



COMMERCE RESOURCES CORP.

Management Discussion & Analysis for the quarter ended July 31, 2005

The following discussion and analysis of the operations, results, and financial position of the Company for the nine months ended July 31, 2005 should be read in conjunction with the audited financial statements for the year ended October 31, 2004 and the related Notes. The effective date of this report is September 15, 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 November 30, 2004.

Exploration Program & Results

On August 16, 2005, the Company announced that it had initiated the first phase of a three phase exploration program which will consist of a drill program to explore the potential of the Upper Fir Carbonatite. In addition, further reconnaissance exploration will be conducted at the Bone Creek, Gum Creek and Roadside carbonatites for the potential for follow-up drilling.

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 Property.

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 third quarter ended July 31, 2005 was \$78,683 compared to a net loss of \$33,370 for the comparative quarter ended July 31, 2004. This difference is due primarily to the gain on disposition of resource properties of \$26,999 during the quarter ended July 31, 2004. Administrative expenses for this quarter were \$64,493 compared to \$43,746 in the comparative quarter ended July 31, 2004, which are normal costs of operating a public company.

Investor Relations

During the third quarter ended July 31, 2005, the Company did not incur investor relations charges. 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:

	July 31, 2005	April 30, 2005	January 31, 2005	October 31, 2004	July 31, 2004	April 30, 2004	January 30, 2004	October 31, 2003
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) before discontinued and extraordinary items (Total)	(78,683)	(66,119)	(101,200)	(529,879)	(33,370)	(17,536)	(24,833)	(25,522)
Basic and diluted loss before discontinued and extraordinary items (per share)	0.00	0.00	0.00	(0.03)	0.00	0.00	0.00	(0.04)
Net income (loss) (total)	(78,683)	(66,119)	(101,200)	(529,879)	(33,370)	(17,536)	(24,833)	(25,522)
Basic and diluted net loss (per share)	0.00	0.00	0.00	(0.03)	0.00	0.00	0.00	(0.04)

Liquidity and Solvency

The Company has total assets of \$1,105,914. The primary assets of the Company are deferred resource property costs of \$1,027,133, and marketable securities carried at \$17,419. The

Company has no long-term liabilities and a working capital deficiency of \$32,117.

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 and Verity properties.

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 July 31, 2005	Quarter ended July 31, 2004
Administration fees	\$6,300	\$6,300
Consulting fees	1,649	-
Deferred exploration and development costs	5,256	2,557
Rent	3,500	3,000
Wages and benefits	<u>21,887</u>	<u>20,832</u>
	<u>\$38,592</u>	<u>\$32,689</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:

	Nine months ended July 31, 2005	Nine months ended July 31, 2004
Capitalized or Expensed Exploration and Development Costs	-	-
Expensed Research and Development Costs	-	-
Deferred Exploration and Development Costs	(18,559)	(58,105)
General and Administration Expenses	(255,390)	(208,630)
Any Material Costs (capitalized, deferred or expensed) not referred to above	-	-

Disclosure of Outstanding Share Capital

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

Issued:

		<u>Number</u>	<u>Amount</u>
Balance, beginning of the period		21,333,574	\$3,055,540
- Issued pursuant to a private placement	- at \$0.15	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	171,000	\$20,520
	- 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
- transfer of contributed surplus on exercise of options		-	\$3,500
- Issued pursuant to the conversion of the convertible debenture			
	- at \$0.12	2,083,333	\$250,000
- Issued pursuant to an agreement to issue shares for interest accrued on the convertible debenture			
	- at \$0.15	400,000	\$60,000
Balance, as at July 31, 2005		26,821,758	\$3,744,715
Issued pursuant to the exercise of warrants			
	- at \$0.12	365,000	\$43,800
Balance, as at September 15, 2005		<u>27,186,758</u>	<u>\$3,788,515</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 July 31, 2005:

<u>Shares</u>	<u>Weighted Average Exercise Price</u>
1,765,000	\$0.11

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>	\$0.10	July 24, 2007
<u>1,765,000</u>		

Share Purchase Warrants: At July 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>
650,000	\$0.25	November 9, 2005
<u>2,083,333</u>	\$0.12	January 18, 2007
<u>2,733,333</u>		

Proposed Transactions and Subsequent Events

Subsequent to July 31, 2005, the Company announced a private placement of up to 1,750,000 units for gross proceeds of \$255,000. Of the 1,750,000 units offered, up to 1,125,000 units are to be issued on a flow-through basis at a price of \$0.16 per unit. Each flow-through unit will consist of one flow-through common share and one non-transferable share purchase warrant entitling the holder to purchase one non flow-through common share of the Company at a price of \$0.18 per share for a one year period from the date of issuance. Up to 625,000 units are to be issued on a non flow-through basis at a price of \$0.12 per unit. Each non flow-through unit will consist of one common share and one non-transferable share purchase warrant entitling the holder to purchase one non flow-through share of the Company at a price of \$0.18 per share for a period of one year from the date of issuance. The offering is subject to the approval of the TSX Venture Exchange. A finder's fee may be payable in accordance with the policies of the TSX Venture Exchange.

The proceeds of the private placement will fund the first phase of the Company's 2005 exploration program on its tantalum properties near Blue River, British Columbia and for general working capital.

Additional Information

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