold-silver deposit at Eskay Creek."

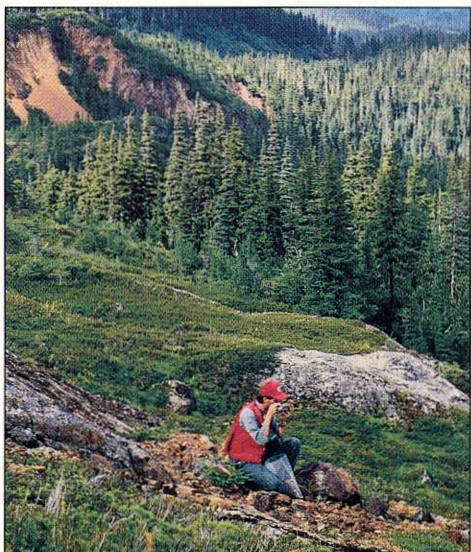


Canarc's GNC claims virtually surround the discovery claims at Eskay Creek.

Diamond drilling to test the favorable Eskay Creek rock formations in the North Zone all intersected weakly anomalous gold, silver, antimony and zinc values within the key horizons.

The adjoining Eskay Creek holdings of Prime and Stikine produced the famous 1989 drill hole #109 and its incredible 660 feet grading .875 oz/ton gold, including 62.3 feet grading 7.76 oz/ton gold—the best drill hole in Canadian gold mining history. The Eskay Creek deposit contains a reserve currently estimated at 4 million ounces of gold, and 140 million ounces of silver with an overall value estimated at more than $1,000 per ton of ore.

Vice-President Brad Aelicks (L), John Robins and President Brad Cooke (R) visit the diamond drill on the GNC property.



Brad Cooke prospects the favorable rock formations outcropping within a few hundred yards of the Eskay Creek gold orebodies.

Other properties

Cessford Oil and Gas

Colombo Mine

Best Bet Property

Cessford Oil and Gas Sections

In 1990, Canarc acquired a 60% interest in four sections of petroleum and natural gas rights near Cessford, Alberta. The Company subsequently sold 5/6 of this 2,560-acre project to Palisades Petroleum for 335,000 shares, retaining a 10% interest for future participation.

Palisades successfully drilled its first well in 1992 in order to test one of several attractive seismic anomalies. Four potential oil-gas pay zones have been identified, and well testing is now in progress.

Colombo Mine

The Colombo Mine is located in Sierra County, California, part of the rich Motherlode district. A high-grade, underground gold mine, Colombo produced 20,000 ounces of gold in the late 1800s and early 1900s.

Underground exploration in the 1950s outlined a proven reserve of 16,667 tons grading 1.22 oz/ton gold, or 20,000 ounces gold in and around the No. 3 mine level. Surface drilling in the 1980s successfully extended this high-grade "Compton" ore shoot well below the No. 3 level, clearly showing that further high-grade gold reserves can be developed at Colombo. Canarc is seeking a partner to further develop the Colombo Mine.

Best Bet Property

The Best Bet Property is located 60 miles northwest of Stewart, B.C., accessible by helicopter from Bobquinn Lake on Highway 37. These well-located mining claims lie north of Forrest Kerr Creek and south of More Creek where several major mining companies, including Noranda, Kennecott and Goldfields have announced new discoveries of gold, silver, copper, lead and zinc.

The favorable Eskay Creek rock formations cross the Best Bet property and gold anomalies have been located. Further exploration work is required, and Canarc is seeking a partner to develop the full potential of these claims.

Consolidated Financial Statements

For the Year Ended May 31, 1992

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Canarc Resource Corp.

We have audited the consolidated balance sheet of Canarc Resource Corp. as at May 31, 1992 and the consolidated statements of loss and deficit and changes in financial position for the year then ended and the period from inception to May 31, 1992. 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 audit.

We conducted our audit in accordance with 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 May 31, 1992 and the results of its operations and the changes in its financial position for the year then ended and the period from inception to May 31, 1992 in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

The consolidated balance sheet as at May 31, 1991 and the consolidated statements of loss and deficit and changes in financial position for the years ended May 31, 1991 and 1990 were audited by other auditors who expressed opinions without reservation on those statements in their report dated June 28, 1991.

Coopers & Lybrand

Vancouver, Canada
September 30, 1992, except for note 13(e) which is as of October 6, 1992

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA-U.S. REPORTING CONFLICT

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by significant uncertainties and contingencies such as those referred to in note 1 to these consolidated financial statements. The opinion in our report to the shareholders dated September 30, 1992 for the year ended May 31, 1992 is expressed in accordance with Canadian reporting standards, which do not permit a reference to such uncertainties in the auditors' report when these uncertainties are adequately disclosed in the financial statements.

Coopers & Lybrand

Vancouver, Canada
September 30, 1992

Consolidated Balance Sheets

As at May 31, 1992 and 1991

CANADIAN FUNDS

	1992	1991
Assets		
Current Assets		
Cash	$ 571,097	$ 752,380
Marketable securities (note 3)	3,500	12,500
Receivable from related party (note 8)	38,178	38,178
Prepaid expenses and sundry receivables	21,957	59,910
	634,732	862,968
Long-Term Investment (note 5)	250,000	
Resource Property Costs (note 6)	4,318,249	1,093,960
Equipment, net of accumulated depreciation of $33,156	33,929	
Refundable Deposits	43,763	17,155
	$ 5,280,673	$ 1,974,083
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 8)	$ 282,556	$ 77,755
Promissory notes payable to related parties (notes 6(e) and 8)	347,000	337,000
Advance from related party (note 8)	50,000	
	679,556	414,755
Minority Interest in Subsidiary Company	1,742,087	
	2,421,643	414,755
Shareholders' Equity		
Share Capital (note 7)		
Authorized - 25,000,000 common shares without par value		
Issued and fully paid - 6,924,326 common shares (1991 - 4,824,326)	5,468,184	3,138,826
Deficit	(2,609,154)	(1,579,498)
	2,859,030	1,559,328
	$ 5,280,673	$ 1,974,083

APPROVED BY THE DIRECTORS

Brad Cooke

Director

Bradley T. Aelicks

Director

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Loss and Deficit

For the Years Ended May 31, 1992, 1991, and 1990 and the Period from Inception to May 31, 1992

CANADIAN FUNDS

	1992	1991	1990	From Inception to May 31, 1992
Expenses				
Shareholder relations	$ 330,048	$ 92,310	$ 117,559	$ 539,917
Printing and mailing	162,952	84,766	89,435	372,204
Rent and office	74,719	87,717	47,913	292,525
Legal	62,859	54,518	13,583	168,873
Management and administration fees	46,608	45,842	50,884	187,433
Travel	72,044	57,497	22,178	151,719
Listing and filing fees	12,630	25,323	8,640	58,285
Audit and accounting	35,988	22,220	13,540	85,438
Financing fees		12,000		12,000
Transfer agent fees	11,108	7,464	5,371	27,824
Interest income, net	(22,040)	(86,928)	(36,223)	(145,191)
Loss Before the Following:	786,916	402,729	332,880	1,751,027
Gain on sale of resource property (note 6(b))		(8,050)		(8,050)
Resource properties abandoned (note 6(a))		529,513	80,924	610,437
Exploration expenditures	4,591			4,591
Write-down of marketable securities (note 3)	9,000	13,000		22,000
Share in loss of subsidiary (note 4)	67,807			67,807
Dilution losses on issuance of shares by subsidiary (note 4)	161,342			161,342
Loss for the Period	1,029,656	937,192	413,804	2,609,154
Deficit - Beginning of Period	1,579,498	642,306	228,502	
Deficit - End of Period	$ 2,609,154	$ 1,579,498	$ 642,306	$ 2,609,154
Weighted Average Number of Shares Outstanding	5,965,615	4,670,041	3,411,472	
Loss per Share				
Basic and fully diluted	$ (0.17)	$ (0.20)	$ (0.12)	

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Financial Position

For the Years Ended May 31, 1992, 1991, and 1990 and the Period from Inception to May 31, 1992

CANADIAN FUNDS

	1992	1991	1990	From inception to May 31, 1992
Cash Provided from (Used for)				
Operating Activities				
Loss for the period	$ (1,029,656)	$ (937,192)	$ (413,804)	$ (2,609,154)
Items not involving cash -				
Resource properties abandoned		529,513	80,924	610,437
Write-down of marketable securities	9,000	13,000		22,000
Share in loss of subsidiary	67,807			67,807
Dilution losses on issuance of shares by subsidiary	161,342			161,342
Gain on sale of resource property		(8,050)		(8,050)
	(791,507)	(402,729)	(332,880)	(1,755,618)
Changes in non-cash operating working capital -				
Marketable securities		(25,500)		(25,500)
Prepaid expenses and sundry receivables	54,686	(48,096)	(1,814)	(5,734)
Receivable from related party	—	13,040	(41,345)	(38,178)
Accounts payable and accrued liabilities	(25,768)	41,769	26,323	51,986
Advance from related party	50,000			50,000
	78,918	(18,787)	(16,836)	32,574
	(712,589)	(421,516)	(349,716)	(1,723,044)
Financing Activities				
Promissory note payable to a related party			337,000	337,000
Issue of common shares for -				
Resource properties		232,450	246,450	576,400
Cash	1,601,708	779,451	1,085,323	4,164,134
Suntac Minerals Corporation (note 4)	727,650			727,650
	2,329,358	1,011,901	1,668,773	5,805,184
Investing Activities				
Acquisition (note 4)	(1,473,879)			(1,473,878)
Resource property costs	(72,565)	(434,476)	(718,851)	(1,685,143)
Refundable deposits	(1,608)	(3,962)	(346)	(18,253)
Long-term investment	(250,000)			(333,769)
	(1,798,052)	(438,438)	(719,197)	(3,511,043)
Increase (Decrease) in Cash During the Period	(181,283)	151,947	599,860	571,097
Cash - Beginning of Period	752,380	600,433	573	
Cash - End of Period	$ 571,097	$ 752,380	$ 600,433	$ 571,097

The accompanying notes are an integral part of these consolidated financial statements

Notes to Consolidated Financial Statements

For the Years Ended May 31, 1992, 1991, and 1990 and the Period from Inception to May 31, 1992

CANADIAN FUNDS

1. OPERATIONS

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

These financial statements include the accounts of the company, its wholly owned subsidiaries, Canarc (U.S.) Ltd., incorporated in the State of Nevada, 2820684 Canada Inc. and Suntac Minerals Corporation (Suntac) (51% owned). The results from operations of Suntac used in the consolidation are for the period to April 30, 1992.

(b) Resource Properties

i. Mineral Properties

Mineral acquisition rights and exploration and development costs are capitalized on an individual prospect basis until an economic ore body is defined or the prospect is abandoned. Costs of a producing property are amortized using the unit-of-production method based on the estimated life of the ore reserves. Costs of abandoned prospects are written off.

ii. Petroleum and Natural Gas Interest

The company follows the full-cost method of accounting for petroleum and natural gas interests, whereby all costs associated with the acquisition, exploration and development of the petroleum and natural gas reserves, including directly related overhead costs, are capitalized. These costs are reviewed periodically to ascertain whether impairment has occurred, in which case the costs are written down to their estimated net recoverable amount.

The company's petroleum and natural gas interests are unproven properties and are not subject to depletion.

(c) Marketable Securities

Marketable securities are carried at the lower of cost and market value.

(d) Long-Term Investment

Investments in companies not subject to the company's control or significant influence are accounted for by the cost method. Earnings from such investments are recognized only to the extent received or receivable. If there is a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The write-down is not reversed if there is a subsequent increase in value.

(e) Equipment

Equipment is recorded at cost and depreciated using the declining balance method at a rate of 30% annually. Depreciation in the year of purchase is at one-half the annual rate.

(f) Foreign Currency Translation

The U.S. dollar accounts of the subsidiary have been translated into Canadian dollars using the temporal method of foreign currency translation as follows:

- Revenue and expense items translated at the rate of exchange in effect on the dates they occur.
- Non-monetary assets and liabilities at historical exchange rates.
- 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, except for those gains and losses that arise from the translation of long-term monetary assets and liabilities, which are deferred and amortized on the straight-line basis over the lives of the assets or liabilities to which they relate.

(g) Loss per Share

Basic loss per share computations are based on the weighted average number of shares outstanding during the period.

(h) Option Payments

Options are exercisable at the discretion of the optionee; accordingly, option payments are only recognized when paid.

3. MARKETABLE SECURITIES

Marketable securities are carried at market value. The cost of these securities is as follows:

	1992	1991
Marketable securities - cost	$ 25,500	$25,500

4. ACQUISITION

During the year ended May 31, 1992, the company purchased the following shares of Suntac, a development stage reporting company in British Columbia involved in mineral exploration and development.

On August 16, 1991, the company acquired approximately 37% of the issued and outstanding share capital of Suntac through the purchase of:

- 2,222,000 shares from shareholders of Suntac for cash of $272,250 and 539,000 shares of the company, being one share of the company at a deemed price of $1.35 per share for every three shares of Suntac. Of the 2,222,000 shares acquired, 1,566,249 shares were acquired from certain directors of the company and/or companies controlled by them.

- 1,000,000 units of Suntac for cash, by private placement, at $0.40 per unit, with each unit comprising one common share and one non-transferable share purchase warrant. Each warrant is exercisable for two years to purchase an additional common share of Suntac at $0.40 per share during the first year and $0.45 per share during the second year.

On May 11, 1992, the company increased its interest in Suntac to 51% with the acquisition of a further 2,500,000 units for cash, by private placement, at $0.20 per unit of Suntac. The units consist of 1,300,000 regular units and 1,200,000 flow-through units comprising one share and one non-transferable share purchase warrant. Each warrant is exercisable for two years to purchase an additional common share of Suntac at $0.20 per share during the first year and $0.23 per share during the second year.

The acquisition has been accounted for by the step-by-step purchase method.

The net book values of non-cash assets and liabilities of Suntac, using the balance sheet of Suntac as at April 30, 1992, are as follows:

Assets -	
Resource property	$3,302,615
Equipment	33,929
Refundable deposits	25,000
Prepaid expenses and sundry receivables	16,733
	3,378,277
Liabilities -	
Accounts payable and accrued liabilities	230,569
Promissory note payable	10,000
	240,569
	3,137,708
Adjusted for -	
Share in loss of subsidiary since dates of acquisition	67,807
Excess of net book value of net assets acquired at dates of acquisition over cost of purchases, allocated to resource properties	(150,891)
Dilution losses on issuance of shares by subsidiary since dates of acquisition	161,342
Minority interest	(1,742,087)
	1,473,879
Cash acquired as at May 31, 1992	501,021
Deduct: Elimination of intercompany account	(70,000)
	$1,904,900
Consideration paid - cash	$1,177,250
- shares	727,650
	$1,904,900

Subsequent to August 16, 1991, the issuance of 100,000 Suntac shares to third parties resulted in a dilution loss to the company of $7,649.

In addition, as a result of the second step share purchase of newly issued shares of Suntac, the company realized a dilution loss of $153,693 for the first step shares owned.

5. LONG-TERM INVESTMENT

Rembrandt Gold Mines Ltd.

On September 5, 1991, the company acquired approximately 13% of the issued and outstanding share capital of Rembrandt Gold Mines Ltd. (Rembrandt), a development stage reporting company in the Province of Alberta involved in mineral exploration and development.

Shares of Rembrandt were acquired through the purchase by private placement of 500,000 units of Rembrandt for cash at $0.50 per unit, with each unit comprising one common share and one non-transferable share purchase warrant. Each warrant is exercisable for two years to purchase an additional common share of Rembrandt at $0.50 per share during the first year and $0.55 per share during the second year.

The quoted value of the long-term investment at May 31, 1992 is approximately $150,000.

6. RESOURCE PROPERTY COSTS

(a) Capitalized costs of resource properties are as follows:

	1992	1991
Mineral properties -		
Polaris-Taku, British Columbia	$3,151,724	$
GNC claims, British Columbia	271,650	266,538
	3,423,374	266,538
Columbo mine, California, U.S.A.	786,128	743,541
	4,209,502	1,010,079
Unproved petroleum and natural gas properties - Crown parcels, Alberta	108,747	83,881
	$4,318,249	$1,093,960

During the year ended May 31, 1991, $529,513 of costs related to the Delta property in British Columbia were written off because the property was abandoned.

(b) Costs incurred for mineral properties are as follows:

	1992	1991
Columbo mine, California, U.S.A. -		
Royalty payments	$ 35,245	$ 35,255
Exploration	7,342	5,455
	42,587	40,710
Delta property, British Columbia -		
Option payments and acquisition costs		215,000
Geological		38,755
Exploration		121,473
	Nil	375,228
GNC claims, British Columbia -		
Exploration	5,112	4,494
Best Bet 1-4 claims, British Columbia -		
Option payments		42,450
Option payments received		(50,500)
	Nil	(8,050)
	$ 47,699	$ 412,382

(c) Costs incurred for petroleum and natural gas properties are as follows:

	1992	1991
Acquisition of Crown parcels, Alberta	$24,866	$22,094

d) Polaris-Taku Property, British Columbia

By agreement made as of July 27, 1988 with Rembrandt, which was at arm's length at the time, the company (Suntac) acquired an option to earn an undivided 60% interest in the Polaris-Taku property, a former producing gold property that comprises 61 Crown-granted mineral claims located in the Atlin Mining Division, British Columbia. Under the terms of the agreement, the company paid $25,000 to Rembrandt to acquire this option. To exercise the option, the company must, prior to August 1, 1993, incur expenditures on the property aggregating $3,000,000, complete a feasibility report, and make annual cash payments to Rembrandt as follows:

- on or before August 1, 1989, incur expenditures of at least $300,000 (completed)
- on or before August 1, 1990, incur aggregate expenditures of at least $800,000 (completed) and make a cash payment of $40,000 (paid)
- on or before August 1, 1991, incur aggregate expenditures of at least $1,300,000 (completed) and make a cash payment of $100,000 (paid)
- on or before August 1, 1992, incur aggregate expenditures of at least $1,800,000 (completed) and make a cash payment of $100,000 (to be paid)
- on or before August 1, 1993, incur aggregate expenditures of at least $3,000,000 (completed) and make a cash payment of $100,000, and complete and deliver a feasibility report recommending commercial production.

Following exercise of the option and on or before August 1 in each year thereafter, until commencement of commercial production, the company must continue to make annual cash payments of $100,000 to Rembrandt.

The annual cash payments made to Rembrandt (except for the initial $25,000 paid to acquire the option) will be accumulated and either:

i. credited toward the company's obligation to pay a net profits royalty, when and if Rembrandt becomes entitled to receive such a royalty, or

ii. recovered by the company from Rembrandt's share of mineral products, when and if Rembrandt becomes entitled to receive such mineral products.

Upon the company exercising its option and delivering a production notice to Rembrandt, Rembrandt must elect to:

i. maintain a 40% working interest

ii. reduce its interest to a lesser working interest (not less than 15%), or

iii. convert its working interest to a net profits royalty.

6. RESOURCE PROPERTY COSTS (CONTINUED)

(d) Polaris-Taku Property, British Columbia (continued)

If Rembrandt elects to retain a working interest, the parties will proceed with a production program on a joint venture basis to develop and mine the property, with the company acting as operator. If Rembrandt elects to convert its interest to a net profits royalty, the company will have acquired a 100% interest in the Polaris-Taku property subject only to the obligations to:

i. continue to make annual cash payments to Rembrandt until commencement of commercial production

ii. following commencement of commercial production, pay a 15% net profits royalty or $100,000, whichever is greater, to be calculated and paid in accordance with the terms of the option agreement.

Upon commencement of commercial production and subject to regulatory acceptance, the company must issue 250,000 Suntac shares to Rembrandt. If commercial production has not occurred within 12 months after Rembrandt has made its election, then the subsequent annual August 1 cash payment to Rembrandt shall be increased from $100,000 to $150,000, and for every year thereafter that the company has not substantially commenced to place the property into commercial production, the cash payments shall be increased by a further 50%.

(e) Columbo Mine, California, U.S.A.

i. By agreement dated March 30, 1987, the company paid Cdn. $60,000 and earned a 50% working interest in certain unpatented mining claims in Sierra County, California, described as the Columbo mine, by incurring Cdn. $250,000 of exploration and development expenses on these mining claims.

ii. By a letter agreement dated January 26, 1990, the company was granted an option to acquire the remaining 50% working interest in the property for a total purchase price of Cdn. $1,337,000 payable as follows:

- On execution of the agreement, which has occurred, by issuing and delivering a promissory note to the optionor in the amount of Cdn. $337,000 without interest, payable on April 30, 1991 or, at the company's option, by issuing and delivering common shares from treasury having a total value of $337,000. By a letter agreement dated April 15, 1991, the payment date was extended to April 30, 1992. On April 30, 1992, the company agreed to issue 337,000 of its shares in settlement of the debt, subject to approval of the regulatory authorities. The transaction has not yet been finalized. The promissory note is without interest.

- The remainder of the purchase price is a carried 10% net profits interest from production to January 26, 2000 or until an aggregate Cdn. $1,000,000 of this net profits interest has been paid, whichever occurs earlier. These payments will be recorded in the accounts when made.

iii. Certain leased claims within the property, known as the Columbo Bullion Group claims, may be purchased outright for U.S. $1,500,000. The company may purchase outright the other leased claims within the property, known as the Don claims, for U.S. $500,000. Any production royalties paid may be credited towards the purchase price.

The properties are subject to a royalty, being the greater of 5% to 8% of net proceeds from sale of production or U.S. $2,500 per month.

(f) GNC Claims, British Columbia

i. By an option agreement dated November 4, 1988, the company acquired an undivided 50% interest in certain mineral claims located in the Skeena Mining Division of British Columbia for cash consideration of $50,000 and the issuance of 200,000 of the company's common shares.

The property is subject to a 2% net smelter return in favour of a related company.

ii. By an option and joint venture agreement dated November 4, 1988, the company granted Prime Resources Group Inc. (Prime) (formerly Calpine Resources Incorporated) an option to acquire an undivided 16.67% interest in the property (Prime had acquired an undivided 50% interest in the property pursuant to a separate option agreement with the optionor). Under the terms of this agreement, Prime incurred $300,000 on exploration and development of the property before November 4, 1989 and made various cash payments and share issuances to the underlying optionor.

Upon Prime acquiring its interest, a joint venture was formed, with the company holding a 33-1/3% undivided interest and Prime a 66-2/3% undivided interest.

Under the terms of the joint venture, Prime shall bear the sole responsibility for all further costs and the company's 33-1/3% interest shall be a non-assessable carried interest. The disposition of production will go first to Prime until it has recovered all expenditures and costs incurred plus interest at bank prime plus 1%.

iii. A portion of one of the mineral claims in the property is the subject of a staking dispute instituted by a third party. The office of the Gold Commissioner has inspected the claim and has declared it void ab initio (cancelled). The company is aware that Prime is appealing the decision and defending the original staking of the claim.

(g) Best Bet 1-4 Claims

Under the terms of an agreement dated March 9, 1990, the company acquired certain claims (Best Bet 1-4) located in the Liard Mining Division of British Columbia by:

- making a cash payment of $15,000
- issuing 15,000 shares from treasury to the vendor.

(h) Crown Parcels, Alberta

Pursuant to letters of agreement dated March 7, 1990, March 21, 1990 and March 21, 1991, the company has obtained a 60% working interest in four parcels of Crown petroleum and natural gas rights near Cessford, Alberta by paying 80% of the acquisition costs. The total cost of the acquisitions amounted to $83,881, and the company also agreed to a finder's fee of a 6.25% carried working interest in two of the parcels to casing point in the first two wells.

By agreement dated April 30, 1991, the company granted a third party the right to acquire a 50% interest (of its 60% interest) in its four parcels of Crown petroleum and natural gas rights. As consideration, the third party shall issue 335,075 shares at $0.25 per share to the company (not yet issued). The agreement further specified that if either party obtains additional lands within certain townships and ranges, then it will offer the other party a 50% share of the lands at cost.

7. SHARE CAPITAL

(a) During the period from the date of inception (January 22, 1987) to May 31, 1992, the company issued the following shares:

	Shares	Amount
From inception to May 31, 1987 - Private placement	1,405,001	$ 209,500
Balance at May 31, 1987	1,405,001	209,500
Year ended May 31, 1988 -		
Initial public offering, net of share issuance costs of $28,098	500,000	221,902
Balance at May 31, 1988	1,905,001	431,402
Year ended May 31, 1989 -		
Exercise of share purchase options	110,000	55,000
Private placement, net of share issuance costs of $22,750	360,000	211,250
Mineral properties	150,000	97,500
Balance at May 31, 1989	2,525,001	795,152
Year ended May 31, 1990 -		
Exercise of share purchase options	509,075	357,823
Private placements	688,250	550,000
Exercise of share purchase warrants	212,500	177,500
Mineral properties	215,000	246,450
Balance at May 31, 1990	4,149,826	2,126,925
Year ended May 31, 1991 -		
Exercise of share purchase options	47,000	47,030
Public offering, net of share issuance costs of $33,829	250,000	388,671
Exercise of share purchase warrants	312,500	343,750
Mineral properties	65,000	232,450
Balance at May 31, 1991	4,824,326	3,138,826
Year ended May 31, 1992 -		
Exercise of share purchase options	7,000	4,550
Public offering, net of share issuance costs of $83,502	779,000	1,007,158
Private placements	737,500	560,000
Finders' fees	37,500	30,000
Long-term investment (note 4)	539,000	727,650
Balance at May 31, 1992	6,924,326	$5,468,184

(a) (continued)

Subsequent to May 31, 1992, a further 501,631 shares were issued pursuant to the following:

i. the exercise of options for the purchase of 162,000 shares at a price of $0.80 per share

ii. the exchange of 339,631 shares of the company for 1,018,895 Rembrandt shares at an agreed-upon price of $1.1802 for the company's shares (note 13(a)).

(b) Certain of the issued shares of the company were held in escrow to be released only with the consent of the governing regulatory bodies. The balance in escrow as at May 31, 1992 is nil (1991 - 375,000 common shares).

(c) Stock options to employees and directors are as follows:

	Number of shares	Price per share	Expiry date
Balance - May 31, 1987	Nil		
New options granted	157,500	$ 0.50	November 13, 1989
Balance - May 31, 1988	157,500	0.50	
New options granted	30,000	0.50	April 29, 1993
Options exercised	(95,000)	0.50	November 13, 1989
Options exercised	(15,000)	0.50	April 29, 1993
Balance - May 31, 1989	62,500	0.50	November 13, 1989
	15,000	0.50	April 29, 1993
	77,500		
New options granted	25,000	0.57	May 3, 1991
	35,000	0.98	December 4, 1992
	80,000	0.57	May 3, 1994
	253,500	0.65	August 2, 1994
	101,075	1.17	December 22, 1994
	248,500	1.97	April 19, 1995
	25,000	2.29	May 4, 1995
	768,075		
Options exercised	(77,500)	0.50	
	(105,000)	0.57	
	(35,000)	0.98	
	(223,500)	0.65	
	(68,075)	1.17	
	(509,075)		
Balance - May 31, 1990	30,000	0.65	August 2, 1994
	33,000	1.17	December 22, 1994
	248,500	1.97	i. April 15, 1995
	25,000	2.29	ii. May 4, 1995
	336,500		
New options granted	50,000	1.50	March 12, 1993
	130,000	1.50	March 12, 1996
	180,000		
Options exercised	(23,000)	0.65	
	(19,000)	1.17	
	(5,000)	1.97	
	(47,000)		

Balance - May 31, 1991	50,000	$ 1.50	March 12, 1993
	7,000	0.65	August 2, 1994
	14,000	1.17	December 22, 1994
	243,500	1.46	April 15, 1995
	25,000	1.55	May 4, 1995
	130,000	1.50	March 12, 1996
	469,500		
Options exercised	(7,000)	0.65	
Options cancelled	(462,500)		
	(469,500)		
New options granted	465,000	0.80	March 27, 1997
	25,000	0.80	April 15, 1995
	25,000	0.80	May 4, 1995
	100,000	0.80	October 27, 1992
	615,000		
Balance - May 31, 1992	465,000	0.80	March 27, 1997
	25,000	0.80	April 15, 1995
	25,000	0.80	May 4, 1995
	100,000	0.80	October 27, 1992
	615,000		

i. Renegotiated from $1.97 to $1.46.
ii. Renegotiated from $2.29 to $1.55.

Subsequent to May 31, 1992, 162,000 stock options were exercised for total cash of $129,600.

(d) Stock warrants outstanding are as follows:

	Number of warrants	Price per share	Expiry date
Balance - May 31, 1988			
New warrants granted	250,000	$ 0.65 i.	July 21, 1990
	400,000	1.10 ii.	August 22, 1990
Balance - May 31, 1989	650,000		
Warrants exercised	(250,000)	0.65	
	(87,500)	1.10	
Balance - May 31, 1990	312,500	1.10	August 22, 1990
New warrants granted	62,500	1.69	September 5, 1991
Warrants exercised	(312,500)	1.10	
Balance - May 31, 1991	62,500	1.69	September 5, 1991
New warrants granted	225,000	1.40 iii.	August 4, 1992
	779,000	1.40 iii.	August 4, 1992
	437,500	0.80	March 26, 1993
		0.92	March 26, 1994
	300,000	0.80	April 7, 1993
		0.92	April 7, 1994
Warrants expired	(62,500)	1.69	
Balance - May 31, 1992	1,741,500		

i. The warrants are non-transferable and two warrants entitle the holder to acquire one additional share.

ii. The warrants are non-transferable and one warrant entitles the holder to acquire one additional share.

iii. The warrants expired subsequent to May 31, 1992.

(e) Refer also to note 6(e)(ii).

8. RELATED PARTY TRANSACTIONS

Pursuant to a management agreement, the company currently pays to Arc Resource Group Ltd. (Arc), a company with common directors, management fees of $2,500 per month, and pays for office space, administrative and other services at cost plus an administrative fee of 15%.

Management and administration fees paid to or accrued with Arc under this agreement in the current year were $46,607 (1991 - $56,654).

The accounts receivable are from a company related by virtue of a common president and directors.

The accounts payable include an amount of $22,734 (1991 - $33,919) due to a company with common directors.

The $337,000 promissory note payable to a related party (note 6(e)) is to a company with a common president and directors.

A $10,000 promissory note payable to a related party, is unsecured, bears interest at bank prime plus 2% and is due on demand.

The advance from related party at May 31, 1992 is from Rembrandt.

9. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and are also in accordance, in all material respects, with those in the United States.

The United States' Financial Accounting Standards Board has issued the Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which becomes effective for fiscal years beginning after December 15, 1992. The effects of this standard will be reflected in the company's reconciliation of Canadian to U.S. GAAP. The company has not adopted the Statement and has not determined its impact on this reconciliation.

10. SEGMENTED INFORMATION

(a) Details of geographic segments are as follows:

	1992	1991
Loss for the year -		
Canada	$1,029,656	$832,632
United States		104,560
	$1,029,656	$937,192
Identifiable assets -		
Canada	$4,479,081	$1,230,542
United States	801,592	743,541
	$5,280,673	$1,974,083
Capital expenditures -		
Canada	$3,215,630	$165,278
United States	42,588	40,710
	$3,258,218	$205,988

(b) Details by industry segment are as follows:

	1992	1991
Loss for the year -		
Mineral	$233,750	$521,463
Other	795,906	415,729
	$1,029,656	$937,192
Identifiable assets -		
Mineral	$4,537,194	$1,027,234
Petroleum and natural gas	108,747	83,881
Other	634,732	862,968
	$5,280,673	$1,974,083
Capital expenditures -		
Mineral	$3,233,352	$183,894
Petroleum and natural gas	24,866	22,094
	$3,258,218	$205,988

11. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's financial statement presentation.

12. INCOME TAXES

The company has incurred certain resource-related expenditures, the amount of which has yet to be finally computed for tax purposes. These expenditures may be carried forward and used to reduce taxable income in future years.

The potential future tax benefits of these expenditures and tax losses have not been recognized in the accounts of the company.

13. SUBSEQUENT EVENTS

(a) On June 8, 1992, the company received approval from the Vancouver Stock Exchange to acquire 1,018,895 shares of Rembrandt from two directors of the company in exchange for 339,631 shares of the company at a deemed price of $1.1802 for the company's shares. The acquisition increases the company's interest in Rembrandt to 38.9%.

(b) In July 1992, Suntac issued 126,000 common shares for cash at a price of $0.25 per share to third parties. This issuance resulted in the company recognizing a dilution loss of $4,415.

(c) In August 1992, the company issued 320,000 flow-through units for cash at a price of $1.30 per unit, each unit consisting of one flow-through common share and one-half of a non-transferable share purchase warrant, each whole warrant entitling the holder to acquire one additional common share of the company at $1.30 per share until July 24, 1993 and at $1.50 per share until July 24, 1994.

The proceeds of the issue were used to purchase 1,386,667 units in Suntac for cash at $0.30 per unit, each unit consisting of one flow-through share and one share purchase warrant to purchase an additional share at $0.30 in the first year and $0.345 in the second year. Subsequent to the year ended May 31, 1992 the company received regulatory approval.

In addition, the company issued 95,000 units to the president of the company for cash at $1.05 per unit, each unit consisting of one common share and one share purchase warrant exercisable at $1.05 per share in the first year and $1.20 per share in the second year.

(d) In September 1992, the company issued 100,000 units for cash at a price of $1.30 per unit, each unit consisting of one common share and one-half of a non-transferable share purchase warrant, each whole warrant entitling the holder to acquire one additional common share of the company at $1.30 per share in the first year and $1.50 per share in the second year. The private placement is subject to regulatory approval.

(e) On September 14, 1992, the company entered into an amended arrangement agreement with Suntac, Rembrandt and 2820684 Canada In. (Subco - a newly incorporated wholly owned subsidiary of the company), whereby Suntac and Subco would amalgamate and the amalgamated company would become a wholly owned subsidiary of the company. The amalgamation would be effected through the exchange of Suntac shares for the company's shares on the basis of 3.5 Suntac shares for 1 share of the company.

The original arrangement also included the exchange of Rembrandt shares for shares of the company; however, in a judgement delivered September 2, 1992, the Supreme Court of British Columbia declined to approve the original arrangement. Pursuant to the amended arrangement agreement, Rembrandt ceases to be a party to the arrangement.

The amended arrangement is subject to approval of the Supreme Court of British Columbia.

As of October 6, 1992, the company intends to voluntarily withdraw from the amended arrangement in favour of a proposal to make offers to acquire Suntac and Rembrandt outstanding shares through two friendly takeover bids.

It is intended that the takeover bids will offer 1 common share of the company for every 3.5 shares of Suntac or Rembrandt under similar terms as those of the original arrangement agreement.

The company anticipates the bids will be completed in November of 1992.

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Vancouver Stock Exchange
Symbol: CCM
NASD Bulletin Board
Symbol: CRCUF

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