



COMMERCE RESOURCES CORP.

Management Discussion & Analysis for the first quarter ended January 31, 2005

The following discussion and analysis of the operations, results, and financial position of the Company for the three months ended January 31, 2005 should be read in conjunction with the January 31, 2005 interim financial statements and the related Notes. The effective date of this report is March 31, 2005.

Nature of Business and Overall Performance

Commerce Resources Corp. (the “Company”) is a development stage company engaged in the acquisition and exploration of mineral properties in British Columbia. The Company is currently focusing its exploration activities on tantalum and niobium, and holds an interest in two mineral deposits located in the Kamloops Mining Division of central British Columbia. The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol CCE.

FIR Tantalum/Niobium Property

The Fir property is located in the Kamloops Mining Division of British Columbia, approximately 30 kilometers north of the town of Blue River. The Company acquired a 100% interest in 69 units by staking in early 2000 and therefore is not subject to any underlying royalties.

As at report date, the Company has conducted exploration of the property which included sampling, 11 drill holes and detailed metallurgical investigations. The Company has outlined an inferred resource for the Fir property totalling 6.74 million tonnes grading 203.1 gpt Ta₂O₅ and 1,047 gpt Nb₂O₅. The Fir is also host to an indicated resource of 5.65 million tonnes grading 203.1 gpt Ta₂O₅ and 1,047 gpt Nb₂O₅. This resource estimate was prepared in accordance with the requirements of NI 43-101 by the Company’s Qualified Person, Ruben Verzosa, P.Eng., as set out in his technical report dated March 6, 2003 and revised on November 30, 2004.

Exploration Program & Results

On September 6, 2004, the Company announced that it had received results from SGS Lakefield Research Limited (“SGS Lakefield”) of a preliminary investigation of direct acid leaching of its tantalum and niobium gravity concentrate. SGS Lakefield was contracted to conduct a test work program to assess the feasibility of processing the Ta/Nb concentrate from the Fir deposit by hydrometallurgical techniques.

Direct leaching of the gravity concentrate using a hydrochloric acid pre-leach stage produced a concentrate assaying 54.9% Nb₂O₅ and 7.15% Ta₂O₅. This upgraded product responded well to a subsequent hydrofluoric acid and sulphuric acid leach with combined tantalum and niobium in the range 92% to 99%. The test results and summaries were reviewed by the Company’s Qualified Person, Jeff Austin, P.Eng.

Future Developments

Management is encouraged by the positive results received to date and will continue to maintain its focus on the development and exploration of the Fir deposit.

VERITY Tantalum/Niobium Property

The Verity property is located in the Kamloops Mining Division of British Columbia, approximately 40 kilometers north of the town of Blue River. The Company acquired a 100% interest in 136 units by staking in early 2000 and therefore is not subject to any underlying royalties.

Prior to the current year, the property has seen detailed exploration including detailed sampling and 35 drill holes. The Company has outlined an inferred resource for the Verity property totaling 3.06 million tonnes grading 196 gpt Ta₂O₅ and 646 gpt Nb₂O₅. This resource estimate was prepared in accordance with the requirements of NI 43-101 by the Company's Qualified Person, James McCrea, P.Geo. as set out in his technical report dated June 12, 2001.

Results of Operations

General and Administrative

Net loss for the first quarter ended January 31, 2005 was \$101,200 compared to a net loss of \$24,833 for comparative quarter ended January 31, 2004. This difference is due primarily to the gain on disposition of resources properties during the quarter ended January 31, 2004. Administrative expenses for this quarter were \$101,361 compared to \$85,938 in the comparative quarter ended January 31, 2004.

Investor Relations

During the first quarter ended January 31, 2005, the Company incurred investor relations charges of \$6,250 compared to \$Nil for the comparative quarter ended January 31, 2004. The Company currently has no investor relations agreements, and handles all activities and inquiries in house by office staff.

Summary of Quarterly Results

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

	January 31, 2005	October 31, 2004	July 31, 2004	April 30, 2004	January 30, 2004	October 31, 2003	July 31, 2003	April 30, 2003
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) before discontinued and extraordinary items (Total)	(101,361)	(188,047)	(43,746)	(78,946)	(85,938)	(407,355)	(97,640)	(98,436)
Income (loss) before discontinued and extraordinary items (Per share)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Income (loss) before discontinued and extraordinary items (diluted per share)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Net income (loss) (total)	(101,200)	(529,879)	(33,370)	(17,536)	(24,833)	(25,522)	(124,043)	(73,525)
Net income (loss) (per share)	0.00	(0.03)	0.00	0.00	0.00	(0.04)	(0.01)	(0.01)
Net income (loss) (diluted per share)	0.00	(0.03)	0.00	0.00	0.00	(0.04)	(0.01)	(0.01)

Liquidity and Solvency

The Company has total assets of \$1,174,702. The primary assets of the Company are deferred resource property costs of \$993,604, cash of \$68,623 and marketable securities carried at \$31,565. The Company has no long-term liabilities and positive working capital of \$74,553

Capital Resources

The Company has no specific work commitments on its resource properties but, as discussed in Section 1.2 above, will continue to perform exploration work on its Fir property.

Off Balance Sheet Arrangements

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

Transactions with Related Parties

The Company incurred charges with directors of the Company and a company with a common director as follows:

	Quarter ended January 31, 2005	Fiscal year ended October 31, 2004
Administration fees	\$6,300	\$25,200
Consulting fees	-	\$9,288
Deferred exploration and development costs	-	\$16,676
Travel	\$2,971	-
Rent	\$3,000	\$12,000
Wages and benefits	<u>\$20,831</u>	<u>\$83,257</u>
	<u>\$33,102</u>	<u>\$146,421</u>

Financial Instruments and Other Instruments

The carrying value of the Company's financial instruments, consisting of cash, marketable securities, advances receivable and accounts payable approximate their fair values due to the short maturity of such instruments. The fair market value of due from related parties is also assumed to approximate their carrying amount. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

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:

	Three months ended January 31, 2005	Three months ended January 31, 2004
Capitalized or Expensed Exploration and Development Costs	-	-
Expensed Research and Development Costs	-	-
Deferred Exploration and Development Costs	(\$4,796)	(\$61,940)
General and Administration Expenses	(\$97,361)	(\$85,938)
Any Material Costs (capitalized, deferred or expensed) not referred to above	-	-
- Gain on sale of equity investments	-	\$588

Disclosure of Outstanding Share Capital

Authorized: 100,000,000 common shares without par value

Issued:

	Number	Amount
Balance, beginning of the quarter	21,333,574	\$3,055,540
- Issued pursuant to a private placement	1,300,000	\$195,000
- Less finders fee	-	(5,250)
- Issued 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
- Issued pursuant to the exercise of options		
- at \$0.10	25,000	\$2,500
- at \$0.13	20,000	\$2,600
- Issued pursuant to the conversion of the convertible debenture		
- at \$0.12	2,083,000	\$250,000
- Issued pursuant to an agreement to issue shares for interest accrued on the convertible debenture		
- at \$0.15	<u>400,000</u>	<u>\$60,000</u>
Balance, as at January 31, 2005	<u>26,396,758</u>	<u>\$3,690,215</u>
Issued pursuant to the exercise of warrants		
- at \$0.12	<u>60,000</u>	<u>\$7,200</u>
Balance, as at March 31, 2005	<u>26,456,758</u>	<u>\$3,697,415</u>

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. Options outstanding and exercisable at the end of the quarter ended January 31, 2005:

<u>Shares</u>	<u>Weighted Average Exercise Price</u>
1,765,000	\$0.12

At January 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 4, 2007
<u>1,025,000</u>	<u>\$0.10</u>	<u>January 23, 2007</u>
<u>1,765,000</u>		

Share Purchase Warrants: At January 31, 2005, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share:

<u>Number</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>	<u>\$0.12</u>	<u>January 24, 2007</u>
<u>5,129,763</u>		

Proposed Transactions and Subsequent Events

Subsequent to January 31, 2005:

- The Company entered into an Acquisition Agreement on February 17, 2005 with Ryan Grywul whereby the Company acquired a 100% interest in the Mud Lake Claims located south of the Company's Fir Property. The Mud Lake Claims are host to the Mud Lake/AEG carbonatite. The Company believes the Mud Lake carbonatite warrants further exploration.
- 60,000 share purchase warrants were exercised at a price of \$0.12 per share.

Additional Information

Additional information about the Company can be found on www.sedar.com.