



COMMERCE RESOURCES CORP.

Management Discussion & Analysis for the year ended October 31, 2005

The following discussion and analysis of the operations, results, and financial position of the Company for the year ended October 31, 2005 should be read in conjunction with the audited financial statements and the related Notes. The effective date of this report is February 28, 2006.

Nature of Business and Overall Performance

Commerce Resources Corp. (the “Company”) is a development stage company engaged in the acquisition and exploration of mineral properties in British Columbia. The Company is currently focusing its exploration activities on tantalum and niobium, and holds an interest in two mineral deposits located in the Kamloops Mining Division of central British Columbia. The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol CCE.

FIR Tantalum/Niobium Property

The Fir property is located in the Kamloops Mining Division of British Columbia, approximately 30 kilometers north of the town of Blue River. The Company acquired a 100% interest in 69 units by staking in early 2000 and therefore is not subject to any underlying royalties.

Previously, the Company had conducted exploration of the property which included sampling, 11 drill holes and detailed metallurgical investigations. The Company has outlined an inferred resource for the Fir property totalling 6.74 million tonnes grading 203.1 gpt Ta₂O₅ and 1,047 gpt Nb₂O₅. The Fir is also host to an indicated resource of 5.65 million tonnes grading 203.1 gpt Ta₂O₅ and 1,047 gpt Nb₂O₅. This resource estimate was prepared in accordance with the requirements of NI 43-101 by the Company’s Qualified Person, Ruben Verzosa, P.Eng., as set out in his technical report dated March 6, 2003 and revised on November 30, 2004.

Exploration Program & Results

On September 6, 2004, the Company announced that it had received results from SGS Lakefield Research Limited (“SGS Lakefield”) of a preliminary investigation of direct acid leaching of its tantalum and niobium gravity concentrate. SGS Lakefield was contracted to conduct a test work program to assess the feasibility of processing the Ta/Nb concentrate from the Fir deposit by hydrometallurgical techniques.

Direct leaching of the gravity concentrate using a hydrochloric acid pre-leach stage produced a concentrate assaying 54.9% Nb₂O₅ and 7.15% Ta₂O₅. This upgraded product responded well to a subsequent hydrofluoric acid and sulphuric acid leach with combined tantalum and niobium in the range 92% to 99%. The test results and summaries were reviewed by the Company’s Qualified Person, Jeff Austin, P.Eng.

In October, 2005, the Company initiated a drill program on the Upper Fir Carbonatite and the Bone Creek Carbonatite. Four HQ core holes were drilled at each. At Bone Creek, two drill holes intersected late anatectic pegmatites that appeared to cross-cut the main mass of carbonatite. The most southerly drill hole, intersected about 9m of carbonatite and remained open to the south. At the Upper Fir Carbonatite, three drill holes were completed from north to south over a strike length of approximately 150m. The Upper Fir Carbonatite remains open to the south and to the east.

Due to the potentially coarse grain size of the pyrochlore and ferrocolumbite mineralization at Fir, the Company utilized the larger diameter drill core to obtain larger samples. Samples have been sent to the Exploration Research Laboratory of Teck-Cominco for analysis.

Future Developments

Management is encouraged by the positive results received to date and will continue to maintain its focus on the development and exploration of the Fir deposit.

VERITY Tantalum/Niobium Property

The Verity property is located in the Kamloops Mining Division of British Columbia, approximately 40 kilometers north of the town of Blue River. The Company acquired a 100% interest in 136 units by staking in early 2000 and therefore is not subject to any underlying royalties.

Prior to the current year, the property has seen detailed exploration including detailed sampling and 35 drill holes. The Company has outlined an inferred resource for the Verity property totaling 3.06 million tonnes grading 196 gpt Ta₂O₅ and 646 gpt Nb₂O₅. This resource estimate was prepared in accordance with the requirements of NI 43-101 by the Company's Qualified Person, James McCrea, P.Geo. as set out in his technical report dated June 12, 2001.

Results of Operations

General and Administrative

Net loss for the year ended October 31, 2005 was \$310,432 compared to a net loss of \$605,618 for the comparative year ended October 31, 2004. This difference is due primarily to a reduction in the interest being paid on the convertible debenture and a decrease in the compensation charge associated with stock based compensation. As well, there were no resource properties written off during the year ended October 31, 2005, as compared to the write down of resource properties for the year ended October 31, 2004 of \$294,946. Administrative expenses for the year ended October 31, 2005 were \$334,133 compared to \$396,677 in the comparative year ended 2004.

Investor Relations

During the year ended October 31, 2005, the Company incurred investor relations charges of \$14,760 compared to nil during the comparative year ended October 31, 2004. The Company currently has no investor relations' agreements, and handles all activities and inquiries in house by office staff.

Selected Annual Information

The following is a summary of the financial data of the Company for the last three completed fiscal year ends:

	Fiscal year ending October 31		
	2005	2004	2003
Total Revenues	Nil	Nil	Nil
Income (loss) from continuing operations	(310,432)	(605,618)	(735,217)
Income from continuing operations (per share)	(0.01)	(0.03)	(0.04)
Income from continuing operations (per share, fully diluted)	N/A	N/A	N/A
Net Income (loss) from continuing operations	(310,432)	(605,618)	(735,217)
Net Income (loss) from continuing operations (per share)	N/A	N/A	N/A
Net income (loss) from continuing operations (per share, fully diluted)	N/A	N/A	N/A

	Fiscal year ending October 31		
	2005	2004	2003
Total Assets	1,281,392	1,135,693	1,328,896
Total long term financial liabilities	Nil	Nil	211,585
Cash dividend declared per share	Nil	Nil	Nil

Summary of Quarterly Results

The following is a summary of the results from the eight previously completed financial quarters:

	October 31, 2005	July 31, 2005	April 30, 2005	January 31, 2005	October 31, 2004	July 31, 2004	April 30, 2004	January 30, 2004
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) before discontinued and extraordinary items (Total)	(64,430)	(78,683)	(66,119)	(101,200)	(529,879)	(33,370)	(17,536)	(24,833)
Basic and diluted loss before discontinued and extraordinary items (Per share)	(0.01)	0.00	0.00	0.00	(0.03)	0.00	0.00	0.00
Net income (loss) (total)	(64,430)	(78,683)	(66,119)	(101,200)	(529,879)	(33,370)	(17,536)	(24,833)
Basic and diluted net loss (per share)	(0.01)	0.00	0.00	0.00	(0.03)	0.00	0.00	0.00

Liquidity and Solvency

The Company has total assets of \$1,281,392. The primary assets of the Company are deferred resource property costs of \$1,115,628 and marketable securities carried at \$53,352. The Company has no long-term liabilities and a working capital surplus of \$1,031.

Capital Resources

The Company has no specific work commitments on its resource properties but, as discussed in Section 1.2 above, will continue to perform exploration work on its Fir property.

Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

Transactions with Related Parties

The Company incurred charges with directors of the Company and a company with a common director as follows:

	Year ended October 31, 2005	Year ended October 31, 2004
Administration fees	\$ 25,200	\$ 25,200
Consulting fees	4,149	9,288
Deferred exploration and development costs	5,505	16,676
Rent	14,000	12,000
Wages and benefits	91,494	83,257
	<u>\$ 140,348</u>	<u>\$ 146,421</u>

Financial Instruments and Other Instruments

The carrying value of the Company's financial instruments, consisting of cash, marketable securities, advances receivable and accounts payable approximate their fair values due to the short maturity of such instruments. The fair market value of due from related parties is also assumed to approximate their carrying amount. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Other MD&A Requirements

Additional Disclosure for Venture Issuers without Significant Revenue

As the Company has not had significant revenue from operations in either of its last two financial years, the following is a breakdown of the material costs incurred:

	Year ended October 31, 2005	Year ended October 31, 2004
Capitalized or Expensed Exploration and Development Costs	\$ 167,820	\$ 359,505
Expensed Research and Development Costs	-	294,946
Deferred Exploration and Development Costs	167,820	64,559
General and Administration Expenses	334,133	396,677
Any Material Costs (capitalized, deferred or expensed) not referred to above		
- Loss on sale of marketable securities	13,691	1,355
- Write-down of marketable securities	-	16,605
- Foreign exchange loss	-	39,511

Disclosure of Outstanding Share Capital

Authorized: 100,000,000 common shares without par value

Issued:

	Number	Amount
Balance, beginning of the period	21,333,574	\$ 3,055,540
- Issued pursuant to a private placement	1,300,000	\$ 195,000
- Less finders fee	-	(5,250)
- Issued pursuant to the exercise of warrants		
- at \$0.10	1,020,851	\$ 102,085
- at \$0.12	536,000	\$ 64,320
- at \$0.14	103,000	\$ 14,420
- Issued pursuant to the exercise of options		
- at \$0.10	25,000	\$ 2,500
- at \$0.13	20,000	\$ 2,600
- transfer of contributed surplus on exercise of options	-	\$ 3,500
- Issued pursuant to the conversion of the convertible debenture		
- at \$0.12	2,083,333	\$ 250,000
- Issued pursuant to an agreement to issue shares for interest accrued on the convertible debenture		
- at \$0.15	400,000	\$ 60,000
Balance, as at October 31, 2005	26,821,758	\$ 3,744,715

		<u>Number</u>	<u>Amount</u>
Issued pursuant to a private placement			
	- at \$0.12	2,441,000	\$ 292,920
	- at \$0.16	930,950	\$ 148,952
	- at \$0.12	8,135,000	\$ 976,200
- Less finders' fees	- shares	<u>152,416</u>	<u>\$ -</u>
	- cash	<u>-</u>	<u>\$ (17,090)</u>
Balance, as at February 28, 2006		<u>38,481,124</u>	<u>\$ 5,145,697</u>

Commitments:

Stock-based Compensation Plan: The Company has granted employees and directors common share purchase options. These options were granted with an exercise price equal to their fair value on the date of the grant and vest immediately. Options outstanding and exercisable at the year ended October 31, 2005:

<u>Shares</u>	<u>Weighted Average Exercise Price</u>
1,765,000	\$0.12

At July 31, 2005, the Company had 1,765,000 share purchase options outstanding entitling the holders thereof the right to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
500,000	\$0.14	December 29, 2005*
140,000	\$0.13	April 30, 2006
100,000	\$0.20	January 6, 2007
650,000	\$0.10	January 23, 2007
<u>375,000</u>	\$0.10	July 24, 2007
<u>1,765,000</u>		

*These options expired subsequent to October 31, 2005 with none being exercised.

Share Purchase Warrants: As at the year ended October 31, 2005, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
650,000	\$0.25	November 9, 2005*
<u>2,083,333</u>	\$0.12	January 18, 2007
<u>2,733,333</u>		

*These warrants expired subsequent to October 31, 2005 with none being exercised.

Proposed Transactions and Subsequent Events

Subsequent to October 31, 2005, the Company issued 11,659,366 common shares pursuant to the following private placements:

- a) Issued 2,441,000 units at \$0.12 per unit for total proceeds of \$292,920. Each unit consists of one common share and one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for \$0.18 per share for a period of one year.
- b) Issued 930,950 units at \$0.16 per unit for total proceeds of \$148,952. Each unit consists of one flow-through common share and one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for \$0.18 per share for a period of one year. Finders' fees relating to this offering were 102,416 common shares and cash of \$12,090.
- c) Issued 8,135,000 units at \$0.12 per unit for total proceeds of \$976,200. Each unit consists of one common share and one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for \$0.18 per share for a period of one year. A finder's fee relating to this offering was 50,000 common shares and cash of \$5,000.

Additional Information

Additional information about the Company can be found on www.sedar.com.