

Management Discussion & Analysis for the third Quarter ended July 31, 2006

The following discussion and analysis of the operations, results, and financial position of the Company for the third quarter ended July 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 September 15, 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 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

Based on the results of the 2005 drilling and upon historic work, the Company has planned a bulk sample program for the 2006 summer exploration season. The Company anticipates collecting and processing an approximate 10,000-tonne to 20,000-tonne bulk sample from the Upper Fir carbonatite. This work program is warranted by the need to repeat, on a commercial-sized sample, the metallurgical work completed by SGS Lakefield (2004) concluding that the carbonatite host rock gives the Company a higher recovery rate (83-91%) than the industry standard (55%), and lower-than-industry-average hydrometallurgical costs.

A soil geochemical survey and radiometric survey was completed in May, 2006, over the presumed extensions to the Upper Fir and Bone Creek showings. Based on favourable results, the extensions to these carbonatites will be verified by trenching and diamond drilling. Following receipt of the applicable permitting, the commercial bulk sample will then be taken from the known outcrops within the vicinity of the Upper Fir carbonatite.

The sampled material will be pre-concentrated on-site, by crushing and gravity separation, and upgraded by flotation to approximately 60% combined Ta-Nb under the supervision of Jeff Austin, PEng (International Metallurgical Consulting). The concentrated material will then be shipped to processing facilities of potential industry partners including Fogang Jiata Metals (China) and NAC Kazatomprom/Ulba metallurgical plant (Kazakhstan). The Company expects to receive full-scale operating cost data from these major processors. These commercial-size results will be fundamental to the completion of a prefeasibility study.

The results of the 2005 drilling demonstrated that the grade and tenor of the mineralization at the Upper Fir carbonatite is comparable with that previously encountered at the Fir carbonatite. At the Upper Fir carbonatite, mineralized intercepts varied from 8.75 metres to 17 metres, over a strike length of about 250 metres. As the 2005 holes were vertical and the carbonatites are near flat lying, drill intersections represent approximately true thickness. The deposit remains open in all directions.

In July, 2006, the Company announced that it had retained the services of Gartner Lee Ltd. to initiate preliminary baseline data compilation and scoping for the regulatory approvals required for the project. Environmental field programs will be conducted and include water sampling, fisheries work, and preliminary soil and vegetation surveys. This work will coincide with the trenching and drilling scheduled in the continuing work program.

Prior soil geochemical programs have shown an extensive soil geochemical anomaly, presumably associated with the Upper Fir carbonatite. This anomaly is currently being trenched, in five separate locations. Initial results have confirmed the presence of carbonatite in trenches and in outcrop.

Results to Date

On August 10, 2006, the Company announced that their exploration program had led to the discovery of an extensive outcropping of carbonatite, proximal to the Upper Fir carbonatite. The outcrop was discovered using information from the current trenching and drill program; it has been traced intermittently for 90 metres along strike and approximately 30 metres in height. It is within 150 metres down-slope from the current drill holes.

As part of the Company's exploration program, three drill holes were completed along strike to the south of the 2005 drilling at the Upper Fir carbonatite. The drill holes intersected between 44.57 and 78.17 metres of carbonatite, which are substantially greater than those obtained in 2005. The 2005 thickness ranged from 8.77 to 16.79 metres. The Upper Fir carbonatite has now been intersected in six drill holes along a strike length of more than 325 metres with thicknesses ranging from 8.77 to 78.17 metres.

The 2006 exploration program is continuing and will include additional reconnaissance mapping, stream sediment sampling, soil geochemical surveys, trenching and diamond drilling. The objectives of the exploration program are to collect sufficient information from the Upper Fir carbonatite to complete a resource estimate and to explore for new occurrences of carbonatite within the region.

Results to date from the 2006 exploration are as follows:

- 2 the identification of a most suitable site at the Upper Fir where the extraction of a commercial bulk sample of 10,000 tonnes or more can be collected. The permitting process for the bulk sample is currently under way;

- ? the sampling of the Switch Creek carbonatite. Drilling will commence at this location later in the program; and
- ? the sampling and mapping of the Gum Creek carbonatite, which has previous historic assays of 3,211 grams per tonne (g/t) Nb₂O₅, 75 g/t Ta₂O₅ and with highly enriched light rare earth elements (Lanthanum (La) is 1,905 parts per million (ppm); Cerium (Ce) is 2,666 ppm). A recent examination of this carbonatite has shown it to have a potential strike length of several hundred metres.

On September 6, 2006, the Company announced that their exploration program has continued to expand the size of the Upper Fir carbonatite. The continuing drill program has intersected carbonatite over a north-south strike length exceeding 450 metres. Total thicknesses in the 11 holes completed during 2006 vary from 12.53 to 105.87 metres. Drilling is continuing. In addition, a program of trenching has been completed. All trenches are located within 150 metres to the west of the drilling; resulting in the discovery of several new exposures of carbonatite. Based on the exploration to date, the Upper Fir carbonatite remains open to the north, east and south.

Advisory Board

In February, 2006, the Company formed an advisory board to assist management with the development of the Blue River Tantalum/Niobium Project. In August, the Company announced that Alexander Gagarin and Mark Reynolds would be joining Charles Pitcher, P.Eng and Jeffrey Austin, P.Eng. on the advisory board:

Mr. Gagarin will actively participate in the metallurgical investigations, lab work, analysis and reporting. In addition, he will play a key role in the processing of the company's commercial bulk sample to end products. Mr. Gagarin is a first deputy director general, chief engineer, of NAC KazAtomProm's tantalum division, Ulba metallurgical plant JSC and is responsible for the strategic development, marketing and production of Ulba's tantalum, niobium and beryllium end products. Mr. Gagarin is a graduate of the Moscow Institute of Chemical Technology, with a specialization in the chemical technology of materials for electronics.

Mr. Reynolds, of Mineral Development Advisory Group Inc. (MinDev), has over 20 years experience in mining and finance, having worked as an investment adviser concentrating his activities on the financing and development of numerous natural resource companies including Western Canadian Coal Corp. (TSX: WTN) and Niko Resources Ltd. (TSX: NKO). MinDev is a consultancy group focused on exploration projects requiring advanced geological, engineering, environmental and financial services to develop assets through to feasibility and production.

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.

AU Property

In February, 2006, the Company completed a property option and joint operation agreement on its historic gold and copper targets known as the Au Claims with Victory Resources Corp. (VR - TSX Venture) ("Victory"). The Company and a third party have granted Victory an option to acquire, subject to an underlying 2% net smelter return royalty, up to an undivided 70% interest in and to certain mineral property interests comprised of two claim blocks (104 units totalling 2,600 hectares) which are located in the Nicola Mining Division approximately 30 kilometres east of Merritt, British Columbia (collectively, the "Property").

In accordance with the terms of the Option Agreement, and in order to exercise its Option to acquire up to an initial 50% undivided interest in and to the mineral interests comprising the Property, Victory is required to:

- (a) Cash payments: pay to the Optionors cash payments in the aggregate of \$20,000 in the following manner: (i) \$10,000 within two business days of the execution of the Option Agreement (paid); and (ii) \$10,000 on or before March 1, 2006 (paid);
- (b) Share issuances: issue to the Optionors a total of up to 200,000 fully paid and non-assessable common shares in the capital of the Company, at a deemed issuance price of \$0.30 per Option Share: (i) 100,000 upon approval of the TSX Venture Exchange (issued), and (ii) the final 100,000 of the Option Shares on or before March 1, 2006 (issued); and
- (c) Expenditure requirements: provide funding of minimum cumulative expenditures for exploration and development work on the mineral interests comprising the Property of at least \$250,000 on or before March 1, 2007.

In addition, and in accordance with the terms of the Option Agreement, once the Company has earned its initial 50% undivided interest in and to the Property as set forth hereinabove, the Company shall have the further option to acquire a further 20% undivided interest in and to the mineral interests comprising the Property by paying to the Optionor, on or before the third anniversary date of the Option Agreement, additional consideration of: (i) \$10,000 in cash; and (ii) 50,000 fully paid and non-assessable common shares in the capital of the Company.

On September 12, 2006, Victory announced that it had nearly completed its phase I exploration program on the Au/Wen and Toe claim groups, consisting of preliminary fieldwork, mobile metal ion soil geochemical surveys and diamond drilling. Based on the results, diamond drilling is proposed to test any significant anomalous zones.

Results of Operations

General and Administrative

Net loss for the third quarter ended July 31, 2006 was \$179,171 compared to a net loss of \$64,493 for the comparative quarter ended July 31, 2005. This difference is due primarily to higher costs associated with advertising and promotion (\$53,094), investor relations (\$40,239) and stock option compensation in this period versus the same period last year (\$22,987).

Investor Relations

During the third quarter ended July 31, 2006, the Company incurred investor relations charges of \$40,239

compared to \$Nil during the comparative quarter ended July 31, 2005. During the quarter ended July 31, 2006, the Company handled all activities and inquiries in house by office staff. AXINO AG was contracted in May, 2006 to provide investor relations services in Germany and other European countries, disseminating investor relations information and creating awareness of the Company in the European financial community.

Summary of Quarterly Results

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

	July 31, 2006	April 30, 2006	January 31, 2006	October 31, 2005	July 31, 2005	April 30, 2005	January 31, 2005	October 31, 2004
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) before discontinued and extraordinary items (Total)	(179,171)	(426,344)	(111,428)	(64,430)	(78,683)	(66,119)	(101,200)	(529,879)
Basic and diluted loss before discontinued and extraordinary items (Per share)	0.01	(0.01)	(0.00)	(0.01)	0.00	0.00	0.00	(0.03)
Net income (loss) (total)	(179,171)	(426,344)	(111,428)	(64,430)	(78,683)	(66,119)	(101,200)	(529,879)
Basic and diluted net loss (per share)	0.01	(0.01)	(0.00)	(0.01)	0.00	0.00	0.00	(0.03)

Liquidity and Solvency

The Company has total assets of \$2,374,564. The primary assets of the Company are deferred resource property costs of \$1,334,409 and current assets carried at \$1,020,005. The Company has no long-term liabilities and a working capital of \$924,521.

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 and Verity properties.

Off Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Transactions with Related Parties

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

	Third Quarter ended July 31, 2006	Second Quarter ended April 30, 2006	First Quarter ended January 31, 2006	Year ended October 31, 2005
Administration fees	\$3,000	\$4,500	\$6,000	\$25,200
Consulting fees	-	-	-	4,149
Deferred exploration and development costs	-	-	-	5,505
Office	2,000	3,000	4,000	-

Rent	4,000	6,000	8,000	14,000
Wages and benefits	<u>14,000</u>	<u>21,000</u>	<u>28,000</u>	<u>91,494</u>
	<u>\$23,000</u>	<u>\$34,500</u>	<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:

	Third Quarter ended July 31, 2006	Year ended October 31, 2005
Capitalized or Expensed Exploration and Development Costs	\$218,781	\$167,820
Deferred Exploration and Development Costs	\$218,781	\$167,820
General and Administration Expenses	\$719,723	\$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, October 31, 2005		26,821,758	\$ 3,744,715
Issued for cash:			
- Private placements	- at \$0.12	10,576,000	1,269,120
- Private placement (Flow Through)	- at \$0.16	930,950	148,952
- Exercise of warrants	- at \$0.18	486,000	87,480
- Exercise of options	- at \$0.13	140,000	18,200
Less: finders fees		-	(42,090)
Issued for finders fees:			
- Private placements	- at \$0.12	152,416	18,290
Less: finders fees		-	(24,290)
Options (benefit):			10,900
Balance, July 31, 2006		<u>39,107,124</u>	<u>\$ 5,231,277</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 third quarter ended July 31, 2006:

<u>Shares</u>	<u>Weighted Average Exercise Price</u>
3,610,000	\$0.17

At July 31, 2006, the Company had 3,860,000 share purchase options outstanding entitling the holders thereof the right to purchase one common share as follows:

<u>July 31, 2006</u>	<u>October 31, 2005</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	100,000	\$0.20	January 6, 2007
1,025,000	1,025,000	\$0.10	January 23, 2007
250,000	-	\$0.50	June 9, 2008
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>3,860,000</u>	<u>1,765,000</u>		

Share Purchase Warrants: At July 31, 2006, the Company had 13,104,283 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held:

<u>July 31, 2006</u>	<u>October 31, 2005</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
-	650,000	\$0.25	November 9, 2005
2,885,950	-	\$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>	<u>2,083,333</u>	\$0.12	January 18, 2007
<u>13,104,283</u>	<u>2,733,333</u>		

Proposed Transactions and Subsequent Events

Subsequent to the quarter ended July 31, 2006, the Company appointed Alexander Gagarin and Mark Reynolds to the Advisory Board.

The private placement of up to 6,700,000 units at a price of \$0.30 per unit was increased to up to a total of 10,000,000 units. The units will be issued at a price of \$0.30 per unit, for gross proceeds of \$3-million. Each unit will consist of one common share and one non-transferable share purchase warrant entitling the holder to purchase one common share of the company at a price of \$0.45 cents per share for a period of one year from the date of issuance.

Additional Information

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