

RESEARCH REPORT

AND

BUY RECOMMENDATION

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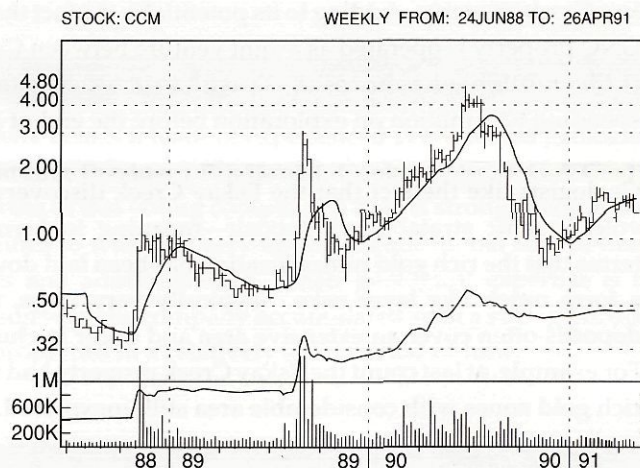
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CANARC RESOURCE CORP.

CCM.V; OTC (Pink Sheets)

A MEMBER OF THE "ARC RESOURCE GROUP"

Shares Authorized	25,000,000
Shares Issued	
(Inc. 375,000 Escrow)	4,804,325
Fully Diluted	5,347,257
Moving Average	Positive
On Balance Volume	Up
Average Daily Volume	11,000
Current Price	\$1.30
Year High-Low	\$4.80 - \$0.76
Non-Designated Security SEC Rule 15c2-6	
Listed Standard & Poor's	
Working Capital	\$1,000,000
Long-Term Debt	Nil



INVESTMENT OPINION

We believe that Canarc Resource Corp. is one of the best-managed junior exploration companies in Canada. We originally recommended the stock as a speculative play to our customers in December, 1989 when it was trading for less than \$1.00 per share. We saw the stock appreciate to \$4.80 per share in July of 1990. With growing recognition of its world-class properties and a pending NASDAQ listing, we believe the company and its stock have great potential. We suggest buying before the 1991 drilling season begins!

BACKGROUND

Canarc's GNC property at Eskay Creek, British Columbia partly surrounds some of the best drill results ever recorded in Canadian gold mining history. Drill hole 109 on the TOK-KAY property of Prime Resources Group and Stikine Resources at Eskay Creek intersected over 660 feet grading .875 ounces of gold per ton in August, 1989 in the 21B Zone. The share price of Stikine Resources soared from \$.25 per share in April, 1988 to over \$77 per share in July, 1990. Over \$2.5 billion in gold and silver reserves have been proven to date and the potential to increase reserves is considered excellent.

Drilling results from 1990 suggest that mineralization representative of the 21B Zone occurs more widely than the high-grade veins thought typical of northern British Columbia. Estimates are that over 100 different companies are involved in 1991 drilling programs in Eskay Creek, where over C\$50 million is expected to be spent on exploration and drilling programs this year alone. The shares of many of these companies tend to move higher as excitement builds for the summer drilling programs.

Canarc owns interests in four different mining properties. Its shares are traded in Canada on the Vancouver Stock Exchange (VSE, symbol CCM.V) and in the United States on the over-the-counter (Pink Sheets) market. A NASDAQ application is pending.



GNC PROPERTY

Occupying some of the most strategic ground in the entire Stikine Arch, the GNC claims are Canarc's most important property. As previously mentioned, it surrounds part of the huge gold deposit on Prime/Stikine's Eskay Creek property. Adding to its potential is the fact that the GNC property is operated as a joint venture between Canarc (1/3) and Prime Resources (2/3), with Prime committed to spending \$2.3 million on exploration before the end of 1992.

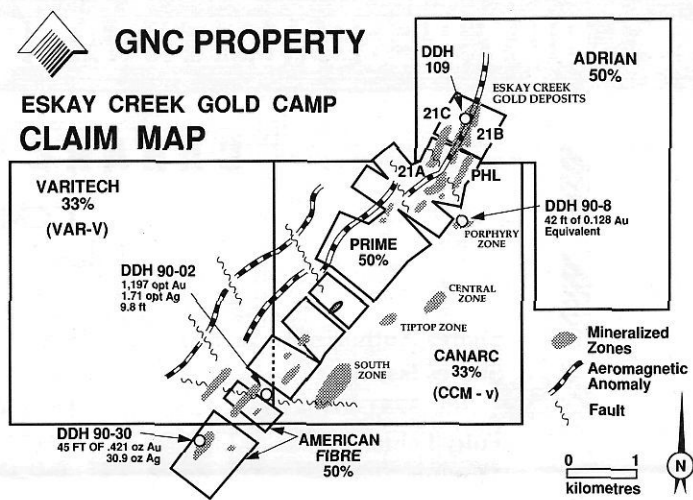
Geologists like the fact that the Eskay Creek discovery is a volcanogenic stratabound deposit—meaning in layman's terms that the rich gold mineralization has been laid down in a form much like layer cake. Typically very large, these deposits often cover an extensive area and occur in clusters. For example, at last count the Eskay Creek property had three rich gold zones with considerable area still unexplored.

During the field seasons of 1989 and 1990, Prime spent \$1.3 million to explore the GNC property, mostly through an extensive program of prospecting, geological mapping, geochemical sampling, electromagnetic surveys and 20,000 feet of drilling. To date four mineralized zones have been discovered: the South zone, Tip Top zone, Central zone and the Porphyry zone. The Porphyry zone produced six significant drill intersections, including DDH 90-8 that graded .128 ounce of gold equivalent per ton over a length of 42 feet. The results to date are encouraging, not only for their strong values but also for the fact that they are very preliminary—the property has little previous exploration history.

Yet another attraction of the GNC property is the group of eight separate claim fractions, varying in size from 12 to 20 acres, which probe directly into the Eskay Creek property. (Please see map.)

All of these factors—the property's strategic location adjacent to one of Canada's greatest-ever gold discoveries, the very favourable results to date and exploration funding by Prime Resources Group—lead us to believe that Canarc is on the verge of a major gold discovery and a dramatic increase in the company's share price.

Adding even further support to our view are the following elements:



1) Claim wedges appear to cut across other mineralized zones on Prime's property. Several impressive drill holes near one Canarc wedge included 96 feet grading .75 ounce of gold per ton and 60 feet grading .60 ounce of gold per ton.

2) Parallel structures have been located, supporting assays of up to .22 ounce of gold per ton, 10.4 ounce of silver per ton, 4.66% zinc and 24.8% copper.

3) A portion of the Eskay Creek ore body appears to dip toward and beneath the GNC property. This ore is only a few hundred yards away.

Although the very preliminary exploration has not yet uncovered an economic gold deposit on the GNC property, Prime has scheduled a large work program for this summer.

BEST BET PROPERTY

British Columbia's Stikine Arch, or "Golden Triangle" encompasses the Eskay Creek area. In addition to the GNC property, Canarc has acquired the Best Bet property, also located in the Stikine Arch. It hosts favourable geology and has provided interesting results in preliminary exploration.

Canarc has retained a 50% interest and granted Carmac Resources Ltd. an option to earn a 50% interest in the Best Bet property by making certain cash and share payments. Additionally, \$350,000 of exploration must be conducted over the next two years. The Best Bet property is adjacent to and

northwest of the world class Eskay Creek deposit. Favorable volcanic and sedimentary rocks similar to those hosting the Eskay Creek gold deposit underlie the Best Bet property.

COLOMBO GOLD MINE

Canarc owns a 50% interest (with an option to increase its ownership to 100%) in the Columbo Gold Mine situated in the Motherlode District of California. The property is 2.5 miles southeast of Sierra City and was first prospected following the discovery of placer deposits along the North Yuba river in 1849. In 1988, exploration identified four main zones of mineralization: Columbo, Cal Boy, Cal Girl and Copper Pit. A number of new targets were located for future exploration.

Currently a small high grade reserve of 16,677 tons grading 1.22 ounces of gold per ton is in place. Canarc hopes to find a partner willing to expand these reserves, with production to follow.

RECENT ACQUISITION: POLARIS/TAKU DEPOSIT

This 2,100-acre property in extreme northwestern British Columbia is well-advanced with geologic reserves in all categories totalling 1,600,000 tons grading .45 ounces of gold per ton. Canarc acquired a controlling interest in the property through a controlling interest in Suntac Minerals in May of 1991. The deposit has a production history of 231,000 ounces of gold, all mined during the periods 1938-1942 and 1946-1951. The average head grade was .30 ounces of gold per ton.

Diamond drilling was conducted at deeper levels in 1989 and 1990 by Suntac. Phase I of this program added 520,000 tons of inferred reserves at an average grade of .45 ounces of gold per ton. Further diamond drilling in Phase II added 366,000 tons grading .49 ounces of gold per ton, indicating that the gold ore is getting richer with depth.

Canarc plans to conduct a large drilling program beginning in the early summer of 1991.

SHARE STRUCTURE

Insiders own about 20% of the outstanding shares, fully diluted. The balance of the shares are widely distributed among many shareholders, and the stock trades in substantial

volumes for a junior—a combination that provides excellent liquidity. During last year's winter season (with no exploration results available) Canarc traded an average of 350,000 shares per month. In the exploration season, the monthly average exceeded 1.2 million shares. Northern Canadian mining stocks have a tendency to trade in lower price ranges during the dormant winter season and at much higher prices in the summer (see stock chart, front page) as the exploration programs begin and field activity heats up.

MANAGEMENT

Canarc boasts a team of experienced professional geologists, including President Bradford J. Cooke, M.Sc., F.G.A.C. The success of this young company to date is strong proof of their abilities to wear the very important additional hats of financiers and administrators. Their geological expertise is the reason why the company accumulated such a strong portfolio of properties in a relatively short period of time.

CONCLUSION

Canarc is fundamentally one of the strongest junior mining companies in the industry. It is well funded, has outstanding properties, and it is run by people who know both sides of the exploration business—not only do they have the ability to find the best properties, they can raise the money to explore and develop them. We therefore recommend Canarc's shares for immediate purchase.

CORPORATE CONTACT

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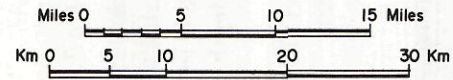


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(CCM - V.S.E.)

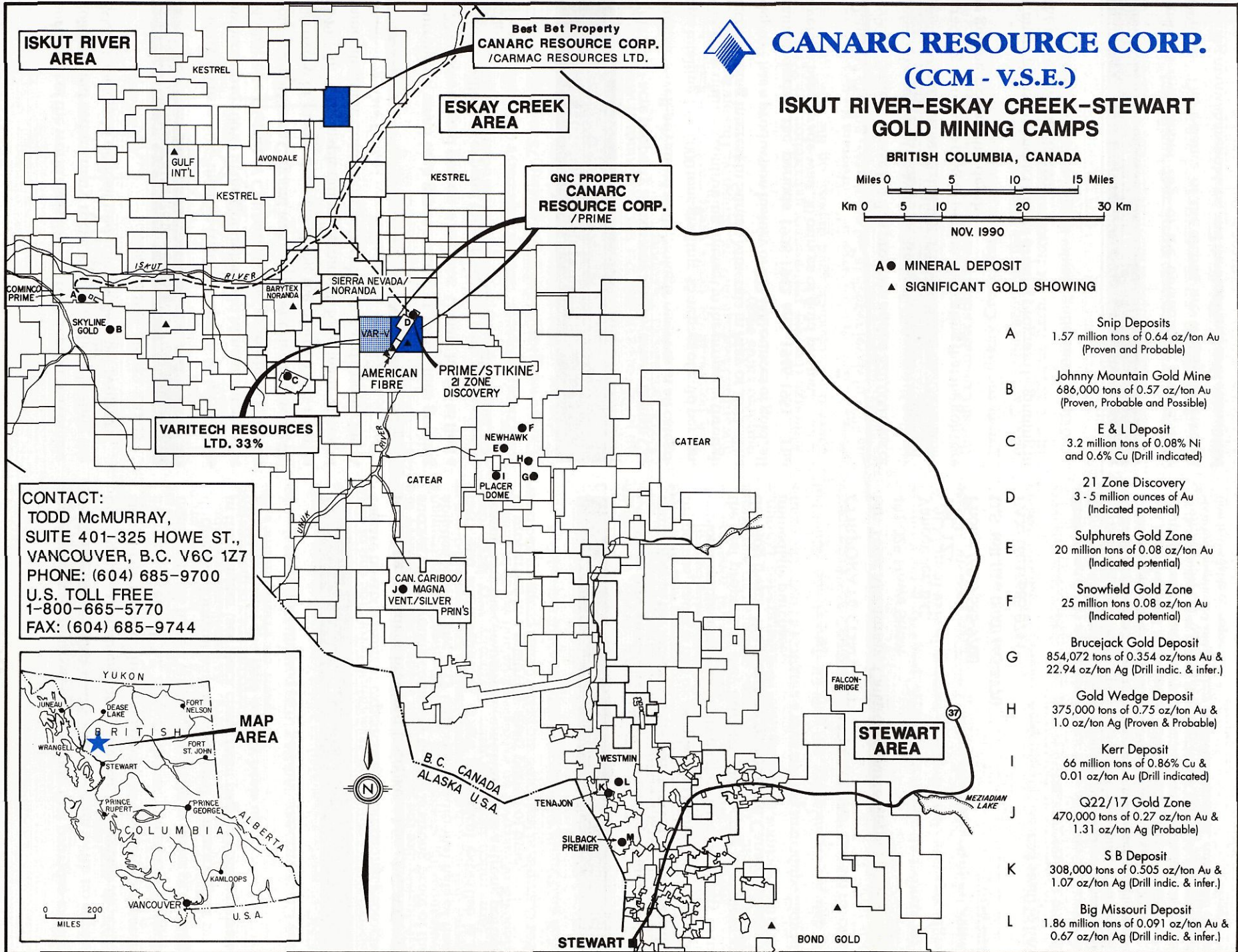
ISKUT RIVER-ESKAY CREEK-STEWART GOLD MINING CAMPS

BRITISH COLUMBIA, CANADA



NOV. 1990

- MINERAL DEPOSIT
- ▲ SIGNIFICANT GOLD SHOWING



- A Snip Deposits
1.57 million tons of 0.64 oz/ton Au (Proven and Probable)
- B Johnny Mountain Gold Mine
686,000 tons of 0.57 oz/ton Au (Proven, Probable and Possible)
- C E & L Deposit
3.2 million tons of 0.08% Ni and 0.6% Cu (Drill indicated)
- D 21 Zone Discovery
3 - 5 million ounces of Au (Indicated potential)
- E Sulphurets Gold Zone
20 million tons of 0.08 oz/ton Au (Indicated potential)
- F Snowfield Gold Zone
25 million tons 0.08 oz/ton Au (Indicated potential)
- G Brucejack Gold Deposit
854,072 tons of 0.354 oz/tons Au & 22.94 oz/ton Ag (Drill indic. & infer.)
- H Gold Wedge Deposit
375,000 tons of 0.75 oz/ton Au & 1.0 oz/ton Ag (Proven & Probable)
- I Kerr Deposit
66 million tons of 0.86% Cu & 0.01 oz/ton Au (Drill indicated)
- J Q22/17 Gold Zone
470,000 tons of 0.27 oz/ton Au & 1.31 oz/ton Ag (Probable)
- K S B Deposit
308,000 tons of 0.505 oz/ton Au & 1.07 oz/ton Ag (Drill indic. & infer.)
- L Big Missouri Deposit
1.86 million tons of 0.091 oz/ton Au & 0.67 oz/ton Ag (Drill indic. & infer.)

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