



Condensed Interim Financial Statements

For the Three Months Ended January 31, 2020

(Unaudited - Expressed in Canadian Dollars)

The accompanying unaudited condensed interim financial statements of Commerce Resources Corp. for the three months ended January 31, 2020, 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, 2020	October 31, 2019
Assets		
Current		
Cash	\$ 48,157	242,657
Marketable securities	13,141	13,741
Short term investment (Note 5)	436,750	436,750
Taxes and other receivables	19,347	169,606
Prepaid expenses	153,049	210,088
	670,444	1,072,842
Equipment (Note 6)	379,829	387,409
Exploration and evaluation assets (Note 7 and Schedule I)	61,577,908	61,432,857
Reclamation bonds	80,000	80,000
	\$ 62,708,181	62,973,108
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 14)	\$ 895,339	946,529
Due to related parties (Note 11)	56,200	47,800
Liability for flow-through shares (Note 14)	84,142	84,142
	1,035,681	1,078,471
Shareholders' Equity		
Share capital (Note 8)	86,485,737	86,485,737
Reserves (Note 9)	9,596,434	9,590,806
Deficit	(34,409,671)	(34,181,906)
	61,672,500	61,894,637
	\$ 62,708,181	62,973,108

Approved and authorized by the Board of Directors on March 11, 2020:

“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)

	2020	2019
Expenses		
Administration fees and rent (Note 10)	\$ 92,000	\$ 90,000
Advertising and website	42,892	9,159
Consulting fees (Note 11)	37,621	23,168
Filing and transfer agent fees	2,324	610
Insurance	2,445	2,445
Investor relations	15,553	16,102
Office, telephone and miscellaneous (Note 10)	9,904	4,038
Professional fees	5,542	1,664
Share-based compensation (Note 9)	5,628	-
Travel expenses	12,450	28,665
Loss before other items	(226,359)	(175,851)
Other items:		
Interest income	5	3
Loss on foreign exchange	(811)	-
Unrealized loss on marketable securities	(600)	-
	(1,406)	3
Net loss for the period	(227,765)	(175,848)
Other comprehensive income for the period		
Change in fair value of available-for-sale financial assets	-	15,528
Comprehensive income for the period	-	15,528
Net loss and comprehensive loss for the period	\$ (227,765)	\$ (160,320)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	41,476,083	31,049,658

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, 2020 and 2019

As expressed in Canadian dollars

(Unaudited – prepared by management)

	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Loss	Deficit	Total
Balance, October 31, 2018	31,049,658	\$ 83,769,426	\$ 9,183,252	\$ 8,608	\$ (33,047,043)	\$ 59,914,243
Change in fair value of available-for-sale financial assets	-	-	-	15,528	-	15,528
Net loss for the period	-	-	-	-	(175,848)	(175,848)
Balance, January 31, 2019	31,049,658	\$ 83,769,426	\$ 9,183,252	\$ 24,136	\$ (33,222,891)	\$ 59,753,923
	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Loss	Deficit	Total
Balance, October 31, 2019	41,476,083	\$ 86,485,737	\$ 9,590,806	\$ -	\$ (34,181,906)	\$ 61,894,637
Share-based payments	-	-	5,628	-	-	5,628
Net loss for the period	-	-	-	-	(227,765)	(227,765)
Balance, January 31, 2020	41,476,083	\$ 86,485,737	\$ 9,596,434	\$ -	\$ (34,409,671)	\$ 61,672,500

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, 2020 and 2019

As expressed in Canadian dollars

(Unaudited – prepared by management)

	2020	2019
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income (loss) for the period	\$ (227,765)	\$ (175,848)
Add (deduct) items not affecting cash:		
Unrealized loss on marketable securities	600	-
Share-based compensation	5,628	-
Changes in non-cash working capital items related to operations:		
Amounts receivable	15,409	10,745
Prepaid expenses	57,039	7,396
Due to (from) related parties	8,400	89,527
Accounts payable and accrued liabilities	(51,190)	59,762
Net cash flows from (used in) operating activities	(191,879)	(8,418)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Exploration and evaluation costs, net of tax credits received	(137,471)	(34,729)
Net cash flows (used in) investing activities	(137,471)	(34,729)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Share subscriptions receivable	134,850	-
Net cash flows from (used in) investing activities	134,850	-
Increase (decrease) in cash and cash equivalents	(194,500)	(43,147)
Cash and cash equivalents, beginning of period	242,657	56,710
Cash and cash equivalents, end of period	\$ 48,157	\$ 13,563

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, 2020

Expressed in Canadian Dollars

(Unaudited – prepared by management)

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 11, 2020.

On August 15, 2019, the Company completed a consolidation of the outstanding common shares of the Company on the basis of ten (10) pre-consolidation shares for one (1) post-consolidation share. All shares referenced in these financial statements have been amended to reflect the post-consolidated values

The Company has no source of operating cash flows, has not yet achieved profitable operations, has a working capital deficit of \$365,237 at January 31, 2020 (October 31, 2019 - \$5,629), 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.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed interim statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), applicable to the presentation of interim financial statements, including IAS 34, Interim Financial Reporting.

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.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2020

Expressed in Canadian Dollars

(Unaudited – prepared by management)

2. BASIS OF PRESENTATION - continued

Basis of Measurement - continued

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.

- 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.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2020

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(Unaudited – prepared by management)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - continued

Judgments - continued

- 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, 2019. Therefore, these condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended October 31, 2019.

5. SHORT TERM INVESTMENTS

At January 31, 2020, the Company had two guaranteed investment certificates ("GIC's") valued at \$436,750. One is valued at \$23,000 (October 31, 2019: \$23,000) with an interest rate of prime less 2.7% and a maturity date of October 15, 2020 and the other is valued at \$413,750 (October 31, 2019: \$413,750) with an interest rate of 1.75% per annum and a maturity date of August 27, 2020.

6. EQUIPMENT

	Field Equipment	Field Office Building	Leasehold Improvements	Land	Total
<u>Costs</u>					
October 31, 2019 & January 31, 2020	\$ 316,931	\$ 303,748	\$ 255,796	\$ 120,282	\$ 996,757
October 31, 2018	316,931	114,016	147,436	-	578,383
Additions	-	9,649	21,316	-	30,965
October 31, 2019	316,931	123,665	168,752	-	609,348
Additions	-	2,251	5,329	-	7,580
January 31, 2020	\$ 316,931	\$ 125,916	\$ 174,081	\$ -	\$ 616,928
<u>Net Book Value</u>					
October 31, 2019	\$ -	\$ 180,083	\$ 87,044	\$ 120,282	\$ 387,409
January 31, 2020	\$ -	\$ 177,832	\$ 81,715	\$ 120,282	\$ 379,829

During the three months ended January 31, 2020, \$7,580 (January 31, 2019: \$7,861) of amortization has been capitalized to Exploration and Evaluation Assets.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

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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.

As of January 31, 2020, the Company has recorded \$2,038 (October 31, 2019: \$2,505) of mining tax payable in accounts payable and accrued liabilities due to adjustments made by Revenue Quebec in fiscal 2016 and 2019.

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 will receive 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:

On August 15, 2019, the Company completed a consolidation of the outstanding common shares of the Company on the basis of ten (10) pre-consolidation shares for one (1) post-consolidation share. All shares referenced in these financial statements have been amended to reflect the post-consolidated values. The total issued and outstanding shares of the Company total 41,476,083 as at January 31, 2020 (October 31, 2019: 41,476,083).

During the year ended October 31, 2019:

On August 27, 2019, the Company closed an oversubscribed non-brokered flow through private placement of 752,272 units (each, a "Unit") at a price of \$0.55 per Unit for aggregate proceeds of \$413,750. Each Unit consists of one common share of the Company issued on a "flow-through" basis pursuant to the Income Tax Act (Canada) (each, a "Share") and one common share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder to purchase one Share (on a non-flow-through basis) at a price of \$0.75 per Share for a period of one year following the closing of the Offering (the "Closing"). Finders' fees of \$24,000 were paid in connection with the Offering to an eligible finder. All securities issued in connection with the Offering will be subject to a statutory hold period expiring December 27, 2019.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

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Expressed in Canadian Dollars

(Unaudited – prepared by management)

8. SHARE CAPITAL - continued

During the year ended October 31, 2019:

On October 11, 2019, the Company closed the first tranche of a non-brokered private placement issuing 9,028,000 units (each, a “Unit”) at a price of \$0.26 per Unit for gross proceeds of \$2,347,280. 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 \$0.35 per Share for the first year, and \$0.50 for the second year following the closing of the Offering (the “Closing”). Finders’ fees of \$364 were paid in connection with the Offering to an eligible finder. 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 October 31, 2019, the Company closed the second and final tranche of a non-brokered private placement issuing 646,153 units (each, a “Unit”) at a price of \$0.26 per Unit for gross proceeds of \$168,000. 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 \$0.35 per Share for the first year, and \$0.50 for the second year following the closing of the Offering (the “Closing”). Finders’ fees of \$3,150 were payable. 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. As at October 31, 2019, \$134,850 subscription proceeds had not been received and were recorded as share subscription receivable on the statements of financial position. The proceeds were received in full subsequent to October 31, 2019.

c) Share purchase warrants:

The following is a summary of share purchase warrant transactions for the three months ended January 31, 2020 and the year ended October 31, 2019:

	January 31, 2020		October 31, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	10,426,425	\$ 0.52	4,913,431	\$ 1.00
Issued	-	-	10,426,425	0.52
Expired	-	-	(4,913,431)	0.86
Balance, end of period	10,426,425	\$ 0.52	10,426,425	\$ 0.52

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2020

Expressed in Canadian Dollars

(Unaudited – prepared by management)

8. SHARE CAPITAL - continued

c) Share purchase warrants: - continued

The following share purchase warrants were outstanding and exercisable as at January 31, 2020 and October 31, 2019:

Expiry Date	Weighted Average Remaining Contractual Life (Years)	Exercise Price	January 31, 2020 Number of Warrants	October 31, 2019 Number of Warrants
August 27, 2020	0.57	\$0.75	752,272	752,272
October 11, 2021*	1.70	\$0.35/\$0.50	9,028,000	9,028,000
October 31, 2021*	1.75	\$0.35/\$0.50	646,153	646,153
Total Outstanding and exercisable	1.62	\$0.52	10,426,425	10,426,425

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

d) Agents' warrants:

The following is a summary of agents' warrant transactions for the three months ended January 31, 2020 and the year ended October 31, 2019:

	January 31, 2020		October 31, 2019	
	Number of Agents' Warrants	Weighted Average Exercise Price	Number of Agents' Warrants	Weighted Average Exercise Price
Balance, beginning of period	-	-	29,096	\$ 1.00
Expired	-	-	(29,096)	1.00
Balance, end of period	-	\$ -	-	\$ -

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2020

Expressed in Canadian Dollars

(Unaudited – prepared by management)

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.

The following is a summary of option transactions under the Company's stock option plan for the three months ended January 31, 2020 and the year ended October 31, 2019:

	January 31, 2020		October 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	2,917,232	\$ 0.50	1,432,232	\$ 0.66
Granted	-	-	1,505,000	0.35
Expired/Cancelled	-	-	(20,000)	0.65
Balance, end of period	2,917,232	\$ 0.50	2,917,232	\$ 0.50

The following stock options were outstanding and exercisable as at January 31, 2020:

Expiry Date	Exercise Price	Number of Options	Contractual Life (Years)
June 6, 2022	\$0.65	1,312,232	2.35
April 12, 2023	\$0.75	100,000	3.20
August 27, 2024	\$0.35	1,315,000	4.58
August 27, 2024	\$0.35	190,000	4.58
Total Outstanding		2,917,232	3.53
Total Exercisable		2,774,732	3.47

During the year ended October 31, 2019, the Company cancelled 20,000 stock options priced at \$0.65 per share issued to former employees and consultants of the Company.

On August 27, 2019, the Company granted an aggregate of 1,315,000 stock options to certain directors, officers, employees and consultants of the Company for the purchase of up to 1,315,000 common shares of the Company pursuant to its Stock Option Plan. Each option is exercisable for a period of 5 years at a price of \$0.35 per common share and vests immediately.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

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(Unaudited – prepared by management)

9. SHARE-BASED PAYMENTS - continued

On August 27, 2019, the Company granted an aggregate of 190,000 stock options to an employee providing investor relations services for the purchase of up to 190,000 common shares of the Company pursuant to its Stock Option Plan. Each option is exercisable for a period of 5 years at a price of \$0.35 per common share and vests 25% immediately and a further 25% every three months. During the three months ended January 31, 2020, \$5,628 was charged to share-based compensation for the second vesting period of the stock options.

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, 2019, the Company renewed the agreement for another period of 12 months at \$31,000 (December 31, 2018: \$30,000) per month.

11. RELATED PARTY TRANSACTIONS

During the three months ended January 31, 2020 and 2019, the Company incurred the following transactions with officers or directors of the Company or companies with common directors:

	Three months ended January 31,	
	2020	2019
	\$	\$
Key management compensation*		
Geological services	6,434	3,235
Administrative fees	92,000	90,000
Consulting fees to key management	25,820	15,112
Advertising and promotion	10,528	-
Total	134,782	108,347

	January 31,	October 31,
	2020	2019
	\$	\$
Amounts due to (from) related parties		
Dahrouge Geological Consulting (a)	20,706	12,306
Axel Hoppe, Director (b)	35,384	35,384
Zimtu Capital Corp. (c)	110	110
Due to related parties – Net total	56,200	47,800

- (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.

Commerce Resources Corp.

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11. RELATED PARTY TRANSACTIONS - continued

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.

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, 2020, the Company held cash of \$48,157 (October 31, 2019: \$242,657) and short-term investments of \$436,750 (October 31, 2019: \$436,750) 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, 2020, the Company has total current liabilities of \$1,035,681 (October 31, 2019: \$1,078,471). 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.

Commerce Resources Corp.

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12. FINANCIAL INSTRUMENTS - continued

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.

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, 2020 and October 31, 2019:

	As at January 31, 2020		
	Level 1	Level 2	Level 3
Cash	\$ 48,157	\$ -	\$ -
Short term investments	436,750	-	-
Marketable securities	13,141	-	-
	\$ 498,048	\$ -	\$ -

	As at October 31, 2019		
	Level 1	Level 2	Level 3
Cash	\$ 242,657	\$ -	\$ -
Short term investments	436,750	-	-
Marketable securities	13,741	-	-
	\$ 693,148	\$ -	\$ -

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2020

Expressed in Canadian Dollars

(Unaudited – prepared by management)

12. FINANCIAL INSTRUMENTS – continued

e) Capital Management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at January 31, 2020, the Company's shareholders' equity was \$61,672,500 (October 31, 2019: \$61,894,637). 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.

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, 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.

During the three months ended January 31, 2019:

- Exploration and evaluation assets of \$182,741 were included in accounts payable and \$267,348 were included in due to related parties.
- Amortization of \$7,741 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.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2020

Expressed in Canadian Dollars

(Unaudited – prepared by management)

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

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, 2020, 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, 2020.

15. SUBSEQUENT EVENTS

Commerce Resources Corp.

Schedule I

Schedule of Resource Properties

For the three months ended January 31, 2020

Expressed in Canadian dollars

(Unaudited – prepared by management)

	Blue River Claims	Eldor Claims	Totals
Acquisition costs			
Balance, beginning of period	\$ 201,602	\$ 1,332,866	\$ 1,534,468
Staking and renewals	-	33,428	33,428
Balance, end of the period	201,602	1,366,294	1,567,896
Deferred exploration and development costs			
Balance, beginning of period	28,010,869	31,887,520	59,898,389
Amortization – field equipment and office	2,251	-	2,251
Environmental and permitting	-	296	296
Field equipment rental	5,329	2,836	8,165
Food and accommodation	1,441	-	1,441
Geology, mapping and drafting	-	6,210	6,210
Insurance	1,292	1,939	3,231
Other	8,500	9,762	18,262
Metallurgy	-	70,234	70,234
Travel and transport	-	1,533	1,533
	18,813	92,810	111,623
Balance, end of period	28,010,870	31,887,519	59,686,809
Mining tax credits	-	-	-
Total balance, end of period	\$ 28,231,284	\$ 33,346,624	\$ 61,577,908

Commerce Resources Corp.
Schedule of Resource Properties
For the year ended October 31, 2019
Expressed in Canadian dollars
(Unaudited – prepared by management)

Schedule I
Continued

	Blue River Claims	Eldor Claims	Other Claims	Totals
Acquisition costs				
Balance, beginning of year	\$ 201,602	\$ 1,332,866	\$ 211,580	\$ 1,746,048
Staking	-	-	-	-
Balance, end of the year	201,602	1,332,866	211,580	1,746,048
Deferred exploration and development costs				
Balance, beginning of year	27,916,992	31,832,048	(211,580)	59,537,460
Amortization – field equipment and office	9,649	-	-	9,649
Consulting	117	-	-	117
Environmental and permitting	-	1,729	-	1,729
Field equipment rental	21,316	-	-	21,316
Field supplies	-	926	-	926
Food and accommodation	16,557	-	-	16,557
Geology, mapping and drafting	-	24,268	-	24,268
Insurance	5,127	7,692	-	12,819
Other	46,000	59,363	-	105,363
Project management	2,310	-	-	2,310
Travel and transport	-	3,164	-	3,164
	101,076	97,142	-	198,218
Balance, end of year	28,010,870	31,887,519	(211,580)	59,686,809
Mining tax credits	(7,198)	(41,671)	-	(48,869)
Total balance, end of year	\$ 28,212,472	\$ 33,220,385	\$ -	\$ 61,432,857