



COMMERCE RESOURCES CORP.

## **Management Discussion & Analysis for the quarter ended April 30, 2005**

The following discussion and analysis of the operations, results, and financial position of the Company for the three months ended April 30, 2005 should be read in conjunction with the April 30, 2005 interim financial statements and the related Notes. The effective date of this report is June 29, 2005.

### **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.

As at report date, the Company has 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 Ta<sub>2</sub>O<sub>5</sub> and 1,047 gpt Nb<sub>2</sub>O<sub>5</sub>. The Fir is also host to an indicated resource of 5.65 million tonnes grading 203.1 gpt Ta<sub>2</sub>O<sub>5</sub> and 1,047 gpt Nb<sub>2</sub>O<sub>5</sub>. 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% Nb<sub>2</sub>O<sub>5</sub> and 7.15% Ta<sub>2</sub>O<sub>5</sub>. 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.

## *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 Ta<sub>2</sub>O<sub>5</sub> and 646 gpt Nb<sub>2</sub>O<sub>5</sub>. This resource estimate was prepared in accordance with the requirements of NI 43-101 by the Company's Qualified Person, James McCrea, P.Geol. as set out in his technical report dated June 12, 2001.

## **Results of Operations**

### General and Administrative

Net loss for the second quarter ended April 30, 2005 was \$66,119 compared to a net loss of \$17,536 for the comparative quarter ended April 30, 2004. This difference is due primarily to the gain on disposition of resources properties and marketable securities totalling \$64,038 during the quarter ended April 30, 2004. Administrative expenses for this quarter were \$89,536 compared to 78,946 in the comparative quarter ended April 30, 2004, which are normal costs of operating a public company.

### Investor Relations

During the second quarter ended April 30, 2005, the Company incurred investor relations charges of \$1,441 compared to \$Nil for the comparative quarter ended April 30, 2004. 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:

	April 30, 2005	January 31, 2005	October 31, 2004	July 31, 2004	April 30, 2004	January 30, 2004	October 31, 2003	July 31, 2003
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) before discontinued and extraordinary items (Total)	(89,536)	(101,361)	(188,047)	(43,746)	(78,946)	(85,938)	(407,355)	(97,640)
Income (loss) before discontinued and extraordinary items (Per share)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Income (loss) before discontinued and extraordinary								

items (diluted per share)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	N/A							
Net income (loss) (total)	(66,119)	(101,200)	(529,879)	(33,370)	(17,536)	(24,833)	(25,522)	(124,043)
Net income (loss) (per share)	0.00	0.00	(0.03)	0.00	0.00	0.00	(0.04)	(0.01)
Net income (loss) (diluted per share)	0.00	0.00	(0.03)	0.00	0.00	0.00	(0.04)	(0.01)

### Liquidity and Solvency

The Company has total assets of \$1,126,447. The primary assets of the Company are deferred resource property costs of \$1,021,664, and marketable securities carried at \$44,018. The Company has no long-term liabilities and positive working capital of \$15,346.

### 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:

	Quarter ended April 30, 2005	Quarter ended April 30, 2004
Administration fees	\$6,300	\$6,300
Consulting fees	385	-
Deferred exploration and development costs	-	16,676
Travel	-	-
Rent	3,000	3,000
Wages and benefits	<u>27,775</u>	<u>19,500</u>
	<u>\$37,460</u>	<u>\$45,476</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:

	Six months ended April 30, 2005	Six months ended April 30, 2004
Capitalized or Expensed		
Exploration and Development Costs	-	-
Expensed Research and Development Costs	-	-
Deferred Exploration and Development Costs	(14,151)	(69,259)
General and Administration Expenses	(190,897)	(164,884)
Any Material Costs (capitalized, deferred or expensed) not referred to above	-	-
- Gain on sale of equity investments	-	-

#### 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	171,000	\$20,520
- 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
- 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
<b>Balance, as at April 30, 2005</b>	<b>26,456,758</b>	<b>\$3,697,415</b>
Issued pursuant to the exercise of warrants		
- at \$0.12	365,000	\$43,800
<b>Balance, as at June 29, 2005</b>	<b><u>26,821,758</u></b>	<b><u>\$3,741,215</u></b>

*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 end of the quarter ended April 30, 2005:

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

At April 30, 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
<u>1,025,000</u>	\$0.10	January 23, 2007
<u>1,765,000</u>		

Share Purchase Warrants: At April 30, 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>
2,336,430	\$0.12	May 26, 2005
650,000	\$0.25	November 9, 2005
<u>2,083,333</u>	\$0.12	January 18, 2007
<u>5,069,763</u>		

#### Proposed Transactions and Subsequent Events

Subsequent to April, 2005:

- 365,000 share purchase warrants were exercised at a price of \$0.12 per share.

#### **Additional Information**

Additional information about the Company can be found on [www.sedar.com](http://www.sedar.com).