



COMMERCE RESOURCES CORP.

**Management Discussion & Analysis for the Second Quarter ended April 30, 2007**

The following is a discussion and analysis of the operations, results, and financial position of the Company for the second quarter ended April 30, 2007. They should be read in conjunction with the audited financial statements and the related Notes for the year ended October 31, 2006, together with the unaudited financial statements and related Notes for the second quarter ended April 30, 2007. The effective date of this report is June 8, 2007.

**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 as well as the Frankfurt Stock Exchange under the symbol D7H.

**Blue River Tantalum Properties**

*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. 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 Ta<sub>2</sub>O<sub>5</sub> and 646 gpt Nb<sub>2</sub>O<sub>5</sub>. This resource estimate was prepared in accordance with the requirements of NI 43-101 by the Company’s Qualified Person, James McCrea, P.Geol. as set out in his technical report dated June 12, 2001. The complete report is available on Sedar at [www.sedar.com](http://www.sedar.com).

*FIR and UPPER FIR Tantalum/Niobium Properties*

The Fir property is located in the Kamloops Mining Division of British Columbia, approximately 30 kilometers north of Blue River, British Columbia. The Company acquired a 100% interest in 69 units by staking in early 2000 and is not subject to any underlying royalties. On January 24, 2007, the Company announced that it had entered into an agreement to acquire a 100% interest in three mineral claims adjacent to the Fir claims. These three claims were purchased for their potential to host additional mineralization, as well as ensuring mineral tenure under area of potential importance for future infrastructure related to mine development. On February 26, 2007, the Company also announced that it had staked an additional 79 mineral claims adjacent to the east of Blue River project. The property now measures approximately 25 kilometres east to west by about 20km north to south and encompasses about 500 square km.

Previously, the Company had conducted exploration of the Fir Property which included sampling, 11 drill holes and detailed metallurgical investigations. The Company has outlined an inferred resource for the Fir property totaling 6.74 million tonnes grading 203.1 gpt Ta<sub>2</sub>O<sub>5</sub> and 1,047 gpt Nb<sub>2</sub>O<sub>5</sub>. The Fir is also host to an indicated resource of 5.65 million tonnes grading 203.1 gpt Ta<sub>2</sub>O<sub>5</sub> and 1,047 gpt Nb<sub>2</sub>O<sub>5</sub>. 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 revised technical report dated November 30, 2004. The complete report is available on Sedar at [www.sedar.com](http://www.sedar.com).

### Exploration Program & Results

The results of the 2005 drilling demonstrated that the grade and tenor of the mineralization at the Fir Property's Upper Fir carbonatite was comparable with that previously encountered at the Fir carbonatite. At the Upper Fir carbonatite, mineralized intercepts varied from 8.75m to 17m, over a strike length of about 250m. The deposit remains open in all directions.

A soil geochemical survey and radiometric survey was completed in May, 2006, over the presumed extensions to the Upper Fir and nearby Bone Creek carbonatites. Based on the favourable results, the extensions to these carbonatites were verified by trenching and diamond drilling.

In July, 2006, the Company announced that it had retained the services of Gartner Lee Ltd. in anticipation of the project entering the regulatory permitting process. Gartner Lee initiated preliminary baseline data compilation and scoping for the approvals required for the project. Under the supervision of Charlotte Mougeot (Calgary, Alta.), the environmental team will work closely with the geological and engineering teams to provide an integrated baseline program using public sources of information and site-specific field programs. To date, environmental field programs have been conducted which included water sampling, fisheries work, and preliminary soil and vegetation surveys. This work coincided with the trenching and drilling in the 2006 exploration program.

Prior soil geochemical programs have shown an extensive soil geochemical anomaly, presumably associated with the Upper Fir carbonatite. This anomaly was trenched, in five separate locations and initial results confirmed the presence of carbonatite in trenches and in outcrop.

On August 10, 2006, the Company announced that their exploration program had led to the discovery of an extensive outcropping of carbonatite, proximal to the Upper Fir carbonatite. The outcrop was discovered using information from the current trenching and drill program.

In December, 2006, the Company announced the results of the 2006 exploration drill program. In total, 21 holes were completed, four during the fall of 2005 and 17 during the summer/fall of 2006. Essentially, 20 of the 21 holes intersected carbonatite host rock and were completed within an area measuring 750m north-south, by 200m east-west. Drilled thickness varied from 8.77m to 95.70m. In some cases, the drilled thickness may exceed the true thickness by 10 to 15%, owing to the interpreted shallow east dip of the carbonatite, and the orientation of the drill holes. Average grades of carbonatite for the 17 holes completed in 2006 range from 147 to 237 grams per tonne Ta<sub>2</sub>O<sub>5</sub>, and 567 to 1,941 g/t Nb<sub>2</sub>O<sub>5</sub>.

On March 5, 2007, the Company announced a resource estimate for its Upper Fir Property including the results of the 2006 drill program. The Company has outlined an inferred resource for the Upper Fir property totaling 5.5 million tonnes grading 208.2 gpt Ta<sub>2</sub>O<sub>5</sub> and 1,349.9 gpt Nb<sub>2</sub>O<sub>5</sub>. The Upper Fir is also host to an indicated resource of 8.60 million tonnes grading 208.9 gpt Ta<sub>2</sub>O<sub>5</sub> and 1,372.6 gpt Nb<sub>2</sub>O<sub>5</sub>. This resource estimate was prepared in accordance with the requirements of NI 43-101 by the Company's Qualified Person, John Gorham, P.Geol. The accompanying NI 43-101 Technical Report will be posted on the Company website and on SEDAR shortly.

### New exploration potential for the Upper Fir

During the 2006 exploration program, a small program of regional reconnaissance exploration identified a number of new tantalum, niobium and rare-earth-element-bearing carbonatite occurrences at locations east of the Fir and Upper Fir carbonatites. Exploration has suggested that some of the existing carbonatite bodies in the Blue River area may be much larger than expected, and that an intrusive centre may exist to the east of the Upper Fir carbonatite.

### *Eldor Property*

In May, 2007, the Company announced that it had acquired by staking and a purchase agreement with Virginia Mines Inc. (TSX: VGQ) (“Virginia”) a 100% interest in the Eldor Carbonatite Complex, located in the Labrador Trough area of Quebec, Canada. Limited historic exploration of the Eldor Carbonatite has shown it to have an elliptical shape with dimensions of 7.75 km by 2.5 km, and with localized, high concentrations of niobium and tantalum. Several grab and channel samples from the carbonatite have ranged from >1% to 11.4% Nb<sub>2</sub>O<sub>5</sub>, and from >0.01% to 0.21% Ta<sub>2</sub>O<sub>5</sub>.

The Eldor Property is at a relatively early stage of exploration with historic exploration results indicating considerable potential for carbonatite-hosted niobium and tantalum mineralization. Commerce is planning a comprehensive exploration program during the summer of 2007 to confirm the historic mineralization at the property. The Eldor Carbonatite is similar in size to, or slightly larger than, the present and past producing Canadian carbonatite complexes Oka, and St. Honore, both located in Quebec. It is also comparable in size to the Araxa Carbonatite Complex in Brazil, which is about 4.5 km in diameter.

The Company entered into an agreement with Virginia to purchase 8 mineral claims covering a portion of the Eldor Carbonatite. The claims are adjacent to the approximately 88 claims staked previously by the Company. In consideration of the purchase, the Company will issue Virginia 710,000 common shares, of which 350,000 may not be traded until at least May 1, 2008, and will grant 290,000 share purchase warrants. The warrants are exercisable for 2 years at a price of \$1.12. Virginia will also be entitled to a 1% net smelter royalty. In addition, 5 of the 8 claims acquired are subject to an underlying 5% net profit royalty, which can be bought out for \$500,000. The acquisition is subject to regulatory approval.

### *AU Property*

The Company no longer holds an interest in the AU Property.

## **Results of Operations**

### General and Administrative

Net loss for the second quarter ended April 30, 2007 was \$1,613,178 as compared to a net loss of \$426,344 for the comparative quarter ended April 30, 2006. This difference is due primarily to the increase in stock-based compensation (2007: \$1,410,956, 2006: \$313,294), administration fees (2007: \$60,000, 2006: \$4,500), an increase in advertising and website fees (2007: \$84,067, 2006: \$45,181), and an increase in investor relations activities (2007: \$94,129, 2006: \$3,450). Generally higher costs reflect an increased marketing campaign and a larger staff to manage the growth. There were no resource properties written off during the quarter ended April 30, 2007 and the Company recorded a gain on the sale of mineral property of \$7,500 during the quarter.

### Investor Relations

During the second quarter ended April 30, 2007, the Company incurred investor relations charges of \$94,129 compared to \$3,450 during the comparative quarter ended April 30, 2006. The Company currently has an investor relations’ agreement with Axino AG, a German investor relations firm that handles investor relations activities in Germany and other European countries, as well as with Renmark Financial Communications Inc. All other activities and inquiries are handled internally by office staff.

## Selected Annual Information

The following is a summary of the financial data of the Company for the last three completed fiscal year ends:

	Fiscal year ended October 31		
	2006	2005	2004
Total Revenues	Nil	Nil	Nil
Income (loss) from continuing operations	(1,408,476)	(310,432)	(605,618)
Income from continuing operations (per share)	(0.03)	(0.01)	(0.03)
Income from continuing operations (per share, fully diluted)	(0.02)	(0.01)	(0.02)
Net Income (loss)	(1,357,654)	(310,432)	(605,618)
Net Income (loss) (per share)	(0.03)	(0.01)	(0.03)
Net income (loss) (per share, fully diluted)	(0.03)	(0.01)	(0.03)
Total Assets	5,714,383	1,281,392	1,135,693
Total long term financial liabilities	Nil	Nil	Nil
Cash dividend declared per share	Nil	Nil	Nil

## Summary of Quarterly Results

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

	April 30, 2007	January 31, 2007	October 31, 2006	July 31, 2006	April 30, 2006	January 31, 2006	October 31, 2005	July 31, 2005
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) before discontinued and extraordinary items (Total)	(1,613,178)	(164,643)	(641,383)	(178,499)	(426,344)	(111,428)	(64,430)	(78,683)
Basic and diluted loss before discontinued and extraordinary items (Per share)	(0.04)	(0.004)	(0.03)	0.01	(0.01)	(0.00)	(0.01)	0.00
Net income (loss) (total)	(1,613,178)	(164,643)	(641,383)	(178,499)	(426,344)	(111,428)	(64,430)	(78,683)
Basic and diluted net loss (per share)	(0.04)	(0.004)	(0.03)	0.01	(0.01)	(0.00)	(0.01)	0.00

## Liquidity and Solvency

The Company has total assets of \$9,304,700. The primary assets of the Company are deferred resource property costs of \$2,964,227, marketable securities carried at \$7,019 and cash of \$5,933,579. The Company has no long-term liabilities and working capital of \$6,247,066.

## Capital Resources

The Company has no specific work commitments on its resource properties but, as discussed above, will continue to perform exploration work on its Blue River 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:

	6 months to: <u>April 30, 2007</u>	Year ended <u>October 31, 2006</u>
Administration fees	\$120,000	\$24,300
Deferred exploration and development costs	\$147,780	427,715
Office, telephone and miscellaneous	-	26,700
Rent	-	28,500
Wages and benefits	<u>\$2,000</u>	<u>94,250</u>
	<u>\$269,780</u>	<u>\$601,465</u>

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

At April 30, 2007, accounts payable includes \$48,078 (October 31, 2006: \$53,512) due to directors of the Company and to companies with a common director.

#### Financial Instruments and Other Instruments

The carrying value of the Company's financial instruments, consisting of cash and cash equivalents, marketable securities, amounts receivable, share subscriptions 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:

	Six months ended <u>April 30, 2007</u>	Year ended <u>October 31, 2006</u>
Capitalized or Expensed Exploration and Development Costs	\$806,645	\$1,021,794
General and Administration Expenses	\$1,888,999	\$1,419,901
Gain on sale of marketable securities	\$1,167	-

#### Disclosure of Outstanding Share Capital

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

*Issued:*

	<u>Number</u>	<u>Amount</u>
<b>Balance, October 31, 2005</b>	<b>26,821,758</b>	<b>\$ 3,744,715</b>
Issued for cash:		
– Private placements	24,451,427	5,301,415
Less: finders' fees	-	(191,157)
– Exercise of warrants	1,291,500	232,470
– at \$0.18		
– Exercise of options	350,000	35,000
– at \$0.10		
– at \$0.13	140,000	18,200
– at \$0.18	30,000	5,400
– at \$0.21	62,000	13,020

	<u>Number</u>	<u>Amount</u>
Finders' fees on private placements	163,666	-
Transfer of contributed surplus on exercise of options	-	47,784
Less: future income tax recovery on flow-through shares	-	<u>(50,822)</u>
<b>Balance, October 31, 2006</b>	<b>53,310,351</b>	<b>\$ 9,156,025</b>
Issued for cash:		
– Private placements	1,585,625	507,400
Less: finders' fees		(34,314)
– Exercise of warrants		
– at \$0.12	2,083,333	250,000
– at \$0.18	10,195,450	1,835,181
– at \$0.45	2,223,583	1,000,612
– Exercise of options		
– at \$0.10	600,000	60,000
– at \$0.15	500,000	75,000
– at \$0.18	430,000	77,400
– at \$0.20	100,000	20,000
– at \$0.21	113,000	23,730
– at \$0.30	350,000	105,000
– at \$0.35	135,000	47,250
– at \$0.40	50,000	20,000
Transfer of contributed surplus on exercise of options	-	<u>349,791</u>
<b>Balance, April 30, 2007</b>	<b><u>71,676,342</u></b>	<b><u>\$13,493,075</u></b>

*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 second quarter ended April 30, 2007:

<u>Number</u>		<u>Exercise Price</u>	<u>Expiry Date</u>
<u>April 30 2007</u>	<u>October 31 2006</u>		
-	100,000	\$0.20	January 6, 2007
-	300,000	\$0.10	January 23, 2007
75,000	375,000	\$0.10	July 24, 2007
250,000	250,000	\$0.50	June 9, 2008
250,000	750,000	\$0.15	February 6, 2011
290,000	720,000	\$0.18	February 20, 2011
250,000	363,000	\$0.21	February 20, 2011
150,000	500,000	\$0.30	March 15, 2011
-	135,000	\$0.35	September 14, 2011
500,000	500,000	\$0.30	September 27, 2011
550,000	550,000	\$0.35	September 27, 2011
-	50,000	\$0.40	September 27, 2011
2,000,000	-	\$0.67	March 16, 2012
500,000	-	\$0.55	March 31, 2012
500,000	-	\$0.75	March 31, 2012
550,000	-	\$1.15	April 16, 2012
<u>100,000</u>	<u>-</u>	\$1.25	April 17, 2012
<b><u>5,965,000</u></b>	<b><u>4,593,000</u></b>		

Share Purchase Warrants: As at the quarter ended April 30, 2007, the following share purchase warrants were outstanding, entitling the holder thereof the right to purchase one common share:

<u>April 30, 2007</u>	<u>Number</u>		<u>Exercise Price</u>	<u>Expiry Date</u>
	<u>October 31, 2006</u>			
-	2,230,450		\$0.18	November 25, 2006
-	385,000		\$0.18	December 6, 2006
-	7,600,000		\$0.18	December 20, 2006
-	2,083,333		\$0.12	January 18, 2007
7,646,145	9,517,478		\$0.45	September 25, 2007
3,076,999	3,426,999		\$0.45	October 13, 2007
<u>1,585,625</u>	<u>-</u>		\$0.42	January 9, 2009
<u>12,308,769</u>	<u>25,243,260</u>			

### **Proposed Transactions and Subsequent Events**

Subsequent to January 31, 2007, the Company announced the acquisition by staking and a purchase agreement with Virginia Mines Inc. (TSX: VGQ) (“Virginia Mines”) of a 100% interest in the Eldor Carbonatite Complex, located in the Labrador Trough area of Quebec, Canada. The Company has agreed to purchase 8 mineral claims covering a portion of the Eldor Carbonatite. The claims are adjacent to the approximately 88 claims staked previously. In consideration of the purchase, the Company will issue to Virginia Mines 710,000 common shares, of which 350,000 may not be traded until at least May 1, 2008, and will grant 290,000 share purchase warrants. The warrants are exercisable for 2 years at a price of \$1.12. Virginia Mines will also be entitled to a 1% net smelter royalty. In addition, five of the 8 claims acquired are subject to an underlying 5% net profit royalty, which can be bought out for \$500,000. The acquisition is subject to regulatory approval.

### **Additional Information**

Additional information about the Company can be found on [www.sedar.com](http://www.sedar.com).