

COMMERCE RESOURCES CORP.
INTERIM FINANCIAL STATEMENTS
July 31, 2005
(Unaudited)

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

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

<u>ASSETS</u>	July 31, <u>2005</u>	October 31, <u>2004</u>
Current		
Cash	\$ 954	\$ 62,572
Marketable securities (market value – \$17,419)	17,419	35,565
GST receivable	2,512	5,945
Advances receivable	1,662	1,662
Prepaid expenses	<u>7,722</u>	<u>5,758</u>
	30,269	111,502
Reclamation bonds	12,000	12,000
Due from related parties – Note 4	32,455	18,500
Capital assets	4,057	4,883
Resource properties – Schedule I	<u>1,027,133</u>	<u>988,808</u>
	<u>\$ 1,105,914</u>	<u>\$ 1,135,693</u>
 <u>LIABILITIES</u> 		
Current		
Accounts payable – Note 4	\$ 62,386	\$ 77,020
Accrued interest payable	-	80,000
Due to related party – Note 4	<u>-</u>	<u>38,068</u>
	<u>62,386</u>	<u>195,088</u>
 <u>SHAREHOLDERS' EQUITY</u> 		
Share capital – Note 2	3,744,715	3,055,540
Convertible debenture	-	250,000
Common shares subscribed	-	96,750
Contributed surplus	147,750	141,250
Deficit	<u>(2,848,937)</u>	<u>(2,602,935)</u>
	<u>1,043,528</u>	<u>940,605</u>
	<u>\$ 1,105,914</u>	<u>\$ 1,135,693</u>

SEE ACCOMPANYING NOTES

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

	Three months ended July 31,		Nine months ended July 31,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Administrative Expenses				
Administration fees – Note 4	\$ 6,300	\$ 6,300	\$ 18,900	\$ 18,900
Advertising and promotion	13,150	5,306	39,294	18,547
Amortization	275	361	826	1,082
Bank charges and interest	128	97	596	535
Consulting fees – Note 4	1,264	-	8,649	4,965
Filing fees (recovered)	-	(206)	7,257	7,919
Interest on convertible debenture	-	-	6,630	-
Investor relations	-	-	7,691	-
Office and miscellaneous	3,328	4,060	16,712	12,749
Printing and shareholder information (recovered)	-	(2,498)	2,057	6,531
Professional fees	4,400	2,100	18,000	14,675
Rent – Note 4	3,500	3,000	9,500	9,000
Stock-based compensation charge – Note 2	-	-	10,000	31,500
Telephone	1,865	1,529	5,733	5,170
Transfer agent	1,561	1,302	10,858	8,007
Travel	7,635	1,119	15,378	6,624
Wages and benefits – Note 4	20,887	21,276	74,744	62,426
Website	<u>200</u>	<u>-</u>	<u>2,565</u>	<u>-</u>
Loss before other items	(64,493)	(43,746)	(255,390)	(208,630)
Other items:				
Foreign exchange	-	7,837	-	(995)
Other income	199	5	544	5,280
Gain on disposition of resource properties	-	26,999	23,784	138,967
Gain (loss) on disposition of marketable securities	(4,624)	(7,860)	(5,175)	6,244
Write-down of marketable securities	<u>(9,765)</u>	<u>(16,605)</u>	<u>(9,765)</u>	<u>(16,605)</u>
Net loss for the period	(78,683)	(33,370)	(246,002)	(75,739)
Deficit, beginning of the period	<u>(2,770,254)</u>	<u>(2,039,686)</u>	<u>(2,602,935)</u>	<u>(1,997,317)</u>
Deficit, end of the period	<u>\$ (2,848,937)</u>	<u>\$ (2,073,056)</u>	<u>\$ (2,848,937)</u>	<u>\$ (2,073,056)</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 nine months ended July 31, 2005 and 2004
(Unaudited)

	Three months ended July 31,		Nine months ended July 31,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Operating Activities:				
Net loss for the period	\$ (78,683)	\$ (33,370)	\$ (246,002)	\$ (75,739)
Add (deduct) items not affecting cash:				
Stock dividend	(169)	-	(169)	-
Write-down of marketable securities	9,765	16,605	9,765	16,605
Company shares issued as payment for accrued interest on the convertible debenture	-	-	60,000	-
Marketable securities issued in exchange for consulting services	-	-	4,000	-
Foreign exchange	-	(7,837)	-	995
Amortization	275	361	826	1,082
Non-cash compensation charge	-	-	10,000	31,500
Gain on disposition of resource properties	-	(26,999)	(23,784)	(138,967)
Loss (gain) on disposition of marketable securities	4,624	7,860	5,175	(6,244)
	<u>(64,188)</u>	<u>(43,380)</u>	<u>(180,189)</u>	<u>(170,768)</u>
Changes in non-cash working capital items related to operations:				
GST receivable	1,986	1,262	3,433	1,130
Advances receivable	-	3,588	-	(162)
Prepaid expenses and deposit	(940)	-	(1,964)	-
Accounts payable	18,426	17,673	(14,634)	18,071
Accrued interest payable	-	-	(80,000)	(32,654)
Advance on exploration expenditures	-	(21,775)	-	-
Cash used in operating activities	<u>(44,716)</u>	<u>(42,632)</u>	<u>(273,354)</u>	<u>(184,383)</u>
Financing Activities:				
Issue of share capital for cash	43,800	-	278,925	123,587
Increase (decrease) in advances from related parties – net	<u>(11,463)</u>	<u>359</u>	<u>(52,023)</u>	<u>509</u>
Cash provided by financing activities	<u>32,337</u>	<u>359</u>	<u>226,902</u>	<u>124,096</u>

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SEE ACCOMPANYING NOTES

Continued

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

	Three months ended July 31,		Nine months ended July 31,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Investing Activities:				
Proceeds from sale of marketable securities	12,379	33,516	23,159	\$ 85,219
Proceeds from sale of resource properties	-	-	-	47,000
Deferred exploration and development costs	(4,408)	11,154	(18,559)	(58,105)
Acquisition of marketable securities	-	(6,715)	-	(6,715)
Acquisition of resource properties	<u>(1,061)</u>	<u>-</u>	<u>(19,766)</u>	<u>(10,000)</u>
Cash provided by (used in) investing activities	<u>6,910</u>	<u>37,955</u>	<u>(15,166)</u>	<u>57,399</u>
Decrease in cash during the period	(5,469)	(4,318)	(61,618)	(2,888)
Cash, beginning of period	<u>6,423</u>	<u>9,777</u>	<u>62,572</u>	<u>8,347</u>
Cash, end of period	<u>\$ 954</u>	<u>\$ 5,459</u>	<u>\$ 954</u>	<u>\$ 5,459</u>

Non-cash Transactions – Note 3

SEE ACCOMPANYING NOTES

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

Schedule I

	<u>AU</u> <u>Claims</u>	<u>Verity & Fir</u> <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>19,766</u>	<u>19,766</u>
Balance, end of the period	<u>50,000</u>	<u>-</u>	<u>19,766</u>	<u>69,766</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	-	8,664	-	8,664
Overhead	-	1,054	-	1,054
Recording fees	-	-	5,452	5,452
Travel	<u>-</u>	<u>3,140</u>	<u>-</u>	<u>3,140</u>
	<u>-</u>	<u>13,107</u>	<u>5,452</u>	<u>18,559</u>
Balance, end of the period	<u>-</u>	<u>951,915</u>	<u>5,452</u>	<u>957,367</u>
Total costs, end of the period	<u>\$ 50,000</u>	<u>\$ 951,915</u>	<u>\$ 25,218</u>	<u>\$ 1,027,133</u>

COMMERCE RESOURCES CORP.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
July 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

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	536,000	64,320
- 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
Transfer of contributed surplus on exercise of options	-	3,500
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
	<u>400,000</u>	<u>60,000</u>
Balance, July 31, 2005	<u>26,821,758</u>	<u>\$ 3,744,715</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:

	Nine months ended July 31,		2004	
	2005			
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
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 July 31, 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
650,000	\$0.10	January 23, 2007
<u>375,000</u>	<u>\$0.10</u>	<u>July 24, 2007</u>
<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 July 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>
650,000	\$0.25	November 9, 2005
<u>2,083,333</u>	\$0.12	January 18, 2007
<u><u>2,733,333</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 nine months ended July 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.
- 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 \$3,784 pursuant to an agreement to sell certain mineral claims.

During the nine months ended July 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 \$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 July 31,		Nine months ended July 31,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Administrative fees	\$ 6,300	\$ 6,300	\$ 18,900	\$ 18,900
Consulting fees	1,649	-	2,034	791
Rent	3,500	3,000	9,500	9,000
Wages and benefits	<u>21,887</u>	<u>20,832</u>	<u>71,494</u>	<u>62,426</u>
	<u>\$ 33,336</u>	<u>\$ 30,132</u>	<u>\$ 101,928</u>	<u>\$ 91,117</u>

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

During the nine months ended July 31, 2005, the Company incurred charges of \$5,505 (2004: \$9,344) in respect to deferred exploration and development costs with a company with a common director.

Note 4 Related Party Transactions– (cont'd)

The amount due from related parties of \$32,455 (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 \$Nil (October 31, 2004: \$38,068) is unsecured, non-interest bearing and has no specific terms of repayment.

At July 31, 2005, accounts payable includes \$9,752 (October 31, 2004: \$Nil) owed to a director and a company controlled by a director.