



Condensed Interim Financial Statements

For the Nine Months Ended July 31, 2019

(Unaudited - Expressed in Canadian Dollars)

The accompanying unaudited condensed interim financial statements of Commerce Resources Corp. for the nine months ended July 31, 2019, 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, 2019	October 31, 2018
Assets		
Current		
Cash	\$ 11,144	56,710
Marketable securities	22,914	28,035
Short term investment (Note 5)	23,000	34,500
Taxes and other receivables	38,086	49,277
Prepaid expenses	84,911	104,719
	180,055	273,241
Equipment (Note 6)	395,151	418,374
Exploration and evaluation assets (Note 7 and Schedule I)	61,361,228	61,283,508
Reclamation bonds	80,000	82,000
	\$ 62,016,434	62,057,123
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 14)	\$ 1,203,777	1,159,840
Due to related parties (Note 11)	1,392,701	983,040
	2,596,478	2,142,880
Shareholders' Equity		
Share capital (Note 8)	83,769,426	83,769,426
Reserves (Note 9)	9,183,252	9,183,252
Accumulated other comprehensive income	16,517	8,608
Deficit	(33,549,239)	(33,047,043)
	59,419,956	59,914,243
	\$ 62,016,434	62,057,123

Approved and authorized by the Board of Directors on September 12, 2019:

“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,	
	2019	2018	2019	2018
Expenses				
Administration fees and rent (Note 11)	\$ 90,000	\$ 90,000	\$ 270,000	\$ 270,000
Advertising, promotion and website	4,181	23,035	23,001	116,669
Consulting fees (Note 12)	22,042	15,811	57,278	64,916
Filing and transfer agent fees	3,269	7,544	20,855	27,362
Insurance	2,445	2,823	7,255	8,469
Investor relations	16,274	17,343	47,374	49,121
Office, telephone and miscellaneous (Note 11)	8,569	1,364	15,055	9,088
Professional fees	7,744	10,407	24,285	48,999
Share-based compensation (Note 10)	-	-	-	14,996
Travel expense	10,177	(738)	42,815	20,901
Loss before other items	(164,701)	(167,589)	(507,918)	(630,521)
Other income (expenses)				
Interest income	1,513	265	1,727	1,385
Part XII.6 tax and interest expense (Note 15)	-	-	-	(16,682)
Gain (loss) on foreign exchange	-	168	-	168
Impairment of mineral properties	-	-	-	(5,888)
Other income	13,800	5,000	13,800	5,000
Loss on disposition of marketable securities	-	-	(9,805)	-
	15,313	5,433	5,722	(16,017)
Loss before income taxes	(149,388)	(162,156)	(502,196)	(646,538)
Deferred income tax recovery	-	-	-	31,513
Net income (loss) for the period	(149,388)	(162,156)	(502,196)	(615,025)
Other comprehensive income (loss) for the period				
Unrealized gain (loss) on marketable securities	(7,901)	(9,163)	7,909	497
Comprehensive income (loss) for the period	(7,901)	(9,163)	7,909	497
Net income (loss) and comprehensive income (loss) for the period	\$ (157,289)	\$ (171,319)	\$ (494,287)	\$ (614,528)
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding – basic and diluted	31,049,658	31,049,658	31,049,658	31,000,117

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, 2019 and 2018

As expressed in Canadian dollars

(Unaudited – prepared by management)

	Number of Shares**	Share Capital	Reserves	Accumulated Other Comprehensive Loss	Deficit	Total
Balance, October 31, 2017	30,958,993	\$ 83,701,427	\$ 9,153,914	\$ 15,376	\$ (32,247,065)	\$ 60,623,652
Warrants exercised for cash	90,665	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)
Balance, July 31, 2018	31,049,658	\$ 83,769,426	\$ 9,168,910	\$ 15,873	\$ (32,862,090)	\$ 60,092,119
	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	-	-	-	7,909	-	7,909
Net loss for the period	-	-	-	-	(502,196)	(502,196)
Balance, July 31, 2019	31,049,658	\$ 83,769,426	\$ 9,183,252	\$ 16,517	\$ (33,549,239)	\$ 59,419,956

** All shares are shown as post-consolidated values – see Note 8

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, 2019 and 2018

As expressed in Canadian dollars

(Unaudited – prepared by management)

	2019	2018
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income (loss) for the period	\$ (502,196)	\$ (615,025)
Add (deduct) items not affecting cash:		
Deferred income tax recovery	-	(31,513)
Loss on disposition of marketable securities	9,805	-
Share-based compensation	-	14,996
	(492,391)	(631,542)
Changes in non-cash working capital items related to operations:		
GST and amounts receivable	11,191	11,907
Prepaid expenses	19,808	23,661
Due to related parties	409,661	551,470
Accounts payable and accrued liabilities	43,937	137,061
Net cash flows from (used in) operating activities	(7,794)	92,557
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of share capital, net of share issuance costs	-	67,999
Net cash flows from financing activities	-	67,999
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities	3,225	-
Proceeds from sale of exploration assets	-	25,000
Short-term investments	13,500	140,000
Deferred exploration and development costs, net of tax credits received	(54,497)	(320,659)
Net cash flows (used in) investing activities	(37,772)	(155,659)
Increase (decrease) in cash and cash equivalents	(45,566)	4,897
Cash and cash equivalents, beginning of period	56,710	11,916
Cash and cash equivalents, end of period	\$ 11,144	\$ 16,813

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 nine months ended July 31, 2019

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 condensed interim financial statements were authorized for issue by the Audit Committee and Board of Directors on September 12, 2019.

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 \$2,416,423 at July 31, 2019 (October 31, 2018 - \$1,869,639), 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.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended July 31, 2019

Expressed in Canadian Dollars

(Unaudited – prepared by management)

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

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, 2019

Expressed in Canadian Dollars

(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, 2018. Therefore, these condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended October 31, 2018.

5. SHORT TERM INVESTMENTS

At April 30, 2019, the Company had a guaranteed investment certificate ("GIC") valued at \$23,000 (October 31, 2018: \$34,500) with an interest rate of prime less 2.45% and a maturity date of October 17, 2019.

6. EQUIPMENT

	Field Equipment	Field Office Building	Leasehold Improvements	Land	Total
<u>Costs</u>					
October 31, 2018 and July 31, 2019	\$ 316,931	\$ 303,748	\$ 255,796	\$ 120,282	\$ 996,757
<u>Accumulated Amortization</u>					
October 31, 2017	\$ 316,931	103,887	126,120	-	546,938
Additions	-	10,129	21,316	-	31,445
October 31, 2018	316,931	114,016	147,436	-	578,383
Additions	-	7,236	15,987	-	23,223
July 31, 2019	\$ 316,931	\$ 121,252	\$ 163,423	\$ -	\$ 601,606
<u>Net Book Value</u>					
October 31, 2018	\$ -	\$ 189,732	\$ 108,360	\$ 120,282	\$ 418,374
July 31, 2019	\$ -	\$ 182,496	\$ 92,373	\$ 120,282	\$ 395,151

During the nine months ended July 31, 2019, \$23,223 (July 31, 2018: \$23,584) of amortization has been capitalized to Exploration and Evaluation Assets.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

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Expressed in Canadian Dollars

(Unaudited – prepared by management)

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 July 31, 2019, the Company has recorded \$16,189 (October 31, 2018: \$34,761) 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.

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 year ended October 31, 2018.

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 31,049,658 as at July 31, 2019 (October 31, 2018: 31,049,658).

During the year ended October 31, 2018:

On February 14, 2018, 90,665 share purchase warrants priced at \$0.75 per share were exercised for gross proceeds of \$67,999.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended July 31, 2019

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 nine months ended July 31, 2019 and the year ended October 31, 2018:

	July 31, 2019		October 31, 2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	4,913,431	\$ 1.00	6,933,962	\$ 1.00
Expired	(4,913,431)	0.80	(1,929,867)	1.00
Exercised	-	-	(90,665)	1.00
Balance, end of period	-	\$ -	4,913,431	\$ 1.00

The following share purchase warrants were outstanding and exercisable as at July 31, 2019 and October 31, 2018:

Expiry Date	Weighted Average Remaining Contractual Life (Years)	Exercise Price	July 31, 2019 Number of Warrants	October 31, 2018 Number of Warrants
February 16, 2019	-	\$0.80	-	3,342,380
May 26, 2019	-	\$1.00	-	1,571,051
Total Outstanding and Exercisable	-	\$1.00	-	4,913,431

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended July 31, 2019

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 nine months ended July 31, 2019 and the year ended October 31, 2018:

	July 31, 2019		October 31, 2018	
	Number of Agents' Warrants	Weighted Average Exercise Price	Number of Agents' Warrants	Weighted Average Exercise Price
Balance, beginning of period	29,096	\$ 1.00	303,091	\$ 0.90
Expired	(29,096)	1.00	(273,995)	0.90
Balance, end of period	-	\$ -	29,096	\$ 1.00

The following agents' warrants were outstanding and exercisable as at July 31, 2019 and October 31, 2018:

Expiry Date	Weighted Average Remaining Contractual Life (Years)	Exercise Price	July 31, 2019 of Agents' Warrants	October 31, 2018 of Agents' Warrants
February 16, 2019	-	\$ 1.00	-	25,900
May 26, 2019	-	1.00	-	3,196
Total Outstanding and Exercisable	-	\$ 1.00	-	29,096

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended July 31, 2019

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 nine months ended July 31, 2019 and the year ended October 31, 2018:

	July 31, 2019		October 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	1,432,232	\$ 0.66	1,715,232	\$ 0.8
Granted	-	-	100,000	0.75
Expired/Cancelled	(20,000)	0.65	(383,000)	1.49
Balance, end of period	1,412,232	\$ 0.66	1,432,232	\$ 0.66

The following stock options were outstanding and exercisable as at July 31, 2019:

Expiry Date	Exercise Price	Number of Options	Contractual Life (Years)
June 6, 2022	\$0.65	1,312,232	2.85
April 12, 2023	\$0.75	100,000	3.70
Total Outstanding and Exercisable		1,412,232	2.91

During the nine months ended July 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 April 12, 2018, the Company granted 100,000 incentive stock options, exercisable into one common share of the Company at a price of \$0.75 per share for a period of 5 years. The options were provided to a company providing investor relations services, and accordingly, 100% of the options have been vested as of July 31, 2019 (October 31, 2018 – 75%).

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended July 31, 2019

Expressed in Canadian Dollars

(Unaudited – prepared by management)

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 been renewed in prior years and on December 1, 2018, the Company renewed the agreement for another period of 12 months at \$30,000 per month.

11. RELATED PARTY TRANSACTIONS

During the nine months ended July 31, 2019 and 2018, the Company incurred the following transactions with officers or directors of the Company or companies with common directors:

	Nine months ended July 31,	
	2019	2018
	\$	\$
Key management compensation*		
Geological services	7,505	62,114
Administrative fees	270,000	270,000
Consulting fees to key management	21,276	34,076
Advertising and promotion	-	88,449
Total	298,781	454,639

	July 31,	October 31,
	2019	2018
	\$	\$
Amounts due to (from) related parties		
Dahrouge Geological Consulting (a)	270,806	274,244
Axel Hoppe, Director (b)	70,768	56,520
Zimtu Capital Corp. (c)	1,051,127	652,276
Due to related parties – Net total	1,392,701	983,040

- Dahrouge Geological Consulting provides geological services to the Company. Dahrouge is controlled by a director of the Company, Jody Dahrouge.
- Dr. Axel Hoppe provides guidance, direction and advice based on his professional experience in tantalum and niobium for over forty years.
- 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

For the nine months ended July 31, 2019

Expressed in Canadian Dollars

(Unaudited – prepared by management)

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 July 31, 2019, the Company held cash of \$11,144 (October 31, 2018: \$56,710) and short term investments of \$23,000 (October 31, 2018: \$34,500) 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, 2019, the Company has total current liabilities of \$2,596,478 (October 31, 2018: \$2,142,880). 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, 2019

Expressed in Canadian Dollars

(Unaudited – prepared by management)

12. 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, 2019 and October 31, 2018:

	As at July 31, 2019		
	Level 1	Level 2	Level 3
Cash	\$ 11,144	\$ -	\$ -
Short term investments	23,000	-	-
Marketable securities	22,914	-	-
	\$ 57,058	\$ -	\$ -

	As at October 31, 2018		
	Level 1	Level 2	Level 3
Cash	\$ 56,710	\$ -	\$ -
Short term investments	34,500	-	-
Marketable securities	28,035	-	-
	\$ 119,245	\$ -	\$ -

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended July 31, 2019

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 July 31, 2019, the Company's shareholders' equity was \$59,419,956 (October 31, 2018: \$59,914,243). 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 nine months ended July 31, 2019:

- Exploration and evaluation assets of \$187,510 were included in accounts payable and \$270,806 were included in due to related parties.
- Amortization of \$23,223 relating to equipment was included in exploration and evaluation assets.

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.

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 nine months ended July 31, 2019

Expressed in Canadian Dollars

(Unaudited – prepared by management)

15. SUBSEQUENT EVENTS

- i. The Company announced that the TSX Venture Exchange approved the consolidation of the common shares of the Company (each, a “Share”) on the basis of ten (10) pre-consolidation Shares for one (1) post-consolidation Share (the “Consolidation”). The Consolidation became effective at the opening of the market on August 15, 2019. The Company’s symbol shall remain as “CCE”. Upon the Consolidation becoming effective, a total of 31,049,655 Shares are issued and outstanding.
- ii. On August 27, 2019, the Company announced it had closed an oversubscribed non-brokered flow through private placement (the “Offering”) of units (each, a “Unit”) at a price of \$0.55 per Unit. The total amount of the Offering was 752,272 Units for aggregate proceeds of \$413,749.60. Each Unit will consist 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”). The aggregate gross proceeds from the sale of the Offering will be used to advance the developments of the Company’s Ashram REE Deposit in Quebec. 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.
- iii. On August 27, 2019, the Company, announced a non-brokered private placement consisting of the issuance of up to 11,538,461 units (each, a “Unit”) at a price of \$0.26 per Unit for gross proceeds of up to \$3,000,000 (the “Offering”). Existing shareholders will be given priority, within the available exemptions and Insiders may participate in the Offering. Each Unit will consist 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 may be payable in connection with the Offering in accordance with the policies of the TSX Venture Exchange (the “Exchange”). 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. Completion of the Offering is subject to the approval of the Exchange. Any participation by insiders in the Offering will constitute a related party transaction under Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions (“MI 61-101”) but is expected to be exempt from the formal valuation and minority shareholder approval requirements of MI 61-101. The aggregate gross proceeds from the sale of the Offering will be used to advance the developments of the Company’s Ashram REE Deposit in Quebec.
- iv. On August 27, 2019, the Company granted an aggregate of 1,505,000 stock options to certain directors, officers, employees and consultants of the Company for the purchase of up to 1,505,000 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.

Commerce Resources Corp.

Schedule I

Schedule of Resource Properties

For the nine months ended July 31, 2019

Expressed in Canadian dollars

(Unaudited – prepared by management)

	Blue River Claims	Eldor Claims	Other Claims	Totals
Acquisition costs				
Balance, beginning of period	\$ 201,602	\$ 1,332,866	\$ 211,580	\$ 1,746,048
Staking	-	-	-	-
Balance, end of the period	201,602	1,332,866	211,580	1,746,048
Deferred exploration and development costs				
Balance, beginning of period	27,916,992	31,832,048	(211,580)	59,537,460
Amortization – field equipment and office	7,236	-	-	7,236
Environmental and permitting	-	1,729	-	1,729
Field equipment rental	15,987	-	-	15,987
Field supplies	-	926	-	926
Food and accommodation	12,235	-	-	12,235
Geology, mapping and drafting	-	7,428	-	7,428
Insurance	3,835	5,753	-	9,588
Other	35,500	33,996	-	69,496
Project management	2,310	-	-	2,310
Travel and transport	-	183	-	183
	77,103	50,015	-	127,118
Balance, end of period	27,967,290	31,865,148	(211,580)	59,620,858
Mining tax credits	-	(49,398)	-	(49,398)
Total balance, end of period	\$ 28,195,697	\$ 33,165,531	\$ -	\$ 61,361,228

Commerce Resources Corp.
Schedule of Resource Properties
For the year ended October 31, 2018
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	\$ 1,300,599	\$ 211,580	\$ 1,713,781
Staking	-	32,267	-	32,267
Balance, end of the year	201,602	1,332,866	211,580	1,746,048
Deferred exploration and development costs				
Balance, beginning of year	27,831,488	31,879,889	(205,692)	59,505,685
Amortization – field equipment and office	10,129	-	-	10,129
Assays and analytical	-	94,305	-	94,305
Consulting	-	697	-	697
Environmental and permitting	-	331	-	331
Field equipment rental	21,316	10,511	-	31,827
Field supplies	-	(15,094)	-	(15,094)
Food and accommodation	12,254	82	-	12,336
Geology, mapping and drafting	-	69,919	-	69,919
Insurance	5,126	7,693	-	12,819
Other	38,038	43,989	-	82,027
Project management	4,703	-	-	4,703
Travel and transport	804	10,804	-	11,608
	92,370	223,237	-	315,607
Mining tax credits	(6,866)	(21,078)	-	(27,944)
Impairment of exploration asset	-	-	(5,888)	(5,888)
Proceeds from sale of claims	-	(250,000)	-	(250,000)
Balance, end of year	27,916,992	31,832,048	(211,580)	59,537,460
Total balance, end of year	\$ 28,118,594	\$ 33,164,914	\$ -	\$ 61,283,508