



COMMERCE RESOURCES CORP.

Management Discussion & Analysis for the Second Quarter Ended April 30, 2008

The following is a discussion and analysis of the operations, results, and financial position of the Company for the second quarter ended April 30, 2008, and should be read in conjunction with the unaudited financial statements for the quarter ended April 30, 2008, together with the audited financial statements and the related notes attached thereto for the year ended October 31, 2007, all of which were prepared in accordance with Canadian generally accepted accounting principals. The effective date of this report is May 30, 2008.

Forward Looking Statements

Statements in this report that are not historical facts are forward looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Forward looking statements are based on the estimates and opinions of management of the Company at the time the statements were made. Readers are cautioned not to put undue reliance on forward looking statements.

Nature of Business and Overall Performance

Commerce Resources Corp. (the “Company”) is an exploration stage company engaged in the acquisition, exploration and development of mineral properties. The Company’s primary focus is on its exploration activities with respect to tantalum and niobium, and holds a 100% interest in three mineral deposits located in the Kamloops Mining Division of central British Columbia. The total size of the Blue River property is now in excess of 1,000 square kilometres.

The Company is also conducting exploration at its Eldor Property which is located in the Labrador Trough area of Quebec, Canada. 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.

The Company is a reporting issuer in British Columbia and Alberta and trades as a Tier 1 Issuer on the TSX Venture Exchange under the symbol ‘CCE’. The Company also trades on the Frankfurt Stock Exchange under the symbol ‘D7H’.

Properties

Blue River Tantalum/Niobium Project

The Blue River Tantalum/Niobium Project is located in the Kamloops Mining Division of British Columbia, and is made up of three major anomalous deposits known as the Upper Fir, Fir and Verity.

The Upper Fir is located approximately 30 kilometres north of Blue River, British Columbia and is owned 100% with no underlying royalties. Exploration to date at the Upper Fir has outlined an indicated resource of 8.6Mt with 208.2 g/t Ta₂O₅ and 1,372.6 g/t Nb₂O₅ and an inferred resource

of 5.5Mt with 208.2 g/t Ta₂O₅ and 1,349.9 g/t Nb₂O₅ (Gorham, 2007).

The Fir is located 1,200 metres west of the Upper Fir deposit. The Company has outlined an inferred resource for the Fir 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. (Verzosa, 2004)

The Verity is located approximately 10 kilometres north of the Upper Fir. The Verity is owned 100% and is not subject to any underlying royalties. The Company has outlined an inferred resource for the Verity property totalling 3.06Mt with 196 gpt Ta₂O₅ and 646 gpt Nb₂O₅. (McCrea, 2001)

Detailed information on all three deposits and resource calculations may be viewed in the Company's public disclosure on SEDAR at <http://www.sedar.com>.

Exploration Program & Results

In February 2008, the Company released the results from 11 diamond drill holes from the exploration program at the Upper Fir. All holes intersected mineralized carbonatite, extending the known mineralization by an additional 250 meters to the south and 200 meters to the east of the area identified in 2006.

In November 2007, the Company doubled the size of its Blue River Tantalum/Niobium Project by staking an additional 104,700 acres. The total size of the Project is now in excess of 1,000 square kilometres.

In October 2007, the Company released the results from 17 diamond drill holes from the exploration program at the Upper Fir. All drill holes intersected zones registering between 8 and 99 meters of carbonatite and has extended the tantalum-niobium bearing carbonatite over a strike length exceeding 1,100 metres north-south and more than 580 metres in an east-west direction.

The environmental team has continued its ongoing programs, working 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, the first phase of environmental field programs have been completed which included water sampling, fisheries work, and preliminary soil and vegetation surveys.

As part of its regional exploration program, the Company located two new occurrences of carbonatite. The two new carbonatites, Lower Gum Creek and Lower Switch Creek were discovered by soil geochemical surveys which identified extensive, continuous zones with highly anomalous concentrations of niobium.

Current Exploration

The Company is currently planning the 2008 development and exploration programs.

Eldor Property

In May, 2007, the Company acquired both by staking and by 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% Nb₂O₅, and from >0.01% to 0.21% Ta₂O₅.

Exploration Program & Results

The Company conducted a comprehensive exploration program during the summer of 2007 to confirm the historic mineralization at the property. The 2007 exploration program, designed to confirm the historic mineralization, consisted of an 862-line-kilometre magnetic/radiometric airborne geophysical survey, and rock and soil sampling. In total, 895 soil samples and 60 rock (grab) samples were collected. The soil sampling (50-metre sample intervals) was considered reconnaissance in nature and consisted of lines spaced approximately one kilometre apart across the property.

In December, 2007, the Company released the results from its 2007 exploration program which substantiated anomalous concentrations of niobium (Nb₂O₅) and tantalum (Ta₂O₅) identified historically as well as anomalous concentrations of gold, uranium and apatite over an area exceeding six kilometres long by 1.5 kilometres wide. Based on the local geology and the sampling results obtained in the field, the Company believes that the Eldor Carbonatite project has potential for the discovery of a variety of high-value commodities within a very large carbonatite complex.

Current Exploration

The Company has commenced its 2008 exploration program, which will include a continued regional investigation as well as drilling of a number of targets.

Other Properties

Carbo Claims

The Carbo Claims, which are located north of Prince George cover a series of carbonatite and alkalic intrusions. During 2006-2007, the Company conducted rock and soil sampling, and geophysical surveys. The results have produced anomalous concentrations of niobium and rare earth elements in the soil and rock samples. Further exploration is required to ascertain the nature of this mineralization.

Results of Operations

General and Administrative

Net loss for the six months ended April 30, 2008 was \$504,231 as compared to a net loss of \$1,613,178 for the comparative quarter ended April 30, 2007. This difference is due primarily to the decrease in stock based compensation (2008: \$Nil, 2007: \$1,410,956) as there were no incentive stock options granted. As well, the Company realized a gain due to higher interest income (2008: \$260,935; 2007: \$44,764). The decrease in stock based compensation was offset by an increase in administration fees (2008: \$315,000, 2007: \$60,000), consulting fees (2008: \$54,078, 2007: \$Nil), filing and transfer agent fees (\$39,421, 2007: \$Nil).

The higher general and administrative costs reflect increased marketing, more shareholder services related to European investors and a larger staff to manage the growth. In July, 2007, the Company entered into an Administrative Services Agreement with Zimtu Capital Corp., a private BC company, which covers all administration and managerial services, corporate compliance and continuous disclosure services, staffing and basic office charges. In consideration for these

services, Zimtu is paid a monthly fee of \$90,000, plus GST. Filing and transfer agent fees of \$39,421 are mainly comprised of the TSX annual listing fees which are based on the Company's current market capital.

Investor Relations

During the six months ended April 30, 2008, the Company incurred total charges relating to investor relations of \$331,820 compared to \$181,668 during the comparative six months ended April 30, 2007. Investor relations charges include advertising and website costs (2008: \$207,678, 2007: \$84,067), travel and promotion (2008: \$34,488; 2007: \$3,412) and investor relations activities (2008: \$89,654, 2007: \$94,129). 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.

Asset Backed Commercial Paper

As at the year ended October 31, 2007, the Company wrote down 20% on its holdings of asset-backed commercial paper ("ABCP") in line with current industry practice (see "Changes in Accounting Policy" below). The Company originally purchased \$8,199,554 in ABCP through Canaccord Capital Inc. In December, 2007, the Pan-Canadian Investors Committee for ABCP announced an agreement in principal for a comprehensive restructuring of ABCP between all parties. The approval of the restructuring is subject to votes by all investors, of which the Company is one. While complex, the restructuring – expected to take place by the end of March, 2008 – will move all ABCP into three master conduits with short-term and long-term components. Portions of these will likely begin trading shortly after the restructuring is finalized. This agreement is intended to provide investors with some near-term liquidity as well as the opportunity to recover most or all of their principal over the longer term. The Company has adjusted the fair value of the ABCP it holds to reflect the present value of the expected future cash flow. The Company recorded a \$1,639,911 adjustment in the fourth quarter ended October 31, 2007. No adjustments were made in the second quarter ended April 30, 2008.

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		
	2007	2006	2005
Total Revenues	Nil	Nil	Nil
Income (loss) from continuing operations	(3,716,372)	(1,408,476)	(310,432)
Income from continuing operations (per share)	(0.05)	(0.03)	(0.01)
Income from continuing operations (per share, fully diluted)	(0.04)	(0.02)	(0.01)
Net Income (loss)	(3,674,116)	(1,357,654)	(310,432)
Net Income (loss) (per share)	(0.03)	(0.03)	(0.01)
Net income (loss) (per share, fully diluted)	(0.02)	(0.03)	(0.01)
Net comprehensive income (loss)	(5,342,767)	(1,357,654)	(310,432)
Net comprehensive income (loss) (per share)	(0.05)	(0.03)	(0.01)
Net comprehensive income (loss) (per share, fully diluted)	(0.04)	(0.02)	(0.01)
Total assets	43,792,486	5,548,283	1,281,392
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, 2008	January 31, 2008	October 31, 2007	July 31, 2007	April 30, 2007	January 31, 2007	October 31, 2006	July 31, 2006
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) before discontinued and extraordinary items (Total)	(504,231)	(262,076)	(1,230,244)	(666,051)	(1,613,178)	(164,643)	(641,383)	(178,499)
Basic and diluted loss before discontinued and extraordinary items (Per share)	(0.005)	(0.00)	(0.01)	(0.01)	(0.04)	(0.004)	(0.03)	0.01
Net income (loss) (total)	(504,231)	(262,076)	(1,230,244)	(666,051)	(1,613,178)	(164,643)	(641,383)	(178,499)
Basic and diluted net loss (per share)	(0.005)	(0.00)	(0.01)	(0.01)	(0.04)	(0.00)	(0.03)	(0.01)

Liquidity and Solvency

The Company has total assets of \$43,280,808. The primary assets of the Company are deferred resource property costs of \$8,937,806, asset backed commercial paper carried at \$6,559,643, marketable securities carried at \$47,285 and cash (and cash equivalents) of \$26,363,683. The Company has no long-term liabilities and has working capital of \$27,314,893.

Capital Resources

The Company has had to rely upon the sale of equity securities for the cash required for capital acquisitions, exploration and development, and administration, among other things.

The capital resources of the Company include resource properties, carried at \$8,937,806. The Company's intention is to commit further funds for continuing exploration activities.

The Company will continue to require funds to meet obligations under property agreements and, as a result, will have to continue to rely on equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

All of the Company's properties are in the exploration stage only and all are without known bodies of commercial ore. Development of each of the properties will only follow upon obtaining satisfactory results. Exploration and development of natural resources involve a high degree of risk and few properties which are explored are ultimately developed into producing properties. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

The Company's revenues, if any, are expected to be in large part derived from the extraction and sale of base and precious metals from the properties, such as tantalum and niobium. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control such as including international, economic and political trends, expectations of inflation, currency exchange fluctuations and interest rates.

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 and Eldor 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:

	<u>Second Quarter Ended April 30, 2008</u>	<u>Year ended October 31, 2007</u>
Administration fees	-	\$20,000
Consulting fees	\$5,902	-
Deferred exploration and development costs	\$459,423	\$1,519,564
Property investigation	-	\$8,762
Wages and benefits	-	<u>\$106,840</u>
	<u>\$465,325</u>	<u>\$1,655,166</u>

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

At the second quarter ended April 30, 2008, accounts payable includes \$193,156 (April 30, 2007: \$104,903) due to a director of the Company and a company with a common director. In addition the Company has a receivable of \$2,364 (2007: \$2,364) from a director of the Company. These amounts are non-interest bearing and have no specific terms of repayment.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities, amounts receivable, share subscriptions receivable and accounts payable. 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:

	<u>Second Quarter ended April 30, 2008</u>	<u>Year ended October 31, 2007</u>
Capitalized or Expensed Exploration and Development Costs	\$1,251,935	\$4,455,618
General and Administration Expenses	\$766,307	\$4,258,489
Gain on sale of marketable securities	-	\$1,310
Gain on sale of mineral properties	-	\$17,660

Disclosure of Outstanding Share Capital

Authorized: unlimited number of common shares without par value.

Issued:

		<u>Number</u>	<u>Amount</u>
Balance, October 31, 2006		53,310,351	\$ 9,156,025
Issued for Eldor property:	- at \$1.38	735,000	1,014,300
Issued for cash:			
- Private placements	- at \$0.32	1,585,625	507,400
	- at \$1.20	27,291,817	32,750,180
Less: share issuance costs		263,212	(2,835,994)
- Exercise of warrants	- at \$0.12	2,083,333	250,000
	- at \$0.18	10,195,450	1,835,181
	- at \$0.42	146,250	61,425
	- at \$0.45	12,941,727	5,823,777
- Exercise of options	- at \$0.10	600,000	60,000
	- at \$0.15	500,000	75,000
	- at \$0.18	700,000	126,000
	- at \$0.20	100,000	20,000
	- at \$0.21	113,000	23,730
	- at \$0.30	500,000	150,000
	- at \$0.35	135,000	47,250
	- at \$0.40	50,000	20,000
	- at \$0.50	187,500	93,750
Transfer of contributed surplus on exercise of options		-	419,628
Less: future income tax recovery on flow-through shares		-	(42,256)
Balance, October 31, 2007		<u>111,438,265</u>	<u>\$ 49,555,396</u>
Issued for cash:			
- Private placements		-	-
Less: share issuance costs		-	-
- Exercise of warrants	- at \$0.42	95,750	40,215
- Exercise of options		-	-
Transfer of contributed surplus on exercise of options		-	-
Less: future income tax recovery on flow-through shares		-	-
Balance, April 30, 2008		<u>111,534,015</u>	<u>\$ 49,595,611</u>

Commitments:

The Company has granted 6,732,500 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 quarter ended April 30, 2008:

	<u>April 30, 2008</u>		<u>October 31, 2007</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding at the beginning of the year	6,732,500	\$0.70	4,593,000	\$0.24
Granted	-	-	5,100,000	\$0.84
Exercised	-	-	(2,885,500)	\$0.19
Forfeited	-	-	(75,000)	\$0.10
Options outstanding, end of the year	<u>6,732,500</u>	<u>\$0.70</u>	<u>6,732,500</u>	<u>\$0.70</u>
Options exercisable, end of the period	<u>6,532,500</u>	<u>\$0.63</u>	<u>5,532,500</u>	<u>\$0.63</u>

During the period ended April 30, 2008, a compensation charge associated with stock-based compensation in the amount of \$nil (2007: \$2,323,458) has been recorded in the statements of operations.

At April 30, 2008, the Company had 6,732,500 (2007: 6,732,500) share purchase options outstanding entitling the holders thereof the right to purchase one common share as follows:

<u>2008</u>	<u>Number</u>	<u>2007</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
62,500		62,500	\$0.50	June 9, 2008
250,000		250,000	\$0.15	February 6, 2011
20,000		20,000	\$0.18	February 20, 2011
250,000		250,000	\$0.21	February 20, 2011
500,000		500,000	\$0.30	March 15, 2011
550,000		550,000	\$0.35	September 27, 2011
2,000,000		2,000,000	\$0.67	March 16, 2012
500,000		500,000	\$0.55	March 31, 2012
500,000		500,000	\$0.75	March 31, 2012
550,000		550,000	\$1.15	April 16, 2012
100,000		100,000	\$1.25	April 17, 2012
250,000		250,000	\$1.12	June 6, 2012
1,000,000		1,000,000	\$1.00	September 20, 2012
<u>200,000</u>		<u>200,000</u>	\$1.15	October 3, 2012
<u>6,732,500</u>		<u>6,732,500</u>		

Share Purchase Warrants: The following share purchase warrants are outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

<u>April 30, 2008</u>	<u>Number</u>	<u>October 31, 2007</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,343,625		1,439,375	\$0.42	January 9, 2009
3,761,003		3,761,003	\$1.50	June 26, 2009
14,674,600		14,674,600	\$1.50	July 24, 2009
<u>8,856,214</u>		<u>8,856,214</u>	\$1.50	August 1, 2009
<u>28,635,442</u>		<u>28,731,192</u>		

Critical Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted

accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

Significant accounts that require estimates as the basis for determining the stated amounts include mineral properties and stock-based compensation.

Changes in Accounting Policies

Effective the commencement of its 2007 fiscal year, the Company has adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, *Comprehensive Income*, CICA Handbook Section 3251, *Equity*, CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, CICA Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*, and CICA Handbook Section 3865, *Hedges*. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Handbook Section 1530 also establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. A new category of shareholders' equity has been presented in relation to the new standards.

Under these new standards, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities.

All financial instruments, including derivatives, are included on the balance sheet and are measured either at fair market value with the exception of loans and receivables, investments held-to-maturity and other financial liabilities, which are measured at amortized cost using the effective interest rate method. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification.

Held-for-trading financial instruments are measured at fair value and all gains and losses are included in the statement of operations in the period in which they arise.

Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the assets are removed from the balance sheet.

The standards also require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in the statement of operations unless specific hedge criteria are met, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

As a result of the adoption of these standards, the Company has classified its bonds and

investments held in public companies as available-for-sale financial assets and are now measured at fair market value.

The Company has adopted this standard and accordingly, the Company now reports an “accumulated other comprehensive loss” in the shareholders’ equity section of the balance sheet.

Corporate Changes

On April 22, 2008, Dr. Axel Hoppe was appointed as Chairman and a director of the Company. Dr. Hoppe has held numerous positions with H.C. Starck GmbH (HCST) over the past 29 years. HCST is an international group of companies with more than 3,400 employees at 13 production sites in Europe, North America and the Far East. Dr. Hoppe's last position at HCST was head of technical services and engineering group and he was a member of the executive board. He was responsible for all sites worldwide. Under Dr. Hoppe's previous leadership as head of the electronics and optics business group, HCST has grown into the leading producer of tantalum and niobium products, and remains one of the world's largest consumers of tantalum raw materials. During his time in senior management, Dr. Hoppe also worked in the fields of other refractory metals, such as tungsten, molybdenum and rhenium. Dr. Hoppe also served as member of the executive committee of the Tantalum-Niobium International Study Centre (TIC) from 1997 – 2007. The TIC is an international association which promotes tantalum and niobium metals, and includes representatives from all segments of the tantalum and niobium industries. Dr. Hoppe was the president of the TIC in 2002 and 2007.

Proposed Transactions and Subsequent Events

There were no proposed transactions or events subsequent to April 30, 2008.

Evaluation of Disclosure Controls and Procedures

The Company's President and Chief Financial Officer have conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures. The Company evaluated the design of its internal controls over financial reporting as defined in Multilateral Instrument 52-109 for the period ended October 31, 2007 and based on this evaluation have determined these controls to be effective except as noted in the following paragraph.

This evaluation of the design of internal controls over financial reporting for the Company resulted in the identification of internal control deficiencies which are not atypical for a company this size including lack of segregation of duties due to a limited number of employees dealing with accounting and financial matters and complex accounting, reporting and taxation issues.

There have been no significant changes to the Company's internal controls over financial reporting during the six month period ended April 30, 2008.

Additional Information

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