



## Condensed Interim Financial Statements

For the Three Months Ended January 31, 2021

(Unaudited - Expressed in Canadian Dollars)

*The accompanying unaudited condensed interim financial statements of Commerce Resources Corp. for the three months ended January 31, 2021, have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed interim financial statements have not been reviewed by the Company's external auditor.*

## Commerce Resources Corp.

### Condensed Interim Statements of Financial Position

As expressed in Canadian dollars

(Unaudited – prepared by management)

	January 31, 2021	October 31, 2020
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 5,335,157	1,052,825
Marketable securities	24,675	17,299
Short term investment (Note 5)	23,000	23,000
Taxes and other receivables	44,433	36,235
Prepaid expenses	347,655	272,557
	<b>5,774,920</b>	<b>1,401,916</b>
Equipment (Note 6)	349,622	357,089
Exploration and evaluation assets (Note 7 and Schedule I)	62,213,253	61,995,823
Reclamation bonds	80,000	80,000
	<b>\$ 68,417,795</b>	<b>63,834,828</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 14)	\$ 800,046	995,907
Due to related parties (Note 11)	11,852	21,850
Liability for flow-through shares (Note 14)	402,973	84,142
	<b>1,214,871</b>	<b>1,101,899</b>
<b>Shareholders' Equity</b>		
Share capital (Note 8)	92,867,163	87,860,843
Share subscriptions received (Note 9)	-	231,412
Reserves (Note 9)	9,648,614	9,649,991
Deficit	(35,312,853)	(35,009,317)
	<b>67,202,924</b>	<b>62,732,929</b>
	<b>\$ 68,417,795</b>	<b>63,834,828</b>

Subsequent events (Note 15)

Approved and authorized by the Board of Directors on March 17, 2021:

*“Christopher Grove”*

Director

*“David Hodge”*

Director

The accompanying notes are an integral part of these condensed interim financial statements.

**Commerce Resources Corp.**

Condensed Interim Statements of Operations and Comprehensive Loss

For the three months ended January 31,

As expressed in Canadian dollars

(Unaudited – prepared by management)

	<b>2021</b>	2020
<b>Expenses</b>		
Administration fees and rent (Note 10)	\$ 91,000	\$ 92,000
Advertising and website	39,719	42,892
Consulting fees and salaries (Note 11)	131,838	37,621
Filing and transfer agent fees	10,356	2,324
Insurance	2,899	2,445
Investor relations	15,000	15,553
Office, telephone and miscellaneous (Note 10)	13,673	9,904
Professional fees	6,628	5,542
Share-based compensation (Note 9)	-	5,628
Travel expenses	-	12,450
<b>Loss before other items</b>	<b>(311,113)</b>	<b>(226,359)</b>
<b>Other items:</b>		
Interest income	2,493	5
Loss on foreign exchange	(2,292)	(811)
Unrealized gain (loss) on marketable securities	7,376	(600)
	<b>7,577</b>	<b>(1,406)</b>
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (305,536)</b>	<b>\$ (227,765)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>53,471,627</b>	<b>41,476,083</b>

The accompanying notes are an integral part of these condensed interim financial statements.

## Commerce Resources Corp.

Condensed Interim Statements of Changes in Equity  
 For the three months ended January 31, 2021 and 2020  
 As expressed in Canadian dollars  
 (Unaudited – prepared by management)

	Number of Shares	Share Capital	Share subscriptions received	Reserves	Deficit	Total
<b>Balance, October 31, 2019</b>	<b>41,476,083</b>	<b>\$ 86,485,737</b>	<b>\$ -</b>	<b>\$ 9,590,806</b>	<b>\$ (34,181,906)</b>	<b>\$ 61,894,637</b>
Share-based compensation	-	-	-	5,628	-	5,628
Net loss for the period	-	-	-	-	(227,765)	(227,765)
<b>Balance, January 31, 2020</b>	<b>41,476,083</b>	<b>\$ 86,485,737</b>	<b>\$ -</b>	<b>\$ 9,596,434</b>	<b>\$ (34,409,671)</b>	<b>\$ 61,672,500</b>
	Number of Shares	Share Capital	Share subscriptions received	Reserves	Deficit	Total
<b>Balance, October 31, 2020</b>	<b>50,890,293</b>	<b>\$ 87,860,843</b>	<b>\$ 231,412</b>	<b>\$ 9,649,991</b>	<b>\$ (35,009,317)</b>	<b>\$ 62,732,929</b>
Shares issued for cash	15,571,241	3,269,961	(231,412)	-	-	3,038,549
Flow-through shares issued for cash	6,441,129	1,677,919	-	-	-	1,677,919
Warrants exercised	559,744	118,960	-	-	-	118,960
Broker warrants exercised	268,971	101,356	-	(36,803)	-	64,553
Share issuance costs	-	(161,876)	-	35,426	-	(126,450)
Net loss for the period	-	-	-	-	(303,536)	(303,536)
<b>Balance, January 31, 2021</b>	<b>73,731,378</b>	<b>\$ 92,867,163</b>	<b>\$ -</b>	<b>\$ 9,648,614</b>	<b>\$ (35,312,853)</b>	<b>\$ 67,202,924</b>

The accompanying notes are an integral part of these condensed interim financial statements.

## Commerce Resources Corp.

Condensed Interim Statements of Cash Flows

For the three months ended January 31, 2021 and 2020

As expressed in Canadian dollars

(Unaudited – prepared by management)

	2021	2020
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</b>		
Net income (loss) for the period	\$ (303,536)	\$ (227,765)
Add (deduct) items not affecting cash:		
Unrealized loss (gain) on marketable securities	(7,376)	600
Share-based compensation	-	5,628
Changes in non-cash working capital items related to operations:		
Amounts receivable	(8,198)	15,409
Prepaid expenses	(75,098)	57,039
Due to (from) related parties	(9,998)	8,400
Accounts payable and accrued liabilities	(195,861)	(51,190)
<b>Net cash flows from (used in) operating activities</b>	<b>(600,067)</b>	<b>(191,879)</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</b>		
Exploration and evaluation costs, net of tax credits received	(209,963)	(137,471)
<b>Net cash flows (used in) investing activities</b>	<b>(209,963)</b>	<b>(137,471)</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:</b>		
Share subscriptions receivable	-	134,850
Shares issued for cash	5,218,812	-
Share issuance costs	(126,450)	-
<b>Net cash flows from (used in) investing activities</b>	<b>5,092,362</b>	<b>134,850</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>4,282,332</b>	<b>(194,500)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,052,825</b>	<b>242,657</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 5,335,157</b>	<b>\$ 48,157</b>

Supplemental disclosure with respect to cash flows – Note 13

The accompanying notes are an integral part of these condensed interim financial statements.

# Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2021

Expressed in Canadian Dollars

(Unaudited – prepared by management)

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## 1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Commerce Resources Corp. (“Commerce” or the “Company”) was incorporated on May 19, 1999, under the Company Act of British Columbia and is in the business of acquiring, exploring, developing and evaluating mineral resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company is in the exploration stage and has interests in properties located in British Columbia (“BC”) and Quebec, Canada. Commerce is a public company listed on Tier 1 of the TSX Venture Exchange in Canada (“CCE”) and the Frankfurt Stock Exchange in Germany (“D7H”). The head office, principal address and registered and records office of the Company are located at 1450 – 789 West Pender, Vancouver, BC, Canada, V6C 1H2.

These financial statements were authorized for issue by the Audit Committee and Board of Directors on March 17, 2021.

The Company has no source of operating cash flows, has not yet achieved profitable operations, has a working capital of \$4,560,049 at January 31, 2021 (October 31, 2020 - \$300,017), has accumulated losses since its inception, expects to incur further losses in the development of its business, and has no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. These material uncertainties cast significant doubt about the Company’s ability to continue as a going concern and, accordingly, the appropriateness of the use of generally accepted accounting principles applicable to a going concern. In recognition of these circumstances, management is pursuing various financial alternatives to fund the Company’s exploration and development programs. There is no assurance that these initiatives will be successful.

In the future, the Company may raise additional financing through the issuance of share capital or shareholder loans, however, there can be no assurance that it will be successful in its efforts to do so and that the terms will be favourable to the Company. These financial statements do not include any adjustments to the carrying values of assets and liabilities, the reported expenses and statement of financial position classifications that might be necessary should the Company be unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Management is actively seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management’s plan will be successful. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral interests.

There continues to be a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

## 2. BASIS OF PRESENTATION

### Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

# Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2021

Expressed in Canadian Dollars

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## 2. BASIS OF PRESENTATION - continued

### Basis of Measurement

These financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, this financial statement has been prepared using the accrual basis of accounting.

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

### Estimates and assumptions

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements includes:

- The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest;
- The accrued liability to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment for the flow through shares issued;
- The inputs used in assessing the recoverability of deferred income tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income;
- Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that have existed during the periods; and
- The fair value of share-based compensation are determined using the Black-Scholes option pricing model. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measurement of the fair value of the Company's stock options

### Judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies from those involving estimations that have the most significant effect on the amounts recognized in the Company's financial statements are as follows:

- Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs  
Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic information, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

## Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2021

Expressed in Canadian Dollars

(Unaudited – prepared by management)

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - continued

#### Judgments - continued

- Production stage of a mine  
The determination of the date on which a mine enters the production stage is a significant judgment since capitalization of certain costs ceases upon entering production.
- Provisions for reclamation  
Management assesses its provision for reclamation on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs, the timing of these expenditures, and the impact of changes in discount rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.
- Going concern  
The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

### 4. SIGNIFICANT ACCOUNTING POLICIES

The policies applied in these condensed interim financial statements are consistent with policies disclosed in Note 4 of the financial statements for the year ended October 31, 2020. Therefore, these condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended October 31, 2020.

### 5. SHORT TERM INVESTMENTS

At January 31, 2021 and October 31, 2020, the Company had a guaranteed investment certificate ("GIC's") valued at \$23,000 an interest rate of prime less 2.2% and a maturity date of October 21, 2021.

### 6. EQUIPMENT

	Field Equipment	Field Office Building	Leasehold Improvements	Land	Total
<b><u>Costs</u></b>					
October 31, 2020 & January 31, 2021	\$ 316,931	\$ 303,748	\$ 255,796	\$ 120,282	\$ 996,757
<b><u>Accumulated Amortization</u></b>					
October 31, 2019	316,931	123,665	168,752	-	609,348
Additions	-	9,004	21,316	-	30,320
October 31, 2020	316,931	132,669	190,068	-	639,668
Additions	-	2,138	5,329	-	7,467
January 31, 2021	\$ 316,931	\$ 134,807	\$ 195,397	\$ -	\$ 647,135
<b><u>Net Book Value</u></b>					
October 31, 2020	\$ -	\$ 171,079	\$ 65,728	\$ 120,282	\$ 357,089
January 31, 2021	\$ -	\$ 168,941	\$ 60,399	\$ 120,282	\$ 349,622

During the three months ended January 31, 2021, \$7,467 (January 31, 2020: \$7,580) of amortization has been capitalized to Exploration and Evaluation Assets.



## **Commerce Resources Corp.**

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2021

Expressed in Canadian Dollars

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### **7. EXPLORATION AND EVALUATION ASSETS**

The following is a description of the Company's most significant property interests and related spending commitments (see Schedule I for a detailed breakdown):

Blue River Claims – (formerly known as the Upper Fir, Verity and Fir Claims)

The Company has a 100% interest in its Blue River claims, located in the Blue River region of the Kamloops Mining District of B.C., Canada, all of which were acquired by staking.

Eldor Claims

The Company acquired, by staking and a purchase agreement, a 100% interest in the Eldor Carbonatite Complex, located in the Labrador Trough area of Quebec, Canada. During the year ended October 31, 2007, the Company purchased 8 mineral claims from Virginia Mines Inc. ("Virginia Mines"), which cover a portion of the Eldor Carbonatite. These claims are adjacent to the approximately 88 claims staked by the Company. The Company currently has 244 claims covering 11,475 hectares.

Virginia Mines retains a 1% net smelter royalty on the 8 claims purchased from them. As well, 5 of the 8 claims are subject to an underlying 5% net profit royalty, which can be purchased for \$500,000.

On January 11, 2018, the Company entered into an exploration earn-in agreement with Saville Resources Inc. ("Saville") on the Eldor Niobium claims, known as the Niobium Claim Group Property. Under the exploration earn-in agreement, Saville has agreed to perform \$5,000,000 of work on the claims over a five-year period to earn a 75% interest in the claims. The Company received a cash payment of \$25,000 upon signing (received) and a cash payment of \$225,000 (received) following Exchange approval on October 11, 2018. The Company will retain a 2% Net Smelter Royalty (NSR) on production from some of the claims with a 1% NSR buyback for \$1,000,000, and a 1% NSR on the claims that are already subject to royalties.

### **8. SHARE CAPITAL**

a) Authorized: Unlimited common shares with no par value.

b) Issued and outstanding:

The total issued and outstanding shares of the Company total 73,731,378 as at January 31, 2021 (October 31, 2020: 50,890,293).

#### **During the three months ended January 31, 2021:**

On December 21, 2020, the Company completed a non-brokered private placement (the "Offering"), issuing 15,571,241 units (each, a "Unit") at a price of \$0.21 per Unit for gross proceeds of \$3,269,961. Each Unit consists of one common share in the capital of the Company (each, a "Share") and one common share purchase warrant (each, a "Warrant"). Each Warrant is exercisable into one additional Share at a price of \$0.29 per Share for a period of five years from the closing date. The Company paid cash finder's fees of \$44,116 and issued 187,250 finder's warrants (each, a "Finder's Warrant") to certain finders in connection with the Offering. The Finder's Warrants have the same terms and conditions as the Warrants. The securities issued under the Offering, and the shares that may be issuable on exercise of the Warrants and the Finder's Warrants, are subject to a statutory hold period expiring four months and one day from the date of closing.

## **Commerce Resources Corp.**

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2021

Expressed in Canadian Dollars

(Unaudited – prepared by management)

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### **8. SHARE CAPITAL - continued**

#### **During the three months ended January 31, 2021: - continued**

On December 24, 2020, the Company completed a first tranche (the “First Tranche”) of a non-brokered private placement, issuing 6,279,838 common shares (each, a “Share”) issued on a “flow-through” basis pursuant to the Income Tax Act (Canada) at a price of \$0.31 per Share for gross proceeds of \$1,946,749.79 (the “Offering”). In connection with the closing of the First Tranche, the Company paid cash finder’s fees of \$30,000 to one finder. The securities issued under the First Tranche are subject to a statutory hold period expiring four months and one day from the date of closing.

On December 30, 2020, the Company completed the second and final tranche (the “Offering”) of the non-brokered private placement, issuing 161,291 common shares (each, a “Share”) issued on a “flow-through” basis pursuant to the Income Tax Act (Canada) at a price of \$0.31 per Share for gross proceeds of \$50,000. The securities issued under the Offering are subject to a statutory hold period expiring four months and one day from the date of closing.

During the three months ended January 31, 2021, 559,744 share purchase warrants have been exercised for gross proceeds of \$118,960 and 268,971 broker warrants were exercised for gross proceeds of \$64,553.

#### **During the year ended October 31, 2020:**

On May 5, 2020, the Company closed a non-brokered private placement of 2,727,271 units (each, a “Unit”) at a price of \$0.11 per Unit for aggregate proceeds of \$300,000. Each Unit consists of one common share of the Company (each, a “Share”) and one common share purchase warrant (each, a “Warrant”), with each Warrant entitling the holder to purchase one Share at a price of \$0.15 per Share for a period of five years following the closing of the Offering. Finders’ fees of \$584 were paid and 2,871 agent’s warrants were issued with a fair value of \$580. The agents’ warrants have the same terms and conditions of the warrants. All securities issued in connection with the Offering will be subject to a statutory hold period expiring four months and one day after closing of the offering.

On June 25, 2020, the Company closed an over-subscribed non-brokered private placement of 6,686,939 units (each, a “Unit”) at a price of \$0.18 per Unit for aggregate proceeds of \$1,203,649. Each Unit consists of one common share of the Company (each, a “Share”) and one common share purchase warrant (each, a “Warrant”), with each Warrant entitling the holder to purchase one Share at a price of \$0.24 per Share for a period of five years following the closing of the Offering. Finder’s fees of \$53,077 were paid and 290,671 agent’s warrants were issued with a fair value of \$39,689. The agent’s warrants have the same terms and conditions of the warrants. All securities issued in connection with the Offering will be subject to a statutory hold period expiring four months and one day after closing of the offering.

## Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2021

Expressed in Canadian Dollars

(Unaudited – prepared by management)

### 8. SHARE CAPITAL - continued

c) Share purchase warrants:

The following is a summary of share purchase warrant transactions for the three months ended January 31, 2021 and the year ended October 31, 2020:

	January 31, 2021		October 31, 2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	19,088,363	\$ 0.36	10,426,425	\$ 0.52
Issued	15,571,241	0.29	9,414,210	0.21
Exercised	(559,744)	0.21	-	-
Expired	-	-	(752,272)	0.75
Balance, end of period	34,099,860	\$ 0.33	19,088,363	\$ 0.36

The following share purchase warrants were outstanding and exercisable as at January 31, 2021 and October 31, 2020:

Expiry Date	Weighted Average Remaining Contractual Life (Years)	Exercise Price	January 31, 2021 Number of Warrants	October 31, 2020 Number of Warrants
October 11, 2021**	0.69	\$0.50	9,028,000	9,028,000
October 31, 2021**	0.75	\$0.50	646,153	646,153
May 5, 2025	4.26	\$0.15	2,556,395	2,727,271
June 25, 2025	4.40	\$0.24	6,298,071	6,686,939
December 18, 2025	4.88	\$0.29	15,571,241	-
Total Outstanding	3.56	\$0.33	34,099,860	19,088,363
Total Exercisable	2.45	\$0.36	18,528,619	19,088,363

\*\*Warrant price is \$0.35 in the first year and \$0.50 in the second year.

## Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2021

Expressed in Canadian Dollars

(Unaudited – prepared by management)

### 8. SHARE CAPITAL - continued

d) Agents' warrants:

The following is a summary of agents' warrant transactions for the three months ended January 31, 2021 and the year ended October 31, 2020:

	January 31, 2021		October 31, 2020	
	Number of Agents' Warrants	Weighted Average Exercise Price	Number of Agents' Warrants	Weighted Average Exercise Price
Balance, beginning of period	293,542	\$ 0.24	-	\$ -
Issued	187,250	0.29	293,542	0.24
Exercised	(268,971)	0.24	-	-
Balance, end of period	211,821	\$ 0.28	293,542	\$ 0.24

The following Agents' warrants were outstanding and exercisable as at January 31, 2021 and October 31, 2020:

Expiry Date	Weighted Average Remaining Contractual Life (Years)	Exercise Price	January 31, 2021 Number of Warrants	October 31, 2020 Number of Warrants
May 5, 2025	4.26	\$0.15	2,871	2,871
June 25, 2025	4.40	\$0.24	21,700	290,671
December 18, 2025	4.88	\$0.29	187,250	-
Total Outstanding	4.82	\$0.28	211,821	293,542
Total Exercisable	4.38	\$0.23	24,571	293,542

The following assumptions were used for the Black-Scholes pricing model calculations:

	May 5, 2020	June 25, 2020	December 18, 2020
Risk-free interest rate	0.40%	0.37%	0.45%
Expected stock price volatility	101.91%	102.44%	100.53%
Expected option life in years	5 years	5 years	5 years
Dividend rate	Nil	Nil	Nil

### 9. SHARE-BASED PAYMENTS

The Company has a stock option plan for officers, directors, employees and consultants. Options are granted with an exercise price determined by the Board of Directors, which may not be less than 25% of the Company's stock price on the date of the grant. Options granted to directors, employees and consultants other than consultants engaged in investor relations activities will vest immediately. However, for options granted to employees and consultants engaged in investor relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three-month period.

## Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2021

Expressed in Canadian Dollars

(Unaudited – prepared by management)

### 9. SHARE-BASED PAYMENTS - continued

The following is a summary of option transactions under the Company's stock option plan for the for the three months ended January 31, 2021 and the year ended October 31, 2020:

	January 31, 2021		October 31, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	2,709,732	\$ 0.50	2,917,232	\$ 0.50
Expired/Cancelled	-	-	(207,500)	0.51
Balance, end of period	2,709,732	\$ 0.50	2,709,732	\$ 0.50

The following stock options were outstanding and exercisable as at January 31, 2021:

Expiry Date	Exercise Price	Number of Options	Contractual Life (Years)
June 6, 2022	\$0.65	1,204,732	1.35
April 12, 2023	\$0.75	100,000	2.19
August 27, 2024	\$0.35	1,215,000	3.57
August 27, 2024	\$0.35	190,000	3.57
Total Outstanding and exercisable		2,709,732	2.53

During the year ended October 31, 2020, the Company cancelled 107,500 stock options exercisable at \$0.65 per share and 100,000 stock options exercisable at \$0.35 issued to former employees and consultants of the Company.

### 10. COMMITMENTS

On May 1, 2008, the Company entered into a Management & Administration Agreement (“Agreement”) with Zimtu Capital Corp. (“Zimtu”). Under the terms of the agreement, Zimtu will provide the Company with administrative and managerial services, including corporate maintenance, continuous disclosure services, rent, and office space, over a period of 12 months. The agreement has subsequently been renewed in prior years and on December 1, 2020, the Company renewed the agreement for another period of 12 months.

On November 16, 2020, the Company signed an agreement with Zimtu Capital Corp. whereas Zimtu will provide services under the ZimtuADVANTAGE program. The Company paid \$100,000 up front for the initial 12-month term.

## Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2021

Expressed in Canadian Dollars

(Unaudited – prepared by management)

### 11. RELATED PARTY TRANSACTIONS

During the three months ended January 31, 2021 and 2020, the Company incurred the following transactions with officers or directors of the Company or companies with common directors:

<b>Key management compensation*</b>	<b>Three months ended January 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Geological services	17,110	6,434
Administrative fees, net of wage subsidy received	91,000	92,000
Consulting fees and salaries	28,356	25,820
Advertising and promotion	25,000	10,528
<b>Total</b>	<b>161,466</b>	<b>134,782</b>

  

<b>Amounts due to (from) related parties</b>	<b>January 31,</b>	<b>October 31,</b>
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Dahrouge Geological Consulting (a)	11,852	21,918
Zimtu Capital Corp. (c)	-	(68)
<b>Due to related parties – Net total</b>	<b>11,852</b>	<b>21,850</b>

- (a) Dahrouge Geological Consulting provides geological services to the Company. Dahrouge is controlled by a director of the Company, Jody Dahrouge.
- (b) Dr. Axel Hoppe provides guidance, direction and advice based on his professional experience in tantalum and niobium for over forty years.
- (c) Zimtu Capital Corp. is a company with common directors and management. Zimtu provides key management services to the Company.

\* Key management includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Company's executive officers and certain members of its Board of Directors.

The terms and conditions of these transactions with key management and their related parties were no more favourable than those available, or which might reasonably be expected to be available, or similar transactions to non-key management related entities on an arm's length basis.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

## **Commerce Resources Corp.**

Notes to the Condensed Interim Financial Statements

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(Unaudited – prepared by management)

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### **12. FINANCIAL INSTRUMENTS**

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein.

#### **a) Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash and short-term investments are subject to credit risk for a maximum of the amounts shown on the statements of financial position. The Company monitors its credit risk management practices continuously to evaluate their effectiveness.

At January 31, 2021, the Company held cash of \$5,335,157 (October 31, 2020: \$1,052,825) and short-term investments of \$23,000 (October 31, 2020: \$23,000) with Canadian chartered banks.

The Company mitigates credit risk on these financial instruments by adhering to its investment policy that outlines credit risk parameters and concentration limits.

#### **b) Liquidity Risk**

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

As at January 31, 2021, the Company has total current liabilities of \$1,214,871 (October 31, 2020: \$1,101,899). Management intends to meet these obligations by raising funds through future financings.

#### **c) Market Risk**

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Company's marketable securities and investment in asset-backed commercial paper are subject to market risk.

##### **i) Currency Risk**

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is in the exploration stage and has not yet developed commercial mineral interests, the underlying commodity price for minerals is impacted by changes in the exchange rate between the Canadian and United States dollar. As all of the Company's transactions are denominated in Canadian dollars, the Company is not significantly exposed to foreign currency exchange risk at this time.

## Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

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(Unaudited – prepared by management)

### 12. FINANCIAL INSTRUMENTS - continued

#### c) Market Risk - continued

##### ii) Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.

##### iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company invests part of the cash balance in a variable rate GIC. The exposure to interest rate risk, however, is limited due to the short-term nature of the GIC.

#### d) Fair Value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at January 31, 2021 and October 31, 2020:

	As at January 31, 2021		
	Level 1	Level 2	Level 3
Short term investments	\$ 23,000	-	-
Marketable securities	24,675	-	-
	\$ 47,675	\$ -	\$ -

  

	As at October 31, 2020		
	Level 1	Level 2	Level 3
Short term investments	\$ 23,000	-	-
Marketable securities	17,299	-	-
	\$ 40,299	\$ -	\$ -

#### e) Capital Management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at January 31, 2021, the Company's shareholders' equity was \$67,202,924 (October 31, 2020: \$62,732,929). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the exploration of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure which is comprised of working capital and shareholders' equity.



## **Commerce Resources Corp.**

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2021

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(Unaudited – prepared by management)

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### **12. FINANCIAL INSTRUMENTS - continued**

The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the exploration of its mineral properties, the Company prepares annual expenditure budgets which are updated as necessary and are reviewed and periodically approved by the Company's Board of Directors. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties. The Company is not subject to any externally imposed capital requirements and there were no changes in the Company's approach to capital management during the year.

### **13. NON-CASH TRANSACTIONS**

The following transactions have been excluded from the statement of cash flows:

#### **During the three months ended January 31, 2021:**

- Exploration and evaluation assets of \$40,075 were included in accounts payable and \$8,639 were included in due to related parties.
- Amortization of \$7,467 relating to equipment was included in exploration and evaluation assets.

#### **During the three months ended January 31, 2020:**

- Exploration and evaluation assets of \$33,765 were included in accounts payable and \$1,544 were included in due to related parties.
- Amortization of \$7,580 relating to equipment was included in exploration and evaluation assets.

### **14. LIABILITY AND INCOME TAX EFFECT ON FLOW-THROUGH SHARES**

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds, less the qualified expenditures made to date, represent the funds received from flow-through share issuances that have not been spent.

On December 22, 2014, the Company issued 12,025,000 shares on a flow-through basis at \$0.25 per share for gross proceeds of \$3,006,250 and recognized a liability on flow-through shares of \$781,625. The flow-through proceeds were renounced under the Look-back Rule on December 31, 2014. As the Company had unfulfilled CEE obligations of \$1,268,058 at December 31, 2015, as a result of unspent flow-through proceeds related to this flow through issuance, the Company incurred Part XII.6 tax and related penalties and interest of \$234,418 which was recorded in other expenses for the year ended October 31, 2016. Furthermore, the Company may also have to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment of up to \$594,000, calculated based upon a combined tax rate of 43.7% of unspent flow-through funds raised. The Company has recognized the liability in accrued liabilities.

On August 27, 2019, the Company issued 752,272 shares on a flow-through basis at \$0.55 per share for proceeds of \$413,750 and recognized a liability on flow-through shares of \$84,142. At January 31, 2021, the Company has incurred \$nil qualified expenditures. The flow-through proceeds were renounced under the Look-back Rule on December 31, 2019 and the expenditures will be incurred prior to December 31, 2021, as all flow through expenditure spending has been extended by one year due to Covid-19.

## Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

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Expressed in Canadian Dollars

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### 14. LIABILITY AND INCOME TAX EFFECT ON FLOW-THROUGH SHARES - continued

On December 24, 2020, the Company issued 6,279,838 common shares on a “flow-through” basis at a price of \$0.31 per Share for gross proceeds of \$1,946,750. At January 31, 2021, the Company has incurred \$nil qualified expenditures. The flow-through proceeds were renounced under the Look-back Rule on December 31, 2020 and the expenditures will be incurred prior to December 31, 2022, as all flow through expenditure spending has been extended by one year due to Covid-19.

On December 30, 2020, the Company issued 161,291 common shares on a “flow-through” basis at a price of \$0.31 per Share for gross proceeds of \$50,000. At January 31, 2021, the Company has incurred \$nil qualified expenditures. The flow-through proceeds were renounced under the Look-back Rule on December 31, 2020 and the expenditures will be incurred prior to December 31, 2022, as all flow through expenditure spending has been extended by one year due to Covid-19.

	Issued on August 27, 2019	Issued on December 23, 2020	Issued on December 30, 2020	Total
<b>Balance, October 31, 2020</b>	\$ 84,142	\$ -	\$ -	\$ 84,142
Liability incurred on flow-through shares issued	-	313,992	4,839	318,831
Settlement of flow-through share liability on incurring expenses	-	-	-	-
<b>Balance, January 31, 2021</b>	\$ 84,142	\$ 313,992	\$ 4,839	\$ 402,973

### 15. SUBSEQUENT EVENTS

- i. The Company has received notification from the Canada Revenue Agency (“CRA”) and Revenu Quebec that the flow through funds raised in 2019, which were to be spent prior to December 31, 2020, will receive a one-year extension, thereby requiring the funds to be spent by December 31, 2021.
- ii. Subsequent to the three months ended January 31, 2021, 300,743 share purchase warrants priced at \$0.15 were exercised for gross proceeds of \$45,111 and 474,423 share purchase warrants priced at \$0.24 were exercised for gross proceeds of \$113,862.
- iii. On March 5, 2021, the Company announced that it has granted an aggregate of 1,800,000 stock options (each, an “Option”) to certain directors, officers, employees and consultants of the Company for the purchase of up to 1,800,000 common shares of the Company pursuant to its Stock Option Plan. Each Option is exercisable for a period of two (2) years at a price of \$0.38 per common share. Of these Options, 200,000 are being granted to persons providing investor relations to the Company and, pursuant to the policies of the TSX Venture Exchange, must vest over 12 months from the issuance date, with 25% vesting in each three (3) month period after the grant of the Options.

**Commerce Resources Corp.**

Schedule I

Schedule of Resource Properties

For the three months ended January 31, 2021

Expressed in Canadian dollars

(Unaudited – prepared by management)

	Blue River Claims	Eldor Claims	Totals
Acquisition costs			
Balance, beginning of period	\$ 201,602	\$ 1,366,294	\$ 1,567,896
Staking and renewals	-	-	-
Balance, end of the period	201,602	1,366,294	1,567,896
Deferred exploration and development costs			
Balance, beginning of period	28,093,424	32,334,503	60,427,927
Amortization – field equipment and office	2,138	-	2,138
Field equipment rental	5,329	(2,400)	2,292
Food and accommodation	772	-	772
Geology, mapping and drafting	-	8,770	8,770
Insurance	1,465	2,197	3,662
Other	12,500	9,866	22,366
Metallurgy	-	176,793	176,793
	22,204	195,226	217,430
Balance, end of period	28,115,628	32,529,729	60,645,357
Total balance, end of period	\$ 28,317,230	\$ 33,896,023	\$ 62,213,253

**Commerce Resources Corp.**  
Schedule of Resource Properties  
For the year ended October 31, 2020  
Expressed in Canadian dollars  
(Unaudited – prepared by management)

Schedule I  
Continued

	Blue River Claims	Eldor Claims	Totals
<b>Acquisition costs</b>			
Balance, beginning of year	\$ 201,602	\$ 1,332,866	\$ 1,534,468
Staking and renewals	-	33,428	33,428
Balance, end of the year	201,602	1,366,294	1,567,896
<b>Deferred exploration and development costs</b>			
Balance, beginning of year	28,010,869	31,887,520	59,898,389
Amortization – field equipment and office	9,004	-	9,004
Assays	-	919	919
Environmental and permitting	-	598	598
Field equipment rental	21,316	2,936	24,242
Field supplies	-	11,925	11,925
Food and accommodation	14,282	-	14,282
Geology, mapping and drafting	-	25,779	25,779
Insurance	5,229	7,843	13,072
Other	38,000	46,056	84,056
Metallurgy	-	359,161	359,161
Project management	825	-	825
Travel and transport	-	8,503	8,503
	88,656	463,720	552,376
Balance, end of year	28,099,525	32,351,240	60,450,765
Mining tax credits	(6,101)	(16,737)	22,838
Total balance, end of year	\$ 28,295,026	\$ 33,700,797	\$ 61,995,823