



COMMERCE RESOURCES CORP.

Management Discussion & Analysis for the second Quarter ended April 30, 2006

The following discussion and analysis of the operations, results, and financial position of the Company for the second quarter ended April 30, 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 June 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 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

In October, 2005, the Company initiated a drill program on the Upper Fir and Bone Creek Carbonatites. Eight HQ core holes were drilled of which five intersected carbonatite. The results were significant in that they revealed the existence of another deposit with similar mineralogy and chemistry to that of the Fir Deposit; adding significantly to the exploration potential of the project.

Future Developments

In February, 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.:

Charles Pitcher, P.Eng. brings to Commerce over 35 years of experience in senior executive and management positions in civil construction and mine development. He has worked throughout North America, Africa and the former Soviet Union on the underground and open-pit mining of base and precious metals and coal. In 2002, Mr. Pitcher joined Western Canadian Coal Corp. (TSX: WTN) as Chief Executive Officer to oversee the completion of feasibility studies and production. Mr. Pitcher currently heads up the management of their joint venture with NEMI (Northern Energy & Mining Inc.),

formed to continue the exploration and development of the Saxon and Belcourt coal properties located in British Columbia.

Jeff Austin, P.Eng. is a graduate of the University of British Columbia in mining and mineral process engineering, and has worked within the industry for over 25 years. He managed International Metallurgical and Environmental Inc., a company providing technical services to the mining industry. Significant metallurgical test work on the Blue River Carbonatites has been completed at the International Metallurgical and Environmental Inc.'s facilities under Mr. Austin's supervision. He is currently the president of Western Canada Limestone Ltd.

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.

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 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; which sum has been paid; and (ii) \$10,000 on or before March 1, 2006;
- (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, in the following manner: (i) 100,000 upon approval of the TSX Venture Exchange; which initial Option Shares have been issued, and (ii) the final 100,000 of the Option Shares on or before March 1, 2006; 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.

Results of Operations

General and Administrative

Net loss for the second quarter ended April 30, 2006 was \$426,344 compared to a net loss of \$66,119 for the comparative quarter ended April 30, 2005. This difference is due primarily to higher costs associated with advertising and promotion (\$53,094) and stock option compensation in this period versus the same period last year (\$313,294).

Investor Relations

During the second quarter ended April 30, 2006, the Company incurred investor relations charges of \$3,450 compared to \$2,728 during the comparative quarter ended April 30, 2005. During the quarter ended April 30, 2006, the Company handled all activities and inquiries in house by office staff. In May, 2006, the Company entered into an Investor Relations Agreement with AXINO AG, to promote the Company in Europe (please see Subsequent Events for more particulars).

Summary of Quarterly Results

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

| | April 30, 2006 | January 31, 2006 | October 31, 2005 | July 31, 2005 | April 30, 2005 | January 31, 2005 | October 31, 2004 | July 31, 2004 |
|--|-------------------|---------------------|---------------------|------------------|-------------------|---------------------|---------------------|------------------|
| Revenues | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Income (loss) before discontinued and extraordinary items (Total) | (426,344) | (111,428) | (64,430) | (78,683) | (66,119) | (101,200) | (529,879) | (33,370) |
| Basic and diluted loss before discontinued and extraordinary items (Per share) | (0.01) | (0.00) | (0.01) | 0.00 | 0.00 | 0.00 | (0.03) | 0.00 |
| Net income (loss) (total) | (426,344) | (111,428) | (64,430) | (78,683) | (66,119) | (101,200) | (529,879) | (33,370) |
| Basic and diluted net loss (per share) | (0.01) | (0.00) | (0.01) | 0.00 | 0.00 | 0.00 | (0.03) | 0.00 |

Liquidity and Solvency

The Company has total assets of \$2,226,334. The primary assets of the Company are deferred resource property costs of \$1,162,302 and current assets carried at \$1,035,927. The Company has no long-term liabilities and a working capital of \$1,015,095.

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 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:

| | Second Quarter ended April 30, 2006 | First Quarter ended January 31, 2006 | Year ended October 31, 2005 |
|--|--|---|--------------------------------|
| Administration fees | \$4,500 | \$6,000 | \$25,200 |
| Consulting fees | - | - | 4,149 |
| Deferred exploration and development costs | - | - | 5,505 |
| Office | 3,000 | 4,000 | - |
| Rent | 6,000 | 8,000 | 14,000 |
| Wages and benefits | <u>21,000</u> | <u>28,000</u> | <u>91,494</u> |
| | <u>\$80,500</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:

| | Second Quarter ended April 30, 2006 | Year ended October 31, 2005 |
|---|--|--------------------------------|
| Capitalized or Expensed Exploration and Development Costs | 46,674 | 167,820 |
| Deferred Exploration and Development Costs | - | 167,820 |
| General and Administration Expenses | 426,344 | 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 \$0.18 315,000 | 56,700 |
| - 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 | | - | (18,290) |
| Options (benefit): | | | 10,900 |
| Balance, April 30, 2006 | | <u>38,936,124</u> | <u>\$ 5,206,497</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 second quarter ended April 30, 2006:

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

At April 30, 2006, the Company had 3,610,000 share purchase options outstanding entitling the holders thereof the right to purchase one common share as follows:

| <u>April 30, 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 |
| 750,000 | 750,000 | \$0.15 | February 6, 2011 |
| 810,000 | 810,000 | \$0.18 | February 20, 2011 |
| 425,000 | 425,000 | \$0.21 | February 20, 2011 |
| <u>500,000</u> | <u>500,000</u> | \$0.30 | March 15, 2011 |
| <u>3,610,000</u> | <u>3,610,000</u> | | |

Share Purchase Warrants: As at April 30, 2006, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share:

| <u>April 30, 2006</u> | <u>October 31, 2005</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|-----------------------|-------------------------|-----------------------|--------------------|
| - | 650,000 | \$0.25 | November 9, 2005 |
| 3,056,950 | - | \$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>13,275,283</u> | <u>2,733,333</u> | | |

Note: 650,000 warrants expiring November 9, 2005 were not exercised.

Proposed Transactions and Subsequent Events

In May, 2006, the Company entered into a strategic alliance with Fogang Jiata Metals Co. Ltd. ("Jiata"), whereby Jiata will process representative concentrate from the Company's upcoming commercial bulk sample. The terms of the strategic alliance will be set forth in a formal agreement to be prepared within 60 days. The signed letter of intent between Commerce and Jiata for this strategic alliance covers such items as:

- a) the collection and delivery of an initial 20 tonnes of tantalum/niobium concentrate,
- b) Jiata to process the concentrate into mutually agreed upon end products, of which Commerce will receive back 50% in total, and

- c) the sharing of technical information from the separation process by Jiata to Commerce for the purpose of Commerce completing a pre-feasibility study.

Fogang Jiata Metals Co. Ltd., founded in 1999, has more than 180 employees engaged in the production, marketing and export of tantalum and niobium products for sale to the United States, Hong Kong and mainland China. Jiata is the leading manufacturer of tantalum and niobium products in China and has earned a global reputation from its customers for its technology, high quality products and service. Jiata's main customers are Cabot Corp. and Ningxia Non-ferrous Metals Smeltery.

In June, 2006, the Company entered into a strategic alliance with NAC KazAtomProm whereby KazAtomProm's tantalum division, Ulba Metallurgical Plant JSC ("Ulba") will process representative concentrate from Commerce's upcoming commercial bulk sample. In addition to being a world leader in tantalum-niobium processing, KazAtomProm is the world's third largest producer of uranium.

The signed letter of intent between Commerce and Ulba for this strategic alliance covers such items as:

- a) the collection and delivery of up to an initial 50 tonnes of tantalum-niobium concentrate,
- b) Ulba to process the concentrate into mutually agreed upon Ta/Nb end products, of which Commerce will receive back a negotiated fair market equivalent of the processed end products, and
- c) the sharing of technical information from the separation process by Ulba to Commerce for the purpose of Commerce completing a pre-feasibility study.

NAC KazAtomProm was established in July 1997 by the Decree of the President of the Republic of Kazakhstan to unite uranium and rare metals in production into one commercial structure representing the interests of Kazakhstan in the world markets of nuclear and rare metals. KazAtomProm produces natural uranium, nuclear fuel for power stations, tantalum, beryllium, niobium and its alloys. Some of KazAtomProm's industry partners include Cameco Corp. (NYSE: CCJ), AREVA and Exelon Corp. (NYSE: EXC). KazAtomProm is the parent company of Ulba Metallurgical Plant.

The Ulba Metallurgical Plant is a unique enterprise, with over 50 years of experience in the processing and production of tantalum-niobium, beryllium and uranium. Their facilities are capable of completing a full production cycle from raw material processing to the manufacture of finished products. Ulba produces materials for high-tech products in the nuclear, aerospace and electronics industries. Ulba's main customers are General Electric Co. (NYSE: GE), TVEL Corporation and Tosoh Corporation.

In May, 2006, the Company retained AXINO AG ("AXINO") to provide investor relations services. AXINO will present Commerce in Germany and other European countries, disseminating investor relations information and creating awareness of Commerce in the European financial community. AXINO will be paid compensation of EUR 49,500 for an initial term of six months.

AXINO AG is a privately owned full-service investor relations firm based in Stuttgart, Germany. It specializes in representing resource sector companies that wish to obtain investor exposure and develop a shareholder following in the European financial markets with a special focus on the German speaking financial communities.

In June, 2006, the Company announced that its common shares were now listed and trading on the Frankfurt Stock Exchange under the symbol D7H. The ISIN number for Commerce is CA2006971006 and the German Security Code is A0J2Q3.

Additional Information

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