



## **Management Discussion & Analysis for the Nine Months Ended July 31, 2020**

The following discussion and analysis of the financial position and results of operations for COMMERCE RESOURCES CORP. (the “Company” or “Commerce”) should be read in conjunction with the condensed interim financial statements for the **nine months ended July 31, 2020**, which are prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”).

The effective date of this report is September 24, 2020.

All financial figures presented herein are expressed in Canadian Dollars (CDN\$) unless otherwise specified.

### **Nature of Business**

Commerce Resources Corp. is a Canadian mineral exploration and development company, listed on Tier 1 of the TSX Venture Exchange in Canada (“CCE”) and the Frankfurt Stock Exchange in Germany (“D7H”). The Company’s primary focus is on rare earth elements (“REEs”) and the rare metals tantalum and niobium. Commerce’s principal assets are the Eldor Property in Quebec and the Blue River Tantalum-Niobium Property in British Columbia. The technical information included in this Management Discussion & Analysis (“MD&A”), unless otherwise stated, has been reviewed by Darren L. Smith, M.Sc., P. Geol., of Dahrouge Geological Consulting Ltd. Mr. Smith is a Qualified Person under National Instrument 43-101 (“NI 43-101”).

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 the financial statements and this report have been amended to reflect the post-consolidated values. The total issued and outstanding shares of the Company total 50,890,293 as at July 31, 2020 (October 31, 2019: 41,476,083).

The Company’s exploration activities have led to the discovery of a significant REE deposit; the Ashram Deposit. A positive Preliminary Economic Assessment (“PEA”) was completed on the rare earth element development potential of the Ashram Deposit (Effective date of July 5, 2012; revised January 7, 2015). The PEA, prepared by SGS Canada Inc., indicates that the deposit could potentially be developed economically as an open-pit mine and recommends future work applicable to the Pre-Feasibility and Feasibility study phases of economic evaluation.

For the Blue River Property, independent consultant Amec Foster Wheeler Americas Limited (“AFW”) and consultant Nimbus Management Ltd completed a NI 43-101 Technical Report on the Blue River Property (as defined herein) effective March 18, 2015.

The Company is currently looking for additional financing in order to advance the Company’s properties and for general working capital. As such, the Company’s activities are limited by the financial constraints the Company faces. All efforts have been put forth to raise capital, including reducing the prices of warrants in order to hopefully encourage shareholders to exercise their warrants.

Chris Grove, President of Commerce Resources Corp. continues to liaise with current shareholders and new potential sources of capital, as well as responding to the expressions of interest from global majors in the

Company's two projects.

### **Selected Annual Information**

The following is a summary of the financial data of the Company for the last three completed fiscal year ends and are derived from the audited annual financial statements of the Company:

	Fiscal year ended October 31		
	2019	2018	2017
	\$	\$	\$
Total Revenues	Nil	Nil	Nil
Loss from continuing operations	(1,143,471)	(799,978)	(1,548,911)
Loss from continuing operations (per share, basic and diluted)	(0.04)	(0.03)	(0.05)
Net loss	(1,143,471)	(799,978)	(1,548,911)
Net loss (per share, basic and diluted)	(0.04)	(0.03)	(0.05)
Net comprehensive loss for the year	(1,143,471)	(806,746)	(1,542,557)
Total assets	62,973,108	62,057,123	62,098,578
Total long-term financial liabilities	Nil	Nil	Nil
Cash dividend declared per share	Nil	Nil	Nil

The Company has recorded losses in each of its three most recently completed fiscal years, and expects to continue to record losses until such time as an economic resource is identified, developed, and brought into profitable commercial operation on one or more of the Company's properties or otherwise disposed of at a profit.

During the year ended October 31, 2017, the Company recorded share-based compensation of \$630,535 for options granted in the year and recorded a significant savings in administrative fees due to a reduction in business activities. The increase in the Company's assets is due to the continued exploration at the Eldor Property.

During the year ended October 31, 2018, the Company significantly decreased expenses due to a reduction in exploration activities.

During the year ended October 31, 2019, the Company's operating expenses significantly increased due to share-based compensation recorded for options granted during the year. Other cost increases included interest expense and increased travel and promotion due to fund-raising efforts.

### **Results of Operations**

#### *Exploration and Development Activities*

Resource property expenditures for the nine months ended July 31, 2020 totalled \$413,287, compared to \$127,118 during the nine months ended July 31, 2019. Of the total, (2020: \$340,467, 2019: \$50,015) was incurred on the Eldor Property and the balance was incurred on the Blue River Project (2020: \$72,820, 2019: \$77,103).

The reduction in resource property spending over the past few years is due to the availability of cash. The Company intends to increase the spending once it has successfully raised capital.

## Eldor Property

The Eldor Property is situated in northern Quebec approximately 130 km south of the town of Kuujuaq. The Property is 100%-owned by the Company and is composed of 244 claims comprising approximately 11,475 hectares, including the Ashram Rare Earth Deposit (“Ashram Deposit”). Of the 244 claims that comprise the Eldor Property, a total of 26 claims (1,223 ha) are currently under Option Agreement to Saville Resources Inc. where they may earn up to a 75% interest subject to certain terms and conditions. As of the Effective Date of this report, no earn-in percentage has vested.

Exploration expenditures during the nine months ended July 31, 2020, totalled \$340,467 (July 31, 2019: \$50,015).

In 2012, the Company reported a positive PEA for the Ashram Deposit. The PEA, prepared by independent consultants SGS Canada Inc. - Geostat (SGS Geostat) of Montreal (Blainville), indicates that the deposit could potentially be developed economically as an open-pit mine and recommends future work applicable to the Pre-feasibility phases of economic evaluation.

Key findings of the PEA (in Canadian dollars):

- 4,000 t/d open-pit operation with 0.19:1 (waste: mineralization) strip ratio over a 25-year mine life
- Pre-tax Net Present Value (NPV) of \$2.32 billion dollars at a 10% discount rate
- Pre-tax Internal Rate of Return (IRR) of 44% and pre-tax payback period of 2.25 years
- Estimated capital cost of \$763 million (including 25% contingency)
- Estimated operating cost of \$95.20/tonne treated, or approximately \$7.91/ kg of rare earth oxide (REO) produced
- Annual production averaging ~16,850 tonnes of rare earth oxide over life of mine, including 2,870 tonnes Nd oxide, 96 tonnes Eu oxide, 26 tonnes Tb oxide, 106 tonnes Dy oxide, and 440 tonnes Y oxide
- Rare earth element host mineralogy (monazite, bastnaesite, and xenotime) comprises phases amenable to recovery with processing using conventional and proven techniques

The PEA uses the mineral resource estimate for the Ashram Deposit released on March 6, 2012 (SGS Geostat, 2012):

Cut-off	Confidence Category	Tonnage (t)	TREO (%)	LREO (%)	MREO (%)	HREO (%)	MHREO (%)	MHREO/TREO (%)
1.25	Measured	1,590,000	1.77	1.60	0.089	0.085	0.17	9.8%
	Indicated	27,670,000	1.90	1.77	0.073	0.056	0.13	6.7%
	Inferred	219,800,000	1.88	1.77	0.068	0.045	0.11	6.0%

- The base case TREO cut-off grade (CoG) for the reporting of the 2012 mineral resource estimate was retained from the 2011 base case CoG of 1.25% TREO. An Ashram basket price assumption of \$35.02 per kg was used.
- LREO (Light Rare Earth Oxides) = La<sub>2</sub>O<sub>3</sub> + Ce<sub>2</sub>O<sub>3</sub> + Pr<sub>2</sub>O<sub>3</sub> + Nd<sub>2</sub>O<sub>3</sub>
- MREO (Middle Rare Earth Oxides) = Sm<sub>2</sub>O<sub>3</sub> + Eu<sub>2</sub>O<sub>3</sub> + Gd<sub>2</sub>O<sub>3</sub>
- HREO (Heavy Rare Earth Oxides) = Tb<sub>2</sub>O<sub>3</sub> + Dy<sub>2</sub>O<sub>3</sub> + Ho<sub>2</sub>O<sub>3</sub> + Er<sub>2</sub>O<sub>3</sub> + Tm<sub>2</sub>O<sub>3</sub> + Yb<sub>2</sub>O<sub>3</sub> + Lu<sub>2</sub>O<sub>3</sub> + Y<sub>2</sub>O<sub>3</sub>
- MHREO (Middle and Heavy Rare Earth Oxides) = MREO + HREO
- MHREO / TREO, ratio expressed as a percent

The preliminary economic assessment is preliminary in nature, in that it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized. The current Ashram Technical Report (effective date July 5, 2015, and revision date January 7, 2015) explains why no after-tax case is included, and that a combined tax rate

of around 32.5% may apply to production. Mineral resources are not mineral reserves as they do not have demonstrated economic viability.

The rare earth mineralized footprint at Ashram extends approximately 600 metres along strike, over 400 metres across, and to depths exceeding 600 metres. Mineralization remains open to the north, south, at depth, and is not fully constrained to the west and east.

*Work Program and Eldor Updates:*

On May 15, 2019, the Company announced it had signed a Letter of Intent (LOI) with the Nayumivik Landholding Corporation of Kuujuaq and the Makivik Corporation for the development of the Ashram Rare Earth Project.

On June 3, 6, and 11, 2019, the Company announced assay results from four holes completed by Saville Resources Inc. on the Niobium Claim Group Property. The drilling focused on the Mallard Target (Southeast Area) with Drill hole EC19-174A returning the strongest and widest mineralized intervals of niobium to date from the claim group.

On July 5, 2019, the Company provided its shareholders with an update on the status of the Ashram Rare Earth Deposit and its development, including an overview and forecasting of next steps. Key project characteristics were outlined in comparison to global producers of rare earth elements as well as a summary presented with respect to the drilling and metallurgical work completed to date.

On August 1, 2019, the Company announced that it had received a final report from Université Laval for mineral processing work recently completed on the Ashram Rare Earth Deposit. This work was completed as part of a larger metallurgical program, which utilized an alternative flowsheet approach with the purpose of validating a software model to simulate the solvent extraction separation of rare earth elements processing developed by Laval.

On November 15, 2019, the Company provided an update on the metallurgical programs focused on upgrading the Ashram Deposit's fluorspar content to acid-spar grade. The test work is being completed at Hazen Research in CO, USA.

On November 28, 2019, the Company announced analytical results for recently analyzed 2016 drill core from the Ashram Rare Earth and Fluorspar Deposit. Drill hole EC16-159 returned 3.02% REO over 28.4 m, or 3.48% REO over 13.4 m, within larger interval of 2.38% REO over 64.5 m (66.5 m to 131.0 m).

On December 5, 2019, the Company announced that Sophie Costis, a PhD student with the Université du Québec, won the "défi de la recherche en géosciences" (Geoscience Research Challenge) for her work related to the characterization of flotation tailings generated using the flowsheet for the Ashram Rare Earth and Fluorspar Deposit in Quebec. Mme. Costis won first prize for her oral presentation on Ashram and received a certificate of excellence as well as a \$2,000 scholarship for her efforts.

On December 17, 2019, the Company announced that additional flotation testwork recently carried out at Université Laval ("Laval") had returned a potentially significant step-forward in cleaner-stage flotation performance on material from the Ashram Rare Earth and Fluorspar Deposit.

On January 7, 2020, the Company announced that, through its collaboration with its colleagues from Université Laval ("Laval"), will be presenting a paper and oral presentation at the 52nd Annual Canadian Mineral Processors Operators ("CMP") conference held in Ottawa, ON, January 21st to 23rd, 2020.

On January 28, 2020, the Company provided an update on the status of the fluorspar upgrade programs being carried out at Hazen Research, CO, USA. The Phase I component of the fluorspar pre-float program,

consisting of scoping flotation and identification of suitable reagents, has now concluded. The Phase II program, which will focus on removing impurities in order to achieve acid-grade specifications, will begin shortly. The Company is encouraged by the Phase I results and is excited to complete Phase II.

On February 6, 2020, the Company announced that preliminary mineralogical analysis has been completed on a suite of rock samples from the Mallard Prospect, situated within the Niobium Claim Group, which is part of the Company's Eldor claims located in Quebec, and adjacent to the Ashram Rare Earth Elements and Fluorspar Deposit. The analysis indicated that pyrochlore and columbite are the dominant niobium minerals present, niobium has been mobilized which could enhance the grade of a deposit, and that the mineralogy supports the model of a continuous niobium mineralized trend through the complex.

On February 28, 2020, the Company announced that it had produced a 98% CaF<sub>2</sub> fluorspar concentrate using a fluorspar pre-float approach as an initial upgrade step to isolate a sizable portion of the fluorspar prior to material entering the primary rare earth element ("REE") recovery flowsheet. The fluorspar flotation concentrate is then processed by magnetic separation, resulting in the desired CaF<sub>2</sub> grade, while the reject fractions are sent back to the primary flowsheet circuit where the REE component is then recovered along with the bulk of the REEs.

On March 9, 2020, the Company announced a metallurgical collaboration with CanmetMINING for the Ashram Deposit. The primary objective of CanmetMining's work is to identify a key approach to further enhance beneficiation performance by exploring and testing a range of potentially applicable process methods at varying test conditions. The funding for the testwork is provided by Natural Resources Canada (NRCan) through CanmetMining's six-year rare earth element (REE) and chromite program (announced in January, 2015).

On May 13, 2020, the Company provided an update on the metallurgical collaboration with CanmetMINING and announced a partnership with Corem for the Ashram Deposit. CanmetMINING has identified through its test work an alternative reagent scheme and flotation circuit to achieve, and potentially exceed, the target objective of <25% mass pull at >80% recovery. This has also been achieved using one-half to one-quarter of the quantity (kg/t) of reagents utilized in prior test work completed by other metallurgical labs

On May 14, 2020, the Company provided an update on the INRS work on the Ashram Deposit's flotation tailings. The key takeaways included, 1) the tailings are not acid generating, 2) the tailings are not considered hazardous or radioactive (S value = 0.157) according to Quebec's Hazardous Materials Regulations and Environmental Quality Act, and 3) concentrations of all elements in the tailings' leachate fall below the "high-risk" criteria as outlined in Directive 019.

On June 1, 2020, the Company announced the publication of an article on the environmental work completed by the INRS on the Ashram Project. The paper, titled "Assessment of the leaching potential of flotation tailings from rare earth mineral extraction in cold climates" was published in Science of the Total Environment, a peer-reviewed international journal. The journal is a multi-disciplinary scientific publication that targets novel research across atmosphere, lithosphere, hydrosphere, biosphere, and anthroposphere environments (i.e. the "Total Environment").

On June 11, 2020, the Company provided an update on the impurity removal program to achieve final acid-spar specifications for material from the Ashram Deposit. The test work will utilize standard physical separation techniques for impurity removal to achieve the desired specification, and will use concentrates produced by way of the flowsheet developed in Phase I. This will include rougher flotation and magnetic separation to reject mineral impurities (sulfides, carbonates, apatite, and monazite).

On July 23, 2020, the Company announced that further review by its Option partner Saville Resources Inc. of the historical drill logs, coupled with the findings from the recent 2019 drilling from the Mallard area has

outlined a mineralized fluorspar trend, within the primary niobium trend, which is broader and more extensive than previously understood. The finding also suggests that high-grade niobium zones have the potential to overlap with high-grade fluorspar zones and highlights a key style of mineralization to target within these two overlapping trends.

On August 20, 2020, the Company announced that the Ashram Rare Earth and Fluorspar Deposit would be the subject of two research papers at the 2020 Conference of Metallurgists (COM2020). The papers are titled “*Recovering rare earths and other metallic values from fluorine-containing concentrates using carbochlorination and aqueous leaching*” and “*Mineral processing flowsheet options for the Ashram rare earth and fluorspar deposit*” with the primary authors being Hazen Research and CanmetMINING, respectively.

On August 25, 2020, the Company announced that it has been awarded a combined total of \$160,000 in grant funding in support of research and development of the Ashram Rare Earth and Fluorspar Deposit’s flowsheet. The work is a collaboration between the Company, Université du Québec en Abitibi-Témiscamingue (UQAT) and Industrial Waste Technology Centre (CTRI). The Company will provide approximately 1.5 tonnes of deposit material to be used as feed for the various test programs which will investigate 1.) optimization of the flotation circuit to produce mineral concentrates of >30% REO using only flotation, 2.) enhancing mineral liberation using a high-voltage electrical pulse (HVEP) fragmentation method, and 3.) wet screening as a classification approach.

On September 10, 2020 the Company announced results of fluorine analysis recently completed on select 2008 and 2019 drill core from the Mallard Prospect, held under Option by Saville Resources Inc. The results confirm a fluorite zone in EC08-016 of 21.5% CaF<sub>2</sub> over 38.6 m, which is wider than initially assayed, as well as strike extensions to the northwest and southeast through mineralized intervals in drill holes EC19-173 and EC08-021, respectively. Collectively, the program successfully confirmed that there is a broad and extensive fluorspar mineralized trend at Mallard, which extends for at least 600 m along strike and is open to the northwest, southeast, downdip, and is interpreted to continue to surface.

### **Blue River Tantalum/Niobium Property**

The Blue River Property, located in British Columbia, Canada, is host to the Upper Fir Deposit. The Upper Fir Deposit is located approximately 30 km north of the town of Blue River and is owned 100% with no underlying royalties.

Exploration expenditures during the nine months ended July 31, 2020, totalled \$72,820 (July 31, 2019: \$77,103). Most of the work this period has been with the objective of maintaining the property and its data base for future exploration and development of the project.

### **Project Update Report**

In connection with filing its Annual Information Form for its fiscal year ended October 31, 2014, the Company filed an updated technical report with respect to the Blue River Property, as further amended and filed on the date hereof, entitled: “NI 43-101 Blue River Tantalum-Niobium Project, British Columbia, Canada - Project Update Report” (the “Blue River Report”). The Blue River Report was prepared by AFW and Nimbus Management Ltd. with a March 18, 2015 effective date. The previous technical report, with an effective date of June 21, 2013, included results of a PEA initially reported in 2011. The economic inputs for that mining study are now considered outdated and the PEA results are no longer relevant. No additional work has been completed on the property since the effective date of the previous technical report. Any changes to the economic inputs to the mineral resource estimates are considered offsetting and therefore the estimates are unchanged since the last technical report. The Blue River Report, which incorporates all data from 2005 through 2012, shows indicated mineral resources totalling 48.4 million tonnes at 197 ppm Ta<sub>2</sub>O<sub>5</sub> and 1,610 ppm Nb<sub>2</sub>O<sub>5</sub> and inferred mineral resources totalling 5.4 million tonnes at 191 ppm Ta<sub>2</sub>O<sub>5</sub>

and 1,760 ppm Nb<sub>2</sub>O<sub>5</sub>. A total of 271 drill holes comprising 59,110 metres of HQ drill core and 15,512 samples were used to develop the mineral resource estimate.

## **Overall Performance**

### *Source of Funds*

Since November 1, 2017, the Company has raised gross proceeds of \$4.6 million. These proceeds were raised for the specific purpose of advancing the Company's Eldor Property and for general working capital purposes. During this time, the Company has used approximately \$0.5 million of the proceeds for work on the Company's properties and \$3.1 million on general working capital. The Company will need to raise funds to further any development on the properties. The flow through funds raised in August 2019 will be used to further explore the Company's Eldor property. The most recent financings are noted below:

On June 25, 2020, the Company closed an over-subscribed non-brokered private placement of 6,686,939 units (each, a "Unit") at a price of \$0.18 per Unit for aggregate proceeds of \$1,203,649. Each Unit consists of one common share of the Company (each, a "Share") and one common share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder to purchase one Share at a price of \$0.24 per Share for a period of five years following the closing of the Offering (the "Closing"). Finder's fees of \$53,077 were paid and 290,067 finder's warrants were issued with a fair value of \$39,689. The finder's warrants have the same terms and conditions of the warrants. All securities issued in connection with the Offering will be subject to a statutory hold period expiring four months and one day after closing of the offering.

On May 5, 2020, the Company closed a non-brokered private placement of 2,727,271 units (each, a "Unit") at a price of \$0.11 per Unit for aggregate proceeds of \$300,000. Each Unit consists of one common share of the Company (each, a "Share") and one common share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder to purchase one Share at a price of \$0.15 per Share for a period of five years following the closing of the Offering (the "Closing"). Finders' fees of \$584 was paid and 2,871 finder's warrants were issued with a fair value of \$580. The finder's warrants have the same terms and conditions of the warrants. All securities issued in connection with the Offering will be subject to a statutory hold period expiring September 6, 2020.

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 positions. The proceeds were received in full subsequent to 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 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 four months and one day after closing of the Offering.

For additional details regarding the Company’s recent financing, please refer to Note 8 and Note 15 of the Company’s most recent financial statements.

### General and Administrative

Net loss for the nine months ended July 31, 2020, was \$648,886, compared to a net loss during the nine months ended July 31, 2019 of \$494,287, for a difference of \$154,599. The significant changes in expenses include:

- Advertising and website expenses (2020: \$131,651; 2019: \$23,001) have increased to reflect the increased promotion for the Company while travel expenses (2020: \$15,078; 2019: \$42,815) have decreased due to less travel related to trade shows and financing meetings;
- Consulting fees (2020: \$103,067; 2019: \$57,278) increased due to specialized consultants hired for industry specific meetings and for non-exploration consulting services provided by Eldor’s Project Manager; and
- Share-based payments (2020: \$18,916, 2019: \$nil) increased as the investor relations options granted in last fiscal year vested an additional 75%.

### Summary of Quarterly Results

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

	<b>July 31, 2020</b>	<b>April 30, 2020</b>	<b>January 31, 2020</b>	<b>October 31, 2019</b>
Revenues	Nil	Nil	Nil	Nil
Net income (loss) from continuing operations	(181,622)	(239,499)	(227,765)	(641,275)
Net income (loss) and comprehensive income (loss)	(181,622)	(239,499)	(227,765)	(649,184)
Basic and diluted net income (loss) (per share)	(0.00)	(0.01)	(0.01)	(0.02)

	<b>April 30, 2020</b>	<b>April 30, 2019</b>	<b>January 31, 2019</b>	<b>October 31, 2018</b>
Revenues	Nil	Nil	Nil	Nil
Net income (loss) from continuing operations	(149,388)	(176,960)	(175,848)	(184,953)
Net income (loss) and comprehensive income (loss)	(157,289)	(176,678)	(160,320)	(192,218)
Basic and diluted net income (loss) (per share)	(0.00)	(0.01)	(0.01)	(0.01)

Over the course of the Company’s previously completed eight quarters, the Company’s net loss has remained at a consistent level, with the exception of the share-based payments expense recorded during the quarter ended October 31, 2019.

Net loss for the three months ended July 31, 2020, was \$181,622, compared to a net loss during the three months ended July 31, 2019 of \$149,388, for a difference of \$32,234. The significant changes in expenses include:



- Advertising and website expenses (2020: \$50,060; 2019: \$4,181) have increased to reflect the increased promotion for the Company while travel expenses (2020: \$nil; 2019: \$10,177) have decreased due to less travel related to trade shows and financing meetings; and
- Share-based payments (2020: \$5,549, 2019: \$nil) increased as the investor relations options granted in last fiscal year vested an additional 25%.

### **Liquidity and Capital Resources**

During the prior two fiscal years, the Company has raised \$4.6 million to further the Company's mineral properties and for general working capital. Of the funds raised, approximately \$.6 million was spent on the properties and \$3.1 million was used for general working capital. The flow-through funds of \$.4 million recently raised will be spent on upcoming exploration projects. The Company believes it will be able to raise the capital required to continue to develop these properties. The Company does not have any specific work commitments or property payments, all work on the property is determined by how to best spend the funds raised, taking into consideration the Company's working capital requirements. The Company has maintained reasonable general and administrative expenditures, with advertising and promotion of the property dependent on the capital available to cover such expenditures.

The Company's present cash resources are not sufficient to meet all of its current liabilities and administrative and overhead expenses for the next eighteen months. The Company filed its amended and restated final short form prospectus on June 21, 2016 and raised additional capital to continue its work on the Eldor Property, and for general working capital requirements.

The Company will continue to require funds to further the exploration of its resource properties. As a result, the Company may have to continue to rely on equity and debt financing. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

The Company's financial success will be dependent on the economic viability of its resource properties and the extent to which it can discover and develop new mineral deposits. Such development may take several years to complete and the amount of resulting income, if any, is difficult to determine.

All of the Company's properties are in the exploration or development stage only. Development of one or both of the properties will only follow upon obtaining satisfactory results. Exploration and development of natural resources involve a high degree of risk and few properties which are explored are ultimately developed into producing properties. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

The Company's revenues, if any, are expected to be in large part derived from the extraction and sale of rare metals from the properties (tantalum and niobium) and rare earth elements. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control such as international, economic and political trends, expectations of inflation, currency exchange fluctuations and interest rates.

As at July 31, 2020, the Company has total assets of \$63,663,279 (October 31, 2019: \$62,973,108). The primary assets of the Company are exploration and evaluation assets of \$61,879,572 (October 31, 2019: \$61,432,857), short term investments of \$436,750 (October 31, 2019: \$436,750), equipment of \$364,669 (October 31, 2019: \$387,409), marketable securities carried at \$16,213 (October 31, 2019: \$13,741), reclamation bonds of \$80,000 (October 31, 2019: \$82,000), prepaid expenses of \$187,141 (October 31,

2019: \$210,088), GST/QST and other receivables of \$21,316 (October 31, 2019: \$169,606), and cash of \$677,618 (October 31, 2019: \$242,657). The Company has no long-term liabilities and has working capital of \$357,201 (October 31, 2019: \$5,629 deficiency) as at July 31, 2020.

*Cash From (Used in) Operating Activities:* Cash used in operating activities during the nine months ended July 30, 2020 was \$692,689, compared with \$7,794 used in operating activities during the nine months ended July 31, 2019. Cash was mostly spent on advertising, investor relations, general office expenses, professional fees, and payments for outstanding debts, and adjusted for items not involving cash.

*Cash From Financing Activities:* Total cash from financing activities during the nine months ended July 31, 2019 was \$1,551,625 (July 31, 2019: \$nil), consisting of share subscriptions receivable from the issuance of shares in the prior year of \$134,850 (July 31, 2019: \$nil) and shares issued for cash during of \$1,503,649 (July 31, 2019: \$nil), less share issuance costs of \$86,874 (July 31, 2019: \$nil).

*Cash Used in Investing Activities:* Total cash used in investing activities during the nine months ended July 31, 2020 was \$423,975, compared to \$37,772 cash used during the nine months ended July 31, 2019.

During the nine months ended July 31, 2020, the Company:

- spent \$423,975 (July 31, 2019: \$54,497) on the exploration and development of its mineral properties,
- received \$nil (July 31, 2019: \$13,500 from the redemption of short-term investments, and
- received \$nil (July 31, 2019: \$3,225) from the sale of marketable securities.

### **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 1, 2018: \$30,000) per month. During the nine months ended July 31, 2020, the Company received a credit from Zimtu for the amount received from the Canada Emergency Wage Subsidy (“CEWS”) program for eligible salaries.

### **Transactions with Related Parties**

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

	<b>Nine months ended July 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Key management compensation*</b>	<b>\$</b>	<b>\$</b>
Geological services	22,502	7,505
Administrative fees, net of wage subsidy received	264,448	270,000
Consulting fees to key management	66,456	21,276
Advertising and promotion	10,528	-
<b>Total</b>	<b>363,934</b>	<b>298,781</b>

	<b>July 31, 2020</b>	<b>October 31, 2019</b>
<b>Amounts due to (from) related parties</b>	<b>\$</b>	<b>\$</b>
Dahrouge Geological Consulting (a)	4,807	12,306
Axel Hoppe, Director (b)	-	35,384
Zimtu Capital Corp. (c)	-	110
Due to related parties – Net total	4,807	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.

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.

### **Off Balance Sheet Arrangements**

There are no off-balance sheet arrangements to which the Company is committed.

### **Other MD&A Requirements**

#### **Additional Disclosure for Venture Issuers without Significant Revenue**

As the Company has not had significant revenue from operations in either of its last two financial years, the following is a breakdown of the material costs incurred:

	<b><u>Year Ended October 31, 2019</u></b>	<b><u>Year ended October 31, 2018</u></b>
Capitalized or Expensed Exploration and Development Costs	\$198,218	\$315,607
General and Administration Expenses	\$1,148,749	\$828,260

## Disclosure of Outstanding Share Capital

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 the financial statements and this report have been amended to reflect the post-consolidated values. The total issued and outstanding shares of the Company total 41,476,083 as at April 30, 2020 (October 31, 2019: 41,476,083).

The following is a breakdown of the share capital of the Company, on an annual basis and the date of this report:

	<u>September 24, 2020</u>	<u>July 31, 2020</u>	<u>October 31, 2019</u>	<u>October 31, 2018</u>
Common Shares	50,890,293	50,890,293	41,476,083	31,049,658
Stock Options	2,917,232	2,917,232	2,917,232	1,432,232
Warrants	19,088,363	19,840,635	10,426,425	4,913,431
Agents' Warrants	292,938	292,938	-	29,096
Fully Diluted Shares	73,188,826	73,941,098	54,819,740	37,424,417

For additional details of outstanding share capital, refer to Notes 8 and 9 of the condensed interim financial statements for the nine months ended July 31, 2020.

## Industry and Economic Factors Affecting Performance

As a mineral exploration and development company, Commerce's performance is affected by a number of industry and economic factors and exposure to certain environmental risks and regulatory requirements. These include metal prices, competition amongst exploration firms for attractive mineral properties, the interest of investors in providing high-risk equity capital to exploration companies, and the availability of qualified staff and equipment such as drilling rigs to conduct exploration.

## Risk Factors

Mineral exploration and development involves a high degree of risk such that few properties, which are explored, are ultimately developed into producing mines. With respect to the Company's properties, where mineral resources exist, substantial expenditures will be required to confirm ore reserves which are sufficient to commercially mine and to obtain the required environmental approvals and permitting required to commence commercial operations. Should any mineral resource be defined on such properties there can be no assurance that the mineral resources on such properties can be commercially mined or that the metallurgical processing will produce economically viable saleable products. The decision as to whether a property contains a commercial mineral deposit and should be brought into production will depend upon the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and/or geologists, all of which involves significant expense. This decision will involve consideration and evaluation of several significant factors including, but not limited to: (1) costs of bringing a property into production, including exploration and development work, preparation of production feasibility studies and construction of production facilities; (2) availability and costs of financing; (3) ongoing costs of production; (4) market prices for the minerals to be produced; (5) environmental compliance regulations and restraints (including potential environmental liabilities associated with historical exploration activities); and (6) political climate and/or governmental regulation and control.

## *Environmental Risks and Other Regulatory Requirements*

Any future operations of the Company, including development activities and commencement of production on its properties, will require permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining,

production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. In addition, agreements may be required with local native people groups that could have a material effect on the Company's operations. Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with the applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for the construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in the development of new mining properties.

### ***Management***

The Company is dependent on a relatively small number of key personnel, the loss of any of whom could have an adverse effect on the Company.

### **Forward Looking Statements**

This Management Discussion & Analysis may contain forward-looking information and is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ from those projected in the forward-looking statements.

*Readers can identify many of these statements by looking for words such as "believes", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof.*

Forward-looking information is based on the opinions and estimates of management and its consultants at the date the information is given. It is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information. The information is based on reasonable assumptions which include but are not limited to those regarding actual costs for mining and processing and their impact on the cut-off grade established, actual capital costs, forecasts of mine production rates, the timing and content of upcoming work programs, geological interpretations, potential process methods and mineral recoveries, the availability of markets for the products produced, market pricing for the products produced, etc.

Factors that could cause actual results to differ materially from those in forward-looking statements include market prices for metals, the conclusions of detailed feasibility and technical analyses, lower than expected grades and quantities of resources, mining rates and recovery rates and the lack of availability of necessary capital, which may not be available to the Company on terms acceptable to it or at all.

Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements. There can be no assurance that the plan, intentions or expectations upon which these forward-looking statements are based will occur. Forward looking statements are subject to risks, uncertainties and assumptions. Although the Company believes the expectations expressed in such forward-looking

statements are based on reasonable assumptions, such statements should not be in any way construed as guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements.

Readers are cautioned not to put undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements that are contained herein, except in accordance with applicable securities laws.

**Approval**

The Board of Directors of Commerce Resources Corp. has approved the disclosure contained in this MD&A.

**Additional Information**

Additional information related to the Company can be found on the Company's website at [www.commerceresources.com](http://www.commerceresources.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).