



COMMERCE RESOURCES CORP.

Management Discussion & Analysis for the first Quarter ended January 31, 2006

The following discussion and analysis of the operations, results, and financial position of the Company for the first quarter ended January 31, 2006 should be read in conjunction with the audited financial statements and the related Notes for the year ended October 31, 2005. The effective date of this report is March 27, 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 Blue River, British Columbia. 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. The complete report is available on Sedar at www.sedar.com.

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. Subsequent assay results of the drill core from the Upper Fir revealed the existence of another deposit with similar mineralogy and chemistry to that of the Fir Deposit.

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. The complete report is available on Sedar at www.sedar.com.

Results of Operations

General and Administrative

Net loss for the first quarter ended January 31, 2006 was \$111,428 compared to a net loss of \$101,200 for the comparative quarter ended January 31, 2005. This difference is due primarily to higher costs associated with advertising and promotion (\$20,000) offset by no stock option compensation in this period versus the same period last year (\$10,000).

Investor Relations

During the first quarter ended January 31, 2006, the Company incurred investor relations charges of \$9,630 compared to \$7,020 during the comparative year ended January 31, 2005. The Company currently has no investor relations' agreements, and handles all activities and inquiries in house by office staff.

Summary of Quarterly Results

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

	January 31, 2006	October 31, 2005	July 31, 2005	April 30, 2005	January 31, 2005	October 31, 2004	July 31, 2004	April 30, 2004
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) before discontinued and extraordinary items (Total)	(111,428)	(64,430)	(78,683)	(66,119)	(101,200)	(529,879)	(33,370)	(17,536)
Basic and diluted loss before discontinued and extraordinary items (Per share)	(0.00)	(0.01)	0.00	0.00	0.00	(0.03)	0.00	0.00
Net income (loss) (total)	(111,428)	(64,430)	(78,683)	(66,119)	(101,200)	(529,879)	(33,370)	(17,536)
Basic and diluted net loss (per share)	(0.00)	(0.01)	0.00	0.00	0.00	(0.03)	0.00	0.00

Liquidity and Solvency

The Company has total assets of \$2,293,652. The primary assets of the Company are deferred resource property costs of \$1,120,628 and current assets carried at \$1,111,549. The Company has no long-term liabilities and a working capital of \$1,091,549.

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:

	First Quarter ended January 31, 2006	Year ended October 31, 2005
Administration fees	\$ 6,000	\$ 25,200
Consulting fees	-	4,149
Deferred exploration and development costs	-	5,505
Office	4,000	-
Rent	8,000	14,000
Wages and benefits	28,000	91,494
	<u>\$ 46,000</u>	<u>\$ 140,348</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 to/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:

	First Quarter ended January 31, 2006	Year ended October 31, 2005
Capitalized or Expensed Exploration and Development Costs	5,000	167,820
Deferred Exploration and Development Costs	-	167,820
General and Administration Expenses	111,428	334,133
Any Material Costs (capitalized, deferred or expensed) not referred to above		
- Loss on sale of equity investments	-	13,691

Disclosure of Outstanding Share Capital

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

Issued:

	<u>Number</u>	<u>Amount</u>
Balance, as at October 31, 2005	26,821,758	\$ 3,744,715
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
Issued pursuant to finders' fees		
- at \$0.12	152,416	\$ 18,290
Finders' fees		
- at \$0.12		\$ (18,290)
- Cash		\$ (12,090)
Balance, as at January 31, 2006	<u>38,481,124</u>	<u>\$ 5,150,697</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 first quarter ended January 31, 2006:

<u>Shares</u>	<u>Weighted Average Exercise Price</u>
1,265,000	\$0.11

At January 31, 2006, the Company had 1,265,000 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>
140,000	\$0.13	April 30, 2006
100,000	\$0.20	January 6, 2007
<u>1,025,000</u>	\$0.10	January 23, 2007
<u>1,265,000</u>		

Share Purchase Warrants: As at January 31, 2006, 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>
3,371,950	\$0.18	November 25, 2006
535,000	\$0.18	December 6, 2006
7,600,000	\$0.18	December 20, 2006
<u>2,083,333</u>	\$0.12	January 18, 2007
<u>13,590,283</u>		

Proposed Transactions and Subsequent Events

Subsequent to January 31, 2006, the Company announced that it had formed an advisory board to assist management with the development of its Blue River Tantalum/Niobium Project. The initial members of the board are Mr. Charles Pitcher, P.Eng and Mr. Jeffrey Austin, P.Eng.

As well, subsequent to January 31, 2006, the Company granted an additional 2,485,000 incentive stock options as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
750,000	\$0.15	February 6, 2011
810,000	\$0.18	February 20, 2011
425,000	\$0.21	February 20, 2011
<u>500,000</u>	\$0.30	March 15, 2011
<u>2,485,000</u>		

Additional Information

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