



COMMERCE RESOURCES CORP.

Management Discussion & Analysis for the Third Quarter ended July 31, 2007

The following is a discussion and analysis of the operations, results, and financial position of the Company for the third quarter ended July 31, 2007. They should be read in conjunction with the audited financial statements and the related Notes for the year ended October 31, 2006, together with the unaudited financial statements and related Notes for the third quarter ended July 31, 2007. The effective date of this report is August 31, 2007.

Nature of Business and Overall Performance

Commerce Resources Corp. (the “Company”) is an exploration stage company engaged in the acquisition, exploration and development of mineral properties. The Company’s primary focus is on its exploration activities with respect to tantalum and niobium, and holds an interest in three mineral deposits located in the Kamloops Mining Division of central British Columbia. On February 26, 2007, the Company also announced that it had staked an additional 79 mineral claims adjacent to the east of Blue River project. The property now measures approximately 25 kilometres east to west by about 20km north to south and encompasses about 500 square km.

The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol CCE as well as the Frankfurt Stock Exchange under the symbol D7H.

The Company is also conducting exploration at its recently acquired Eldor Property located in the Labrador Trough area of Quebec, Canada. The Eldor Property is at a relatively early stage of exploration with historic exploration results indicating considerable potential for carbonatite-hosted niobium and tantalum mineralization.

Blue River Tantalum/Niobium Project

VERITY

The Verity property is located in the Kamloops Mining Division of British Columbia, approximately 40 kilometres 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. 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.

FIR and UPPER FIR

The Fir property is located in the Kamloops Mining Division of British Columbia, approximately 30 kilometres 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. On January 24, 2007, the Company announced that it had entered into an agreement to acquire a 100% interest in three mineral claims adjacent to the Fir claims. Previously, the Company had conducted exploration of the Fir Property which included sampling, 11 drill holes and detailed metallurgical investigations. The Company has outlined an inferred resource for the Fir property totaling 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 revised technical report dated November 30, 2004. The complete report is available on Sedar at www.sedar.com.

The Upper Fir carbonatite is located 1,200m east of the Fir carbonatite and has remained the focus of the recent exploration attention. The results of previous drilling demonstrated that the grade and tenor of the mineralization at the Fir Property's Upper Fir carbonatite was comparable with that previously encountered at the Fir carbonatite. 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.

Exploration Program & Results

Gartner Lee Ltd. was retained in July, 2006, in anticipation of the project entering the regulatory permitting process. Gartner Lee initiated preliminary baseline data compilation and scoping for the approvals required for the project. Under the supervision of Charlotte Mougeot (Calgary, Alta.), the environmental team will work closely with the geological and engineering teams to provide an integrated baseline program using public sources of information and site-specific field programs. To date, environmental field programs have been conducted which included water sampling, fisheries work, and preliminary soil and vegetation surveys.

In December, 2006, the Company announced the results of the 2006 exploration drill program. In total, 21 holes were completed, four during the fall of 2005 and 17 during the summer/fall of 2006. Essentially, 20 of the 21 holes intersected carbonatite host rock and were completed within an area measuring 750m north-south, by 200m east-west. Drilled thickness varied from 8.77m to 95.70m. In some cases, the drilled thickness may exceed the true thickness by 10 to 15%, owing to the interpreted shallow east dip of the carbonatite, and the orientation of the drill holes. Average grades of carbonatite for the 17 holes completed in 2006 range from 147 to 237 grams per tonne Ta₂O₅, and 567 to 1,941 g/t Nb₂O₅.

On March 5, 2007, the Company announced a resource estimate for its Upper Fir Property including the results of the 2006 drill program. The Company has outlined an inferred resource for the Upper Fir property totaling 5.5 million tonnes grading 208.2 gpt Ta₂O₅ and 1,349.9 gpt Nb₂O₅. The Upper Fir is also host to an indicated resource of 8.60 million tonnes grading 208.9 gpt Ta₂O₅ and 1,372.6 gpt Nb₂O₅. This resource estimate was prepared in accordance with the requirements of NI 43-101 by the Company's Qualified Person, John Gorham, P.Geol. The "Technical Report on the Upper Fir Tantalum-Niobium-Bearing Carbonatite" was filed on SEDAR and is posted on the Company's website.

Current Exploration

The Company's 2007 exploration and development program has encountered significant intersections of carbonatite in the first eight drill holes completed at the Upper Fir deposit. To date, carbonatite has been intersected over a north-south strike length exceeding 1,000 metres. Total thicknesses in the eight drill holes completed during 2007 vary from 36 to 99 metres. These step-out holes have the potential to add significant tonnage to the known resources at the Upper Fir carbonatite. Assays are pending for these holes and drilling continues.

In addition to drilling, the 2007 exploration and development program will include a regional exploration program designed to locate and assess new carbonatite bodies within the area. The work will include an aerial radiometric and magnetic survey and a targeted drill program to the east of the Verity deposit (Switch Creek) where high grades of tantalum and niobium have been identified in soil samples.

Eldor Property

In May, 2007, the Company announced that it had acquired by staking and a purchase agreement with Virginia Mines Inc. (TSX: VGQ) (“Virginia”) a 100% interest in the Eldor Carbonatite Complex, located in the Labrador Trough area of Quebec, Canada. Limited historic exploration of the Eldor Carbonatite has shown it to have an elliptical shape with dimensions of 7.75 km by 2.5 km, and with localized, high concentrations of niobium and tantalum. Several grab and channel samples from the carbonatite have ranged from >1% to 11.4% Nb₂O₅, and from >0.01% to 0.21% Ta₂O₅.

The Company entered into an agreement with Virginia to purchase 8 mineral claims covering a portion of the Eldor Carbonatite. The claims are adjacent to the approximately 88 claims staked previously by the Company. In consideration, the Company issued Virginia 710,000 common shares, of which 350,000 may not be traded until at least May 1, 2008, and granted Virginia 290,000 share purchase warrants. The warrants are exercisable for 2 years at a price of \$1.12. Virginia is also entitled to a 1% net smelter royalty. In addition, 5 of the 8 claims acquired are subject to an underlying 5% net profit royalty, which can be bought out for \$500,000.

Commerce is conducting a comprehensive exploration program during the summer of 2007 to confirm the historic mineralization at the property. On July 21, 2007, the Company began soil sampling, magnetic and radiometric surveys, and a program of geologic mapping and sampling. It is anticipated that the exploration program will generate a number of drill-ready targets for the 2008 exploration season.

AU Property

The Company no longer holds an interest in the AU Property.

Carbo Claims

The Carbo Claims, which are located north of Prince George, and cover a series of carbonatite and alkalic intrusions atop Bear Ridge. During 2006-7, the Company conducted a rock and soil sampling, and geophysical surveys. The results have produced highly anomalous concentrations of niobium and rare earth elements in the soil and rock samples. Further exploration is required to ascertain the nature of this mineralization.

Results of Operations

General and Administrative

Net loss for the third quarter ended July 31, 2007 was \$666,051 as compared to a net loss of \$178,499 for the comparative quarter ended July 31, 2006. This difference is due primarily to the increase in stock-based compensation (2007: \$199,694, 2006: \$22,987), administration fees (2007: \$225,000, 2006: \$3,000), an increase in advertising and website fees (2007: \$95,500, 2006: \$41,357), an increase in filing fees and transfer agent fees (2007: \$51,887, 2006: \$5,714) and an increase in investor relations activities (2007: \$77,507, 2006: \$40,239). Generally higher costs reflect an increased marketing campaign and a larger staff to manage the growth. There were no resource properties written off during the quarter ended July 31, 2007 and the Company recorded interest income of \$55,928 during the quarter.

Investor Relations

During the third quarter ended July 31, 2007, the Company incurred investor relations charges of \$77,507 compared to \$40,239 during the comparative quarter ended July 31, 2006. The Company currently has an investor relations' agreement with AXINO AG, a German investor relations firm that handles investor relations activities in Germany and other European countries, as well as with Renmark Financial Communications Inc. All other activities and inquiries are handled internally 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 ended October 31		
	2006	2005	2004
Total Revenues	Nil	Nil	Nil
Income (loss) from continuing operations	(1,408,476)	(310,432)	(605,618)
Income from continuing operations (per share)	(0.03)	(0.01)	(0.03)
Income from continuing operations (per share, fully diluted)	(0.02)	(0.01)	(0.02)
Net Income (loss)	(1,357,654)	(310,432)	(605,618)
Net Income (loss) (per share)	(0.03)	(0.01)	(0.03)
Net income (loss) (per share, fully diluted)	(0.03)	(0.01)	(0.03)
Total Assets	5,714,383	1,281,392	1,135,693
Total long term financial liabilities	Nil	Nil	Nil
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:

	July 31, 2007	April 30, 2007	January 31, 2007	October 31, 2006	July 31, 2006	April 30, 2006	January 31, 2006	October 31, 2005
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) before discontinued and extraordinary items (Total)	(666,051)	(1,613,178)	(164,643)	(641,383)	(178,499)	(426,344)	(111,428)	(64,430)
Basic and diluted loss before discontinued and extraordinary items (Per share)	(0.01)	(0.04)	(0.004)	(0.03)	0.01	(0.01)	(0.00)	(0.01)
Net income (loss) (total)	(666,051)	(1,613,178)	(164,643)	(641,383)	(178,499)	(426,344)	(111,428)	(64,430)
Basic and diluted net loss (per share)	(0.01)	(0.04)	(0.004)	(0.03)	0.01	(0.01)	(0.00)	(0.01)

Liquidity and Solvency

The Company has total assets of \$37,495,180. The primary assets of the Company are deferred resource property costs of \$5,326,697, marketable securities carried at \$77,019 and cash of \$31,467,741. The Company has no long-term liabilities and working capital of \$31,558,821.

Capital Resources

The Company has no specific work commitments on its resource properties but, as discussed above, will continue to perform exploration work on its Blue River and Eldor properties.

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:

	9 months to: <u>July 31, 2007</u>	Year ended <u>October 31, 2006</u>
Administration fees	\$20,000	\$24,300
Deferred exploration and development costs	\$671,167	\$427,715
Office, telephone and miscellaneous	-	\$26,700
Rent	-	\$28,500
Wages and benefits	<u>\$2,000</u>	<u>\$94,250</u>
	<u>\$693,167</u>	<u>\$601,465</u>

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

At July 31, 2007, accounts payable includes \$336,375 (October 31, 2006: \$53,512) due to directors of the Company and to companies with a common director.

Financial Instruments and Other Instruments

The carrying value of the Company's financial instruments, consisting of cash and cash equivalents, marketable securities, amounts receivable, share subscriptions 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:

	Nine months ended <u>July 31, 2007</u>	Year ended <u>October 31, 2006</u>
Capitalized or Expensed Exploration and Development Costs	\$3,204,115	\$1,021,794
General and Administration Expenses	\$2,610,978	\$1,419,901
Gain on sale of marketable securities	\$1,167	-
Gain on sale of mineral properties	\$17,660	-

Disclosure of Outstanding Share Capital

Authorized: unlimited number of common shares without par value

Issued:

	<u>Number</u>	<u>Amount</u>
Balance, October 31, 2006	53,310,351	\$ 9,156,025
Issued for Eldor property:	735,000	1,014,300
Issued for cash:		
– Private placements	- at \$0.32 1,585,625	507,400
	- at \$1.20 18,435,603	22,122,724
Less: finders' fees	211,333	(1,176,381)
– Exercise of warrants	- at \$0.12 2,083,333	250,000
	- at \$0.18 10,195,450	1,835,181

	<u>Number</u>	<u>Amount</u>
	- at \$0.42	146,250 61,425
	- at \$0.45	4,804,915 2,162,212
- Exercise of options	- at \$0.10	600,000 60,000
	- at \$0.15	500,000 75,000
	- at \$0.18	670,000 120,600
	- at \$0.20	100,000 20,000
	- at \$0.21	113,000 23,730
	- at \$0.30	400,000 120,000
	- at \$0.35	135,000 47,250
	- at \$0.40	50,000 20,000
	- at \$0.50	187,500 93,750
Transfer of contributed surplus on exercise of options	-	408,127
Balance, July 31, 2007	<u>94,263,360</u>	<u>\$36,921,343</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, 2007:

<u>Number</u>		<u>Exercise Price</u>	<u>Expiry Date</u>
<u>July 31 2007</u>	<u>October 31 2006</u>		
-	100,000	\$0.20	January 6, 2007
-	300,000	\$0.10	January 23, 2007
-	375,000	\$0.10	July 24, 2007
62,500	250,000	\$0.50	June 9, 2008
250,000	750,000	\$0.15	February 6, 2011
50,000	720,000	\$0.18	February 20, 2011
250,000	363,000	\$0.21	February 20, 2011
500,000	500,000	\$0.30	March 15, 2011
-	135,000	\$0.35	September 14, 2011
100,000	500,000	\$0.30	September 27, 2011
550,000	550,000	\$0.35	September 27, 2011
-	50,000	\$0.40	September 27, 2011
2,000,000	-	\$0.67	March 16, 2012
500,000	-	\$0.55	March 31, 2012
500,000	-	\$0.75	March 31, 2012
550,000	-	\$1.15	April 16, 2012
100,000	-	\$1.25	April 17, 2012
250,000	-	\$1.12	June 6, 2012
<u>5,662,500</u>	<u>4,593,000</u>		

Share Purchase Warrants: As at the quarter ended July 31, 2007, the following share purchase warrants were outstanding, entitling the holder thereof the right to purchase one common share:

<u>July 31, 2007</u>	<u>Number</u> <u>October 31, 2006</u>	<u>Exercise</u> <u>Price</u>	<u>Expiry Date</u>
-	2,230,450	\$0.18	November 25, 2006
-	385,000	\$0.18	December 6, 2006
-	7,600,000	\$0.18	December 20, 2006
-	2,083,333	\$0.12	January 18, 2007
5,112,813	9,517,478	\$0.45	September 25, 2007
3,048,999	3,426,999	\$0.45	October 13, 2007
1,439,375	-	\$0.42	January 9, 2009
3,761,003	-	\$1.50	June 26, 2009
<u>14,674,600</u>	<u>-</u>	<u>\$1.50</u>	<u>July 24, 2009</u>
<u>28,036,790</u>	<u>25,243,260</u>		

Other Convertible Securities: As at the quarter ended July 31, 2007, the following option warrants are outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

<u>July 31, 2007</u>	<u>Number</u> <u>October 31, 2006</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
-	2,250	\$0.45	September 25, 2007
290,000	-	\$1.12	June 19, 2009
<u>290,000</u>	<u>2,250</u>		

(a) 2,250 broker's warrants were exercised at \$0.45 for total proceeds of \$1,013.

Proposed Transactions and Subsequent Events

Subsequent to the quarter ended July 31, 2007, the Company closed the balance of the most recent private placement. A total of 27,287,817 units were issued in all for gross proceeds of \$32,746,181.

Additional Information

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