



Condensed Interim Financial Statements

For the Three Months Ended January 31, 2017

(Unaudited - Expressed in Canadian Dollars)

The accompanying unaudited condensed interim financial statements of Commerce Resources Corp. for the three months ended January 31, 2017, 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.

Consolidated Interim Statements of Financial Position

As expressed in Canadian dollars

(Unaudited – prepared by management)

	January 31, 2017	October 31, 2016
Assets		
Current		
Cash	\$ 356,971	253,187
Marketable securities	45,950	25,767
Short term investment (Note 5)	76,500	76,500
Mining tax receivable	23,116	23,116
GST/HST receivable	29,432	78,714
Prepaid expenses	103,235	113,580
	635,204	570,864
Investment - asset-backed commercial paper (Note 6)	5,471	5,471
Equipment (Note 7)	474,204	482,332
Exploration and evaluation assets (Note 8 and Schedule I)	60,650,956	60,255,060
Reclamation bonds	82,000	82,000
	\$ 61,847,835	61,395,727
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 15)	\$ 1,682,789	1,422,704
Due to related parties (Note 12)	1,173,709	904,019
Liability for flow-through shares (Note 15)	132,184	215,704
	2,988,682	2,542,427
Shareholders' Equity		
Share capital (Note 9)	81,082,257	81,086,544
Share subscriptions received	258,923	-
Reserves	8,455,888	8,455,888
Accumulated other comprehensive income	29,332	9,022
Deficit	(30,967,247)	(30,698,154)
	58,859,153	58,853,300
	\$ 61,847,835	61,395,727

Approved and authorized by the Board of Directors on March 27, 2017:

“Christopher Grove”

Director

“David Hodge”

Director

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

Commerce Resources Corp.

Condensed Interim Statements of Operations and Comprehensive Loss

For the three months ended January 31,

As expressed in Canadian dollars

(Unaudited – prepared by management)

	2017	2016
Expenses		
Administration fees and rent (Note 14)	\$ 113,810	\$ 161,430
Advertising and website	114,438	79,583
Consulting fees (recovery) (Note 15)	(4,476)	39,207
Filing and transfer agent fees	12,836	7,874
Insurance	2,823	2,823
Investor relations	4,601	17,774
Office, telephone and miscellaneous (Note 14)	15,783	4,141
Professional fees	60,060	7,723
Travel expenses	17,861	16,348
Loss before other items	(337,736)	(336,903)
Other items:		
Interest income	177	1,876
Interest expense	(16,675)	(155,543)
Foreign exchange gains (losses)	-	(3,307)
Gain on disposition of asset backed commercial paper (Note 9)	1,621	28,713
	(14,877)	(128,261)
Loss before income taxes	(352,613)	(465,164)
Deferred income tax recovery (Note 18)	83,520	30,626
Net loss for the period	(269,093)	(434,538)
Other comprehensive income (loss) for the period		
Change in fair value of available-for-sale financial assets (Note 5 and 9)	20,310	(489)
Comprehensive income (loss) for the period	20,310	(489)
Net loss and comprehensive loss for the period	\$ (248,783)	\$ (435,027)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	248,075,030	214,393,049

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

Commerce Resources Corp.

Condensed Interim Statements of Changes in Equity

For the three months ended January 31, 2017 and 2016

As expressed in Canadian dollars

(Unaudited – prepared by management)

	Number of Shares	Share Capital	Share Subscriptions Received	Reserves	Accumulated Other Comprehensive Loss	Deficit	Total
Balance, October 31, 2015	216,462,364	\$ 78,307,911	\$ -	\$ 8,259,350	\$ 309,629	\$ (29,632,732)	\$ 57,244,158
Flow-through private placements	17,947,500	1,501,719	-	-	-	-	1,501,719
Share issue costs	-	(190,857)	-	46,033	-	-	(144,824)
Change in fair value of available- for-sale financial assets	-	-	-	-	(469)	-	(469)
Net loss for the period	-	-	-	-	-	(434,538)	(434,538)
Balance, January 31, 2016	234,409,864	\$ 79,618,773	\$ -	\$ 8,305,383	\$ 309,140	\$ (30,067,270)	\$ 58,166,026
	Number of Shares	Share Capital	Share Subscriptions Received	Reserves	Accumulated Other Comprehensive Loss	Deficit	Total
Balance, October 31, 2016	259,508,950	\$ 81,086,544	\$ -	\$ 8,455,888	\$ 9,022	\$ (30,698,154)	\$ 58,853,300
Share subscriptions received	-	-	258,923	-	-	-	258,923
Share issue costs	-	(4,287)	-	-	-	-	(4,287)
Change in fair value of available- for-sale financial assets	-	-	-	-	20,183	-	20,183
Disposition of asset backed commercial paper (Note 6)	-	-	-	-	127	-	127
Net loss for the period	-	-	-	-	-	(269,093)	(269,093)
Balance, January 31, 2017	259,508,950	\$ 81,082,257	\$ 258,923	\$ 8,455,888	\$ 29,332	\$ (30,967,247)	\$ 58,859,153

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

Commerce Resources Corp.

Condensed Interim Statements of Cash Flows

For the three months ended January 31,

As expressed in Canadian dollars

(Unaudited – prepared by management)

	2017	2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income (loss) for the period	\$ (269,093)	\$ (434,538)
Add (deduct) items not affecting cash:		
Deferred income tax recovery	(83,520)	(30,626)
(Gain) on disposition of asset-backed commercial paper	(1,622)	(28,713)
Changes in non-cash working capital items related to operations:		
Amounts receivable	-	(7,784)
GST/HST receivable	49,282	43,346
Prepaid expenses	10,345	619
Due to (from) related parties	269,690	(332,891)
Accounts payable and accrued liabilities	260,085	(318,342)
Net cash flows from (used in) operating activities	235,167	(1,108,929)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Share subscriptions received	258,923	-
Issue of share capital, net of share issuance costs	(4,287)	1,829,401
Net cash flows from financing activities	254,636	1,829,401
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Short term investment	-	(443,000)
Redemption of Asset-backed commercial paper	1,749	28,144
Exploration and evaluation costs, net of tax credits received	(387,768)	(182,829)
Net cash flows (used in) investing activities	(386,019)	(597,685)
Increase (decrease) in cash and cash equivalents	103,784	122,787
Cash and cash equivalents, beginning of period	253,187	5,342
Cash and cash equivalents, end of period	\$ 356,971	\$ 128,129

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 three months ended January 31, 2016

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 March 27, 2017.

The Company has no source of operating cash flows, has not yet achieved profitable operations, has a working capital deficit of \$2,353,478 at January 31, 2017 (October 31, 2016 - \$1,971,563), has accumulated losses since its inception, expects to incur further losses in the development of its business, and has no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. These material uncertainties cast significant doubt about the Company’s ability to continue as a going concern and, accordingly, the appropriateness of the use of generally accepted accounting principles applicable to a going concern. In recognition of these circumstances, management is pursuing various financial alternatives to fund the Company’s exploration and development programs. There is no assurance that these initiatives will be successful.

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

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

2. BASIS OF PRESENTATION

Statement of Compliance

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

Basis of Measurement

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

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2016

Expressed in Canadian Dollars

(Unaudited – prepared by management)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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.

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 three months ended January 31, 2016

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, 2016. Therefore, these condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended October 31, 2016.

5. SHORT TERM INVESTMENTS

At October 31, 2016, the Company had two guaranteed investment certificate ("GICs"), totaling \$76,500 (October 31, 2016: \$76,500). Both GICs will mature within one year with an interest rate of prime less 2.1%.

6. INVESTMENTS IN ASSET-BACKED COMMERCIAL PAPER

As at January 31, 2017, the Company held asset-backed commercial paper ("ABCP") issued by a number of trusts with an original cost of \$79,868 (October 31, 2016: \$81,500).

The valuation technique used by the Company to estimate the fair value of its investment in ABCP at January 31, 2017 and October 31, 2016, incorporates probability weighted discounted cash flows considering the best available public information regarding market conditions and other factors that a market participant would consider for such investments. The assumptions used in determining the estimated fair value reflect the details included in the Information Statement issued by the Pan-Canadian restructuring committee and the risks associated with the long-term floating rate notes.

The interest rates and maturities of the various long-term floating rate notes, discount rates and credit losses modeled are:

January 31, 2017 and October 31, 2016

Probability weighted average interest	74.10%
Weighted average discount rate	15.00%
Maturity of long-term floating rate notes	1 years to 23 years
Credit losses	Rated notes: Nil to 30% Unrated notes: 20% to 100%

If these assumptions were to change, the fair value of ABCP could change significantly.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

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Expressed in Canadian Dollars

(Unaudited – prepared by management)

6. INVESTMENTS IN ASSET-BACKED COMMERCIAL PAPER - continued

During the three months ended January 31, 2017, the Company received payments from settlement of \$1,749 (January 31, 2016: \$28,144) and recognized a gain on sale of ABCP of \$1,621 (January 31, 2016: \$28,713). As at January 31, 2017, the fair value of the ABCP as determined above was \$5,471 (October 31, 2016: \$5,471) and the Company recorded an unrealized gain of \$127 (January 31, 2016: \$569 loss) from this instrument.

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

October 31, 2015	\$	329,278
Settlements		(322,475)
Unrealized gains in other comprehensive income		(1,332)
October 31, 2016		5,471
Settlements		(127)
Unrealized gains in other comprehensive income		127
January 31, 2017	\$	5,471

7. EQUIPMENT

	Field Equipment	Field Office Building	Leasehold Improvements	Land	Total
Costs					
January 31, 2017 and October 31, 2016	\$ 316,931	\$ 303,748	\$ 255,796	\$ 120,282	\$ 996,757
Accumulated Amortization					
October 31, 2015	\$ 316,931	81,493	83,488	-	481,912
Additions	-	11,197	21,316	-	32,513
October 31, 2016	316,931	92,690	104,804	-	514,425
Additions	-	2,799	5,329	-	8,128
January 31, 2017	\$ 316,931	\$ 95,489	\$ 110,133	\$ -	\$ 484,825
Net Book Value					
October 31, 2016	\$ -	\$ 211,058	\$ 150,992	\$ 120,282	\$ 482,332
January 31, 2017	\$ -	\$ 208,259	\$ 145,663	\$ 120,282	\$ 474,204

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 detail 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.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2016

Expressed in Canadian Dollars

(Unaudited – prepared by management)

8. EXPLORATION AND EVALUATION ASSETS - continued

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.

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.

Other Claims – British Columbia, Canada

Other claims consist of mineral claims located in B.C., Canada known as the Alan Parson and Carbo claims.

By September 23, 2011, Canadian International minerals Inc. (“CIN”) acquired 100% interest in the Carbo Property. The Company will retain its 2% NSR royalty on the property.

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 259,508,950 as at October 31, 2016 (2015: 216,462,364).

During the year ended October 31, 2016:

On November 27, 2015, the Company closed the first tranche of a non-brokered flow-through private placement for gross proceeds of \$1,650,429. The Company issued 15,003,900 flow-through shares (“FT Shares”) at a price of \$0.11 per FT Share. On December 24, 2015, the Company closed the second tranche for gross proceeds of \$323,796. The Company issued 2,943,600 FT Shares at a price of \$0.11 per FT Share. The Company paid a total of \$116,793 and issued 1,061,750 agent’s warrants exercisable at \$0.11 per warrant share for a period of two years to various finders. The agent’s warrants were valued at fair value of \$46,033 (see Note 9d). The fair value of the shares at the date of issuance ranged from \$0.075 to \$0.085 where the exercise price is greater than the market price. The Company allocated \$472,506 to liability for flow through shares from the issuance of FT Shares. The residual \$28,031 of share issuance costs includes legal and filing expenses related directly to the private placement.

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2016

Expressed in Canadian Dollars

(Unaudited – prepared by management)

9. SHARE CAPITAL - continued

b) Issued and outstanding: - continued

On June 30, 2016, the Company closed the first tranche of its short-form prospectus offering, raising gross proceeds of \$1,169,900. The Company issued 15,598,665 units (“Units”) at a price of \$0.075 per Unit. Each Unit consists of one common share and one common share purchase warrant (a “Warrant”). Each Warrant entitles the holder to purchase one common share for a price of \$0.10 per common share expiring June 30, 2018. The Agents were paid a cash commission of \$78,255 in connection with the Unit Offering and received an aggregate of 1,043,407 agent’s warrants to acquire up to 1,043,407 common shares at a price of \$0.075 per common share expiring June 30, 2018. The agent’s warrants were valued at fair value of \$34,805 (see Note 9d). The residual \$70,693 of share issuance costs includes legal and filing expenses related directly to the short form financing.

On August 12, 2016, the Company closed the second tranche of its previously announced short-form prospectus offering, raising gross proceeds of \$277,500 with Secutor Capital Management Corporation (the “Agent”) acting as agent for the Company with respect to the sale of 3,700,000 units (“Units”) of Commerce at a price of \$0.075 per Unit. Each Unit consists of one common share and one common share purchase warrant (each, a “Warrant”). Each Warrant entitles the holder to purchase one common share for a price of \$0.10 per common share expiring August 12, 2018. The Agents were paid a cash commission of \$19,425 in connection with the second tranche of the Public Offering and received an aggregate of 259,000 broker warrants to acquire up to 259,000 common shares at a price of \$0.075 per common share expiring August 12, 2018.

On August 12, 2016, the Company closed the Concurrent Private Placement, raising gross proceeds of \$551,040. The company issued 5,800,421 flow-through shares at a price of \$0.095 per common share. In connection with the Concurrent Private Placement, finders were paid a cash commission of \$35,700 and received an aggregate of 375,789 finders’ warrants to acquire up to 375,789 common shares at a price of \$0.095 per common share expiring August 12, 2018. The Company allocated \$145,011. to liability for flow through shares from the issuance of FT Shares. All securities issued pursuant to the Concurrent Private Placement are subject to a four-month hold period and the Concurrent Private Placement has been effected with the conditional acceptance of the TSX Venture Exchange.

c) Share purchase warrants:

The following is a summary of share purchase warrant transactions for the three months ended January 31, 2017 and year ended October 31, 2016:

	January 31, 2017		October 31, 2016	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	19,298,665	\$ 0.10	6,058,550	\$ 0.30
Issued	-	-	19,298,665	0.10
Expired	-	-	(6,058,550)	0.30
Balance, end of period	19,298,665	\$ 0.10	19,298,665	\$ 0.10

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2016

Expressed in Canadian Dollars

(Unaudited – prepared by management)

9. SHARE CAPITAL - continued

c) Share purchase warrants: - continued

The following share purchase warrants were outstanding and exercisable as at January 31, 2017 and October 31, 2016:

Expiry Date	Weighted Average Contractual Life (Years)	Exercise Price	January 31, 2017 Number of Warrants	October 31, 2016 Number of Warrants
June 30, 2018	1.41	\$0.10	15,598,665	15,598,665
August 12, 2018	1.53	\$0.10	3,700,000	3,700,000
Total Outstanding and Exercisable	1.43	\$0.10	19,298,665	19,298,665

d) Agents' warrants:

The following is a summary of agents' warrant transactions for the three months ended January 31, 2017 and year ended October 31, 2016:

	January 31, 2017		October 31, 2016	
	Number of Agents' Warrants	Weighted Average Exercise Price	Number of Agents' Warrants	Weighted Average Exercise Price
Balance, beginning of period	2,739,946	\$ 0.09	1,767,502	\$ 0.24
Issued	-	-	2,739,946	0.09
Expired	-	-	(1,767,502)	0.24
Balance, end of period	2,739,946	\$ 0.09	2,739,946	\$ 0.09

The following agents' warrants were outstanding and exercisable as at January 31, 2017 and October 31, 2016:

Expiry Date	Weighted Average Remaining Contractual Life (Years)	Exercise Price	January 31, 2017 Number of Agents' Warrants	October 31, 2016 Number of Agents' Warrants
November 27, 2017	0.82	\$0.11	900,234	900,234
December 22, 2017	0.89	\$0.11	34,116	34,116
December 24, 2017	0.90	\$0.11	127,400	127,400
June 30, 2018	1.41	\$0.075	1,043,407	1,043,407
August 12, 2018	1.53	\$0.075	259,000	259,000
August 12, 2018	1.53	\$0.095	375,789	375,789
Total Outstanding and Exercisable	0.91	\$0.09	2,739,946	2,739,946

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2016

Expressed in Canadian Dollars

(Unaudited – prepared by management)

9. SHARE CAPITAL - continued

d) Agents' warrants: - continued

The Company applies the fair value method in accounting for its agents' warrants using the Black-Scholes pricing model. During the three months ended January 31, 2017, the Company recorded \$nil (January 31, 2016: \$46,033) in share issuance costs with the issuance of nil (January 31, 2016: 1,061,750) agents' warrants.

	<u>October 31, 2016</u>
Expected dividend yield	Nil
Expected volatility	91-114%
Risk free rate	0.49-0.63%
Expected terms in years	2 years

The amounts were determined using Black-Scholes option pricing model with the following assumptions:

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 three months ended January 31, 2017 and year ended October 31, 2016:

	January 31, 2017		October 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	3,830,000	\$ 0.15	6,915,000	\$ 0.38
Expired/Cancelled	-	-	(3,085,000)	0.19
Balance, end of period	3,830,000	\$ 0.15	3,830,000	\$ 0.15

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2016

Expressed in Canadian Dollars

(Unaudited – prepared by management)

10. SHARE-BASED PAYMENTS - continued

The following stock options were outstanding and exercisable as at January 31, 2017:

Expiry Date	Original Exercise Price	Number of Shares	Contractual Life (Years)
February 8, 2018	\$0.15	3,730,000	1.02
May 15, 2018	\$0.10	100,000	1.28
Total Outstanding and Exercisable		3,830,000	1.03

The Company applies the fair value method in accounting for its stock options granted to directors, officers and employees by using the Black-Scholes pricing model.

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.

On December 1, 2016, the Company renewed the agreement for another period of 12 months for \$30,000 per month.

12. RELATED PARTY TRANSACTIONS

During the three months ended January 31, 2017 and 2016, the Company incurred the following transactions to officers or directors of the Company or companies with common directors:

	Three months ended January 31,	
	2017	2016
	\$	\$
Key management compensation*		
Geological services	169,641	131,096
Administrative fees	113,810	161,430
Advertising and promotion	20,987	14,500
Total	304,438	307,026

	January 31,	October 31,
	2017	2016
	\$	\$
Amounts due to (from) related parties		
Dahrouge Geological Consulting (a)	515,295	387,407
Axel Hoppe, Director	20,594	20,594
Zimtu Capital Corp. (b)	637,820	496,018
Due to related parties – Net total	1,173,709	904,019

(a) A company controlled by a director of the Company, Jody Dahrouge.

(b) A company with common directors and management providing key management services.

Commerce Resources Corp.

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12. RELATED PARTY TRANSACTIONS - continued

* 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.

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 January 31, 2017, the Company held cash of \$356,971 (October 31, 2016: \$253,187) and short term investments of \$76,500 (October 31, 2016: \$76,500) with Canadian chartered banks. The Company also held asset-backed commercial paper fair valued at \$5,471 (October 31, 2016: \$5,471).

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

b) Liquidity Risk

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

As at January 31, 2017, the Company has total current liabilities of \$2,988,682 (October 31, 2016: 2,542,427). Management intends to meet the financial obligations by raising funds through future financings.

Commerce Resources Corp.

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13. FINANCIAL INSTRUMENTS - continued

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.

ii) Commodity Price Risk

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

iii) Interest Rate Risk

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

d) Fair Value

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

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

The following is an analysis of the Company's financial assets measured at fair value as at January 31, 2017 and October 31, 2016:

	As at January 31, 2017		
	Level 1	Level 2	Level 3
Cash	\$ 356,971	\$ -	\$ -
Short term investments	76,500	-	-
Marketable securities	45,950	-	-
Asset-backed commercial paper	-	-	5,471
	\$ 479,421	\$ -	\$ 5,471

Commerce Resources Corp.

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13. FINANCIAL INSTRUMENTS – continued

d) Fair Value - continued

	As at October 31, 2016		
	Level 1	Level 2	Level 3
Cash	\$ 253,187	\$ -	\$ -
Short term investments	76,500	-	-
Marketable securities	25,767	-	-
Asset-backed commercial paper	-	-	5,471
	\$ 355,454	\$ -	\$ 5,471

Level 3 financial assets consist of the following investments in ABCP including Master Asset Vehicle II (“MAV II”) notes and Ineligible Asset Tracking notes as at January 31, 2017 and October 31, 2016:

	January 31, 2017			October 31, 2016		
	Face value	Fair value variances	Fair value	Face value	Fair value variances	Fair value
Ineligible Asset						
Tracking Notes	79,868	(74,397)	5,471	81,500	(76,029)	5,471
	79,868	(74,397)	5,471	81,500	(76,029)	5,471

The MAV II notes received as a result of the restructuring of third party sponsored ABCP by the Pan-Canadian Investors Committee in January 2009 include a pooling of leveraged investments as well as traditional assets and cash. The leveraged investments are subject to a potential requirement post additional collateral based on certain triggers being met (a margin call). Traditional assets are un-levered investments and include residential and commercial mortgage backed securities, corporate credit and cash equivalents. Class A-1, Class A-2 and Class B Notes will bear interest at the Bankers’ Acceptance (“BA”) rate less 0.50% and Class C Notes will bear interests at the BA rate plus 20%.

The IA Tracking Notes will bear interest at a rate based on the net rate of return generated by the underlying tracking assets. The maturities of the notes are based on the maturities of the underlying assets. These notes will not be rated.

The Company is aware of a number of trades in the restructured notes that have occurred prior to January 31, 2017, but does not consider them to constitute an active market. Accordingly, the Company has not used these trades to determine the fair value of its notes. As described in Note 6, the Company has used a probability weighted discounted cash flows approach to determine the fair value of these investments, incorporating available information regarding market conditions as at the measurement date, January 31, 2017 and October 31, 2016. These estimates arrived at by the Company are subject to measurement uncertainty and are dependent on market conditions as at the measurement date.

If an active market for the restructured notes were to develop in the future, the Company would change its valuation technique to determine the fair value of its notes using quoted market prices.

Commerce Resources Corp.

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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 January 31, 2017, the Company's shareholders' equity was \$58,859,153 (October 31, 2016: \$58,853,300). 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 three months ended January 31, 2017:

- Exploration and evaluation assets of \$683,063 were included in accounts payable and \$535,888 were included in due to related parties.
- Amortization of \$8,128 relating to equipment was included in exploration and evaluation assets.

During the three months ended January 31, 2016:

- Exploration and evaluation assets of \$708,203 were included in accounts payable and \$409,912 were included in due to related parties at January 31, 2016.
- Amortization of \$8,128 relating to equipment was included in exploration and evaluation assets.
- 1,061,750 agents' warrants valued at \$46,033 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.

Commerce Resources Corp.

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

On December 22, 2014, the Company issued 12,025,000 shares on a flow-through basis at \$0.25 per share (see Note 9b) 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 at December 31, 2015, the Company has incurred \$1,738,192 (October 31, 2015 - \$1,667,710) of qualified expenditures resulting in the reversal of liability on flow-through shares and recorded the related net deferred tax effect of \$14,174 during the year ended October 31, 2016 (2015 - \$448,016). 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. The outcome of the amount of actual claims and penalties, if any, is contingent on assessments by the Canada Revenue Agency and Revenue Quebec.

In November and December 2015, the Company issued 17,947,500 shares in two tranches on a flow-through basis at \$0.11 per share (see Note 9b) for proceeds of \$1,974,225, and recognized a liability on flow-through shares of \$472,506. At December 31, 2016, the Company has incurred the entire \$1,974,225 of qualified expenditures required. The flow-through proceeds were renounced under the Look-back Rule on December 31, 2015.

On August 12, 2016, the Company issued 5,800,421 shares on a flow-through basis at \$0.095 per share (see Note 12b) for proceeds of \$551,040, and recognized a liability on flow-through shares of \$145,011. At January 31, 2017, the Company has incurred \$53,597 of qualified expenditures. The flow-through proceeds were be renounced under the Look-back Rule on December 31, 2016.

	Issued on December 22, 2014	Issued in Nov/Dec 2015	Issued on August 12, 2016	Total
Balance, October 31, 2015	333,609	-	-	333,609
Liability incurred on flow-through shares issued	-	472,506	145,011	617,517
Transfer FT liability to accrued liabilities	(319,435)	-	-	(319,435)
Settlement of flow-through share liability on incurring expenses	(14,174)	(401,813)	-	(415,987)
Balance, October 31, 2016	\$ -	\$ 70,693	\$ 145,011	\$ 215,704
Settlement of flow-through share liability on incurring expenses	-	(70,693)	(12,827)	(83,520)
Balance, January 31, 2017	\$ -	\$ -	\$ 132,184	\$ 132,184

Commerce Resources Corp.

Notes to the Condensed Interim Financial Statements

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16. SUBSEQUENT EVENTS

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 \$1,717,522.50. 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 net proceeds from the Offering will be primarily used for the completion of the Company’s pilot plant, the production of representative samples of Rare Earth Element concentrates, and fluorite concentrate for delivery to interested parties, and for general working capital. 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.

Commerce Resources Corp.

Schedule I

Schedule of Resource Properties

For the three months ended January 31, 2017

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(Unaudited – prepared by management)

	Blue River Claims	Eldor Claims	Other Claims	Totals
Acquisition costs				
Balance, beginning of period	\$ 201,602	\$ 1,300,599	\$ 211,580	\$ 1,713,781
Staking	-	-	-	-
Balance, end of the period	201,602	1,300,599	211,580	1,713,781
Deferred exploration and development costs				
Balance, beginning of period	27,731,208	31,015,762	(205,692)	58,541,279
Amortization – field equipment and office	2,799	-	-	2,799
Assays and analytical	-	131,133	-	131,133
Consulting	-	2,400	-	2,400
Engineering	-	490	-	490
Environmental and permitting	-	435	-	435
Field equipment rental	5,329	48,862	-	54,191
Field supplies	-	6,848	-	6,848
Food and accommodation	3,554	4,452	-	8,006
Fuel	-	2,289	-	2,289
Geology, mapping and drafting	-	118,500	-	118,500
Insurance	1,400	2,101	-	3,501
Other	14,500	-	-	14,500
Project management	413	-	-	413
Travel and transport	-	50,391	-	50,391
	27,995	367,901	-	395,896
Mining tax credits	-	-	-	-
Balance, end of period	27,759,204	31,383,663	(205,692)	58,937,175
Total balance, end of period	\$ 27,960,806	\$ 32,684,262	\$ 5,888	\$ 60,650,956

Commerce Resources Corp.
Schedule of Resource Properties
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Schedule I
Continued

	Blue River Claims	Eldor Claims	Other Claims	Totals
Acquisition costs				
Balance, beginning of year	\$ 201,602	\$ 1,270,558	\$ 211,580	\$ 1,683,740
Staking	-	30,041	-	30,041
Balance, end of the year	201,602	1,300,599	211,580	1,713,781
Deferred exploration and development costs				
Balance, beginning of year	27,633,433	29,217,785	(205,692)	56,645,526
Amortization – field equipment and office	11,197	-	-	11,197
Assays and analytical	-	82,618	-	82,618
Drilling	-	241,900	-	241,900
Engineering	3,960	-	-	3,960
Environmental and permitting	2,627	2,986	-	5,613
Field equipment rental	22,817	89,835	-	112,652
Field supplies	270	44,019	-	44,289
Food and accommodation	13,878	38,390	-	52,268
Fuel	-	3,061	-	3,061
Geology, mapping and drafting	2,385	783,579	-	785,964
Insurance	5,684	8,528	-	14,212
Other	39,500	303	-	39,803
Project management	3,710	-	-	3,710
Travel and transport	982	502,759	-	503,741
	107,010	1,797,978	-	1,904,988
Mining tax credits	(9,235)	-	-	(9,235)
Balance, end of year	27,731,208	31,015,763	(205,692)	58,541,279
Total balance, end of year	\$ 27,932,810	\$ 32,316,362	\$ 5,888	\$ 60,255,060