

**COMMERCE RESOURCES CORP.**  
**INTERIM FINANCIAL STATEMENTS**

April 30, 2005

(Unaudited)

---

THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2005 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATION'S AUDITORS.

---

**COMMERCE RESOURCES CORP.**  
**INTERIM BALANCE SHEETS**  
April 30, 2005 and October 31, 2004  
(Unaudited)

<b><u>ASSETS</u></b>	April 30, <u>2005</u>	October 31, <u>2004</u>
Current		
Cash	\$ 6,423	\$ 62,572
Marketable securities (market value – \$32,944)	44,018	35,565
GST receivable	4,498	5,945
Advances receivable	1,662	1,662
Prepaid expenses	<u>6,781</u>	<u>5,758</u>
	63,382	111,502
Reclamation bonds	12,000	12,000
Due from related parties – Note 4	25,067	18,500
Capital assets	4,334	4,883
Resource properties – Schedule I	<u>1,021,664</u>	<u>988,808</u>
	<u>\$ 1,126,447</u>	<u>\$ 1,135,693</u>
 <b><u>LIABILITIES</u></b>  		
Current		
Accounts payable	\$ 43,961	\$ 77,020
Accrued interest payable	-	80,000
Due to related party – Note 4	<u>4,075</u>	<u>38,068</u>
	<u>48,036</u>	<u>195,088</u>
 <b><u>SHAREHOLDERS' EQUITY</u></b>  		
Share Capital – Notes 2 and 5	3,697,415	3,055,540
Convertible debenture	-	250,000
Common shares subscribed	-	96,750
Contributed surplus	151,250	141,250
Deficit	<u>(2,770,254)</u>	<u>(2,602,935)</u>
	<u>1,078,411</u>	<u>940,605</u>
	<u>\$ 1,126,447</u>	<u>\$ 1,135,693</u>

SEE ACCOMPANYING NOTES

**COMMERCE RESOURCES CORP.**  
**INTERIM STATEMENTS OF LOSS AND DEFICIT**  
for the three and six months ended April 30, 2005 and 2004  
(Unaudited)

	Three months ended April 30,		Six months ended April 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Administrative Expenses				
Administration fees – Note 4	\$ 8,800	\$ 6,300	\$ 15,100	\$ 12,600
Advertising and promotion	16,310	8,873	26,144	11,721
Amortization	276	387	551	721
Bank charges and interest	179	196	468	438
Consulting fees – Note 4	885	250	4,885	4,965
Filing fees	1,808	6,764	7,257	8,125
Interest on convertible debenture	-	-	6,630	-
Investor relations	1,441	-	7,691	-
Non-cash compensation charge – Note 2	-	-	10,000	31,500
Office and miscellaneous	4,318	1,449	13,384	8,689
Printing and shareholder information	1,287	9,029	2,057	9,029
Professional fees	13,600	9,575	13,600	12,575
Rent – Note 4	3,000	3,000	6,000	6,000
Telephone	1,961	1,773	3,868	3,641
Transfer agent	4,850	5,807	9,297	6,705
Travel – Note 4	2,825	4,148	7,743	5,505
Wages and benefits – Note 4	27,776	21,275	53,857	41,150
Website	<u>220</u>	<u>120</u>	<u>2,365</u>	<u>1,520</u>
Loss before other items	(89,536)	(78,946)	(190,897)	(164,884)
Other items:				
Foreign exchange	-	(7,837)	-	(8,832)
Other income	184	5,209	345	5,275
Gain on disposition of resource properties	23,784	50,522	23,784	111,968
Gain (loss) on disposition of marketable securities	<u>(551)</u>	<u>13,516</u>	<u>(551)</u>	<u>14,104</u>
Net loss for the period	(66,119)	(17,536)	(167,319)	(42,369)
Deficit, beginning of the period	<u>(2,704,135)</u>	<u>(2,022,150)</u>	<u>(2,602,935)</u>	<u>(1,997,317)</u>
Deficit, end of the period	<u>\$ (2,770,254)</u>	<u>\$ (2,039,686)</u>	<u>\$ (2,770,254)</u>	<u>\$ (2,039,686)</u>
Basic and fully diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>

SEE ACCOMPANYING NOTES

**COMMERCE RESOURCES CORP.**  
**INTERIM STATEMENTS OF CASH FLOWS**  
for the three and six months ended April 30, 2005 and 2004  
(Unaudited)

	Three months ended April 30,		Six months ended April 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Operating Activities:</b>				
Net loss for the period	\$ (66,119)	\$ (17,536)	\$ (167,319)	\$ (42,369)
Add (deduct) items not affecting cash:				
Company shares issued as payment for accrued interest on the convertible debenture	\$ -	\$ -	\$ 60,000	\$ -
Company shares issued in exchange for consulting services	-	-	4,000	-
Foreign exchange on convertible debenture	-	7,837	-	8,832
Amortization	276	387	551	721
Non-cash compensation charge	-	-	10,000	31,500
Gain on disposition of resource properties	(23,784)	(50,522)	(23,784)	(111,968)
Loss (gain) on disposition of marketable securities	551	(13,516)	551	(14,104)
	<u>(89,076)</u>	<u>(73,350)</u>	<u>(116,001)</u>	<u>(127,388)</u>
Changes in non-cash working capital items related to operations:				
GST receivable	604	5,988	1,447	(132)
Advances receivable	-	(3,750)	-	(3,750)
Prepaid expenses and deposit	(1,809)	-	(1,024)	-
Accounts payable	6,588	11,074	(33,060)	398
Accrued interest payable	-	-	(80,000)	-
Advance on exploration expenditures	-	-	-	(10,879)
Cash used in operating activities	<u>(83,693)</u>	<u>(60,038)</u>	<u>(228,638)</u>	<u>(141,751)</u>
<b>Financing Activities:</b>				
Issue of share capital for cash	7,200	-	235,125	123,587
Increase (decrease) in advances from related parties – net	31,573	(13,302)	(40,560)	15,978
Cash provided by (used in) financing activities	<u>38,773</u>	<u>(13,302)</u>	<u>194,565</u>	<u>139,565</u>

.../cont'd

SEE ACCOMPANYING NOTES

**COMMERCE RESOURCES CORP.**  
**INTERIM STATEMENTS OF CASH FLOWS**  
for the three and six months ended April 30, 2005 and 2004  
(Unaudited)

	Three months ended April 30,		Six months ended April 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Investing Activities::				
Proceeds from sale of marketable securities	10,780	33,562	10,780	35,875
Proceeds from sale of resource properties	-	20,000	-	47,000
Deferred exploration and development costs	(9,355)	(7,319)	(14,151)	(69,259)
Acquisition of resource properties	<u>(18,705)</u>	<u>-</u>	<u>(18,705)</u>	<u>(10,000)</u>
Cash provided by investing activities	<u>(17,280)</u>	<u>46,243</u>	<u>(22,076)</u>	<u>3,616</u>
Increase (decrease) in cash during the period	(62,200)	(27,097)	(56,149)	1,430
Cash, beginning of period	<u>68,623</u>	<u>36,874</u>	<u>62,572</u>	<u>8,347</u>
Cash, end of period	<u>\$ 6,423</u>	<u>\$ 9,777</u>	<u>\$ 6,423</u>	<u>\$ 9,777</u>

Non-cash Transactions – Note 3

**COMMERCE RESOURCES CORP.**  
**SCHEDULE OF RESOURCE PROPERTIES**  
for the six months ended April 30, 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 of the period	\$ 50,000	\$ -	\$ -	\$ 50,000
Cash	<u>-</u>	<u>-</u>	<u>18,705</u>	<u>18,705</u>
Balance, end of the period	<u>50,000</u>	<u>-</u>	<u>18,705</u>	<u>68,705</u>
Deferred Exploration and Development Costs				
Balance, beginning of the period	<u>-</u>	<u>938,808</u>	<u>-</u>	<u>938,808</u>
Geological consulting fees	-	249	-	249
Lab analysis	-	8,450	-	8,450
Recording fees	<u>-</u>	<u>-</u>	<u>5,452</u>	<u>5,452</u>
	<u>-</u>	<u>8,699</u>	<u>5,452</u>	<u>14,151</u>
Balance, end of the period	<u>-</u>	<u>947,507</u>	<u>5,452</u>	<u>952,959</u>
Total costs, end of the period	<u>\$ 50,000</u>	<u>\$ 947,507</u>	<u>\$ 24,157</u>	<u>\$ 1,021,664</u>

**COMMERCE RESOURCES CORP.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
April 30, 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

Issued:

	<u>Number</u>	<u>Amount</u>
Balance, October 31, 2004	21,333,574	\$3,055,540
For cash:		
- pursuant to a private placement		
- 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	171,000	20,520
- 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	2,083,333	250,000
Pursuant to an agreement to issue shares for interest accrued on the convertible debenture	400,000	60,000
	<u>26,456,758</u>	<u>\$3,697,415</u>
Balance, April 30, 2005	<u>26,456,758</u>	<u>\$3,697,415</u>

Note 2 Share Capital – (cont'd)

Commitments:

Stock-based Compensation Plan

The Company has granted employees and directors common share purchase options. These options were granted with an exercise price equal to their fair value on the date of the grant and vest immediately.

A summary of the stock option plan is presented below:

	Six months ended April 30,		2004	
	2005	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at the 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>\$0.11</u>	<u>1,950,000</u>	<u>\$0.11</u>

At April 30, 2005, the Company had 1,765,000 share purchase options outstanding entitling the holders thereof the right to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
500,000	\$0.14	December 29, 2005
140,000	\$0.13	April 30, 2006
100,000	\$0.20	January 6, 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 Plan: - (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 April 30, 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>
2,336,430	\$0.12	May 26, 2005
650,000	\$0.25	November 9, 2005
<u>2,083,333</u>	\$0.12	January 18, 2007
<u><u>5,069,763</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 six months ended April 30, 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.
- iv) The Company received 50,000 common shares valued at \$0.40 per share for proceeds of \$20,000 pursuant to an agreement to sell certain mineral claims;
- v) The Company received 75,000 common shares valued at \$0.05 per share for proceeds of \$3,750 pursuant to an agreement to sell certain mineral claims.

During the six months ended April 30, 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 \$136,401;
- 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; and
- iii) the Company received 120,000 common shares valued at \$0.26 per share for proceeds of \$31,200 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:

	Three months ended April 30,		Six months ended April 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Administrative fees	\$ 6,300	\$ 6,300	\$ 12,600	\$ 12,600
Consulting fees	385	-	385	791
Rent	3,000	3,000	6,000	6,000
Travel	-	-	2,971	-
Wages and benefits	<u>27,775</u>	<u>19,500</u>	<u>48,608</u>	<u>39,000</u>
	<u>\$ 37,460</u>	<u>\$ 28,800</u>	<u>\$ 70,564</u>	<u>\$ 58,391</u>

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

During the six months ended April 30, 2005, the Company incurred charges of \$249 (2004: \$23,156) in respect to deferred exploration and development costs with a company with a common director.

Note 4     Related Party Transactions

The amount due from related parties of \$25,067 (October 31, 2004: \$18,500) is unsecured, non-interest bearing and has no specific terms of repayment.

The amount due to a related party of \$4,075 (October 31, 2004: \$38,068) is unsecured, non-interest bearing and has no specific terms of repayment.

Note 5     Subsequent Event

Subsequent to April 30, 2005, the Company issued 365,000 shares at \$0.12 per share for total proceeds of \$43,800 pursuant to the exercise of share purchase warrants.