

**AMARC RESOURCES LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**SIX MONTHS ENDED SEPTEMBER 30, 2004**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

*These financial statements have not been reviewed by the Company's auditors*

# AMARC RESOURCES LTD.

## Consolidated Balance Sheets

(Expressed in Canadian Dollars)

	September 30, 2004 (unaudited)	March 31, 2004 (audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and equivalents	\$ 12,216,854	\$ 13,724,673
Marketable securities (note 4)	250,000	125,000
Amounts receivable and prepaids	153,074	121,888
Balances receivable from related parties (note 9)	–	81,839
	12,619,928	14,053,400
<b>Equipment</b> (note 5)	53,257	60,188
<b>Mineral property interests</b> (note 6)	241,929	73,929
	<b>\$ 12,915,114</b>	<b>\$ 14,187,517</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 199,492	\$ 182,759
Balances payable to related parties (note 9)	189,903	–
	389,395	182,759
<b>Shareholders' equity</b>		
Share capital (note 8(b))	20,983,364	20,638,830
Contributed surplus (note 8(e))	829,778	413,168
Deficit	(9,287,423)	(7,047,240)
	12,525,719	14,004,758
Nature of operations (note 1)		
Commitments (note 11)		
Subsequent events (notes 7, 12)		
	<b>\$ 12,915,114</b>	<b>\$ 14,187,517</b>

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

Approved by the Board of Directors

/s/ Ronald W. Thiessen

Ronald W. Thiessen  
Director

/s/ Jeffrey R. Mason

Jeffrey R. Mason  
Director

# AMARC RESOURCES LTD.

## Consolidated Statements of Operations

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended Sept. 30		Six months ended Sept. 30	
	2004	2003	2004	2003
<b>Expenses</b>				
Conference and travel	\$ 191	\$ 137	\$ 2,610	\$ 137
Depreciation	3,465	4,489	6,931	8,978
Exploration (note 7)	1,187,470	12,872	1,731,943	19,375
Exploration - stock-based compensation (note 8(c))	165,567	–	168,990	–
Legal, audit, and accounting	28,180	9,276	40,900	18,921
Management and consulting	16,653	6,071	21,888	18,165
Office and administration	13,286	10,005	23,130	29,509
Salaries and benefits	79,286	37,235	130,078	59,316
Shareholder communication	35,021	5,729	46,906	6,580
Stock-based compensation (note 8(c))	238,692	–	247,620	–
Trust and filing	5,173	5,147	11,067	4,575
	1,772,984	90,961	2,432,063	165,556
<b>Other items</b>				
Foreign exchange gain (loss)	(6,919)	(4,813)	(4,801)	(9,473)
Gain on sale of marketable securities	19,623	–	65,459	1,174
Interest and other	58,556	596	131,222	8,303
	71,260	(4,217)	191,880	4
<b>Loss for the period</b>	\$ (1,701,724)	\$ (95,178)	\$ (2,240,183)	\$ (165,552)
<b>Basic and diluted net loss per share</b>	\$ (0.04)	\$ (0.01)	\$ (0.05)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>	44,878,824	15,468,890	44,655,157	15,468,890

## Consolidated Statements of Deficit

(Expressed in Canadian Dollars)

(Unaudited)

	Six months ended Sept 30	
	2004	2003
<b>Deficit, beginning of period</b>	\$ (7,047,240)	\$ (7,878,375)
<b>Loss for the period</b>	(2,240,183)	(165,552)
<b>Deficit, end of period</b>	\$ (9,287,423)	\$ (8,043,927)

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

# AMARC RESOURCES LTD.

## Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

Cash provided by (applied to):	Three months ended Sept. 30		Six months ended Sept. 30	
	2004	2003	2004	2003
<b>Operating activities</b>				
Loss for the period	\$ (1,701,724)	\$ (95,178)	\$ (2,240,183)	\$ (165,552)
Items not involving cash				
Depreciation	3,465	4,489	6,931	8,978
Common shares issued for property fees	–	–	156,000	–
Stock-based compensation (note 8(c))	404,259	–	416,610	–
Gain on sale of marketable securities	(19,623)	–	(65,459)	(1,174)
Changes in non-cash working capital items				
Amounts receivable and prepaids	(31,109)	8,017	(31,186)	189,777
Balances receivable from related parties	309,532	(6,088)	271,742	71,279
Accounts payable and accrued liabilities	10,039	1,174	16,733	(127,122)
	(1,025,161)	(87,586)	(1,468,812)	(23,814)
<b>Investing activities</b>				
Proceeds from sale of marketable securities	19,623	–	65,459	14,374
Acquisition of mineral property interests	3,000	–	(168,000)	–
Purchase of marketable securities	(125,000)	–	(125,000)	–
Reclamation deposit	–	–	–	70,000
	(102,377)	–	(227,541)	84,374
<b>Financing activities</b>				
Issuance of share capital, net of costs	64,167	–	188,534	–
	64,167	–	188,534	–
<b>Increase (decrease) in cash and equivalents</b>	<b>(1,063,371)</b>	<b>(87,586)</b>	<b>(1,507,819)</b>	<b>60,560</b>
Cash and equivalents, beginning of period	13,280,225	157,995	13,724,673	9,849
<b>Cash and equivalents, end of period</b>	<b>\$ 12,216,854</b>	<b>\$ 70,409</b>	<b>\$ 12,216,854</b>	<b>\$ 70,409</b>

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

# **AMARC RESOURCES LTD.**

Notes to the Consolidated Financial Statements

For the period ended September 30, 2004

(Expressed in Canadian Dollars)

(Unaudited)

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## **1. NATURE OF OPERATIONS**

Amarc Resources Ltd. (the "Company") is incorporated under the laws of the Province of British Columbia, and its principal business activity is the exploration of mineral properties. Its principal mineral property interests are located in British Columbia, Canada, and Durango State, Mexico.

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles assuming a going concern. The Company has incurred losses since inception and its ability to continue as a going concern depends upon its capacity to develop profitable operations and to continue to raise adequate financing. These financial statements do not reflect adjustments, which could be material; to the carrying values of assets and liabilities which may be required should the Company be unable to continue as a going concern.

## **2. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Compania Minera Amarc, S.A. de C.V. and Amarc Exploraciones Mineras, S.A. de C.V., which are incorporated in Mexico. Also included are the accounts of the Precious Exploration Limited Partnership, which is subject to the Company's control and primary beneficial ownership.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

### *(a) Cash and equivalents*

Cash and equivalents consist of cash and highly liquid investments, having maturity dates of three months or less from the date of purchase, which are readily convertible to known amounts of cash.

### *(b) Marketable securities*

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

### *(c) Equipment*

Equipment is recorded at cost and is depreciated over its estimated useful life using the declining balance method at various rates ranging from 20% to 30% per annum.

## **AMARC RESOURCES LTD.**

Notes to the Consolidated Financial Statements

For the period ended September 30, 2004

(Expressed in Canadian Dollars)

(Unaudited)

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(d) *Reclamation deposits*

Reclamation deposits are recorded at cost.

(e) *Mineral property interests*

The acquisition costs of mineral properties are deferred until the properties are placed into production, sold or abandoned. These deferred costs are amortized on a unit-of-production basis over the estimated useful life of the related properties following the commencement of production or written off if the properties are allowed to lapse or are abandoned. If the deferred mineral property costs are determined not to be recoverable over the estimated useful life or are less than estimated fair market value, the unrecoverable portion is charged to earnings in that period.

Mineral property acquisition costs include the cash consideration and the fair market value of common shares, based on the trading price of the shares, on the date of issue or as otherwise provided under the agreement terms for the mineral property interest. Costs for properties for which the Company does not possess unrestricted ownership and exploration rights, such as option agreements, are expensed in the period incurred or until a feasibility study has determined that the property is capable of commercial production.

Exploration costs and option payments are expensed in the period incurred. Option payments which are solely at the Company's discretion are recorded as they are made.

Administrative expenditures are expensed in the period incurred.

(f) *Government grants*

Due to the uncertainty of the approval of government grants for which the Company has applied, government grants are recorded as the proceeds of these grants are received.

(g) *Share capital*

Common shares issued for mineral property interests are recorded at the fair market value based upon the trading price of the shares on the TSX Venture Exchange on the date of issue or as otherwise provided under the agreement terms to issue the shares.

The proceeds from common shares issued pursuant to flow-through share financing agreements are credited to share capital as the tax benefits of the exploration expenditures incurred pursuant to these agreements are transferred to the purchaser of the flow-through shares.

Share issue costs are deducted from share capital.

# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period ended September 30, 2004

(Expressed in Canadian Dollars)

(Unaudited)

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(h) *Stock-based compensation*

Subsequent to April 1, 2002, the Company accounts for all non-cash stock-based payments to non-employees, and employee awards that are direct awards of shares, that call for settlement in cash or other assets, or that are share appreciation rights which call for settlement by the issuance of equity instruments, using the fair value method.

Under the fair value method, stock-based payments are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of non-cash stock-based payments is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of non-cash stock-based payments to service providers that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. For awards that vest at the end of a vesting period, compensation cost is recognized on a straight-line basis; for awards that vest on a graded basis, compensation cost is recognized on a pro-rata basis over the vesting period.

Prior to April 1, 2003, no compensation cost was required to be recorded for all other non-cash stock-based employee compensation awards. Pursuant to new accounting standards issued by the Canadian Institute of Chartered Accountants, the Company commenced recording non-cash stock-based payments to employees using the fair value method on a prospective basis effective April 1, 2003. There has been no effect on any prior periods presented.

Consideration received by the Company upon the exercise of share purchase options, and the stock-based compensation previously credited to contributed surplus related to such options, is credited to share capital.

(i) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of potential impairments of asset values, and rates for depreciation of equipment, as well as the assumptions used in determining the fair value of non-cash stock-based compensation. Actual results could differ from those estimates.

(j) *Foreign currency translation*

All of the Company's foreign subsidiaries are considered integrated.

# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period ended September 30, 2004

(Expressed in Canadian Dollars)

(Unaudited)

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Monetary assets and liabilities of the Company and its integrated foreign operations are translated into Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates unless such items are carried at market, in which case they are translated at the exchange rates in effect on the balance sheet date. Revenues and expenses, except depreciation, are translated at average exchange rates for the period. Depreciation is translated at the same exchange rates as the assets to which it relates.

Foreign exchange gains or losses are expensed.

(k) *Income taxes*

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, generally using the enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Future income tax assets also result from unused loss carryforwards and other deductions. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount.

The Company's accounting policy for future income taxes currently has no effect on the financial statements of any of the periods presented.

(l) *Loss per share*

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period.

Diluted loss per share has not been presented as the effect of outstanding options and warrants would be anti-dilutive.

# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period ended September 30, 2004

(Expressed in Canadian Dollars)

(Unaudited)

(m) *Fair value of financial instruments*

The carrying values of cash and equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair value due to their short term nature. The Company is not exposed to significant credit risk or interest rate risk.

(n) *Comparative figures*

Certain of the prior periods' comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period.

## 4. MARKETABLE SECURITIES

	Number of Shares	Book value	Market value
September 30, 2004			
Expatriate Resources Ltd. common shares	750,000	\$ 250,000	\$ 285,000
Chatworth Resources Inc. (formerly GMD Resources Corp.) (note 6(a))	100,000	–	5,000
		<u>\$ 250,000</u>	<u>\$ 290,000</u>
March 31, 2004			
Expatriate Resources Ltd. common shares	250,000	\$ 125,000	\$ 112,500
StrataGold Corporation common shares	206,093	–	84,498
		<u>\$ 125,000</u>	<u>\$ 196,998</u>

The common shares of StrataGold Corporation ("StrataGold") were acquired pursuant to the sale by Expatriate Resources Ltd. ("Expatriate") of its gold property assets to its wholly-owned subsidiary, Stratagold, and the subsequent divestiture of Stratagold shares by Expatriate to the existing shareholders of Expatriate on a pro-rata basis. In November 2003, the Company received 702,093 unrestricted common shares of StrataGold from Expatriate pursuant to this divestiture.

# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period ended September 30, 2004

(Expressed in Canadian Dollars)

(Unaudited)

## 5. EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value
September 30, 2004			
Automotive	\$ 24,514	\$ 15,753	\$ 8,761
Site equipment	77,551	33,055	44,496
	<u>\$ 102,065</u>	<u>\$ 48,808</u>	<u>\$ 53,257</u>
March 31, 2004			
Automotive	\$ 24,514	\$ 14,058	\$ 10,456
Site equipment	77,551	27,819	49,732
	<u>\$ 102,065</u>	<u>\$ 41,877</u>	<u>\$ 60,188</u>

## 6. MINERAL PROPERTY INTERESTS

Acquisition Costs	Balance at March 31, 2003	Acquired during the year	Balance at March 31, 2004	Acquired during the period	Balance at Sept. 30, 2004
<b>British Columbia, Canada</b>					
Buck Property	\$ –	\$ 65,929	65,929	\$ –	\$ 65,929
RAD Property	–	8,000	8,000	–	8,000
Bob and JMD Properties	–	–	–	90,000	90,000
Witch Property	–	–	–	10,000	10,000
Sitka Property	–	–	–	68,000	68,000
Total	<u>\$ –</u>	<u>\$ 73,929</u>	<u>\$ 73,929</u>	<u>\$ 168,000</u>	<u>\$ 241,929</u>

### (a) *British Columbia, Canada*

In January 2004, Amarc entered into agreements to acquire 100% interests in each of the Buck, RAD, Sitka and Bob and JMD mineral properties, subject to regulatory approvals.

The 4,750 hectare **Buck** claims, located 20 kilometres south of Houston, were acquired by reimbursing the optionee \$65,929, which represented the cost of staking the property and line cutting to establish a survey grid over it. In July 2004, the Company reached an agreement with Chatworth Resources Inc. (“Chatworth”) (formerly GMD Resources Ltd.) pursuant to which Chatworth can earn a 50% interest in the Buck claims by issuing 100,000 units comprised of 100,000 common shares of Chatworth at a deemed price of \$0.05 per share and 100,000 two-year share purchase warrants, exercisable at \$0.10 per share in the first year and \$0.15 per share in the second year. Chatworth must also incur exploration expenditures totalling \$500,000 over five years, with a minimum annual expenditure of \$100,000.

## **AMARC RESOURCES LTD.**

Notes to the Consolidated Financial Statements

For the period ended September 30, 2004

(Expressed in Canadian Dollars)

(Unaudited)

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The 2,000 hectare **RAD** claims, located 250 kilometres west of Williams Lake, were acquired from United Mineral Services Ltd., a private company owned by a director of the Company, by reimbursing the \$8,000 staking cost.

The 1,200 hectare **Bob** and the adjacent 100 hectare **JMD** properties, located 80 km west of Quesnel, were acquired in July 2004 after receipt of regulatory approvals by issuing 200,000 shares of the Company, to a prospecting partnership. Of these 200,000 shares, 50,000 will be held in escrow until the Company has reached a third party joint venture agreement or has completed a total of \$250,000 in exploration expenditures.

In February and March 2004, the Company entered into agreements to acquire the 2,000 hectare **Crystal** Property, the 2,000 hectare **Orr** Property, and the 2,175 hectare **Jim** Property by agreeing to pay the costs of staking. The Crystal and Orr claims are located approximately 45 kilometres southeast and 35 kilometres southeast of the town of 100 Mile House respectively, and the Jim Property is located 6 kilometres northeast of Horsefly. Subsequently, the Company staked four mineral claims to this property.

In March 2004, the Company entered into an agreement to acquire the 6,400 hectare **GBR** Property (formerly known as the Wolverine Property) located approximately 70 kilometres northwest of Dease Lake. Amarc has the option to acquire a 100% interest in the mineral claims, subject to a net smelter royalty, from the Iskut North Syndicate by making cash payments totaling \$225,000 (of which \$15,000 has been paid and issuing 450,000 shares (of which 30,000 have been issued).

The 1,275 hectare **Sitka** Gold Property ("Sitka"), located 30 kilometres northeast of Port Hardy, was acquired in July 2004 after receipt of regulatory approvals, by paying \$20,000 in cash and issuing 80,000 shares of the Company.

In July 2004, the Company entered into an option agreement with two arm's-length parties to acquire a 100% interest in the **Spilus** gold-copper porphyry property, located near the town of Merritt, British Columbia. Amarc has the option to acquire a 100% interest in the Spilus Creek property by making staged cash payments, totalling \$35,000, and issuing 80,000 common shares over three years (of which 10,000 have been issued). The property is also subject to a 2% NSR, which Amarc, at its option, can purchase for \$2 million.

In September 2004, the Company acquired a 100% interest in the **Witch** porphyry gold-copper property for cash payments of \$10,000. The property, comprising approximately 4600 hectares, is located in the Witch Lake/Chuchi Lake region, approximately 80 kilometres north-northwest of Fort St. James, British Columbia.

## **AMARC RESOURCES LTD.**

Notes to the Consolidated Financial Statements  
For the period ended September 30, 2004  
(Expressed in Canadian Dollars)  
(Unaudited)

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(b) *Durango State, Mexico*  
*Inde Property*

The Inde Property ("the Property") comprises approximately 270 hectares and consists of five mineral concessions, of which three are owned outright by the Company and two are held under option. The Company was assigned its interest in the Property in November 2001 from Hunter Dickinson Group Inc., ("HDGI"), a private company related by certain directors in common, in consideration for US\$475,000, which was paid during the 2002 fiscal year. The Company also assumed the position of HDGI in the option agreement to acquire two of the claims from the underlying vendor which, as amended during the current fiscal year, will require future semi-annual payments of US\$125,000 commencing in December, 2003 until a required balloon payment of US\$3.0 million in June 2006. These two claims carry a net smelter returns royalty of 4%, capped at an aggregate of US\$2.0 million.

During the 2003 fiscal year, the Company paid finder's fees in connection with the Property of \$43,393 and 265,680 common shares, and also paid the underlying property vendor US\$25,000 (2002 – US\$125,000) in connection with the option agreement assigned from HDGI. No further finder's fees are owed on this property.

In December 2003, and concurrent with the amendment to the underlying option agreement, the Company optioned the Property to Minera Bugambilias, S.A. de C.V. ("Bugambilias"). Bugambilias can earn up to a 70% interest in the Inde Property by exercising two options. Under the First Option, Bugambilias can earn a 51% interest by incurring \$2.2 million in expenditures on the property within three years (of which \$100,000 must be spent in the first year, \$500,000 in the second year and a further \$1.6 million in the third year). Bugambilias must also make all required option payments to the underlying property vendor for the first year.

(c) *Manitoba, Canada*  
*Fox River Property*

By an agreement dated November 15, 2001, the Company acquired the right to participate in the Fox River Project by investing in, and becoming a general partner of, a limited partnership which held an option to acquire property interests comprising four Special Exploration Permits located near Thompson, Manitoba.

The Fox River Property comprised two permits covering 285,588 hectares owned 100% by Falconbridge Limited ("Falconbridge") and two permits covering 28,392 hectares which were subject to an option agreement between Falconbridge and W. Bruce Dunlop Limited NPL. The Fox River Project option rights held by the partnership entitled it to earn a 60% interest in the Project by expending an aggregate of \$12.5 million prior to December 31, 2005, subject to Falconbridge's right to back-in to a 60% interest by completing and financing a bankable feasibility study and by arranging financing and completion guarantees for mine development. The expenditures were to be made at the rate of \$2.5 million per year, with the completion date of the first year's amount extended to September 30, 2002, which the Company met.

# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period ended September 30, 2004

(Expressed in Canadian Dollars)

(Unaudited)

The other significant general partner of the limited partnership was initially Expatriate Resources Ltd. ("Expatriate"), an unrelated public company. Expatriate's departure from the limited partnership resulted in it surrendering its interest to HDGI and issuing to HDGI 7 million common shares, which shares were then allotted to the Company during the comparative fiscal year at a value of \$1.3 million.

During the year ended March 31, 2003, the Company sought an extension to earn an interest in the Fox River property, which was not agreed to by Falconbridge. In January 2003, the Company terminated its option to earn the joint venture interest from Falconbridge Limited on the Fox River Project.

(d) *Other Properties*  
*Yukon Territory and Saskatchewan*

The Company has a 5% net profits interest (NPI) in the 46 mineral claims comprising the Ana Property in the Yukon, and a 2.5% NPI in a mineral lease comprising the Mann Lake Property in Saskatchewan. The Company has neither active exploration programs nor does it plan to undertake any new programs on these properties at the present time.

## 7. EXPLORATION EXPENSES

Period ended Sept. 30, 2004	Mexico - Inde Property	British Columbia Properties	Fox River Property	Period ended Sept. 30, 2004
Assays and analysis	\$ -	\$ 153,480	\$ -	\$ 153,480
Environmental	3,781	-	-	3,781
Equipment rental	-	22,364	-	22,364
Freight	-	3,222	-	3,222
Geological	-	1,004,943	-	1,004,943
Graphics	-	27,258	-	27,258
Helicopter	-	15,599	-	15,599
Option payments	-	38,900	-	38,900
Property fees and assessments	1,608	10,485	-	12,093
Site activities	376	370,922	-	371,298
Travel and accommodation	-	79,005	-	79,005
Incurred during the period	5,765	1,726,178	-	1,731,943
Cumulative exploration expenses, beginning of period	2,347,416	435,384	1,811,188	4,593,988
Cumulative exploration expenses, end of period	\$ 2,353,181	\$ 2,161,562	\$ 1,811,188	\$ 6,325,931

## AMARC RESOURCES LTD.

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For the period ended September 30, 2004

(Expressed in Canadian Dollars)

(Unaudited)

Year ended March 31, 2004	Mexico - Inde Property	British Columbia Properties	Fox River Property	Year ended March 31, 2004
Assays and analysis	\$ 575	\$ 115,087	\$ -	\$ 115,662
Engineering	-	6,431	-	6,431
Equipment rental	1,119	1,446	-	2,565
Geological	3,964	287,284	-	291,248
Graphics	-	7,197	-	7,197
Helicopter	-	2,302	-	2,302
Property fees and assessments	(6,051)	500	-	(5,551)
Site activities	24,361	15,055	662	40,078
Travel and accommodation	238	82	-	320
Incurred during the year	24,206	435,384	662	460,252
Cumulative exploration expenses, beginning of year	2,323,210	-	1,810,526	4,133,736
Cumulative exploration expenses, end of year	\$ 2,347,416	\$ 435,384	\$ 1,811,188	\$ 4,593,988

In October 2004, the Company entered into a Farmout Agreement with Rockwell Ventures Inc. ("Rockwell"), a company related by virtue of certain directors in common, to earn a joint venture working interest to the extent of \$600,000 on certain of Amarc's exploration properties in British Columbia. For a period of 180 days after Rockwell has earned its interest, the Company has the right to purchase Rockwell's interest, in cash or shares, at the Company's option, at 110% of the amount earned in by Rockwell.

### 8. SHARE CAPITAL

#### (a) Authorized share capital

The Company's authorized share capital consists of an unlimited number of common shares, without par value.

# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period ended September 30, 2004

(Expressed in Canadian Dollars)

(Unaudited)

(b) *Issued and outstanding common shares*

Common shares issued:	Price	Number of Shares	Amount
Balance March 31, 2003		15,468,890	\$ 8,635,675
Issued during fiscal 2004			
Options exercised	\$ 0.18	30,000	5,400
Options exercised	\$ 0.31	215,000	66,650
Options exercised	\$ 0.48	513,000	246,240
Warrants exercised	\$ 0.40	2,412,500	965,000
Warrants exercised	\$ 0.50	2,500,000	1,250,000
Warrants exercised	\$ 0.73	32,167	23,482
Private placement, net of issue costs, October 2003(i)	\$ 0.30	13,000,000	3,849,889
Private placement, net of issue costs, December 2003(ii)	\$ 0.55	8,002,084	4,189,297
Private placement, net of issue costs, March 2004(iii)	\$ 0.75	2,000,000	1,407,197
Balance March 31, 2004		44,173,641	\$ 20,638,830
Issued during fiscal 2005			
Options exercised	\$ 0.31	70,000	21,700
Property option payments, June 2004	\$ 0.60	260,000	156,000
Property option payment, July 2004	\$ 0.59	10,000	5,900
Warrants exercised	\$ 0.34	473,335	160,934
Balance September 30, 2004		44,986,976	\$ 20,983,364

- (i) On October 31, 2003 the Company announced a private placement of 13,000,000 units, of which 5,047,000 were flow-through units and 7,953,000 were non flow-through units, at a price of \$0.30 per unit. Each unit was comprised of one common share and one share purchase warrant exercisable to purchase one common share at a price of \$0.34 until December 31, 2005. The warrants are subject to a 45 day accelerated expiry, at the option of the Company, if the closing trade price of the Company's common shares on the TSX Venture Exchange is at least \$0.68 for ten consecutive trading days.
- (ii) In December 2003, the Company announced and completed a private placement of 8,002,084 units, of which 4,397,906 were flow-through and 3,604,178 were non flow-through, at a price of \$0.55 per unit. Each unit was comprised of one common share and one share purchase warrant exercisable to purchase one common share at a price of \$0.60 until December 31, 2004. The warrants are subject to a 45 day accelerated expiry, at the option of the Company, if the closing price of the Company's common shares on the TSX Venture Exchange is at least \$1.10 for ten consecutive trading days.
- (iii) On March 9, 2004, the Company completed a private placement of 2,000,000 units at a price of \$0.75 per unit. Each unit was comprised of one common share and one share purchase warrant exercisable to purchase one common share at a price of \$0.85 until March 9, 2005. The warrants are subject to a 45 day accelerated expiry, at the option of the Company, if the closing price of the Company's common shares on the TSX Venture Exchange is at least \$1.50 for ten consecutive trading days.

## AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements  
For the period ended September 30, 2004  
(Expressed in Canadian Dollars)  
(Unaudited)

### (c) Share purchase option compensation plan

The Company has a share purchase option compensation plan approved by the shareholders that allows the Company to grant up to 2,970,000 share purchase options, vesting over up to two years, subject to regulatory terms and approval, to its employees, officers, directors and consultants. The exercise price of each option can be set equal to or greater than the closing market price of the common shares on the TSX Venture Exchange on the day prior to the date of the grant of the option, less any allowable discounts. Options have a maximum term of five years and terminate 30 days following the termination of the optionee's employment, except in the case of retirement or death.

The continuity of share purchase options for the period ended September 30, 2004 is:

Expiry date	Exercise price	Mar. 31 2004	Granted	Exercised	Expired/ cancelled	Sept 30 2004
December 20, 2004	\$0.18	67,000	–	–	–	67,000
March 21, 2005	\$0.31	2,033,000	–	(70,000)	–	1,963,000
March 21, 2005	\$0.36	25,500	–	–	–	25,500
March 21, 2005	\$0.49	73,000	–	–	–	73,000
May 9, 2005	\$0.17	7,000	–	–	–	7,000
		2,205,500	–	(70,000)	–	2,135,500
Weighted average exercise price		\$ 0.31	\$ –	\$ 0.31	\$ –	\$ 0.31

The weighted-average contractual remaining life of share purchase options is 0.46 years.

Subsequent to September 30, 2004, 7,000 share purchase options were exercised at \$0.18 and 18,000 share purchase options were exercised at \$0.31.

The exercise prices of all share purchase options granted during the period were equal to the market price at the grant date. Using an option pricing model with the assumptions noted below, the estimated fair value of all options granted during the period have been reflected in the statement of operations as follows:

	Period ended Sept. 30, 2004	Year ended Mar. 31, 2004
Exploration		
Engineering	\$ 57,330	\$ 32,130
Environmental, socioeconomic and land	(344)	8,682
Geological	112,004	146,123
	168,990	186,935
Office and administration	247,620	220,428
Total compensation cost recognized in operations, credited to contributed surplus	\$ 416,610	\$ 407,363

# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period ended September 30, 2004

(Expressed in Canadian Dollars)

(Unaudited)

The assumptions used to estimate the fair value of options granted during the period were:

Risk free interest rate	3%
Weighted average expected life	1.4 years
Vesting period	0–6 months
Weighted average expected volatility	101%
Expected dividends	nil

(d) *Share purchase warrants*

The continuity of share purchase warrants (each warrant exercisable into one common share) for the period ending September 30, 2004 is:

Expiry date	Exercise Price	Mar. 31 2004	Issued	Exercised	Expired/ Cancelled	Sept 30 2004
December 31, 2004	\$ 0.60	8,002,084	–	–	–	8,002,084
March 9, 2005	\$ 0.85	2,000,000	–	–	–	2,000,000
December 31, 2005	\$ 0.34	13,000,000	–	(473,335)	–	12,526,665
		23,002,084	–	(473,335)	–	22,528,749
Weighted average exercise price		\$ 0.47	\$ –	\$ 0.34	\$ –	\$ 0.48

The contractual remaining life of share purchase warrants is 0.82 years.

Subsequent to September 30, 2004, 355,000 share purchase warrants were exercised at \$0.60 and 43,333 were exercised at \$0.34.

(e) *Contributed surplus*

Balance, March 31, 2002	\$ –
Changes during fiscal 2003:	
Non-cash stock-based compensation	5,805
Contributed surplus, March 31, 2003	5,805
Changes during fiscal 2004:	
Non-cash stock-based compensation (note 8(c))	407,363
Contributed surplus, March 31, 2004	413,168
Changes during fiscal 2005	
Non-cash stock-based compensation (note 8(c))	416,610
Contributed surplus, September 30, 2004	\$ 829,778

# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period ended September 30, 2004

(Expressed in Canadian Dollars)

(Unaudited)

## 9. RELATED PARTY BALANCES AND TRANSACTIONS

<b>Balances receivable (payable)</b>	Sept. 30, 2004	March 31, 2004
Hunter Dickinson Inc. (a)	\$ (186,479)	\$ 85,263
Hunter Dickinson Group Inc. (b)	(3,424)	(3,424)
Total	\$ (189,903)	\$ 81,839

<b>Transactions</b>	Six months ended Sept. 30, 2004	Year ended March 31, 2004
Services rendered and expenses reimbursed		
Hunter Dickinson Inc. (a)	\$ 762,816	\$ 502,474
Hunter Dickinson Group Inc. (b)	6,400	12,800
Property acquisitions		
United Mineral Services Ltd. (c)	–	73,929

- (a) Hunter Dickinson Inc. ("HDI") and its wholly-owned subsidiaries are private companies with certain directors in common that provide geological, technical, corporate development, administrative and management services to, and incur third party costs on behalf of, the Company on a full cost recovery basis pursuant to an agreement dated December 31, 1996. Balances receivable from (payable to) Hunter Dickinson Inc. have arisen in the normal course of exploration work on the Company's mineral properties and from the provision of ongoing administrative services.
- (b) Hunter Dickinson Group Inc. ("HDGI") is a private company with certain directors in common that provides consulting services at market rates to the Company.
- (c) United Mineral Services Ltd. ("UMS") is a private company owned by a director. During the year ended March 31, 2004, the Company acquired the 2,000 hectare RAD claims by paying the \$8,000 staking cost which had been paid for by UMS and acquired the Buck claims by paying \$65,929, the cost of staking the property and line cutting (note 6(a)).

## 10. INCOME TAXES

As of March 31, 2004, the Company had approximately \$1.6 million (2003 - \$2.0 million) in non-capital losses and approximately \$1.55 million (2003 - \$2.0 million) in capital losses for Canadian tax purposes available to reduce taxable income in future years. These non-capital losses expire in various periods ranging from 2010 to 2011. Future tax benefits, if any, resulting from the application of these losses have not been reflected in these financial statements, as it cannot be considered more likely than not that they will be realized.

# **AMARC RESOURCES LTD.**

Notes to the Consolidated Financial Statements

For the period ended September 30, 2004

(Expressed in Canadian Dollars)

(Unaudited)

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## **11. COMMITMENTS**

At September 30, 2004, the Company is committed to incur prior to December 31, 2004, on a best efforts basis, approximately \$3.8 million in qualifying Canadian exploration expenses, pursuant to a private placement for which flow-through proceeds were received on or before December 31, 2003 and renounced to subscribers as at that date. To September 30, 2004, approximately \$2.1 million had been incurred, and the Company is planning to expend the required remaining balance on or before December 31, 2004.

## **12. SUBSEQUENT EVENTS**

Subsequent to the period end, the Company:

- (a) issued 25,000 common shares pursuant to the exercise of share purchase options (note 8(c)), and
- (b) issued 398,333 common shares pursuant to the exercise of warrants (note 8(d)).

**AMARC RESOURCES LTD.  
SIX MONTHS ENDED SEPTEMBER 30, 2004**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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SIX MONTHS ENDED SEPTEMBER 30, 2004**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**1.1 Date**

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements of Amarc Resources Ltd. ("Amarc", or the "Company") for the period ended September 30, 2004.

This MD&A is prepared as of November 25, 2004. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

**1.2 Overview**

Amarc Resources Ltd. ("Amarc" or the "Company") is a mineral exploration company. In fiscal 2004, the Company assembled a capable and experienced exploration team to focus its efforts toward making major new mineral deposit discoveries in British Columbia. This team continues to assess properties in order to assemble a portfolio of key projects, and plan and implement field surveys on high priority targets.

*GBR Property*

In May 2004, Amarc entered into an option agreement with the Iskut North Syndicate to acquire a 100% interest in the GBR (previously known as Wolverine) property, located on the Golden Bear Road about 40 kilometres northwest of Telegraph Creek, British Columbia.

Amarc can acquire its interest in the property by making staged cash payments, totalling \$225,000, and issuing 450,000 common shares over four years, to the Iskut River Syndicate. The first option payment of \$15,000 and 30,000 shares has been made. The property is also subject to a 2% net smelter royalty ("NSR"), which Amarc, at its option, can purchase for \$2.0 million.

Amarc staked additional claims, bringing the property to 13 contiguous mineral claims covering an area of 6,400 hectares.

Previous exploration activities on the GBR property have identified large copper and gold soil geochemical anomalies. Amarc began a first phase exploration program in June, consisting of geological mapping, approximately 62 line kilometres of geochemical grids and 47 line kilometres of ground (induced polarization and magnetometer) geophysical surveys.

Results of the programs are being reviewed.

**AMARC RESOURCES LTD.  
SIX MONTHS ENDED SEPTEMBER 30, 2004**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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*Spius Creek Property*

In July 2004, the Company entered into an option agreement with two arm's-length parties to acquire a 100% interest in the Spius gold-copper porphyry property. The property is located near the town of Merritt in the Nicola region of south-central British Columbia.

Amarc can acquire a 100% interest in the Spius Creek property by making staged cash payments, totaling \$35,000, and issuing 80,000 common shares over three years. The property is also subject to a 2% NSR, which Amarc, at its option, can purchase for \$2.0 million. The first option payment of 10,000 shares has been made.

Geologic reconnaissance surveys were performed over the property and the results of these surveys are being reviewed.

*Buck Property*

The 4,750-hectare Buck property, located 20 kilometres south of Houston, British Columbia, lies on the west side of a Tertiary volcanic complex in a geological environment permissive for precious metals deposits transitional between porphyry and epithermal systems. Induced polarization surveys have identified two high contrast anomalies.

In July 2004, Amarc entered into an option agreement whereby GMD Resources Ltd. ("GMD") can earn a 50% interest in the Buck claims. To earn its interest, GMD must issue 100,000 units comprised of 100,000 common shares of GMD at a deemed price of \$0.05 per share and 100,000 two-year share purchase warrants, exercisable at \$0.10 per share in the first year and \$0.15 per share in the second year. GMD must also incur exploration expenditures totalling \$500,000 over five years, with a minimum annual expenditure of \$100,000.

*Crystal, Orr, Jim, Hook and Sky Properties*

The Company owns an additional package of five properties, totalling 13,000 hectares, in the Cariboo region of British Columbia. The geological setting consists of Mesozoic Nicola Group volcanic and sedimentary rocks in the vicinity of Triassic and Jurassic intrusive plugs and stocks - a setting known to be prospective for porphyry gold-copper occurrences. The target areas are defined by airborne magnetometer geophysical anomalies. Preliminary ground surveys, consisting of geological mapping, geochemical sampling and geophysical surveys, were carried out in May and June.

Subsequent to the end of the fiscal quarter, reconnaissance drilling was performed on the Orr, Hook and Crystal properties to characterize a number of geophysical anomalies present on the properties. Assay results of core samples are pending at this time.

*Bonanza Property*

Amarc has signed a Letter of Intent to enter into an option agreement with Candorado Operating Co. Ltd. ("Candorado"), an arm's length party, which owns an option to acquire 100% of the Bonanza property

**AMARC RESOURCES LTD.  
SIX MONTHS ENDED SEPTEMBER 30, 2004**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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from the underlying owners, subject to a 2% Net Smelter Royalty that can be purchased for \$2 million. Amarc can acquire 51% of the optionor's position by expending \$125,000 in exploration work. After Amarc earns its 51%, the parties can form a joint venture to fund ongoing exploration of the property. The Joint Venture would be required to pay \$92,500 and 450,000 shares to the underlying owners of the property over the next two years. The share payments would be indexed to the relative JV positions of Amarc and Candorado as well as the share price of Candorado. The obligations of the parties are subject to execution of definitive agreements.

The property is underlain by Triassic Stuhini volcanic and sedimentary rocks. Historical exploration work on a portion of the property comprised soil sampling, magnetic surveys, induced polarization surveys, trenching and 640 metres of diamond drilling. Intermittent copper and gold values were encountered in the historical trenching and drilling. Subsequent to the fiscal quarter, the Company performed soil sampling, magnetometer and induced polarization surveys on the property. Results are pending.

*Witch Property*

During the fiscal quarter, the Company concluded an agreement with an arm's length party to acquire a 100% interest in the Witch porphyry gold-copper property. The property, comprising approximately 4,600 hectares, is located in the Witch Lake/Chuchi Lake region, approximately 80 kilometres north-northwest of Fort St. James, British Columbia.

Exploration work performed by previous owners includes soil sampling, magnetometer surveys, induced polarization surveys, trenching and mapping. Several anomalous areas were outlined, some of which received historical drilling. Anomalous copper values over discontinuous intervals were encountered in the drilling. Prospective areas of the property remain to be tested by geophysics, and untested targets remain to be drilled.

Subsequent to the end of the fiscal quarter, Amarc staked an additional 36,350 hectares in the Witch Lake region, over areas prospective for porphyry gold-copper targets. These prospective areas are being explored using induced polarization and magnetometer techniques and anomalous zones are being drill tested to determine their geologic character.

*Natlan Property*

Subsequent to the fiscal quarter, the Company entered into a Letter of Intent with an arm's length party to enter into an option agreement to acquire the Natlan gold property located near Hazelton in west-central British Columbia. The Letter of Intent proposes that the Company enter into an Agreement to purchase 100% of the claims by making staged payments totalling \$500,000 over 5 years. The purchase is subject to a 2% Net Smelter Royalty that can be purchased by the Company for \$2 million.

The Natlan property is located 25 kilometres northeast of Hazelton, B.C. The property features a gold (and associated indicator elements) geochemical anomaly in an area of Early Jurassic to Late Cretaceous Bowser Lake Group sedimentary rocks, intruded by late Cretaceous Bulkley plutonic rocks. Amarc has performed a soil geochemical survey on the property. Results are pending.

**AMARC RESOURCES LTD.**  
**SIX MONTHS ENDED SEPTEMBER 30, 2004**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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*Other Properties*

The Inde Property is located in Durango State, Mexico. Gold mineralization at Inde occurs in tabular massive sulphide replacement bodies, situated at or near the contact of limestone country rocks and later intrusive rocks. The Company acquired the property in late 2001, and carried out geological mapping and diamond drilling programs in the following year. Although some interesting mineralization was intersected, the drilling mainly encountered stoped-out areas from previous mining.

Amarc owns three of the Inde mineral concessions and two others are held under an option to purchase agreement with Comercializadora y Arrendadora Parral, S.A. de C.V. ("the Parral Concessions"). In the third fiscal quarter of 2004, Amarc optioned the Inde Project to Minera Bugambilias, S.A. de C.V. ("Bugambilias"). Bugambilias can earn up to a 70% interest in the Inde Project by exercising two options. Under the First Option, Bugambilias can earn a 51% interest by incurring \$2.2 million in expenditures on the property within three years, of which \$100,000 must be spent in the first year, a further \$500,000 in the second year and a further \$1.6 million in the third year. Bugambilias must also make option payments on the Parral Concessions to keep the property in good standing for the first year. Alternately, Bugambilias could earn its 51% interest by extinguishing all of the option payments, totaling US\$4 million, on the Parral Concessions. Bugambilias can exercise the Second Option and earn an additional 19% interest in the Inde Project by making a further US\$2 million in expenditures or by having an internationally recognized third party engineering firm complete an industry standard feasibility study on the project within three years, or by extinguishing a 4% net smelter royalty on the Parral Concessions.

Amarc also has a 5% net profits interest ("NPI") in the 46 mineral claims comprising the Ana Property in the Yukon, and a 2.5% NPI in a mineral lease comprising the Mann Lake Property in Saskatchewan. At the present time, the Company has no active exploration programs, nor does it plan to undertake any new programs, on these properties.

*Market Trends*

Copper prices continue to be strong after reaching a 15 year high of US\$1.47 per pound in mid-October, and have averaged US\$1.27 per pound in the year to date. The gold price has also increased, continuing an overall uptrend in 2004. The average gold price for the first six months of 2004 was US\$399 per ounce whereas it has averaged approximately US\$405 per ounce over the year to mid-November.

**AMARC RESOURCES LTD.  
SIX MONTHS ENDED SEPTEMBER 30, 2004**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**1.3 Selected Annual Information**

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and are expressed in Canadian dollars.

	<b>As at March 31 2004</b>	<b>As at March 31 2003</b>	<b>As at March 31 2002</b>
Current assets	\$ 14,053,400	\$ 871,881	\$ 2,467,427
Mineral properties	73,929	-	-
Other assets	60,188	147,225	90,991
<b>Total assets</b>	<b>14,187,517</b>	<b>1,019,106</b>	<b>2,558,418</b>
Current liabilities	182,759	256,001	221,320
Shareholders' equity	14,004,758	763,105	2,337,098
<b>Total shareholders' equity &amp; liabilities</b>	<b>14,187,517</b>	<b>1,019,106</b>	<b>2,558,418</b>
Working capital	13,870,641	615,880	2,246,107
	<b>Year ended March 31 2004</b>	<b>Year ended March 31 2003</b>	<b>Year ended March 31 2002</b>
<b>Expenses</b>			
Conference and travel	\$ 33,404	\$ 12,157	\$ 73,266
Depreciation	17,037	20,750	4,052
Consulting	79,964	73,697	110,971
Exploration	460,252	405,330	3,735,839
Legal, accounting and audit	53,913	158,814	178,908
Office and administration	28,468	107,304	79,820
Salaries and benefits	140,619	272,965	110,766
Shareholder communication	21,495	126,193	20,552
Trust and filing	43,915	11,550	11,843
Foreign exchange loss (gain)	9,621	64,609	(1,580)
Gain on disposal of equipment	-	-	(2,907)
Government grants	-	-	(387,880)
Interest income	(74,590)	(4,963)	(47,032)
Write down of marketable securities	-	581,010	-
Subtotal	814,098	1,829,416	3,886,618
Stock-based compensation	407,363	5,805	-
Loss (gain) on sale of marketable securities	(2,052,596)	19,500	-
<b>Net income (loss) for the period</b>	<b>\$ 831,135</b>	<b>\$ (1,854,721)</b>	<b>\$ (3,886,618)</b>
Basic and diluted income (loss) per share	\$ 0.04	\$ (0.12)	\$ (3.73)
Weighted average number of common shares outstanding	21,421,096	15,170,448	1,041,233

**AMARC RESOURCES LTD.  
SIX MONTHS ENDED SEPTEMBER 30, 2004**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**1.4 Results of Operations**

Expenses in the second quarter of fiscal 2005, excluding stock-based compensation, foreign exchange, and interest increased to \$1,368,725, as compared to \$646,728 in the first quarter of fiscal 2005 and \$90,961 in the second quarter of fiscal 2004. Exploration expenses, excluding stock-based compensation, for the quarter ended September 30, 2004 were \$1,187,470 as compared to \$544,473 for the first quarter of fiscal 2005 and \$12,872 in the second quarter of fiscal 2004.

Exploration costs increased in the second quarter of fiscal 2005 compared to the same quarter of 2004. Under the BC Initiative many properties have been reviewed and followed up by field programs in the second quarter of fiscal 2005, whereas there were no active programs underway during the same quarter in the previous fiscal year. The main exploration expenditure during the quarter was wages for geological work (2005 - \$636,326; 2004 - \$2,232). Other exploration costs were (2005 - \$297,934; 2004 - \$5,864) for site activities and (2005 - \$103,426; 2004 - \$280) for assay and analysis.

Interest income decreased to \$58,566 from \$72,666 in the previous quarter due to a decrease in funds on deposit. This was the result of the increase in exploration spending.

Legal, accounting and audit increased by \$2,740 to \$15,460 from \$12,720 in the previous quarter primarily due to an increase in legal fees associated with property acquisition agreements. Office and administration costs increased by \$3,442 to \$13,286 from \$9,844 in the previous quarter. Salaries and benefits increased by \$28,494 to \$79,286 from \$50,792 in the previous quarter due to increased additional management activities associated with property acquisitions during the quarter. Shareholder communication expenditures increased by \$23,136 to \$35,021 from \$11,885 in the previous quarter.

**AMARC RESOURCES LTD.  
SIX MONTHS ENDED SEPTEMBER 30, 2004**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**1.5 Summary of Quarterly Results**

Expressed in thousands of Canadian dollars, except per-share amounts. Small differences are due to rounding.

	Sep 30 2004	June 30 2004	Mar 31 2004	Dec 31 2003	Sep 30 2003	Jun 30 2003	Mar 31 2003	Dec 31 2002
Current assets	\$ 12,620	\$ 13,647	\$ 14,053	\$ 9,451	\$ 745	\$ 840	\$ 872	\$ 387
Other assets	295	302	134	64	68	73	147	152
<b>Total assets</b>	<b>12,915</b>	<b>13,948</b>	<b>14,188</b>	<b>9,515</b>	<b>813</b>	<b>913</b>	<b>1,019</b>	<b>538</b>
Current liabilities	389	189	183	337	215	220	256	261
Shareholders' equity	12,526	13,759	14,005	9,177	598	693	763	277
<b>Total shareholders' equity and liabilities</b>	<b>12,915</b>	<b>13,948</b>	<b>14,188</b>	<b>9,515</b>	<b>813</b>	<b>913</b>	<b>1,019</b>	<b>538</b>
<b>Working capital</b>	<b>12,231</b>	<b>13,458</b>	<b>13,870</b>	<b>9,114</b>	<b>530</b>	<b>620</b>	<b>616</b>	<b>126</b>
<b>Expenses</b>								
Conference and travel	-	2	4	29	-	-	1	2
Depreciation	4	3	3	5	4	4	4	5
Consulting	17	5	(5)	66	6	12	18	16
Exploration	1,187	544	397	44	13	7	(1,220)	198
Legal, accounting and audit	30	13	26	9	9	10	32	58
Office and administration	13	10	(12)	11	10	20	16	(80)
Salaries and benefits	79	51	36	45	37	22	28	43
Shareholder communication	35	12	14	1	6	1	2	85
Trust and filing	5	6	20	20	5	(1)	4	3
<b>Subtotal</b>	<b>1,370</b>	<b>647</b>	<b>482</b>	<b>231</b>	<b>91</b>	<b>75</b>	<b>(1,114)</b>	<b>330</b>
Foreign exchange loss (gain)	7	(2)	(2)	2	5	5	28	11
Governments grants	-	-	-	-	-	-	-	97
Interest income	(59)	(72)	(61)	(5)	(1)	(8)	-	-
<b>Subtotal</b>	<b>1,318</b>	<b>573</b>	<b>419</b>	<b>228</b>	<b>95</b>	<b>72</b>	<b>(1,086)</b>	<b>438</b>
Stock-based compensation	404	12	407	-	-	-	6	-
Write-down of marketable securities	-	-	-	-	-	-	20	-
Gain on sale of marketable securities	(20)	(46)	(1,698)	(354)	-	(1)	581	-
<b>Net income (loss) for the period</b>	<b>\$ (1,702)</b>	<b>\$ (539)</b>	<b>\$ 872</b>	<b>\$ 126</b>	<b>\$ (95)</b>	<b>\$ (71)</b>	<b>\$ 479</b>	<b>\$ (438)</b>
Basic and diluted net income (loss) per share	\$ (0.04)	\$ (0.01)	\$ 0.04	\$ 0.01	\$ (0.01)	\$ (0.00)	\$ 0.03	\$ (0.03)
Weighted average number of common shares outstanding (thousands)	44,655	44,429	21,421	15,643	15,469	15,469	15,170	15,072

**AMARC RESOURCES LTD.  
SIX MONTHS ENDED SEPTEMBER 30, 2004**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**1.6 Liquidity**

Historically the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements to sophisticated investors and institutions. The Company has issued common share capital in each of the past few years, pursuant to private placement financings and the exercise of warrants and options. The Company's access to exploration financing when the financing is not transaction specific is always uncertain. There can be no assurance of continued access to significant equity funding.

At September 30, 2004, the Company had working capital of approximately \$12.2 million, which is sufficient to fund its known commitments.

The Company has no long term debt, capital lease obligations, operating leases or any other long term obligations.

**1.7 Capital Resources**

The Company has commitments to spend approximately \$3.8 million in qualifying Canadian exploration expenses prior to December 31, 2004, of which approximately \$2.1 million had been expended to September 30, 2004, and the Company is planning to spend the required remaining balance by December 31, 2004.

The Company has no lines of credit or other sources of financing which have been arranged but are as yet unused.

The Company has no "Purchase Obligations" defined as any agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

**1.8 Off-Balance Sheet Arrangements**

None.

**1.9 Transactions with Related Parties**

Pursuant to an agreement dated December 31, 1996, Hunter Dickinson Inc. ("HDI") of Vancouver, British Columbia, a private company with certain directors in common with Amarc, carries out geological, exploration, corporate development, administration, and management services for, and incurs costs with third-party vendors on behalf of, Amarc on a full cost-recovery basis.

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Costs for services rendered and costs incurred on behalf of Amarc by HDI were \$436,900 in the second quarter of fiscal 2005, as compared to \$325,916 in the previous quarter and \$53,362 in the second quarter of fiscal 2004. The variances are due to the Company's increase in exploration activities.

Hunter Dickinson Group Inc. ("HDGI") is a private company with certain directors in common that provides consulting services at market rates to the Company. The Company paid \$3,200 to HDGI in the second quarter of fiscal 2005, comparable to the previous quarter and the second quarter of fiscal 2004 when \$3,200 was also paid.

United Mineral Services Ltd. ("UMS") is a private company owned by a director. During the year ended March 31, 2004, the Company acquired the 2,000 hectare RAD claims by paying the \$8,000 staking cost which had been paid for by UMS and acquired the Buck claims by paying \$65,929, the cost of staking the property and line cutting.

**1.10 Fourth Quarter**

Not applicable

**1.11 Proposed Transactions**

None.

**1.12 Critical Accounting Estimates**

Not required. The Company is a venture issuer.

**1.13 Changes in Accounting Policies including Initial Adoption**

None.

**1.14 Financial Instruments and Other Instruments**

None.

**1.15 Other MD&A Requirements**

**1.15.1 Other MD&A Requirements**

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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**1.15.2 Additional Disclosure for Venture Issuers without Significant Revenue**

(a) capitalized or expensed exploration and development costs;

The required disclosure is presented in the notes to the consolidated financial statements.

(b) expensed research and development costs;

Not applicable.

(c) deferred development costs;

Not applicable.

(d) general and administration expenses; and

The required disclosure is presented in the consolidated statements of operations.

(e) any material costs, whether capitalized, deferred or expensed, not referred to in (a) through (d);

None.

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**1.15.3 Disclosure of Outstanding Share Data**

The following table details the share capital structure as at November 25, 2004, the date of this MD&A. These figures may be subject to minor accounting adjustments prior to presentation in future consolidated financial statements.

	Expiry date	Exercise price	Number	Number
Common shares				45,390,309
Share purchase options	December 20, 2004	\$ 0.18	60,000	
	May 9, 2005	0.17	7,000	
	March 21 2005	0.31	1,945,000	
	March 21, 2005	0.36	25,500	
	March 21, 2005	0.49	73,000	
	March 21, 2006	0.60	<u>2,046,000</u>	4,156,500
Warrants	December 31, 2004	0.60	7,623,751	
	March 9, 2005	0.85	2,000,000	
	December 31, 2005	0.34	<u>12,526,665</u>	22,150,416

Certain of the above-noted warrants are subject to accelerated expiry provisions under certain conditions. Refer to the accompanying financial statements.