

AMARC RESOURCES LTD.  
CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED  
MARCH 31, 2005, 2004 and 2003

(Expressed in Canadian Dollars)

# DE VISSER GRAY

## CHARTERED ACCOUNTANTS

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### AUDITORS' REPORT

To the Shareholders of Amarc Resources Ltd.

We have audited the consolidated balance sheets of Amarc Resources Ltd. as at March 31, 2005 and 2004, and the consolidated statements of operations and deficit and cash flows for each of the years in the three year period ended March 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada and the standards of the Public Company Accounting Oversight Board (United States). 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 March 31, 2005 and 2004 and the results of its operations and cash flows for each of the years in the three year period ended March 31, 2005 in accordance with generally accepted accounting principles in Canada.

### CHARTERED ACCOUNTANTS

Vancouver, British Columbia  
July 18, 2005

# AMARC RESOURCES LTD.

## Consolidated Balance Sheets

(Expressed in Canadian Dollars)

	March 31, 2005	March 31, 2004
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and equivalents	\$ 7,335,379	\$ 13,724,673
Marketable securities (note 4)	290,297	125,000
Amounts receivable and prepaids	262,673	121,888
Balances receivable from related parties (note 8)	–	81,839
	7,888,349	14,053,400
Equipment (note 5)	47,105	60,188
Mineral property interests (note 6)	155,929	73,929
	\$ 8,091,383	\$ 14,187,517
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 777,971	\$ 182,759
Balances payable to related parties (note 8)	93,272	–
	871,243	182,759
<b>Shareholders' equity</b>		
Share capital (note 7(b))	22,387,954	20,638,830
Contributed surplus (note 7(e))	507,065	413,168
Deficit	(15,674,879)	(7,047,240)
	7,220,140	14,004,758
Nature of operations (note 1)		
Commitments (notes 6(a) and 10)		
Subsequent events (notes 6(a) and 12)		
	\$ 8,091,383	\$ 14,187,517

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 and Deficit

(Expressed in Canadian Dollars)

	Years ended March 31,		
	2005	2004	2003
<b>Expenses</b>			
Conference and travel	\$ 5,591	\$ 33,404	\$ 12,157
Amortization	13,083	17,037	20,750
Exploration (schedule)	7,553,950	460,252	405,330
Exploration - stock-based compensation (note 7(c))	213,231	186,935	–
Legal, audit, and accounting	63,521	53,913	158,814
Management and consulting	45,658	79,964	73,697
Office and administration	106,349	28,468	107,304
Salaries and benefits	356,841	140,619	272,965
Shareholder communication	104,308	21,495	126,193
Stock-based compensation (note 7(c))	282,800	220,428	5,805
Trust and filing	23,350	43,915	11,550
	<u>8,768,682</u>	<u>1,286,430</u>	<u>1,194,565</u>
<b>Other items</b>			
Foreign exchange gain (loss)	(8,204)	(9,621)	(64,609)
Gain (loss) on sale of marketable securities	81,554	2,052,596	(19,500)
Write down of mineral property interest (note 6 (a))	(76,000)	–	–
Write down of marketable securities	(6,667)	–	(581,010)
Interest on flow-through shares	(92,502)	–	–
Interest and other	242,862	74,590	4,963
	<u>141,043</u>	<u>2,117,565</u>	<u>(660,156)</u>
<b>Net income (loss) for the year</b>	\$ (8,627,639)	\$ 831,135	\$ (1,854,721)
<b>Deficit, beginning of year</b>	\$ (7,047,240)	\$ (7,878,375)	\$ (6,023,654)
<b>Deficit, end of year</b>	\$ (15,674,879)	\$ (7,047,240)	\$ (7,878,375)
<b>Basic and diluted net income (loss) per share</b>	\$ (0.19)	\$ 0.04	\$ (0.12)
<b>Weighted average number of common shares outstanding</b>	45,168,411	21,421,096	15,170,448

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

# AMARC RESOURCES LTD.

## Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Cash provided by (used in)	Years ended March 31,		
	2005	2004	2003
<b>Operating activities</b>			
Income (loss) for the year	\$ (8,627,639)	\$ 831,135	\$ (1,854,721)
Items not involving cash			
Common shares received	–	–	(1,300,000)
Common shares issued for property fees	174,900	–	53,699
Amortization	13,083	17,037	20,750
(Gain) loss on sale of marketable securities	(81,554)	(2,052,596)	19,500
Stock-based compensation (note 7(c))	496,031	407,363	5,805
Warrants received for option earn-in rights (note 6(b))	(102,000)	–	–
Write down of mineral property interest	76,000	–	–
Write down of marketable securities	6,667	–	581,010
Changes in non-cash working capital items			
Amounts receivable and prepaids	(140,786)	135,094	3,257
Balances receivable from and payable to related parties	175,111	(247,389)	1,344,464
Accounts payable and accrued liabilities	595,213	92,308	(130,869)
	(7,414,974)	(817,048)	(1,257,105)
<b>Investing activities</b>			
Proceeds from sale of marketable securities	146,590	2,657,646	94,440
Acquisition of mineral property interests	(168,000)	(73,929)	–
Purchase of equipment	–	–	(76,984)
Purchase of marketable securities	(125,000)	(125,000)	–
Reclamation deposit	–	70,000	–
	(146,410)	2,528,717	17,456
<b>Financing activities</b>			
Issuance of share capital, net of costs	1,172,090	12,003,155	221,224
	1,172,090	12,003,155	221,224
<b>Increase (decrease) in cash and equivalents</b>	<b>(6,389,294)</b>	<b>13,714,824</b>	<b>(1,018,425)</b>
Cash and equivalents, beginning of year	13,724,673	9,849	1,028,274
<b>Cash and equivalents, end of year</b>	<b>\$ 7,335,379</b>	<b>\$ 13,724,673</b>	<b>\$ 9,849</b>

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

### Supplementary cash flow information:

Interest paid	\$ 92,502	\$ –	\$ –
Non cash financing and investing activities:			
Issuance of common shares for property option fees	174,900	–	53,699
Common shares received from Expatriate Resources Ltd. (note 6(c))	–	–	1,300,000

# AMARC RESOURCES LTD.

## Consolidated Schedules of Exploration Expenses

Years ended March 31, 2005, 2004, and 2003

(Expressed in Canadian Dollars)

	Mexico Inde Property	British Columbia Properties	Manitoba Fox River Property	All Properties Total
<b>Exploration expenses for the year ended March 31, 2005</b>				
Assays and analysis	\$ –	\$ 455,737	\$ –	\$ 455,737
Drilling	–	708,953	–	708,953
Engineering	–	36,809	–	36,809
Environmental	–	7,246	–	7,246
Equipment rental	603	149,258	–	149,861
Freight	–	46,775	–	46,775
Geological	–	3,082,953	–	3,082,953
Graphics	–	73,072	–	73,072
Helicopter	–	674,075	–	674,075
Option earn-in rights (note 6(b))	(102,000)	–	–	(102,000)
Property fees and assessments	–	47,486	–	47,486
Property option payments	–	99,400	–	99,400
Site activities	742	2,105,905	–	2,106,647
Socioeconomic	–	2,210	–	2,210
Travel and accommodation	–	164,726	–	164,726
<b>Incurring during fiscal 2005</b>	<b>(100,655)</b>	<b>7,654,605</b>	<b>–</b>	<b>7,553,950</b>
Cumulative expenditures, March 31, 2004	2,347,416	435,384	1,811,188	4,593,988
<b>Cumulative expenditures, March 31, 2005</b>	<b>\$ 2,246,761</b>	<b>\$ 8,089,989</b>	<b>\$ 1,811,188</b>	<b>\$ 12,147,938</b>

### Exploration expenses for the 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
<b>Incurring during fiscal 2004</b>	<b>24,206</b>	<b>435,384</b>	<b>662</b>	<b>460,252</b>
Cumulative expenditures, March 31, 2003	2,323,210	–	1,810,526	4,133,736
<b>Cumulative expenditures, March 31, 2004</b>	<b>\$ 2,347,416</b>	<b>\$ 435,384</b>	<b>\$ 1,811,188</b>	<b>\$ 4,593,988</b>

### Exploration expenses for the year ended March 31, 2003

Assays and analysis	\$ 51,273	\$ –	\$ 15,582	\$ 66,855
Drilling	467,227	–	170,756	637,983
Engineering	3,940	–	1,140	5,080
Equipment rental	24,588	–	5,756	30,344
Freight	13,071	–	663	13,734
Geological	297,126	–	198,247	495,373
Government grants	–	–	(97,438)	(97,438)
Graphics	29,519	–	1,633	31,152
Helicopter	–	–	70,097	70,097
Option earn-in rights	–	–	(1,300,000)	(1,300,000)
Property fees and assessments	121,301	–	(5,128)	116,173
Property option payments	45,078	–	–	45,078
Site activities	226,417	–	22,973	249,390
Travel and accommodation	34,078	–	7,431	41,509
<b>Incurring during fiscal 2003</b>	<b>1,313,618</b>	<b>–</b>	<b>(908,288)</b>	<b>405,330</b>
Cumulative expenditures, March 31, 2002	1,009,592	–	2,718,814	3,728,406
<b>Cumulative expenditures, March 31, 2003</b>	<b>\$ 2,323,210</b>	<b>\$ –</b>	<b>\$ 1,810,526</b>	<b>\$ 4,133,736</b>

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

# **AMARC RESOURCES LTD.**

Notes to the Consolidated Financial Statements

Years ended March 31, 2005, 2004 and 2003

(Expressed in Canadian Dollars)

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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 acquisition and exploration of mineral properties. Its principal mineral property interests are located in British Columbia.

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 consolidated 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 consolidated 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., both of 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 estimated fair value.

### *(c) Equipment*

Equipment is recorded at cost and is amortized 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

Years ended March 31, 2005, 2004 and 2003

(Expressed in Canadian Dollars)

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(d) *Reclamation deposits*

Reclamation deposits are recorded at cost and are included in amounts receivable and prepaids.

(e) *Mineral property interests*

The acquisition costs of mineral properties are deferred until the properties are placed into production, sold or abandoned. These 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 sold, allowed to lapse or abandoned, or when an impairment has been determined to have occurred. 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 operations 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.

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The Company also records a corresponding asset which is amortized over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost).

The Company also reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

## **AMARC RESOURCES LTD.**

Notes to the Consolidated Financial Statements

Years ended March 31, 2005, 2004 and 2003

(Expressed in Canadian Dollars)

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(f) *Government grants*

Due to the uncertainty of the approval of government grants for which the Company applies, government grants are recorded as and when 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.

(h) *Stock-based compensation*

Pursuant to CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments," the Company commenced recording non-cash stock-based payments to employees using the fair value method on a prospective basis effective April 1, 2003. Prior to April 1, 2003, no compensation cost was required to be recorded for all other non-cash stock-based employee compensation awards. There has been no effect on any prior periods presented.

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.

# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

Years ended March 31, 2005, 2004 and 2003

(Expressed in Canadian Dollars)

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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 amortization 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.

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 amortization, are translated at average exchange rates for the period. Amortization is translated at the same exchange rates as the assets to which it relates. Foreign exchange gains or losses are recognized in the statement of operations.

(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 consolidated financial statements of any of the periods presented.

# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

Years ended March 31, 2005, 2004 and 2003

(Expressed in Canadian Dollars)

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(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.

(m) *Fair value of financial instruments*

The carrying values of cash and equivalents, amounts receivable and prepaids, and accounts payable and accrued liabilities approximate their fair value due to their short term nature. The fair value of balances receivable from related parties is not readily determinable due to the related party nature of these amounts and the absence of a secondary market for such instruments. The Company is not exposed to significant credit risk or interest rate risk.

Warrants received by the Company pursuant to certain private placement and option agreements described in note 4 and note 6 are classified as derivative financial instruments and are recorded on the balance sheet as marketable securities and at estimated fair value. Changes in the fair value of a derivative financial instrument are charged to operations if the instrument does not qualify as a hedge, or to the balance sheet, if it does qualify as a hedge. The Company has not designated any of its warrants as a hedging instrument.

(n) *Comparative figures*

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

# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

Years ended March 31, 2005, 2004 and 2003

(Expressed in Canadian Dollars)

## 4. MARKETABLE SECURITIES

	Number	Book value	Market value
March 31, 2005			
Yukon Zinc Corporation (formerly Expatriate Resources Ltd.) common shares <sup>(1)</sup>	537,000	\$ 163,964	\$ 171,840
Chatworth Resources Inc. (formerly GMD Resources Corp.) common shares (note 6(a))	16,667	3,333	3,583
Chatworth Resources Inc. warrants (note 6(a))	100,000	22,000	22,000
Yukon Zinc Corporation warrants <sup>(1)</sup>	250,000	12,000	12,000
Sydney Resource Corporation warrants (note 6(b))	300,000	89,000	89,000
<b>Total</b>		<b>\$ 290,297</b>	<b>\$ 298,423</b>
March 31, 2004			
Expatriate Resources Ltd. common shares	250,000	\$ 125,000	\$ 112,500
StrataGold Corporation common shares	206,093	–	84,498
<b>Total</b>		<b>\$ 125,000</b>	<b>\$ 196,998</b>

<sup>(1)</sup> On July 21, 2004, the Company subscribed to a private placement in Yukon Zinc Corporation (formerly Expatriate Resources Ltd.) consisting of 500,000 units for total gross proceeds of \$125,000. Each unit consisted of one common share and one-half of one warrant. Each whole warrant is convertible into one common share of Yukon Zinc and expires on July 21, 2005. The gross proceeds of \$125,000 were allocated between the common shares and warrants of Yukon Zinc based on their relative fair values at the date of issuance.

## 5. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value
March 31, 2005			
Automotive	\$ 24,514	\$ 17,195	\$ 7,319
Site equipment	77,551	37,765	39,786
<b>Total</b>	<b>\$ 102,065</b>	<b>\$ 54,960</b>	<b>\$ 47,105</b>
March 31, 2004			
Automotive	\$ 24,514	\$ 14,058	\$ 10,456
Site equipment	77,551	27,819	49,732
<b>Total</b>	<b>\$ 102,065</b>	<b>\$ 41,877</b>	<b>\$ 60,188</b>

# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

Years ended March 31, 2005, 2004 and 2003

(Expressed in Canadian Dollars)

## 6. MINERAL PROPERTY INTERESTS

Property Acquisition Costs	Balance at Mar 31, 2003	Acquired during the year	Balance at Mar 31, 2004	Credited during the year	Written-down during the year	Acquired during the year	Balance at Mar 31, 2005
British Columbia, Canada							
Buck	\$ -	\$ 65,929	\$ 65,929	\$ 10,000	\$ -	\$ -	\$ 55,929
RAD	-	8,000	8,000	-	8,000	-	-
Bob and JMD	-	-	-	-	-	90,000	90,000
Witch	-	-	-	-	-	10,000	10,000
Sitka	-	-	-	-	68,000	68,000	-
Total	\$ -	\$ 73,929	\$ 73,929	\$ 10,000	\$ 76,000	\$ 168,000	\$ 155,929

(a) *British Columbia, Canada*

*Buck Property*

In January 2004, the Company entered into agreements to acquire a 100% interest in the **Buck** mineral property. The 4,750 hectare **Buck** property, located 20 kilometers south of Houston, was acquired from United Mineral Services Ltd., a private company owned by a director of the Company, by reimbursing the \$65,929 cost of staking the property, line cutting to establish a survey grid over it and by performing an induced polarization geophysical survey on the property.

On July 9, 2004, the Company reached an option agreement with **Chatworth Resources Inc.** ("Chatworth") (then, **GMD Resource Corp.**) pursuant to which Chatworth can earn a 50% interest in the Buck project by (i) issuing 100,000 units comprised of 100,000 common shares of Chatworth at a deemed price of \$0.05 per share, (ii) issuing 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, and (iii) incurring exploration expenditures totaling \$500,000 over five years, with a minimum annual expenditure of \$100,000.

Upon acceptance of the option agreement by the TSX Venture Exchange on July 16, 2005, 100,000 common shares and 100,000 warrants of Chatworth were received by the Company. The 100,000 pre-consolidation Chatworth shares with a value of \$5,000 were credited against the acquisition cost of the property. Chatworth subsequently completed a 6-for-1 share consolidation. The fair value of the Chatworth warrants was estimated on the TSX acceptance date at \$5,000 using a Black-Scholes option pricing model, and has been credited against the acquisition cost of the property. Assumptions used in the pricing model include: (i) risk free rate of 3%, (ii) expected volatility of 328%, (iii) an estimated life of 2 years and (iv) an expected dividend rate of nil.

# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

Years ended March 31, 2005, 2004 and 2003

(Expressed in Canadian Dollars)

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## *RAD and Sitka Properties*

In January 2004, the Company entered into agreements to acquire 100% interests in each of the **RAD** and **Sitka** mineral properties. The 2,000 hectare **RAD** property, located 250 kilometers west of Williams Lake, was acquired from United Mineral Services Ltd., a private company owned by a director of the Company, by reimbursing the \$8,000 staking cost. The Company has no current plans to conduct further exploration work on this property. Consequently, the acquisition costs totaling \$8,000 were expensed in the year ended March 31, 2005.

The Company continues to maintain the property in good standing.

The 1,275 hectare **Sitka** Gold property ("Sitka"), located 30 kilometers northeast of Port Hardy, was acquired by the Company for \$20,000 in cash and the issuance of 80,000 common shares of the Company to an arm's length party. During February 2004 to August 2004, the Company conducted technical reviews of the Sitka property. The Company has no current plans to conduct further exploration work on this property and consequently, the acquisition costs totaling \$68,000 were expensed in the year ended March 31, 2005.

The Company continues to maintain the property in good standing.

## *Bob and JMD Properties*

In January 2004, the Company entered into agreements to acquire a 100% interest in the **Bob** and **JMD** mineral properties. The 1,200 hectare **Bob** and the adjacent 100 hectare **JMD** properties, located 80 kilometers west of Quesnel, were acquired by issuing a total of 200,000 common shares of the Company to two arm's length parties. Of these 200,000 common shares, 50,000 are held in reserve until the Company reached a third party joint venture agreement or completed a total of \$250,000 in exploration expenditures.

In November 2004 the Company signed an option agreement with Endurance Gold Corporation ("Endurance Gold"), an arm's length private company, whereby Endurance Gold can acquire a 60% interest in the properties by issuing to the Company 250,000 common shares, and by incurring \$250,000 in exploration work over the next three years. The agreement is conditional upon Endurance Gold becoming a publicly-listed company.

At the end of the option period, the Company and Endurance Gold may enter into a joint venture to develop the property with the Company owning 40% and Endurance Gold owning 60%. The two arm's length parties, from whom the property was acquired, waived the right to the 50,000 common shares held in reserve referred to above.

In January 2005, Endurance Gold staked an additional 2,047 hectares of mineral claims within the area of common interest surrounding the property which now form part of the property and is to the terms of the agreement with Endurance Gold.

# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements  
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## *GBR-Bonanza*

In April 2004, the Company entered into an agreement to acquire the 1,000 hectare **GBR** Property located approximately 70 kilometers northwest of Dease Lake. The Company has the option to acquire a 100% interest in the claims, subject to a net smelter royalty ("NSR") of 2%, by making cash payments totaling \$225,000, of which \$15,000 has been paid, and by issuing 450,000 common shares of the Company, of which 30,000 have been issued. These option payments have been expensed and are presented in the consolidated schedules of exploration expenses under option payments. The Company subsequently staked an additional 28 claims on 5,825 hectares to add to the property within the area of common interest that are now subject to the terms of the agreement.

In October 2004, the Company signed a Letter of Intent to enter into an option agreement with Candorado Operating Co. Ltd. ("Candorado"), which owns an option to acquire 100% of the **Bonanza** property from the underlying owners, subject to a 2% net smelter royalty that can be purchased for \$2 million. The property is located approximately 25 kilometers southeast of the village of Iskut in northwest British Columbia. Pursuant to the Letter of Intent, the Company could have acquired 51% of Candorado's interest by expending \$125,000 in exploration work. After the Company had earned its 51% interest, the parties could have formed a joint venture to undertake ongoing exploration of the property.

In May 2005, the Company terminated the **GBR** and **Bonanza** agreements.

## *Spius Property*

In June 2004, the Company entered into an option agreement with two arm's length parties to acquire a 100% interest in the 1,000 hectare **Spius** gold-copper porphyry property, located near Merritt. The Company can acquire this interest in the Spius property by making staged cash payments totaling \$35,000 and issuing 80,000 common shares over three years (10,000 issued). The property is subject to a 2% NSR, which the Company can, at its option, purchase for \$2 million.

## *Witch Properties*

In September 2004, the Company acquired a 100% interest in the **Witch** porphyry gold-copper property, located in the Witch Lake/Chuchi Lake region, approximately 80 kilometers north-northwest of Fort St. James, for a cash payment of \$10,000. At that time, the property comprised approximately 4,600 hectares and the Company subsequently staked an additional 1,750 hectares contiguous to the property.

During the period September 2004 to January 2005, the Company staked an additional 67,961 hectares in the Witch Lake region.

# AMARC RESOURCES LTD.

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## *Natlan Property*

In October 2004, the Company signed a Letter of Intent to enter into an option agreement to acquire the **Natlan** gold property, located 25 kilometers northeast of Hazelton. In March 2005, a definitive option agreement was entered into by the Company whereby the Company can purchase 100% of the claims by making staged cash payments totaling \$500,000 over five years, of which \$10,000 has been paid and expensed. The property is subject to a 2% NSR which the Company can purchase for \$2 million.

## *Cariboo Properties*

In February and March 2004, the Company staked the 2,000 hectare **Crystal** property, the 2,000 hectare **Orr** property, the 1,125 hectare **Hook** property, the 2,125 **Sky** property and the 2,175 hectare **Jim** property. The Crystal and the Orr properties are located approximately 45 kilometers southeast and 35 kilometers southeast, respectively, of the town of 100 Mile House. The Hook, Sky and Jim properties are located 12 kilometers northeast, 15 kilometers northwest and 6 kilometers northeast, respectively, of the town of Horsefly. Subsequently, the Company added 100 hectares to the Jim property and 2,500 hectares to the Crystal property by staking.

In February 2005, a portion of the Crystal claims was allowed to lapse. Subsequent to March 31, 2005, the remainder of the Crystal claims were allowed to lapse. In March 2005, the Orr claims were allowed to lapse. Subsequent to the year ended March 31, 2005 the **Sky** claims were also allowed to lapse.

In March 2005, the Company signed an agreement with Wildrose Resources Ltd. whereby the **Hook** and **Jim** properties were sold to Wildrose for a nominal sum and a right of first refusal in favor of the Company to enter into an option agreement on Wildrose's **Cowtrail** and **Pat** claims. The Cowtrail and the Pat claims are located near Horsefly, British Columbia.

In November 2004, the Company staked the **Giff**, **Naud** and **Tin** properties, comprising 5,196 hectares, approximately 85 kilometers east of Williams Lake. In February 2005, the Company staked the **Magoro**, **RS**, **Tisdall** and **TKL** properties, comprising a total of 7,462 hectares, also located approximately 85 kilometers east of Williams Lake.

In December 2004, the Company entered into a Letter of Intent whereby it obtained an option to acquire a 100% interest in the 121 hectare **Homestake/Kamad** crown-granted mineral claims, located 65 kilometers northeast of Kamloops, by making staged payments totaling \$135,000 and issuing 200,000 common shares of the Company over a period of 2 years. The property is subject to a 2% NSR which can be purchased by the Company for \$1 million.

In January 2005, a definitive legal agreement was entered into by the parties and the Company made an option payment of 25,000 common shares and \$15,000 at that time.

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In December 2004, the Company entered into a letter agreement with **Eagle Plains Resources Ltd.** ("Eagle Plains") to obtain an option to earn a 60% joint venture interest with Eagle Plains to develop the 5,075 hectare **Acacia** property, which is contiguous with and surrounds the Homestake/Kamad property. The Company can earn its 60% interest by making staged payments totaling \$125,000 (of which \$10,000 was paid in December 2004 and \$15,000 was paid in April 2005, subsequent to the year end), issuances of 350,000 common shares of the Company (of which 25,000 were issued in May 2005, subsequent to the year end), and by expending \$2,500,000 in exploration over the ensuing four years. The Company may increase its interest to 75% by completing a feasibility study. A definitive agreement was entered into subsequent to March 31, 2005.

In January 2005 the Company staked the 5,687 hectare **Pike** property, located approximately 30 kilometers northwest of Princeton.

### *Farm out agreement*

On November 1, 2004 the Company signed an agreement with **Rockwell Ventures Inc.** ("Rockwell"), a company related by certain directors in common, whereby Rockwell was granted the right to earn an interest in each of the **Crystal, Hook, Kal, M2, M3, M5** and **Tsil** properties by incurring \$600,000 in exploration expenditures on these properties by December 31, 2004 (completed).

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

The Inde Property ("the Property") comprises approximately 270 hectares located in Durango State, Mexico, and consists of five mineral concessions, of which three were owned outright by the Company and two were held under option.

In December 2003, and concurrent with an amendment to the underlying option agreement, the Company optioned the Property to Minera Bugambilias, S.A. de C.V. ("Bugambilias"). Bugambilias could have earned up to a 70% interest in the Inde Property by exercising two options and was also required to make all necessary option payments to the underlying property vendor. On October 14, 2004, Bugambilias terminated its option. The Company then terminated its option agreement with the underlying vendor, and pursuant to that agreement also relinquished, to the underlying vendor, the three concessions which it owned. Consequently, the Company has no further interest in the Inde Property.

In January 2004, the Company reached an option agreement with **Sydney Resource Corporation** ("Sydney") pursuant to which Sydney can earn a 51% interest in the Inde project by (i) incurring \$2.2 million in exploration expenses within 3 years and (ii) issuing 300,000 warrants at exercisable at \$0.52 per share until February 4, 2006.

Upon acceptance of the option agreement by the TSX Venture Exchange on April 27, 2004, 300,000 warrants of Sydney were received by the Company. The Sydney warrants were recorded

## **AMARC RESOURCES LTD.**

Notes to the Consolidated Financial Statements

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as a reduction in exploration expenses with an estimated fair value of \$102,000 using the Black-Scholes option pricing model. Assumptions used in this calculation included: (i) risk free rate of 3%, (ii) expected volatility of 131%, (iii) an estimated life of 1.41 years and (iv) an expected dividend rate of nil.

(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 of four Special Exploration Permits located near Thompson, Manitoba, covering approximately 314,000 hectares. The expenditure requirements were to be \$2.5 million per year.

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.

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## 7. SHARE CAPITAL

### (a) Authorized share capital

The Company's authorized share capital consists of an unlimited number (2004 – 100 million, 2003 – 100 million) of common shares without par value.

### (b) Issued and outstanding common shares

	Number of Shares	Amount
Common shares issued:		
<b>Balance at March 31, 2003</b>	<b>15,468,890</b>	<b>\$ 8,635,675</b>
Issued during fiscal 2004		
Options exercised	758,000	318,290
Warrants exercised	4,944,667	2,238,482
Private placement, net of issue costs, October 2003 (i)	13,000,000	3,849,889
Private placement, net of issue costs, December 2003 (ii)	8,002,084	4,189,297
Private placement, net of issue costs, March 2004 (iii)	2,000,000	1,407,197
<b>Balance at March 31, 2004</b>	<b>44,173,641</b>	<b>\$ 20,638,830</b>
Issued during fiscal 2005		
Options exercised	2,123,500	654,090
Bob and JMD property option payment, June 2004	150,000	90,000
GBR property option payment, June 2004	30,000	18,000
Sitka property option payment, June 2004	80,000	48,000
Spius Creek property option payment, July 2004	10,000	5,900
Homestake/Kamad property option payment, January, 2005	25,000	13,000
Warrants exercised	1,145,001	518,000
Contributed surplus transferred on options exercised		402,134
<b>Balance at March 31, 2005</b>	<b>47,737,142</b>	<b>\$ 22,387,954</b>

- (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 warrant 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 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 units 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 redeemable for one common share at a price of \$0.60 until December 31, 2004.

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- (iii) In March 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 redeemable for one common share at a price of \$0.85 until March 9, 2005.

(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 10% of the issued and outstanding shares of the Company at any one time (prior to September 2004, 2,970,000 share purchase options) vesting over up to two years, subject to regulatory terms and approval, to its directors, employees, officers, 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 March 31, 2005 is:

Expiry date	Exercise price	March 31, 2004	Granted	Exercised	Expired/cancelled	March 31, 2005
December 20, 2004	\$0.18	67,000	–	(67,000)	–	–
March 21, 2005	\$0.31	2,033,000	–	(2,013,000)	(20,000)	–
March 21, 2005	\$0.36	25,500	–	(25,500)	–	–
March 21, 2005	\$0.49	73,000	–	(18,000)	(55,000)	–
May 9, 2005	\$0.17	7,000	–	–	–	7,000
March 21, 2006	\$0.60	–	2,046,000	–	(25,000)	2,021,000
Total		2,205,500	2,046,000	(2,123,500)	(100,000)	2,028,000
Weighted average exercise price		\$ 0.31	\$ 0.60	\$ 0.31	\$ 0.48	\$ 0.60

The weighted-average contractual remaining life of share purchase options is 0.97 years.

The continuity of share purchase options for the year ended March 31, 2004 is:

Expiry date	Exercise price	March 31, 2003	Granted	Exercised	Expired/cancelled	March 31, 2004
April 5, 2003	\$0.56	1,200,000	–	–	(1,200,000)	–
January 30, 2004	\$0.48	667,000	–	(513,000)	(154,000)	–
December 20, 2004	\$0.18	97,000	–	(30,000)	–	67,000
March 21, 2005	\$0.31	–	2,253,000	(215,000)	(5,000)	2,033,000
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
Total		1,964,000	2,358,500	(758,000)	(1,359,000)	2,205,500
Weighted average exercise price		\$ 0.51	\$ 0.32	\$ 0.42	\$ 0.55	\$ 0.31

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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:

	Year ended March 31,		
	2005	2004	2003
Exploration			
Engineering	\$ 57,330	\$ 32,130	\$ –
Environmental, socioeconomic and land	(344)	8,682	–
Geological	156,245	146,123	–
	213,231	186,935	–
Office and administration	282,800	220,428	5,805
Total compensation cost recognized in operations, credited to contributed surplus	\$ 496,031	\$ 407,363	\$ 5,805

The assumptions used to estimate the fair value of options granted during the period are as follows:

	Year ended March 31,		
	2005	2004	2003
Risk free interest rate	3%	3%	3%
Weighted average expected life	1.4 years	1.4 years	2.0 years
Vesting period	3-8 months	0-6 months	4-6 months
Weighted average expected volatility	100%	103%	40%
Expected dividends	nil	nil	nil

(d) *Share purchase warrants*

The continuity of share purchase warrants (each warrant redeemable for one common share) for the year ended March 31, 2005 is:

Expiry date	Exercise Price	March 31 2004	Issued	Exercised	Expired/Cancelled	March 31 2005
December 31, 2004	\$ 0.60	8,002,084	–	(495,000)	(7,507,084)	–
March 9, 2005	\$ 0.85	2,000,000	–	–	(2,000,000)	–
December 31, 2005	\$ 0.34	13,000,000	–	(650,001)	–	12,349,999
Total		23,002,084	–	(1,145,001)	(9,507,084)	12,349,999
		\$ 0.47	\$ –	\$ 0.45	\$ 0.65	\$ 0.34
Weighted average exercise price						

The contractual remaining life of share purchase warrants is 0.75 years.

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The continuity of share purchase warrants for the year ended March 31, 2004 is:

Expiry date	Exercise Price	March 31, 2003	Issued	Exercised	Expired/Cancelled	March 31, 2004
December 27, 2003	\$ 0.73	345,710	–	(32,167)	(313,543)	–
December 31, 2003	\$ 0.50	200,000	–	–	(200,000)	–
January 7, 2004	\$ 0.40	2,412,500	–	(2,412,500)	–	–
March 8, 2004	\$ 0.50	2,500,000	–	(2,500,000)	–	–
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	–	–	13,000,000
<b>Total</b>		<b>5,458,210</b>	<b>23,002,084</b>	<b>(4,944,667)</b>	<b>(513,543)</b>	<b>23,002,084</b>
<b>Weighted average exercise price</b>		<b>\$ 0.47</b>	<b>\$ 0.47</b>	<b>\$ 0.45</b>	<b>\$ 0.64</b>	<b>\$ 0.47</b>

(e) *Contributed surplus*

<b>Balance at March 31, 2003</b>	<b>\$ 5,805</b>
Changes during fiscal 2004	
Non-cash stock-based compensation (note 7(c))	407,363
<b>Balance at March 31, 2004</b>	<b>413,168</b>
Changes during fiscal 2005	
Non-cash stock-based compensation (note 7(c))	496,031
Contributed surplus transferred to share capital on options exercised (note 7(a))	(402,134)
<b>Balance at March 31, 2005</b>	<b>\$ 507,065</b>

The components of contributed surplus at March 31, 2005 are:

Cumulative stock-based compensation	909,199
Contributed surplus transferred to share capital upon options exercised	(402,134)
<b>Balance at March 31, 2005</b>	<b>\$ 507,065</b>

# AMARC RESOURCES LTD.

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## 8. RELATED PARTY BALANCES AND TRANSACTIONS

<b>Balances receivable (payable)</b>	March 31, 2005	March 31, 2004
Hunter Dickinson Inc. (a)	\$ (89,848)	\$ 85,263
Hunter Dickinson Group Inc. (b)	(3,424)	(3,424)
<b>Total</b>	<b>\$ (93,272)</b>	<b>\$ 81,839</b>

<b>Transactions</b>	Years ended March 31,		
	2005	2004	2003
Services rendered and expenses reimbursed:			
Hunter Dickinson Inc. (a)	\$ 1,779,538	\$ 502,474	\$ 973,289
Hunter Dickinson Group Inc. (b)	12,780	12,800	20,736
C.E.C Engineering Ltd. (c)	–	–	10,123
Property acquisitions:			
United Mineral Services Ltd. (d)	–	73,929	73,929

- (a) Hunter Dickinson Inc. ("HDI") and its wholly-owned subsidiaries are private companies, owned equally by nine public companies, one of which is the Company, and has certain directors in common with the Company. HDI provides 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 with the Company that provides consulting services at market rates to the Company.
- (c) C.E.C Engineering Ltd. is a private company controlled by a director, that provides engineering and project management services to the Company based on the fair market value of those services.
- (d) United Mineral Services Ltd. ("UMS") is a private company owned by a director of the Company. During the year ended March 31, 2004, the Company acquired the 2,000 hectare RAD claims for \$8,000, which was the staking cost paid by UMS, and the Buck claims for \$65,929, being the cost of staking the property and line cutting (note 6(a)).

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## **9. INCOME TAXES**

As of March 31, 2005, the Company had approximately \$2.5 million (2004 - \$1.9 million) in non-capital losses and \$5.7 million (2004 - \$1.8 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 2006 to 2012. Future tax benefits, if any, resulting from the application of these losses have not been reflected in these consolidated financial statements, as it cannot be considered more likely than not that they will be realized.

## **10. COMMITMENTS**

Pursuant to a flow-through private placement on December 2003, the Company was committed to incur prior to December 31, 2004, on a best efforts basis, approximately \$3.8 million in qualifying Canadian exploration expenses. As at December 31, 2004, the Company had incurred the necessary expenditure and consequently had fulfilled its flow-through obligation.

## **11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

### *(a) Mineral property costs*

The Company's policy of expensing all property costs except where an outright property interest has been acquired results in an accounting treatment for these costs which the Company considers to be materially congruent with US GAAP. Accordingly, the Company considers that no US/Canadian GAAP difference exists with respect to mineral property costs in these consolidated financial statements.

### *(b) Stock-based compensation*

United States Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation", requires that stock-based compensation be accounted for based on a fair value methodology, although in certain instances, it allows the effects to be disclosed in the notes to the consolidated financial statements rather than in the statement of operations. SFAS 123 also allows an entity to continue to measure compensation costs for stock-based compensation plans using the intrinsic value based method of accounting as prescribed by APB Opinion No. 25 ("APB 25"). To March 31, 2002, the Company had elected to measure compensation cost for those plans using APB 25 for US GAAP purposes. There were no material differences in the treatment by the Company with respect to stock based compensation under US and Canadian GAAP for the year ended March 31, 2002.

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United States Statement of Financial Accounting Standards 148 ("SFAS 148"), "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123", permits the Company to adopt a fair value methodology on a prospective basis. Effective April 1, 2002, for US GAAP purposes the Company prospectively adopted the fair value method of accounting for stock-based compensation, a treatment consistent with the accounting treatment used for Canadian GAAP. Accordingly the Company considers there were no material differences in the treatment by the Company with respect to stock based compensation under US and Canadian GAAP for the years ended March 31, 2005, 2004 and 2003.

(c) *Available for sale securities*

US GAAP requires investments in available-for-sale securities to be recorded at fair value in accordance with SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities". Unrealized gains and losses are recorded as other comprehensive income which is a separate component of shareholders' equity, except for declines in fair value that are determined to be other than temporary. These declines in value are charged to the statement of operations, which is consistent with the treatment prescribed under Canadian GAAP for that occurrence.

US GAAP requires the Company to present comprehensive income (loss) in accordance with SFAS 130, "Reporting Comprehensive Income", which establishes standards for the reporting and display of comprehensive income (loss), its components and accumulated balances. Comprehensive income (loss) comprises net income (loss) and all changes to shareholders' equity except those resulting from investments by owners and distributions to owners. Canadian GAAP does not require the presentation of comprehensive income (loss).

For the year ended March 31, 2005, the common shares of Yukon Zinc Corporation ("Yukon Zinc") and Chatworth Resources Inc. ("Chatworth") held by the Company would be considered available-for-sale securities and the Company would have recorded an upward mark-to-market adjustment of \$8,126 related to its investment in common shares of Yukon Zinc and Chatworth.

The warrants held as marketable securities by the Company would be considered derivative financial instruments and would be accounted for under SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", until they are exercised. Once exercised, the common shares received would be considered available-for-sale securities and would be accounted for under SFAS 115. SFAS 133 requires that all derivative financial instruments be recognized in the financial statements and measured at fair value. Changes in the fair value of a derivative financial instrument are charged to operations if the instrument does not qualify as a hedge, or to operations or other comprehensive income, a separate component of shareholders' equity, if it does qualify as a hedge.

For the year ended March 31, 2004, for US GAAP purposes, the common shares of StrataGold Corporation ("StrataGold") and of Expatriate Resources Ltd. ("Expatriate") held by the Company would be considered available-for-sale securities and the Company would have recorded an

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upward mark-to-market adjustment of \$84,498 (year ended March 31, 2003 – \$nil) related to its investment in common shares of StrataGold.

(d) *Summary of effect of differences in Canadian and US GAAP*

The effect of the above differences between Canadian GAAP and US GAAP on the balance sheet and statement of operations and deficit is summarized as follows:

<b>Total assets</b>	<b>2005</b>	<b>2004</b>
Total assets under Canadian GAAP	\$ 8,091,383	\$ 14,187,517
Mark-to-market adjustment (note 13(c))	8,126	84,498
<b>Total assets under US GAAP</b>	<b>\$ 8,099,509</b>	<b>\$ 14,272,015</b>

<b>Loss for the year</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Income (loss) for the year under Canadian GAAP and US GAAP	\$ (8,627,639)	\$ 831,135	\$ (1,854,721)
Other comprehensive income			
Mark-to-market adjustment (note 13(c))	8,126	84,498	–
<b>Comprehensive income (loss)</b>	<b>\$ (8,619,513)</b>	<b>\$ 915,633</b>	<b>\$ (1,854,721)</b>
<b>Comprehensive income (loss) per share</b>	<b>\$ (0.19)</b>	<b>\$ 0.04</b>	<b>\$ (0.12)</b>

<b>Deficit</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Deficit under Canadian GAAP	\$(15,674,879)	\$ (7,047,240)	\$ (7,878,375)
Mark-to-market adjustment (note 13(c))	8,126	84,498	–
<b>Deficit under US GAAP</b>	<b>\$(15,666,753)</b>	<b>\$ (6,962,742)</b>	<b>\$ (7,878,375)</b>

(e) *Impact of recent United States accounting pronouncements:*

- (i) During 2004, FASB issued revised Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" ("SFAS123R"). This amended statement eliminates the alternative to use the intrinsic value method of accounting pursuant to Accounting Principles Board Opinion No. 25 as was provided in the original issue SFAS 123. Accordingly, public entities are required to use the fair value of method of accounting for stock-based compensation and other share-based payments. As disclosed in note 7(c), the Company currently applies a fair value based methodology to stock-based compensation. The adoption of this amended US standard is not expected to result in a significant difference between Canadian GAAP and US GAAP.
- (ii) During 2004, FASB issued SFAS 153 "Exchanges of Non-monetary Assets", which amends Opinion 29 to eliminate the exception for non-monetary exchanges of similar

# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

Years ended March 31, 2005, 2004 and 2003

(Expressed in Canadian Dollars)

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productive assets and replaces it with a general exception for exchanges on non-monetary assets that do not have commercial substance. Adoption of this standard is not expected to have a material effect on the Company's consolidated financial statements.

- (iii) At March 31, 2005, for US GAAP purposes, the Company adopted FIN 46R, "*Consolidation of Variable Interest Entities*". Pursuant to FIN 46R, under US GAAP the Company is required to consolidate variable interest entities ("VIEs"), where the Company is the entity's Primary Beneficiary. VIEs are entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The Primary Beneficiary is the party that has exposure to a majority of the expected losses and/or expected residual returns of the VIE. To March 31, 2005, there has been no impact from the adoption of FIN 46R.

## 12. SUBSEQUENT EVENTS

Subsequent to March 31, 2005, the Company:

- (a) issued 7,000 common shares pursuant to the exercise of share purchase options,
- (b) issued 99,998 common shares pursuant to the exercise of warrants, and
- (c) issued 25,000 common shares pursuant to the exercise of mineral property options on the **Acacia** property (note 6(a)).
- (d) In May 2005, the Company entered into an option agreement with **Taseko Mines Limited** ("Taseko"), a public company with certain directors in common with the Company, to earn a 50% interest in the **Wasp** and **Anvil** projects by incurring \$150,000 of exploration expenditures over a two year period. The Wasp and Anvil projects are located approximately 15 kilometers southeast of Taseko's Prosperity project, which is situated 130 kilometres southwest of Williams Lake.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**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 year ended March 31, 2005.

This MD&A is prepared as of July 25, 2005. 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**

In early fiscal 2004, the Company assembled a capable and experienced mineral exploration team to focus its efforts toward making major new mineral deposit discoveries in British Columbia. This team continues to actively assess properties in order to assemble a portfolio of key projects, and to plan and implement field surveys, including drilling, of high priority targets.

***Property Activities***

***Buck Property***

In January 2004, the Company entered into agreements to acquire a 100% interest in the **Buck** mineral property. The 4,750 hectare **Buck** property, located 20 kilometers south of Houston, was acquired from United Mineral Services Ltd., a private company owned by a director of the Company, by reimbursing the cost of staking the property, line cutting to establish a survey grid over it and by performing an induced polarization geophysical survey on the property.

In July 2004, the Company reached an agreement with **Chatworth Resources Inc.** ("Chatworth") (then, **GMD Resource Corp.**) pursuant to which Chatworth can earn a 50% interest in the Buck claims by (i) 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, and (ii) incurring exploration expenditures totaling \$500,000 over five years, with a minimum annual expenditure of \$100,000.

Upon acceptance of the option agreement by the TSX Venture Exchange on July 16, 2005 (subsequent to the year end), 100,000 common shares and 100,000 warrants of Chatworth were received by the Company. The 100,000 pre-consolidation Chatworth shares with a value of \$5,000 were credited against the acquisition cost of the property. Chatworth subsequently

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completed a 6-for-1 share consolidation. The fair value of the Chatworth warrants was estimated on the TSX acceptance date at \$5,000 and has been credited against the acquisition cost of the property.

Additional work is planned by Chatworth during calendar 2005.

*RAD Property*

In January 2004, the Company entered into agreements to acquire 100% interests in the **RAD** property.

The 2,000 hectare RAD property, located 250 kilometers west of Williams Lake, was acquired from United Mineral Services Ltd., a private company owned by a director of the Company, by reimbursing the staking cost. The geology of the project area comprises Jurassic tuffs and volcanic breccia, Upper Cretaceous andesites and basaltic breccias, and overlying Tertiary basalts and andesites. A geologic reconnaissance performed in 2004 confirmed that a historic induced polarization survey had adequately covered the target area and consequently no further exploration is planned at this time.

The Company continues to maintain the property in good standing.

*Sitka Property*

In January 2004, the Company entered into agreements to acquire 100% interests in the **Sitka** property.

The 1,275 hectare Sitka Gold property ("Sitka"), located 30 kilometers northeast of Port Hardy, was acquired by paying \$20,000 in cash and issuing 80,000 shares of the Company to an arm's length party. The property contains structurally controlled gold bearing quartz veins hosted by a Devonian to Jurassic rocks, enclosed in roof pendant in the Jurassic to Cretaceous Coast Plutonic Complex. The property is presently being held on assessment credits.

The Company continues to maintain the property in good standing.

*Bob and JMD Properties (Nechako Gold Project)*

In January 2004, the Company entered into agreements to acquire a 100% interest in the **Bob** and **JMD** mineral properties. The 1,200 hectare **Bob** and the adjacent 100 hectare **JMD** properties, located 80 kilometers west of Quesnel, were acquired by issuing a total of 200,000 shares of the Company to two arm's length parties. Of these 200,000 shares, 50,000 were to have been held in reserve until the Company reached a third party joint venture agreement or completed a total of \$250,000 in exploration expenditures.

In November 2004 the Company signed an option agreement whereby Endurance Gold Corporation ("Endurance Gold"), an arm's length private company, can acquire a 60% interest in the properties by issuing to the Company 250,000 shares in Endurance Gold Corporation, and by incurring \$250,000 in exploration work over the next three years. The agreement is conditional upon Endurance Gold becoming a publicly-listed company.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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At the end of the option period, the Company and Endurance Gold may enter into a joint venture to develop the property with the Company owning 40% and Endurance Gold owning 60%. The two arm's length parties, from whom the property was acquired, waived the right to the 50,000 shares held in reserve.

In January 2005, Endurance Gold staked an additional 2,047 hectares of mineral claims within the area of common interest surrounding the property. This will form part of the property and be subject to the terms of the agreement with Endurance Gold.

The project has been re-named the **Nechako Gold Project**. The property is underlain by Cretaceous sedimentary rocks. Previous work has identified a large area of epithermal alteration with anomalous gold and gold indicator element mineralization as exhibited from soil and rock chip samples.

Additional work is planned by Endurance Gold during calendar 2005.

*GBR-Bonanza Properties*

In April 2004, the Company entered into an agreement to acquire the 1,000 hectare **GBR** Property located approximately 70 kilometers northwest of Dease Lake on the Golden Bear Road. The Company has the option to acquire a 100% interest in the claims, subject to a net smelter royalty ("NSR"), from the Iskut North Syndicate, an arm's length party, by making cash payments totaling \$225,000, of which \$15,000 has been paid, and by issuing 450,000 shares, of which 30,000 have been issued. The property is also subject to a 2% net smelter royalty ("NSR") which the Company, at its option, can purchase for \$2 million. The Company staked an additional 5,825 hectares in 28 claims to add to the property within an area of common interest that is subject to the terms of the agreement.

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

Results of the programs were reviewed, and deemed not to be sufficiently positive to warrant further exploration on the property by the Company. In March 2005, Amarc notified the Iskut North Syndicate of its intention to terminate the option. Subsequent to March 31, 2005, after filing assessment work on the property, the Company assigned the property back to the Iskut North Syndicate.

In May 2005, the Company terminated the GBR agreement after filing the requisite assessment work with the British Columbia government to keep the claims in good standing. The Company has no further interest in the property.

In October 2004, Amarc signed a Letter of Intent to enter into an option agreement with Candorado Operating Co. Ltd. ("Candorado"), which owns an option to acquire 100% of the **Bonanza** property from the underlying owners, subject to a 2% net smelter royalty that can be

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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purchased for \$2 million. The property is located approximately 25 kilometers southeast of the village of Iskut in northwest British Columbia.

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.

During the quarter ended December 31, 2004, Amarc performed soil sampling, magnetometer and induced polarization surveys on the property. Results of the program were evaluated, and deemed to be not sufficiently positive to warrant further exploration by the Company.

In February 2005, after filing assessment work on the property, Amarc informed Candorado of its decision not to enter into the option agreement. The Company has no further interest in the property.

*Spilus Property*

In June 2004, Amarc entered into an option agreement with two arm's length parties to acquire a 100% interest in the 1,000 hectare **Spilus** gold-copper porphyry property, located near Merritt. The Company can acquire its interest in the Spilus property by making staged cash payments totaling \$35,000 and issuing 80,000 common shares over three years, of which 10,000 shares have been issued. The property is also subject to a 2% NSR, which the Company, at its option, can purchase for \$2 million.

Reconnaissance geologic surveys were performed over the property during 2004. An evaluation of these results has been completed and the results do not warrant further exploration by the Company on this property.

In July 2005, subsequent to the end of the fiscal year, the Company terminated the Spilus agreement and has no further interest in the property.

*Witch Properties*

In September 2004, the Company acquired a 100% interest in the **Witch** porphyry gold-copper property for a cash payment of \$10,000. The property comprises approximately 4,600 hectares and is located in the Witch Lake/Chuchi Lake region, approximately 80 kilometers north-northwest of Fort St. James. Amarc added to the property by staking an additional 1,750 hectares in four claims.

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 had received historical drilling. Anomalous copper values over discontinuous intervals were encountered in the drilling. Prospective areas of the property remained to be tested by geophysics, and untested targets remained to be drilled. These prospective areas are being explored using geophysical techniques, and anomalous zones are being drill tested to determine their geologic character. Characterization drilling is not yet completed.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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During the quarter ended December 31, 2004, Amarc staked an additional 36,350 hectares in the Witch Lake region, over areas prospective for porphyry gold-copper targets. These claims reach to the south of the Mt. Milligan deposit (measured and indicated resource of 408 million tonnes containing 0.18% copper and 0.40 g/t gold – Placer Dome 2003 Annual Report) and comprise the **Chona, Kal, M2, M3, M4, M5, Tsil** and additional **Witch** claims.

In November 2004, the Kal, M2, M3, M4, M5 and Tsil properties became subject to a farm out agreement with Rockwell Ventures Inc., as described below under “Rockwell Agreement.” These claims were surveyed by geophysical techniques, then tested by drilling during the quarter ended March 31, 2005. An evaluation of these results has been completed and the results do not warrant further exploration by the Company.

As of July 5, 2005, Amarc and Rockwell determined that the results did not warrant further work on the M2 claims, and a portion of the claims were allowed to lapse.

During the quarter ended March 31, 2005, Amarc staked an additional 31,611 hectares in the same region (the **Chica**, additional **Chona, Tchent, Wolf** and **Xander** claims). Prospective areas are being explored using geological, geophysical and geochemical techniques. Anomalous zones will be readied for drill testing later in 2005.

*Natlan Property*

In October 2004, Amarc signed a Letter of Intent to enter into an option agreement to acquire the **Natlan** gold property, located 25 kilometers northeast of Hazelton. In March 2005, a definitive option agreement was signed, whereby the Company can purchase 100% of the claims by making staged cash payments totaling \$500,000 over five years, of which \$10,000 has been paid. The property is subject to a 2% NSR which can be purchased by the Company for \$2 million.

The Natlan 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. The Company has performed a soil geochemical survey on the property, and plans further work in 2005.

In October 2004, Amarc staked an additional 1,400 hectares of claims in the area of common interest surrounding the original property that will be included in the terms of the agreement.

*Cariboo Properties*

In February and March 2004, the Company staked the 2,000 hectare **Crystal** Property, the 2,000 hectare **Orr** Property, the 1,125 hectare **Hook** Property, the 2,125 **Sky** Property and the 2,175 hectare **Jim** Property. The Crystal and Orr claims are located approximately 45 kilometers southeast and 35 kilometers southeast, respectively, of the town of 100 Mile House. The Hook, Sky and Jim Properties are located 12 kilometers northeast, 15 kilometers northwest and 6 kilometers northeast, respectively, of the town of Horsefly. Subsequently, Amarc added, by staking, 100 hectares in four claims to the Jim property and 2,500 hectares in five claims to the Crystal property. Exploration work was completed during 2004.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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 of 2004.

In November 2004, the Crystal and Hook properties became the subject to a farm out agreement with Rockwell Ventures Inc., as described below under "Rockwell Agreement."

During the quarter ended December 31, 2004, reconnaissance drilling was performed on the Orr, Hook and Crystal properties to characterize a number of geophysical anomalies present on the properties. An evaluation of these results was completed and Amarc and Rockwell determined that they had no further interest on the Crystal property. Amarc also determined that the results on the Orr property did not warrant further exploration.

In February 2005, a portion of the Crystal property was allowed to lapse. The Orr claims were allowed to lapse during March 2005. Subsequent to the fiscal period ended March 31, 2005, the remainder of the Crystal property and the Sky claims were allowed to lapse.

In March 2005, the Company entered into an agreement with **Wildrose Resources Ltd.**, whereby the Hook and Jim properties were sold to Wildrose for the sum of \$10 and a first right to enter into an option agreement to purchase Wildrose's **Cowtrail** and **Pat** claims. The Cowtrail and the Pat claims are located in the Cariboo region.

In November 2004, the Company staked the **Giff, Naud** and **Tin** properties, comprising 5,196 hectares, to cover regional geophysical targets prospective for porphyry gold-copper-molybdenum deposits in the Cariboo region of British Columbia, approximately 85 kilometers east of Williams Lake. In February 2005, the Company staked the **Magoro, RS, Tisdall** and **TKL** properties, comprising a total of 7,462 hectares, in the same area.

These properties will be explored in 2005 using detailed geophysical techniques and follow-up drilling as warranted.

In January 2005, the Company staked the 5,687 hectare **Pike** property, located approximately 30 kilometres northwest of Princeton. The Pike property is underlain by Jurassic intrusive rocks hosted by Triassic to Jurassic Nicola volcanic rocks. The property is prospective for gold deposits.

Subsequent to the fiscal year ended March 31, 2005, Amarc entered into an option agreement with **Taseko Mines Limited**, a public company with certain directors in common with Amarc, to earn a 50% interest in the **Wasp** and **Anvil** properties. The Wasp and Anvil properties are located approximately 15 kilometres southeast of Taseko's **Prosperity** project, situated 130 kilometres southwest of Williams Lake. Amarc will be the operator and can acquire its interest by incurring \$150,000 of exploration expenditures over a two year period. The Prosperity project hosts a large porphyry gold-copper deposit.

**AMARC RESOURCES LTD.  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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*Rockwell Agreement*

On November 1, 2004 the Company signed an agreement with **Rockwell Ventures Inc.** ("Rockwell"), a public company with certain directors in common with the Company, whereby Rockwell was granted the right to earn an interest in each of the Crystal, Hook, Kal, M2, M3, M5 and Tsil properties by incurring \$600,000 in exploration expenditures on the named properties by December 31, 2004; which Rockwell completed. The Company had the option to buy back Rockwell's interest at any time up to June 30, 2005 (the right of "Call"), by paying a mutually-agreed upon price of at least \$660,000 in cash or the equivalent in Amarc shares. The Company allowed this option to lapse unexercised.

*Max Property*

In December 2004, Amarc entered into a Letter of Intent, whereby it obtained an option to acquire a 100% interest in the 121 hectare **Homestake/Kamad** crown-granted mineral claims located 65 kilometers northeast of Kamloops by issuing 200,000 common shares in stages and making cash payments totaling \$135,000 over a period of 2 years. The agreement includes a 2% net smelter royalty payable from production on the property, which royalty is purchasable by the Company for \$1 million.

In January 2005, a definitive legal agreement was entered into by the parties and pursuant to the agreement, Amarc made the first option payment of 25,000 shares and \$15,000 on January 25, 2005.

The Homestake/Kamad claims are located north of Kamloops, hosts a precious metals rich volcanogenic massive sulphide occurrence containing barite, silver and base metals. The property has been explored intermittently in the past by surface and underground work. Amarc did a first phase of drilling on the property during the period January to March 2005. A total of 13 holes were drilled comprising 2,728 metres. At least two precious metals-rich, volcanogenic massive sulphide horizons containing silver, gold, copper, lead, zinc and barite were intersected. The two sub-parallel mineralized horizons trend northwest and dip at shallow to moderate angles to the northeast. A lower mineralized horizon lies approximately 40 metres below the upper horizon. The thirteen holes have traced the mineralized horizons approximately 300 metres down dip.

In December 2004, the Company signed a letter agreement with Eagle Plains Resources Ltd. ("Eagle Plains") for an option to acquire a 60% joint venture position with Eagle Plains to develop the 5,075 hectare **Acacia** property that is contiguous with and surrounds the Homestake/Kamad property. Amarc can acquire its interest by making staged payments totaling \$125,000 and 350,000 common shares of the Company and by expending \$2,500,000 in exploration and development work over the next four years. Amarc may increase its interest to 75% by carrying the project to feasibility. An initial payment of \$10,000 has been made. A definitive agreement was signed subsequent to March 31, 2005. Amarc is required to spend a minimum of \$100,000 in 2005 to maintain the option.

The Acacia property is underlain by the Paleozoic Eagle Bay Assemblage comprising metamorphosed volcanic and sedimentary rocks, known to host the nearby Samatosum and Rea precious and base metals volcanogenic massive sulphide deposits.

**AMARC RESOURCES LTD.  
YEAR ENDED MARCH 31, 2005**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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During February 200, Amarc staked an additional 3,245 hectares of claims in the area of common interest surrounding the original property that will be included in terms of the agreement.

Amarc plans additional drilling on the Max Property.

*Other Properties*

The Inde Property ("the Property") comprises approximately 270 hectares located in Durango State, Mexico, and consists of five mineral concessions, of which three were owned outright by the Company and two were held under option.

During the quarter ended December 31, 2004, Amarc terminated its option agreement with the underlying vendor, and pursuant to that agreement also relinquished, to the underlying vendor, the three concessions which it owned. Consequently, the Company has no further interest in the Inde Property and subsequent to December 31, 2004, received the necessary legal and environmental releases from the vendor.

The Company also has a 5% net profits interest ("NPI") in the 46 mineral claims comprising the Ana Property in the Yukon Territory, Canada, and a 2.5% NPI in a mineral lease comprising the Mann Lake Property in Saskatchewan. At the present time, the Company has no plans to undertake any programs on these properties.

*Market Trends*

The trading prices of gold and copper have increased over the past two years. The average gold price increased from US\$364/oz in 2003 to US\$410/oz in 2004. The gold price has averaged US\$427/oz to the end of June 2005. Copper averaged US\$0.81/lb in 2003, US\$1.30 in 2004, and has continued to increase in 2005, averaging US\$1.50/lb to the end of June.

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**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 2005</b>	<b>As at March 31 2004</b>	<b>As at March 31 2003</b>
Current assets	\$ 7,888,349	\$ 14,053,400	\$ 871,881
Mineral properties	155,929	73,929	–
Equipment	47,105	60,188	147,225
<b>Total assets</b>	<b>8,091,383</b>	<b>14,187,517</b>	<b>1,019,106</b>
Current liabilities	871,243	182,759	256,001
Shareholders' equity	7,220,140	14,004,758	763,105
<b>Total shareholders' equity &amp; liabilities</b>	<b>8,091,383</b>	<b>14,187,517</b>	<b>1,019,106</b>
<b>Working capital</b>	<b>\$ 7,017,106</b>	<b>\$ 13,870,641</b>	<b>\$ 615,880</b>
	<b>Year ended March 31, 2005</b>	<b>Year ended March 31, 2004</b>	<b>Year ended March 31, 2003</b>
<b>Expenses</b>			
Conference and travel	\$ 5,591	\$ 33,404	\$ 12,157
Depreciation	13,083	17,037	20,750
Consulting	45,658	79,964	73,697
Exploration	7,553,950	460,252	405,330
Legal, accounting and audit	63,521	53,913	158,814
Office and administration	106,349	28,468	107,304
Salaries and benefits	356,841	140,619	272,965
Shareholder communication	104,308	21,495	126,193
Trust and filing	23,350	43,915	11,550
Foreign exchange loss (gain)	8,204	9,621	64,609
Interest on flow-through shares	92,502	–	–
Interest income	(242,862)	(74,590)	(4,963)
Write down of marketable securities	6,667	–	581,010
Write down of mineral property interest	76,000	–	–
<b>Subtotal</b>	<b>8,213,162</b>	<b>814,098</b>	<b>1,829,416</b>
Stock-based compensation	496,031	407,363	5,805
Loss (gain) on sale of marketable securities	(81,554)	(2,052,596)	19,500
<b>Net income (loss) for the year</b>	<b>\$ 8,627,639</b>	<b>\$ 831,135</b>	<b>\$ (1,854,721)</b>
Basic and diluted income (loss) per share	\$ (0.19)	\$ 0.04	\$ (0.12)
Weighted average number of common shares outstanding	45,168,411	21,421,096	15,170,448

**AMARC RESOURCES LTD.  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**1.4 Results of Operations**

*Year ended March 31, 2005 versus year ended March 31, 2004*

The Company had net loss of \$8,627,639 in 2005 compared to net income of \$831,135 in 2004. The loss in 2005 was due to increased exploration expenditures in British Columbia and a smaller gain on the sale of marketable securities compared to 2004. Excluding stock-based compensation and gain on sales of marketable securities, Amarc had a net loss in 2005 of \$8,213,162, compared to a net loss of \$814,098 in 2004.

Exploration expenses for 2005, excluding stock-based compensation, increased to \$7,553,950, from in \$460,252 in 2004, due to an increase in the number of exploration programs being carried out in British Columbia. The major exploration expenditures during the year were geological (2005 – \$3,082,953; 2004 – \$291,248) and site activities (2005 – \$2,106,647; 2004 – \$40,078). The increase in geological expense during the year was due to wages paid for the greatly increased geological and geophysical work. Site activities increased in 2005 due to a higher number of site contractors used in the Company's exploration activities. Other exploration expenses include assays and analysis (2005 – \$455,737; 2004 – \$115,662), drilling (2005 – \$708,953; 2004 – \$nil), and charter air travel (2005 – \$674,075; 2004 – \$2,302). Option payments related to mineral property interests increased to \$99,400 in 2005 from \$nil in 2004.

Administrative costs for 2005 also increased in line with continued mineral property acquisitions and exploration during the year. Legal, accounting and audit increased to \$63,521 in 2005 from \$53,913 in 2004. Office and administration increased to \$106,945 in 2005 from \$28,468 in 2004. Salaries and benefits increased to \$356,841 in 2005 from \$140,619 in 2004. Shareholder communication increased to \$104,308 from \$21,495 in 2004. In contrast, trust and filing decreased to \$23,350 from \$43,915 in 2004 due to non-recurring filing fees paid in 2004, but not in 2005.

Interest income increased to \$242,862 in 2005 from \$74,590 in 2004, reflecting a higher level of the average cash on hand during 2005 as compared to 2004. The Company paid Canadian Part 12.6 tax of \$92,502 on flow-through shares issued in 2004.

The gain on sale of marketable securities was \$81,554 in 2005, a significant decrease in comparison to the gain of \$2,052,596 in 2004. The gain in 2004 resulted mainly from the sale of shares of Expatriate Resources Ltd. The write down of marketable securities in fiscal 2005 totaled \$1,667 (2004 - \$nil). Stock-based compensation increased to \$496,031 in 2005 from \$407,363 in 2004, as a result of an increase in the Company's stock price.

**AMARC RESOURCES LTD.  
YEAR ENDED MARCH 31, 2005**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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*Year ended March 31, 2004 versus year ended March 31, 2003*

The Company had net income for 2004 of \$831,135 compared to a loss of \$1,854,721 in 2003. The increase in income was related primarily to the gain on marketable securities, which totaled \$2,052,596. Excluding this gain and stock based compensation expense of \$407,363, expenses totalled \$814,098 for 2004 as compared to \$1,248,406 for 2003.

The gain on the sale of marketable securities in 2004 was the result of sales of shares of Expatriate Resources Ltd. (\$2,400,273) and StrataGold Corporation (\$260,900). In 2003, there was a write down of marketable securities, totaling \$581,010 relating to the Company's investment in Expatriate Resources Ltd. Stock-based compensation increased to \$407,363 in 2004 from \$5,805 in 2003 because of (i) the increase in the Company's stock price, and (ii) the granting of 2,253,000 options in October 2003. Interest income increased to \$74,590 in 2004 from \$4,963 in 2003 due to greater funds on deposit as a result of the financings undertaken during 2004.

Exploration expenses increased to \$460,252 in 2004 from \$405,330 in 2003 due to increased activity by the Company, particularly during the latter half of fiscal 2004. Of these costs, \$24,206 was incurred on the Inde Property in Mexico (mainly on site activities) and \$436,046 on properties in British Columbia. The main exploration costs were for geological wages (\$287,284) and assays and analysis to assess and acquire BC properties. Most of the costs in 2003 were related to drilling at the Inde Property.

Legal, accounting and audit decreased to \$53,913 in 2004 from \$158,814 in 2003 due to more compliance-related work being done in-house. Office and administration decreased to \$28,468 in 2004 from \$107,304 in 2003 due to decreased activity in the Company. Salaries and benefits decreased to \$140,619 from \$272,965 in 2003 due to a decrease in wages for management attention and staff support. Shareholder communication decreased to \$21,495 in 2004 from \$126,193 in 2003 due to decreased activity by the Company. Trust and filing increased by \$32,365 to \$43,915 from \$11,550 in the previous year due to filing fees paid for the private placements. Foreign exchange loss decreased to \$9,621 in 2004 from \$64,609 in 2003 due to the Company's increased focus in Canada, which allowed the Company to hold less foreign funds.

**AMARC RESOURCES LTD.  
YEAR ENDED MARCH 31, 2005**

**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.

	Mar 31 2005	Dec 31 2004	Sep 30 2004	Jun 30 2004	Mar 31 2004	Dec 31 2003	Sep 30 2003	Jun 30 2003
Current assets	\$ 7,888	\$ 9,933	\$ 12,620	\$ 13,647	\$ 14,054	\$ 9,451	\$ 745	\$ 840
Other assets	203	287	295	302	134	64	68	73
<b>Total assets</b>	<b>8,091</b>	<b>10,220</b>	<b>12,915</b>	<b>13,949</b>	<b>14,188</b>	<b>9,515</b>	<b>813</b>	<b>913</b>
Current liabilities	871	1,109	389	190	183	338	215	220
Shareholders' equity	7,220	9,111	12,526	13,759	14,005	9,177	598	693
<b>Total shareholders' equity and liabilities</b>	<b>8,091</b>	<b>10,220</b>	<b>12,915</b>	<b>13,949</b>	<b>14,188</b>	<b>9,515</b>	<b>813</b>	<b>913</b>
Working capital	7,017	8,824	12,231	13,457	13,871	9,113	530	620
<b>Expenses</b>								
Conference and travel	3	1	–	2	4	29	–	–
Depreciation	3	3	4	3	3	5	5	4
Consulting	12	12	17	5	(5)	67	6	12
Exploration	2,329	3,494	1,187	544	396	44	13	7
Legal, accounting and audit	5	16	30	13	26	9	9	10
Office and administration	44	41	13	10	(12)	10	10	20
Salaries and benefits	150	77	79	51	36	46	37	22
Shareholder communication	26	31	35	12	14	1	6	1
Trust and filing	7	5	5	6	20	20	5	(1)
Subtotal	2,579	3,680	1,370	646	482	231	91	75
Foreign exchange loss (gain)	(1)	4	7	(2)	(2)	2	5	5
Interest income	(47)	(65)	(59)	(72)	(61)	(5)	(1)	(8)
Other	(6)	98	–	–	–	–	–	–
Subtotal	2,525	3,717	1,318	572	419	228	95	72
Stock-based compensation	(8)	88	404	12	407	–	–	–
Write-down of marketable securities	–	2	–	–	–	–	–	–
Write-down mineral property interest	76	–	–	–	–	–	–	–
Unrealized loss on warrants mark-to-market	5	–	–	–	–	–	–	–
Tax refund	(1)	–	–	–	–	–	–	–
Loss (gain) on sale of marketable securities	(41)	25	(20)	(46)	(1,698)	(354)	–	(1)
<b>Net income (loss) for the period</b>	<b>\$ (2,557)</b>	<b>\$ (3,831)</b>	<b>\$ (1,702)</b>	<b>\$ (538)</b>	<b>\$ 872</b>	<b>\$ 126</b>	<b>\$ (95)</b>	<b>\$ (71)</b>
Basic and diluted net income (loss) per share	\$ (0.06)	\$ (0.08)	\$ (0.04)	\$ (0.01)	\$ 0.02	\$ 0.01	\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding (thousands)	46,049	45,344	44,879	44,429	41,002	15,989	15,469	15,469

**AMARC RESOURCES LTD.  
YEAR ENDED MARCH 31, 2005**

**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 March 31, 2005, the Company had working capital of approximately \$7,017,106, 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.

*Operating activities*

Cash used in operating activities increased to \$7,414,978 in 2005, compared to \$817,048 in 2004 and \$1,257,105 in 2003. The increase in cash used in operating activities in 2005 compared to 2004 and 2003 is attributable primarily to Amarc's exploration programs carried out on its British Columbia mineral properties. The Company anticipates continuing to use cash in its operating activities to carry out its exploration programs.

*Investing activities*

Cash used in investing activities was \$146,410 in 2005, compared to cash provided by investing activities of \$2,528,717 in 2004. Cash used in investing activities in 2005 was attributable to acquisitions of \$168,000 in mineral property interests and a subscription to a private placement in Expatriate Resources Ltd. of \$125,000. Cash used in 2005 was partially offset by proceeds received from the sale of marketable securities of \$145,590. Cash generated from investing activities in 2004 was attributable to the sale of common shares of Expatriate Resources Ltd. and StrataGold Corporation.

*Financing activities*

Cash flows from financing activities were \$1,172,090 in 2005, compared to \$12,003,155 in 2004 and \$221,224 in 2003. Cash from financing activities in each year were attributable to common shares and share purchase warrants issued for cash.

Cash from financing activities in 2005 was attributable to the exercise of previously outstanding options and warrants. The previously outstanding warrants had been issued in private placement transactions completed in prior years.

Cash from financing activities in 2004 was attributable to the completion of several private placement financing arrangements.

**AMARC RESOURCES LTD.  
YEAR ENDED MARCH 31, 2005**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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In December 2003, the Company completed a private placement of 13,000,000 units at a price of \$0.30 per unit of which 5,047,000 were flow-through units and 7,953,000 were non flow-through units. Each unit comprised of one common share and one share purchase warrant exercisable to purchase a common share at a price of \$0.34 for a two year period.

In December 2003, the Company also 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 comprised of one common share and one share purchase warrant exercisable to purchase a common share at a price of \$0.60 for a one year period.

In March 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. Each unit comprised of one common share and one share purchase warrant redeemable for one common share at a price of \$0.85 for a one year period.

Cash from financing activities in 2003 included cash from the completion of a private placement of 345,710 units at a price of \$0.60 per unit on August 2002. Each unit comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional common share at a price of \$0.73 until December 2003.

*Requirement of Financing*

Development of any of the Company's mineral properties beyond feasibility will require additional equity and possibly debt financing. As Amarc is an exploration stage company, it does not have revenues from operations and, except for interest income from its cash and cash equivalents, the Company relies on equity funding for its continuing financial liquidity.

## **1.7 Capital Resources**

The Company fulfilled its obligation to spend approximately \$3.8 million in qualifying Canadian exploration expenses prior to 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.

**AMARC RESOURCES LTD.  
YEAR ENDED MARCH 31, 2005**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**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 the Company, 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.

Costs for services rendered and costs incurred on behalf of the Company by HDI were \$1,779,538 in 2005, as compared to \$502,474 in 2004. The increase is due to the Company's increase in exploration activities.

Hunter Dickinson Group Inc. ("HDGI") is a private company with certain directors in common with the Company that provides consulting services at market rates to the Company. The Company paid \$12,780 to HDGI in 2005, compared to \$12,800 in 2004.

United Mineral Services Ltd. ("UMS") is a private company owned by a director of the Company. 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**

The net loss for the fourth quarter of 2005 decreased to \$2,557,000 from \$3,831,000 in the third quarter of the year primarily due to a decrease in exploration activities. The difference between the loss for the fourth quarter of 2005 and a net income of \$872,000 in the fourth quarter of 2004 was due to an increase in the number of exploration programs in British Columbia and a decrease in gains on sale of marketable securities in the fourth quarter of 2005.

Exploration expenses decreased in the fourth quarter of 2005 to \$2,431,000 from \$3,494,000 in the third quarter of the same year due to the timing of exploration, and increased from \$396,000 in the fourth quarter of 2004 due to an increase in the number of exploration programs in 2005.

While other administrative expenses were in line with the third quarter of 2005, legal, accounting and audit decreased by \$11,000 in the fourth quarter of the year to \$5,000 from \$16,000 in the third quarter of 2005 due mainly to timing of expenditures. Overall administrative expenses increased in the fourth quarter of 2005 as compared to the same quarter of 2004 primarily due to increased corporate activities associated with the Company's exploration programs.

Interest income decreased by \$18,000 in the fourth quarter of 2005 to \$47,000 from \$65,000 in the third quarter of the same year, and decreased from \$61,000 in the fourth quarter of 2004, due to decreased cash and cash equivalent balances on hand resulting from the Company's operations.

There was a stock-based compensation recovery of \$8,000 in the fourth quarter of 2005 compared to an expense of \$88,000 in the third quarter of the year, and an expense of \$407,000 in the fourth quarter of fiscal 2004 due to options granted during 2004.

**AMARC RESOURCES LTD.  
YEAR ENDED MARCH 31, 2005**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**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).

**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);

**AMARC RESOURCES LTD.  
YEAR ENDED MARCH 31, 2005**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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None.

**1.15.3 Disclosure of Outstanding Share Data**

The following table details the share capital structure as at June 30, 2005, the date of this MD&A. These figures may be subject to minor accounting adjustments prior to presentation in future consolidated financial statements.

	<u>Expiry date</u>	<u>Exercise price</u>	<u>Number</u>
Common shares			47,869,140
Share purchase options	March 21, 2006	\$ 0.60	4,081,500
Warrants	December 31, 2005	\$ 0.34	12,250,001

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