



## Condensed Interim Financial Statements

For the Nine Months Ended July 31, 2018

(Unaudited - Expressed in Canadian Dollars)

*The accompanying unaudited condensed interim financial statements of Commerce Resources Corp. for the nine months ended July 31, 2018, 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)

	July 31, 2018	October 31, 2017
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 16,813	11,916
Marketable securities	35,299	34,803
Short term investment (Note 5)	34,500	174,500
GST/HST receivable	9,606	21,513
Prepaid expenses	80,900	104,561
	<b>177,118</b>	347,293
Equipment (Note 7)	426,235	449,819
Exploration and evaluation assets (Note 8 and Schedule I)	61,538,709	61,219,466
Reclamation bonds	82,000	82,000
	<b>\$ 62,224,062</b>	62,098,578
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 15)	\$ 1,136,153	999,093
Due to related parties (Note 12)	995,790	444,320
Liability for flow-through shares (Note 15)	-	31,513
	<b>2,131,943</b>	1,474,926
<b>Shareholders' Equity</b>		
Share capital (Note 9)	83,769,426	83,701,427
Reserves (Note 10)	9,168,910	9,153,914
Accumulated other comprehensive income	15,873	15,376
Deficit	(32,862,090)	(32,247,065)
	<b>60,092,119</b>	60,623,652
	<b>\$ 62,224,062</b>	62,098,578

Approved and authorized by the Board of Directors on September 12, 2018:

*“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

As expressed in Canadian dollars

(Unaudited – prepared by management)

	Three months ended July 31,		Nine months ended July 31,	
	2018	2017	2018	2017
<b>Expenses</b>				
Administration fees and rent (Note 11)	\$ 90,000	\$ 90,000	\$ 270,000	\$ 293,810
Advertising, promotion and website	23,035	35,498	116,669	259,970
Consulting fees (Note 12)	15,811	23,090	64,916	35,498
Filing and transfer agent fees	7,544	15,741	27,362	37,719
Insurance	2,823	2,823	8,469	8,469
Investor relations	17,343	15,818	49,121	58,298
Office, telephone and miscellaneous (Note 11)	1,364	3,692	9,088	17,061
Professional fees	10,407	14,440	48,999	105,798
Share-based compensation (Note 10)	-	630,535	14,996	630,535
Travel expense	(738)	14,846	20,901	55,355
<b>Loss before other items</b>	<b>(167,589)</b>	<b>(846,483)</b>	<b>(630,521)</b>	<b>(1,502,513)</b>
<b>Other income (expenses)</b>				
Interest income	265	450	1,385	837
Part XII.6 tax and interest expense (Note 15)	-	-	(16,682)	(16,677)
Gain (loss) on foreign exchange	168	-	168	1,109
Impairment of mineral properties	-	-	(5,888)	-
Other income	5,000	-	5,000	-
Gain on disposition of asset backed commercial paper	-	43,916	-	48,663
	<b>5,433</b>	<b>44,366</b>	<b>(16,017)</b>	<b>33,932</b>
<b>Loss before income taxes</b>	<b>(162,156)</b>	<b>(802,117)</b>	<b>(646,538)</b>	<b>(1,468,581)</b>
<b>Deferred income tax recovery (Note 15)</b>	<b>-</b>	<b>8,082</b>	<b>31,513</b>	<b>112,268</b>
<b>Net income (loss) for the period</b>	<b>(162,156)</b>	<b>(794,035)</b>	<b>(615,025)</b>	<b>(1,356,313)</b>
<b>Other comprehensive income (loss) for the period</b>				
Unrealized gain (loss) on asset backed commercial paper	-	(2,988)	-	(2,681)
Unrealized gain (loss) on marketable securities	(9,163)	(11,009)	497	3,531
<b>Comprehensive income (loss) for the period</b>	<b>(9,163)</b>	<b>(13,997)</b>	<b>497</b>	<b>850</b>
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<b>\$ (171,319)</b>	<b>\$ (808,032)</b>	<b>\$ (614,528)</b>	<b>\$ (1,355,463)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>310,496,558</b>	<b>305,509,889</b>	<b>310,001,169</b>	<b>277,878,040</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 nine months ended July 31, 2018 and 2017

As expressed in Canadian dollars

(Unaudited – prepared by management)

	Number of Shares	Share Capital	Share Subscriptions Received	Reserves	Accumulated Other Comprehensive Loss	Deficit	Total
<b>Balance, October 31, 2016</b>	<b>259,508,950</b>	<b>\$ 81,086,544</b>	<b>\$ -</b>	<b>\$ 8,455,888</b>	<b>\$ 9,022</b>	<b>\$ (30,698,154)</b>	<b>\$ 58,853,300</b>
Shares issued for cash	50,060,958	2,660,153	-	-	-	-	2,660,153
Share subscriptions received	-	-	-	-	-	-	-
Share issue costs	-	(46,771)	-	6,750	-	-	(40,021)
Change in fair value of available- for-sale financial assets	-	-	-	-	3,531	-	3,531
Disposition of asset backed commercial paper	-	-	-	-	(2,681)	-	(2,681)
Net loss for the period	-	-	-	-	-	(1,356,313)	(1,356,313)
<b>Balance, July 31, 2017</b>	<b>309,569,908</b>	<b>\$ 83,699,926</b>	<b>\$ -</b>	<b>\$ 9,153,914</b>	<b>\$ 9,872</b>	<b>\$ (32,054,467)</b>	<b>\$ 60,809,245</b>
	Number of Shares	Share Capital	Share Subscriptions Received	Reserves	Accumulated Other Comprehensive Loss	Deficit	Total
<b>Balance, October 31, 2017</b>	<b>309,589,908</b>	<b>\$ 83,701,427</b>	<b>\$ -</b>	<b>\$ 9,153,914</b>	<b>\$ 15,376</b>	<b>\$ (32,247,065)</b>	<b>\$ 60,623,652</b>
Warrants exercised for cash	906,650	67,999	-	-	-	-	67,999
Share-based compensation	-	-	-	14,996	-	-	14,996
Change in fair value of available- for-sale financial assets	-	-	-	-	497	-	497
Net loss for the period	-	-	-	-	-	(615,025)	(615,025)
<b>Balance, July 31, 2018</b>	<b>310,496,558</b>	<b>\$ 83,769,426</b>	<b>\$ -</b>	<b>\$ 9,168,910</b>	<b>\$ 15,873</b>	<b>\$ (32,862,090)</b>	<b>\$ 60,092,119</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 nine months ended July 31,  
As expressed in Canadian dollars  
(Unaudited – prepared by management)

	2018	2017
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</b>		
Net income (loss) for the period	\$ (615,025)	\$ (1,356,313)
Add (deduct) items not affecting cash:		
Deferred income tax recovery	(31,513)	(112,268)
Gain on disposition of asset-backed commercial paper	-	(48,663)
Share-based compensation	14,996	630,535
	<b>(631,542)</b>	<b>(886,709)</b>
Changes in non-cash working capital items related to operations:		
GST and amounts receivable	11,907	64,654
Income tax receivable	-	10,499
Prepaid expenses	23,661	22,093
Due to related parties	551,470	(596,191)
Accounts payable and accrued liabilities	137,061	(521,894)
<b>Net cash flows from (used in) operating activities</b>	<b>92,557</b>	<b>(1,907,548)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issue of share capital, net of share issuance costs	67,999	2,620,132
<b>Net cash flows from financing activities</b>	<b>67,999</b>	<b>2,620,132</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</b>		
Redemption of Asset-backed commercial paper	-	51,453
Proceeds from sale of exploration assets	25,000	-
Short-term investments	140,000	(425,000)
Deferred exploration and development costs, net of tax credits received	(320,659)	(561,270)
<b>Net cash flows (used in) investing activities</b>	<b>(155,659)</b>	<b>(934,817)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>4,897</b>	<b>(222,233)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>11,916</b>	<b>253,187</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 16,813</b>	<b>\$ 30,954</b>

Supplemental disclosure with respect to cash flows – Note 14

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 nine months ended July 31, 2018 and 2017

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 condensed interim financial statements were authorized for issue by the Audit Committee and Board of Directors on September 12, 2018.

The Company has no source of operating cash flows, has not yet achieved profitable operations, has a working capital deficit of \$1,954,825 at July 31, 2018 (October 31, 2017 - \$1,127,633), 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 nine months ended July 31, 2018 and 2017

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### **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 determination of fair value of asset-backed commercial paper based on numerous assumptions, including interest and market risk rates, and factors that are beyond the Company's control such as the ultimate settlement amounts, timing of settlement and changes in the credit ratings. The fair value of the asset-backed commercial paper is subject to uncertainty and it is reasonably possible that the recognized amount could change by a material amount in the near term.

#### 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 nine months ended July 31, 2018 and 2017

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### 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, 2017. Therefore, these condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended October 31, 2017.

### 5. SHORT TERM INVESTMENTS

At July 31, 2018, the Company had a guaranteed investment certificate ("GIC") totaling \$34,500 (October 31, 2017: \$174,500). The GIC will mature within one year with an interest rate of prime less 2.1%.

### 6. INVESTMENTS IN ASSET-BACKED COMMERCIAL PAPER

During the year ended October 31, 2017, the Company has sold all of its ABCP and received payments from settlement of \$51,453 and recognized a gain on sale of ABCP of \$48,663.

Reconciliation of level 3 fair value measurements of ABCP is as follows:

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October 31, 2016	5,471
Settlements	(2,790)
Unrealized gains in other comprehensive income	(2,681)
October 31, 2017 and July 31, 2018	\$ -

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## Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended July 31, 2018 and 2017

Expressed in Canadian Dollars

(Unaudited – prepared by management)

### 7. EQUIPMENT

	Field Equipment	Field Office Building	Leasehold Improvements	Land	Total
<b>Costs</b>					
July 31, 2018 and October 31, 2017	\$ 316,931	\$ 303,748	\$ 255,796	\$ 120,282	\$ 996,757
<b>Accumulated Amortization</b>					
October 31, 2016	\$ 316,931	92,690	104,804	-	514,425
Additions	-	11,197	21,316	-	32,513
October 31, 2017	316,931	103,887	126,120	-	546,938
Additions	-	7,597	15,987	-	23,584
<b>July 31, 2018</b>	<b>\$ 316,931</b>	<b>\$ 111,484</b>	<b>\$ 142,107</b>	<b>\$ -</b>	<b>\$ 570,522</b>
<b>Net Book Value</b>					
October 31, 2017	\$ -	\$ 199,861	\$ 129,676	\$ 120,282	\$ 449,819
<b>July 31, 2018</b>	<b>\$ -</b>	<b>\$ 192,264</b>	<b>\$ 113,689</b>	<b>\$ 120,282</b>	<b>\$ 426,235</b>

During the nine months ended July 31, 2018, \$23,584 (April 30, 2017: \$16,256) of amortization has been capitalized to Exploration and Evaluation Assets.

### 8. 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.

During the year ended October 31, 2017, 1,175,000 stock options with an exercise price of \$0.065 per were granted to geologists conducting exploration activities of Eldor Claims. The Company capitalized a total of \$60,741 in share based payments as resources properties pursuant to the option grants. As of October 31, 2017, the Company has recorded \$34,761 (2016: \$34,761) of mining tax payable in accounts payable and accrued liabilities due to adjustments made by Revenue Quebec.

On January 11, 2018, the Company entered into an exploration earn-in agreement with Saville Resources Inc. ("Saville") on the Eldor Niobium claims. Under the exploration earn-in agreement, Saville has agreed to perform \$5M CAD of work on the Eldor Niobium 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 following Exchange approval. The Company will retain a 2% Net Smelter Royalty (NSR) on production from some of the claims with a 1% NSR buyback for \$1M CAD, and a 1% NSR on the claims that are already subject to royalties. The agreement is subject to TSX-Venture Exchange approval.

## **Commerce Resources Corp.**

Notes to the Condensed Interim Financial Statements

For the nine months ended July 31, 2018 and 2017

Expressed in Canadian Dollars

(Unaudited – prepared by management)

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### **8. EXPLORATION AND EVALUATION ASSETS - continued**

#### Other Claims – British Columbia, Canada

Other claims consist of mineral claims located in Quebec, Canada known as the Alan Parson. These claims have lapsed and were impaired during the six months ended April 30, 2018.

### **9. 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 310,496,558 as at July 31, 2018 (October 31, 2017: 309,289,908).

#### **During the nine months ended July 31, 2018:**

During the nine months ended July 31, 2018, 906,650 share purchase warrants priced at \$0.075 per share were exercised for gross proceeds of \$67,999.

#### **During the year ended October 31, 2017:**

On February 16, 2017, the Company completed a non-brokered private placement financing (the “Financing”) of 34,350,450 units (a “Unit”), at a price of \$0.05 per Unit, for gross proceeds of \$1,717,523. Each Unit consists of one common share of the Company (each, a “Share”) and one share purchase warrant (each, a “Warrant”). Each Warrant is exercisable into one additional Share at a price of \$0.075 per Share in the first year after issuance and at \$0.10 per Share in the second year after issuance. The Company paid cash finders fees of \$12,950 and issued 259,000 share purchase warrants (the “Finder’s Warrants”) to two finders in connection with certain subscriptions in the Financing. The Finder’s Warrants have the same terms as the Warrants. The securities issued under the Financing, 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 on June 17, 2017.

On May 26, 2017, the Company completed a non-brokered private placement financing (the “Financing”) of 15,710,508 units (a “Unit”), at a price of \$0.06 per Unit, for gross proceeds of \$942,630. Each Unit consists of one common share of the Company (each, a “Share”) and one share purchase warrant (each, a “Warrant”). Each Warrant is exercisable into one additional Share at a price of \$0.075 per Share in the first year after issuance and at \$0.10 per Share in the second year after issuance. The Company paid cash finders fees of \$1,918 and issued 31,962 share purchase warrants (the “Finder’s Warrants”) to one finder in connection with certain subscriptions in the Financing. The Finder’s Warrants have the same terms as the Warrants. The securities issued under the Financing, 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 on September 27, 2017.

On September 26, 2017, 20,000 warrants priced at \$0.075 were exercised for gross proceeds of \$1,500.

## Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended July 31, 2018 and 2017

Expressed in Canadian Dollars

(Unaudited – prepared by management)

### 9. SHARE CAPITAL - continued

#### c) Share purchase warrants:

The following is a summary of share purchase warrant transactions for the nine months ended July 31, 2018 and the year ended October 31, 2017:

	July 31, 2018		October 31, 2017	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	69,339,623	\$ 0.10	19,298,665	\$ 0.10
Issued	-	-	50,060,958	0.10
Expired	(15,598,665)	0.10	-	-
Exercised	(906,650)	0.075	(20,000)	0.075
Balance, end of period	52,834,308	\$ 0.09	69,339,623	\$ 0.10

The following share purchase warrants were outstanding and exercisable as at July 31, 2018 and October 31, 2017:

Expiry Date	Weighted Average Remaining Contractual Life (Years)	Exercise Price	July 31, 2018 Number of Warrants	October 31, 2017 Number of Warrants
June 30, 2018	-	\$0.10	-	15,598,665
August 12, 2018**	0.03	\$0.10	3,700,000	3,700,000
February 16, 2019*	0.55	\$0.08	33,423,800	34,330,450
May 26, 2019	0.82	\$0.10	15,710,508	15,710,508
Total Outstanding and Exercisable	0.59	\$0.09	52,834,308	69,339,623

\*The exercise price for these warrants has been amended to \$0.08 until expiry.

\*\*Expired subsequent to July 31, 2018

## Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended July 31, 2018 and 2017

Expressed in Canadian Dollars

(Unaudited – prepared by management)

### 9. SHARE CAPITAL - continued

d) Agents' warrants:

The following is a summary of agents' warrant transactions for the nine months ended July 31, 2018 and the year ended October 31, 2017:

	July 31, 2018		October 31, 2017	
	Number of Agents' Warrants	Weighted Average Exercise Price	Number of Agents' Warrants	Weighted Average Exercise Price
Balance, beginning of period	3,030,908	\$ 0.09	2,739,946	\$ 0.09
Issued	-	-	290,962	0.10
Expired	(2,105,157)	0.09	-	-
Balance, end of period	925,751	\$ 0.09	3,030,908	\$ 0.09

The following agents' warrants were outstanding and exercisable as at July 31, 2018 and October 31, 2017:

Expiry Date	Weighted Average Remaining Contractual Life (Years)	Exercise Price	July 31, 2018 Number of Agents' Warrants	October 31, 2017 Number of Agents' Warrants
November 27, 2017	-	\$0.11	-	900,234
December 22, 2017	-	\$0.11	-	34,116
December 24, 2017	-	\$0.11	-	127,400
June 30, 2018	-	\$0.075	-	1,043,407
August 12, 2018**	0.03	\$0.075	259,000	259,000
August 12, 2018**	0.03	\$0.095	375,789	375,789
February 16, 2019	0.55	\$0.10	259,000	259,000
May 26, 2019	0.82	\$0.10	31,962	31,962
Total Outstanding and Exercisable	0.20	0.09	925,751	3,030,908

\*\*Expired subsequent to July 31, 2018

## Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended July 31, 2018 and 2017

Expressed in Canadian Dollars

(Unaudited – prepared by management)

### 10. 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 nine months ended July 31, 2018 and the year ended October 31, 2017:

	July 31, 2018		October 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	17,152,320	\$ 0.08	3,830,000	\$ 0.15
Granted	1,000,000	0.075	13,372,320	0.065
Expired/Cancelled	(3,830,000)	0.15	(50,000)	0.065
Balance, end of period	14,322,320	\$ 0.07	17,152,320	\$ 0.08

The following stock options were outstanding and exercisable as at July 31, 2018:

Expiry Date	Exercise Price	Number of Options	Contractual Life (Years)
June 6, 2022	\$0.07	13,322,320	3.85
April 12, 2023	\$0.075	1,000,000	4.70
Total Outstanding		14,322,320	3.91
Total Outstanding and Exercisable		13,322,320	3.85

On April 12, 2018, the Company granted 1,000,000 incentive stock options, exercisable into one common share of the Company at a price of \$0.075 per share for a period of 5 years. The options were provided to a company providing investor relations services, and accordingly, 25% of the options have been vested as of July 31, 2018.

On June 6, 2017, the Company granted 13,372,320 incentive stock options, exercisable into one common share of the Company at a price of \$0.065 per share for a period of 5 years. Of the total, 5,500,000 options were granted to directors and officers of the Company.

## Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended July 31, 2018 and 2017

Expressed in Canadian Dollars

(Unaudited – prepared by management)

### 11. 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 been renewed in prior years and on December 1, 2017, the Company renewed the agreement for another period of 12 months at \$30,000 per month.

### 12. RELATED PARTY TRANSACTIONS

During the nine months ended July 31, 2018 and 2017, the Company incurred the following transactions with officers or directors of the Company or companies with common directors:

	Nine months ended July 31,	
	2018	2017
	\$	\$
<b>Key management compensation*</b>		
Administrative fees	270,000	298,810
Advertising and promotion	88,449	104,814
Consulting services	34,076	16,649
Geological services	62,114	254,043
Share-based compensation	-	284,320
<b>Total</b>	<b>454,639</b>	<b>958,636</b>

  

	April 30,	October 31,
	2018	2017
	\$	\$
<b>Amounts due to (from) related parties</b>		
Dahrouge Geological Consulting (a)	279,628	247,939
Axel Hoppe, Director	56,520	43,788
Zimtu Capital Corp. (b)	659,642	152,593
<b>Due to related parties – Net total</b>	<b>995,790</b>	<b>444,320</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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### **13. 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, short term investments, amounts receivable, due from related parties and investments in asset-backed commercial paper 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 July 31, 2018, the Company held cash of \$16,813 (October 31, 2017: \$11,916) and short term investments of \$34,500 (October 31, 2017: \$174,500) 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 July 31, 2018, the Company has total current liabilities of \$2,131,943 (October 31, 2017: \$1,474,926). 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

For the nine months ended July 31, 2018 and 2017

Expressed in Canadian Dollars

(Unaudited – prepared by management)

### 13. FINANCIAL INSTRUMENTS - 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 July 31, 2018 and October 31, 2017:

	As at July 31, 2018		
	Level 1	Level 2	Level 3
Cash	\$ 16,813	\$ -	\$ -
Short term investments	34,500	-	-
Marketable securities	35,299	-	-
	\$ 86,612	\$ -	\$ -

	As at October 31, 2017		
	Level 1	Level 2	Level 3
Cash	\$ 11,916	\$ -	\$ -
Short term investments	174,500	-	-
Marketable securities	34,803	-	-
	\$ 221,219	\$ -	\$ 5,471



## **Commerce Resources Corp.**

Notes to the Condensed Interim Financial Statements

For the nine months ended July 31, 2018 and 2017

Expressed in Canadian Dollars

(Unaudited – prepared by management)

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### **13. FINANCIAL INSTRUMENTS – continued**

#### e) Capital Management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at July 31, 2018, the Company's shareholders' equity was \$60,092,119 (October 31, 2017: \$60,623,652). 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.

### **14. NON-CASH TRANSACTIONS**

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

#### **During the nine months ended July 31, 2018:**

- Exploration and evaluation assets of \$194,327 were included in accounts payable and \$279,628 were included in due to related parties.
- Amortization of \$23,584 relating to equipment was included in exploration and evaluation assets.

#### **During the nine months ended July 31, 2017:**

- Exploration and evaluation assets of \$80,843 were included in accounts payable and \$244,405 were included in due to related parties.
- Amortization of \$24,384 relating to equipment was included in exploration and evaluation assets.
- 290,962 agents' warrants valued at \$6,750 granted to the Agents were included in share issuance costs.

### **15. 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 August 12, 2016, the Company issued 5,800,421 shares on a flow-through basis at \$0.095 per share (see Note 9) for proceeds of \$551,040, and recognized a liability on flow-through shares of \$145,011. At October 31, 2017, the Company has incurred \$431,294 of qualified expenditures. The flow-through proceeds were renounced under the Look-back Rule on December 31, 2016. The remaining flow-through expenditures were incurred prior to December 31, 2017.

## Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended July 31, 2018 and 2017

Expressed in Canadian Dollars

(Unaudited – prepared by management)

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

	<b>Issued on August 12, 2016</b>
<b>Balance, October 31, 2016</b>	\$ 145,011
Settlement of flow-through share liability on incurring expenses	<u>(113,498)</u>
<b>Balance, October 31, 2017</b>	\$ 31,513
Settlement of flow-through share liability on incurring expenses	<u>(31,513)</u>
<b>Balance, July 31, 2018</b>	<u>\$ -</u>

### 16. SUBSEQUENT EVENTS

- i. On August 12, 2018, 3,700,000 share purchase warrants priced at \$0.10 expired unexercised.
- ii. On August 12, 2018, 259,000 agents' warrants priced at \$0.075 and 375,789 agents' warrants priced at \$0.095 expired unexercised.

**Commerce Resources Corp.**  
Schedule of Resource Properties  
For the nine months ended July 31, 2018  
Expressed in Canadian dollars  
(Unaudited – prepared by management)

Schedule I

	Blue River Claims	Eldor Claims	Other Claims	Totals
<b>Acquisition costs</b>				
Balance, beginning of period	\$ 201,602	\$ 1,300,599	\$ 211,580	\$ 1,713,781
Staking	-	32,267	-	32,267
Balance, end of the period	201,602	1,332,866	211,580	1,746,048
<b>Deferred exploration and development costs</b>				
Balance, beginning of period	27,831,488	31,879,889	(205,692)	59,505,685
Amortization – field equipment and office	7,597	-	-	7,597
Assays and analytical	-	89,336	-	89,336
Consulting	-	697	-	697
Environmental and permitting	-	331	-	331
Field equipment rental	15,987	9,673	-	25,660
Field supplies	-	3,470	-	3,470
Food and accommodation	11,910	82	-	11,992
Fuel	-	68	-	68
Geology, mapping and drafting	-	89,059	-	89,089
Insurance	3,876	5,817	-	9,693
Other	31,000	32,610	-	63,610
Project management	4,703	-	-	4,703
Travel and transport	804	10,844	-	11,648
	75,877	241,987	-	317,864
Impairment of exploration asset			(5,888)	(5,888)
Proceeds from sale of claims	-	(25,000)	-	(25,000)
Balance, end of period	27,907,365	32,096,876	(211,580)	59,792,661
Total balance, end of period	\$ 28,108,967	\$ 33,429,742	\$ -	\$ 61,538,709

**Commerce Resources Corp.**  
Schedule of Resource Properties  
For the year ended October 31, 2017  
Expressed in Canadian dollars  
(Unaudited – prepared by management)

Schedule I  
Continued

	Blue River Claims	Eldor Claims	Other Claims	Totals
<b>Acquisition costs</b>				
Balance, beginning of year	\$ 201,602	\$ 1,300,599	\$ 211,580	\$ 1,713,781
Staking	-	-	-	-
Balance, end of the year	201,602	1,300,599	211,580	1,713,781
<b>Deferred exploration and development costs</b>				
Balance, beginning of year	27,731,208	31,015,763	(205,692)	58,541,279
Amortization – field equipment and office	32,513	-	-	32,513
Assays and analytical	-	127,011	-	127,011
Community projects	-	18,280	-	18,280
Consulting	-	2,400	-	2,400
Engineering	-	490	-	490
Environmental and permitting	-	464	-	464
Field equipment rental	-	96,342	-	96,342
Field supplies	63	18,561	-	18,624
Food and accommodation	13,668	13,419	-	27,087
Fuel	-	2,406	-	2,406
Geology, mapping and drafting	741	401,579	-	402,320
Insurance	5,491	8,240	-	13,731
Metallurgy	-	26,071	-	26,071
Other	44,500	1,375	-	45,875
Project management	2,516	-	-	2,516
Travel and transport	-	128,545	-	128,545
	99,492	845,183	-	944,675
Mining tax credits/adjustments	788	18,943	-	19,731
Balance, end of year	27,831,488	31,879,889	(205,692)	59,505,685
Total balance, end of year	\$ 28,033,090	\$ 33,180,488	\$ 5,888	\$ 61,219,466