

COMMERCE RESOURCES CORP.
INTERIM FINANCIAL STATEMENTS

January 31, 2005

(Unaudited)

THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED
JANUARY 31, 2005 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATION'S
AUDITORS.

COMMERCE RESOURCES CORP.
INTERIM BALANCE SHEETS
January 31, 2005 and October 31, 2004
(Unaudited)

	January 31, <u>2005</u>	October 31, <u>2004</u>
<u>ASSETS</u>		
Current		
Cash	\$ 68,623	\$ 62,572
Marketable securities (market value – \$34,060)	31,565	35,565
Advances receivable	1,662	1,662
Prepaid expenses – Note 4	4,973	5,758
GST receivable	<u>5,102</u>	<u>5,945</u>
	111,925	111,502
Reclamation bonds	12,000	12,000
Due from related parties – Note 4	52,565	18,500
Capital assets	4,608	4,883
Resource properties – Schedule I	<u>993,604</u>	<u>988,808</u>
	<u>\$ 1,174,702</u>	<u>\$ 1,135,693</u>
<u>LIABILITIES</u>		
Current		
Accounts payable	\$ 37,372	\$ 77,020
Accrued interest payable	-	80,000
Due to related party – Note 4	<u>-</u>	<u>38,068</u>
	<u>37,372</u>	<u>195,088</u>
<u>SHAREHOLDERS' EQUITY</u>		
Share Capital – Notes 2 and 5	3,690,215	3,055,540
Convertible debenture	-	250,000
Common shares subscribed	-	96,750
Contributed surplus	151,250	141,250
Deficit	<u>(2,704,135)</u>	<u>(2,602,935)</u>
	<u>1,137,330</u>	<u>940,605</u>
	<u>\$ 1,174,702</u>	<u>\$ 1,135,693</u>

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
INTERIM STATEMENTS OF LOSS AND DEFICIT
for the three months ended January 31, 2005 and 2004
(Unaudited)

	<u>2005</u>	<u>2004</u>
Administrative Expenses		
Administration fees – Note 4	\$ 6,300	\$ 6,300
Advertising and promotion	9,834	2,848
Amortization	275	334
Bank charges and interest	289	242
Consulting fees – Note 4	4,000	4,715
Filing fees	5,449	1,361
Interest on convertible debenture	6,630	-
Investor relations	6,250	-
Non-cash compensation charge – Note 2	10,000	31,500
Office and miscellaneous	9,066	7,240
Printing and shareholder information	770	-
Professional fees	-	3,000
Rent – Note 4	3,000	3,000
Telephone	1,907	1,868
Transfer agent	4,447	898
Travel – Note 4	4,918	1,357
Wages and benefits – Note 4	26,081	19,875
Website	<u>2,145</u>	<u>1,400</u>
Loss before other items	(101,361)	(85,938)
Other items:		
Foreign exchange	-	(995)
Other income	161	66
Gain on disposition of resource properties	-	61,446
Gain on disposition of marketable securities	<u>-</u>	<u>588</u>
Net loss for the period	(101,200)	(24,833)
Deficit, beginning of the period	<u>(2,602,935)</u>	<u>(1,997,317)</u>
Deficit, end of the period	<u>\$ (2,704,135)</u>	<u>\$ (2,022,150)</u>
Basic and fully diluted loss per share	<u>\$ 0.00</u>	<u>\$ 0.00</u>

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
INTERIM STATEMENTS OF CASH FLOWS
for the three months ended January 31, 2005 and 2004
(Unaudited)

	<u>2005</u>	<u>2004</u>
Operating Activities:		
Net loss for the period	\$ (101,200)	\$ (24,833)
Add (deduct) items not affecting cash:		
Amortization	275	334
Non-cash compensation charge	10,000	31,500
Company shares issued as payment for for accrued interest on the convertible debenture	60,000	-
Loss (gain) on disposition of marketable securities	-	(588)
Company shares issued in exchange for consulting services	4,000	-
Gain on disposition of resource properties	-	(61,446)
Foreign exchange on convertible debenture	-	995
	<u>(26,925)</u>	<u>(54,038)</u>
Changes in non-cash working items related to operations:		
GST receivable	843	(6,120)
Prepaid expenses and deposit	785	-
Accounts payable	(39,648)	(10,676)
Accrued interest payable	(80,000)	-
Advance on exploration expenditures	-	(10,879)
	<u>(144,945)</u>	<u>(81,713)</u>
Cash used in operating activities		
Financing Activities:		
Issue of share capital for cash	227,925	123,587
Increase in advances to related parties – net	(72,133)	29,280
	<u>155,792</u>	<u>152,867</u>
Cash provided by financing activities		
Investing Activities:		
Proceeds from sale of resource properties	-	27,000
Proceeds from sale of marketable securities	-	2,313
Acquisition of resource properties	-	(10,000)
Deferred exploration and development costs	(4,796)	(61,940)
	<u>(4,796)</u>	<u>(42,627)</u>
Cash used in investing activities		
Increase in cash during the period	6,051	28,527
Cash, at beginning of the period	<u>62,572</u>	<u>8,347</u>
Cash, at end of the period	<u>\$ 68,623</u>	<u>\$ 36,874</u>
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	<u>\$ 6,630</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

Non-cash Transactions – Note 3

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
SCHEDULE OF RESOURCE PROPERTIES
for the three months ended January 31, 2005
(Unaudited)

Schedule I

	<u>AU</u> <u>Claims</u>	Verity & Fir <u>Claims</u>	<u>Other</u> <u>Claims</u>	<u>Totals</u>
Acquisition costs				
Balance, beginning and end of the period	\$ 50,000	\$ -	\$ -	\$ 50,000
Deferred Exploration and Development Costs				
Balance, beginning of the period	-	938,808	-	938,808
Lab analysis	-	2,850	-	2,850
Recording fees	-	-	1,946	1,946
	-	2,850	1,946	4,796
	-	941,658	1,946	943,604
Balance, end of the period	<u>\$ 50,000</u>	<u>\$ 941,658</u>	<u>\$ 1,946</u>	<u>\$ 993,604</u>

COMMERCE RESOURCES CORP.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
January 31, 2005
(Unaudited)

Note 1 Interim Reporting

The unaudited interim financial statements have been prepared in accordance with the accounting principles generally accepted in Canada for interim financial information and follow the same accounting policies and methods of their application as the Company's most recent annual financial statements. These interim financial statements do not include all of the disclosure included in the annual financial statements, and accordingly, they should be read in conjunction with the annual financial statements for the year ended October 31, 2004. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements.

Note 2 Share Capital

Authorized:

100,000,000 common shares without par value

	<u>January 31, 2005</u>		<u>January 31, 2004</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Issued:				
Balance, beginning of the period	21,333,574	\$3,055,540	18,642,695	\$2,774,052
For cash:				
- pursuant to a private placement				
- at \$0.10	-	-	1,235,869	123,587
- at \$0.15	1,300,000	195,000	-	-
Less: finders fee	-	(5,250)	-	-
- pursuant to the exercise of warrants				
- at \$0.10	1,020,851	102,085	-	-
- at \$0.12	111,000	13,320	-	-
- at \$0.14	103,000	14,420	-	-
- pursuant to the exercise of options				
- at \$0.10	25,000	2,500	-	-
- at \$0.13	20,000	2,600	-	-
Pursuant to the conversion of the convertible debenture				
- at \$0.12	2,083,333	250,000	-	-
Pursuant to an agreement to issue shares for interest accrued on the convertible debenture				
- at \$0.15	400,000	60,000	-	-
Pursuant to agreements to settle debts				
- at \$0.11	-	-	<u>1,240,010</u>	<u>136,401</u>
Balance, end of the period	<u>26,396,758</u>	<u>\$3,690,215</u>	<u>21,118,574</u>	<u>\$3,034,040</u>

Note 2 Share Capital – (cont'd)

Commitments:

Stock-based Compensation:

A summary of the incentive stock options outstanding as at January 31, 2005 and 2004 and changes for the periods ending on those dates is presented below:

	2005		2004	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Options outstanding and exercisable at beginning of the period	1,960,000	\$0.11	1,400,000	\$0.10
Granted	100,000	\$0.20	550,000	\$0.14
Exercised	(45,000)	\$0.11	-	-
Cancelled	<u>(250,000)</u>	<u>\$0.10</u>	<u>-</u>	<u>-</u>
Options outstanding and exercisable at the end of the period	<u>1,765,000</u>	<u>\$0.12</u>	<u>1,950,000</u>	<u>\$0.11</u>

At January 31, 2005, incentive stock options to purchase up to 1,765,000 common shares were outstanding to directors, officers and consultants of the Company as follows:

Number	Exercise Price	Expiry Date
500,000	\$0.14	December 29, 2005
140,000	\$0.13	April 30, 2006
100,000	\$0.20	January 4, 2007
<u>1,025,000</u>	\$0.10	January 23, 2007
<u>1,765,000</u>		

Note 2 Share Capital – (cont'd)

Commitments: - (cont'd)

Stock-based Compensation: - (cont'd)

The compensation charge associated with stock-based compensation in the amount of \$10,000 has been recorded in the financial statements. This compensation charge has been determined under the fair value method, using the Black-Scholes option pricing model with the following assumptions:

Weighted average fair value of options granted	\$0.10
Expected dividend yield	0.0%
Expected volatility	90.8%
Risk-free interest rate	3.06%
Expected term in years	2.0

Warrants

At January 31, 2005, the following share purchase warrants were outstanding entitling the holders thereof the right to purchase one common share for each warrant held:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
2,396,430	\$0.12	May 26, 2005
650,000	\$0.25	November 9, 2005
<u>2,083,333</u>	\$0.12	January 24, 2007
<u><u>5,129,763</u></u>		

Note 3 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows. During the three months ended January 31, 2005 the following transactions were excluded:

- i) the Company issued 2,083,333 units at \$0.12 per unit for a total of \$250,000 pursuant to the conversion of the convertible debenture.
- ii) The Company issued 400,000 common shares at \$0.15 per share for a total of \$60,000 pursuant to an agreement to issue shares for interest accrued on the convertible debenture.

Note 3 Non-cash Transactions– (cont'd)

iii) The Company issued 645,000 units at \$0.15 per unit for a total of \$96,750 in respect of common share subscriptions previously received.

During the three months ended January 31, 2004, the following transactions were excluded:

- i) the Company issued 1,137,010 shares at \$0.11 per share and 103,000 units at \$0.11 per unit pursuant to agreements to settle debts totalling \$736,401.
- ii) the Company received 360,000 common shares valued at \$0.25 per share for proceeds of \$90,000 pursuant to an agreement to sell certain mineral claims.

Note 4 Related Party Transactions

During the period, the Company incurred charges with directors of the Company and a company with a common director as follows:

	<u>2005</u>	<u>2004</u>
Administrative fees	\$ 6,300	\$ 6,300
Consulting fees	-	791
Rent	3,000	3,000
Travel	2,971	-
Wages and benefits	<u>20,831</u>	<u>19,500</u>
	<u>\$ 33,102</u>	<u>\$ 29,591</u>

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

During the three months ended January 31, 2005, the Company incurred charges of \$Nil (2004: \$17,261) in respect to deferred exploration and development costs with a company controlled by a director in common.

At January 31, 2005, prepaid expenses includes \$Nil (October 31, 2004: \$5,758) of charges incurred with a company controlled by a director of the Company.

The amount due from related parties (director and companies with common directors) of \$52,565 (October 31, 2004: \$18,500) is unsecured, non-interest bearing and has no specific terms of repayment.

The amount due to a related party (company with common directors) of \$Nil (October 31, 2004: \$38,068) is unsecured, non-interest bearing and has no specific terms of repayment.

Note 5 Subsequent Events

Subsequent to January 31, 2005:

- the Company issued 60,000 shares at \$0.12 per share for a total of \$7,200 pursuant to the exercise of share purchase warrants.

- the Company acquired a 100% interest in the Mud Lake Property comprising eight claims at a cost of \$13,200.