COMMERCE RESOURCES CORP.

Management Discussion & Analysis for the First Quarter ended January 31, 2009

The following is a discussion and analysis of the operations, results, and financial position of the Company for the first quarter ended January 31, 2009, and should be read in conjunction with the interim financial statements for the quarter ended January 31, 2009 as well as the audited financial statements for the year ended October 31, 2008, all of which were prepared in accordance with Canadian generally accepted accounting principals.

The effective date of this report is March 16, 2009.

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 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'.

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, Canada, more particularly known as the Blue River Project. The total size of the Blue River Project is in excess of 1,000 square kilometres ("km").

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.

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, the Fir and the Verity.

The Upper Fir is located approximately 30 km 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 Ta_2O_5 and 1,372.6 g/t Nb_2O_5 and an inferred resource of 5.5Mt with 208.2 g/t Ta_2O_5 and 1,349.9 g/t Nb_2O_5 (Gorham, 2007).

The Fir is located 1,200 metres ("m") west of the Upper Fir deposit. The Company has outlined an inferred resource for the Fir totalling 6.74 million tones grading 203.1 gpt Ta_2O_5 and 1,047 gpt Nb_2O_5. The Fir is also host to an indicated resource of 5.65 million tones grading 203.1 gpt Ta_2O_5 and 1,047 gpt Nb_2O_5 (Verzosa, 2004).

The Verity is located approximately 10 km 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 Ta_2O_5 and 646 gpt Nb_2O_5 (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

During the 2008 exploration program, a total of 131 HQ diameter drill holes, totaling 26,281 m, were completed at the following locations:

- ? Upper Fir Carbonatite – 118 drill holes
- ? Switch Creek Carbonatite – 3 drill holes
- ? Hodgie 'Rare Earth' Zone – 4 drill holes
- ? Lower Gum Creek Zone – 6 drill holes

In addition, a bulk sample of approximately 2,000 tonnes of material from the Upper Fir Carbonatite was collected and stockpiled on the Property.

Regional exploration conducted during 2008 identified several new tantalum-niobium, rare earth (REE), and/or carbonatite occurrences on the Property.

Upper Fir Carbonatite

The 2008 drilling of the Upper Fir Carbonatite, was completed on November 3, 2008. The intent of this program was to both infill and expand upon the existing tantalum and niobium resource base. Prior to 2008, 40 holes totalling 8,558 m were completed at the Upper Fir deposit. During 2008, an additional 118 HQ diameter drill holes, totalling 23,724 m, were completed. Approximately 4,663 m of carbonatite was intersected by this drill program. All carbonatite was cut, with one half of the core sampled and sent for analysis to ACME Analytical Laboratories Ltd. in Vancouver, British Columbia.

Drilling to date has shown the Upper Fir Carbonatite to extend over 1,300 m in a north-south direction and approximately 600 m in an east-west direction. The final hole of the 2008 summer exploration program, F-08-153, was completed at a location approximately 100 m further south than the nearest hole in an attempt to constrain the southerly extent of the carbonatite. This vertical hole intersected greater than 70 m of carbonatite (true thickness) representing a potentially new and significant zone south of the main deposit.

Upper Fir Bulk Sample

The bulk sampling program was completed in early November, 2008. Approximately 2,000 tonnes of carbonatite was extracted from 17 benches at three different sample pits. The material has been stockpiled in preparation for transport and processing by Process Research Associates Ltd. ("PRA") of Richmond, BC. Samples have also been shipped to ACME Analytical Laboratories Ltd. of Vancouver, BC, for analysis.

The work will extend the characterization program previously completed as well as provide information which will support the development of a preliminary flow sheet for a pilot plant program to be conducted at PRA's facility.

Switch Creek Carbonatite

Three holes were completed at the Switch Creek Carbonatite to follow-up on drilling completed during 2007. A total of 486.33 m was drilled with approximately 55.52 m of carbonatite intersected. As a result of the strongly fractured and faulted bedrock encountered, the recovery of core was poor.

Hodgie Rare Earth Zone

Exploration conducted during 2008 confirmed the significance of a rare-earth element (REE) occurrence identified during the later part of 2007 and named the 'Hodgie Zone'. It is located approximately 2 km southeast and upslope of the Upper Fir Carbonatite.

Prospecting within the Hodgie area suggests that rare-earth mineralization may be comprised of several zones extending at least 2,000 m along strike. A total of 84 grab samples were collected from float and outcrops within the area. Seven samples returned total REEs + Y (yttrium) greater than 2.0% to a high of 11.1%. Results of several samples are still outstanding. A total of 812.9 m was drilled in 4 holes completed along approximately 350 m strike length at the Hodgie Zone.

Lower Gum Creek Zone

The Lower Gum Creek Zone is located directly north of the Hodgie Zone and was identified by a series of niobium-in-soil anomalies discovered during the 2007 regional exploration program.

A total of six holes totalling 1,257 m targeted a subsurface carbonatite body, interpreted to lie upslope of the anomalies. No significant intervals of carbonatite were intersected. The source of the niobium mineralization may lay further upslope and to the east of the area drill tested.

Regional Exploration

The Company's regional exploration program has led to the discovery of several new carbonatites, as well as the extension of two carbonatites previously discovered within the existing property boundaries. Thirteen new claims have been staked along the southeast margin of the existing claim block to ensure full coverage of the newly discovered "Felix Carbonatite". Sampling and mapping have been completed to allow further evaluation of all the carbonatite bodies.

Approximately 4,085 soil, 527 stream sediment (pan concentrate), and 127 rock samples were collected throughout the Property during 2008.

In addition to the carbonatite discoveries, several areas have been identified as having elevated levels of REEs. Preliminary results reveal an area north east of Mud Lake, approximately 15 km south of the Hodgie Zone, as an anomalous area indicative of ultramafic geology. The data is currently being compiled and analysis is ongoing.

Environmental and Regulatory

The Company is advancing environmental and regulatory programs designed to ensure that the Blue River Tantalum and Niobium Project is well positioned to enter the environmental assessment process once a development decision is made. Field programs, which were completed on time and on budget, include surface and groundwater sampling, hydrology, wildlife, and fisheries work.

Current Exploration

The 2008 Exploration Program was completed in November, 2008 and the Company is currently awaiting results of the various drill programs.

The Company is in the process of planning its exploration program for the upcoming season however, due to economic conditions, the Company anticipates a reduced budget for the 2009 Exploration Program on the Blue River Project.

Eldor Property

In May, 2007, the Company acquired by both 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% Nb_2O_5, and from >0.01% to 0.21% Ta_2O_5.

The 2007 Exploration Program consisted of an 862 line km 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 m sample intervals) was considered reconnaissance in nature and consisted of lines spaced approximately one kilometre apart across the property. The results of the 2007 Program substantiated anomalous concentrations of niobium (Nb_2O_5) and tantalum (Ta_2O_5) identified historically as well as anomalous concentrations of gold, uranium and apatite over an area exceeding 6 km long by 1.5 km wide.

Based on the local geology and the sampling results obtained, 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.

Exploration Program & Results

The 2008 Exploration Program consisted of 26 drill holes and regional exploration consisting of prospecting, soil and rock sampling. The program was designed to build upon the strong results obtained during the 2007 exploration program, which substantiated historic concentrations of niobium (Nb_2O_5) and tantalum (Ta_2O_5).

Initial locations for drilling include areas within highly anomalous concentrations of niobium and tantalum in both soil and rock samples where they overlap with coincident anomalous magnetic and radiometric geophysical responses. All drill core was cut, with one half of the core sampled and sent for analysis to ACME Analytical Laboratories Ltd. in Vancouver, British Columbia.

A portable back hoe trenching program was used to prioritize areas of anomalous surface radioactivity discovered by prospecting in 1983 to 2007 and confirmed some of these as areas of interest for future exploration.

Current Exploration

The 2008 Exploration Program was completed in August, 2008 and the Company is currently awaiting results of the drill programs.

The Company is in the process of planning its exploration program for the upcoming season however, due to economic conditions, the Company anticipates a reduced budget for the 2009 Exploration Program on the Eldor Carbonatite Project.

Other Properties

Carbo Claims

The Carbo Claims, which consist of five mineral claims, are located approximately 80 km northeast of Prince George, British Columbia, Canada. The Carbo Claims cover a series of niobium and rare earth element bearing, dike- or sill-like carbonatites and syenites. The carbonatite plugs, dykes and sills occupy a northwest striking zone at least 8 km in length. The carbonatites vary in composition from sovites, pyroxene rich carbonatites, and ferro-carbonatites. During 2006-2007, the Company conducted rock and soil sampling, and geophysical surveys and the results have produced anomalous concentrations of niobium and rare earth elements in the soil and rock samples.

On February 9, 2009, the Company announced that it had entered into an option agreement with Canadian International Metals Inc., a CNSX listed company ("CIN"), pursuant to which CIN was granted the option to acquire up to a 75% interest in the Carbo Claims.

In consideration for the interest, CIN will pay to the Company a total of $30,000 cash and issue the Company a total of 1,500,000 common shares. CIN is also required to incur a total of $198,000 in exploration expenditures on the Carbo Claims over 3 years.

Upon completion of the required expenditures and cash/share consideration, a 75% interest in the Carbo Claims will be transferred to CIN. The Company will retain a 2% NSR Royalty on the Carbo Claims.

Results of Operations

General and Administrative

Net loss for the first quarter ended January 31, 2009 was $74,715 as compared to a net loss of $262,076 for the comparative quarter ended January 31, 2008.

This difference is due to a substantial decrease in the costs associated with investor relations activities: advertising & website fees (2009: $18,376; 2008: $78,583), investor relations fees (2009: $9,318; 2008: $100,191), travel and promotion (2009: $61,215, 2008: $78,567). The investor relations agreement that was in place AXINO AG, a German investor relations firm that handled investor relations activities in Germany and other European countries expired and all activities and inquiries are currently being handled internally by office staff.

Filing and transfer agent fees (2009: $1,150; 2008: $3,960), professional fees (2009: $ - ; 2008: $28,100) and office, telephone and miscellaneous (2009: ($688); 2008: $10,015) also decreased during the quarter ended January 31, 2009.

The Company realized a gain due to higher interest income (2009: $320,544; 2008: $294,318)

Administration fees (2009: $270,000, 2008: $225,000) and consulting fees (2009: $35,531, 2008: $31,381) were slightly higher during the quarter ended January 31, 2009. The higher administrative costs reflect increased in-house marketing, more shareholder services related to European investors and a larger staff to manage the growth. The increase in consulting fees reflects the size and advancement of the Blue River Project and the related project management and evaluation costs associated with such progress.

Asset Backed Commercial Paper

As at January 31, 2009, the Company held ABCP issued by a number of trusts with an original cost of $8,135,655 (2007: $8,135,655). At the dates the Company acquired these investments they were rated R1 (High) by Dominion Bond Rating Servics ("DBRS"). These investments matured during the year ended October 31, 2007 but, as a result of liquidity issues in the ABCP market, did not settle on maturity. As a result, the Company has classified its ABCP as long-term investments.

On March 17, 2008, the Pan-Canadian Investors Committee (the "Committee") for ABCP filed proceedings for a plan of compromise and arrangement (the "Plan") under the Companies' Creditors Arrangement Act (Canada) ("CCAA") with the Ontario Superior Court (the "Court"). At the meeting of ABCP noteholders on April 25, 2008, noteholders approved the Plan by the required majorities. On June 5, 2008, the Court issued a sanction order and reasons for the decision approving the Plan as amended. On August 18, 2008, that decision was upheld by the Ontario Court of Appeal and, on September 19, 2008, the Supreme Court of Canada denied leave to appeal. On December 24, 2008, the Committee announced that an agreement had been reached with all key stakeholders, including the governments of Canada, Quebec, Ontario and Alberta, to provide additional margin facilities to support the Plan and finalized certain enhancements to the Plan.

On January 12, 2009, the Ontario Superior Court issued the final implementation order in the ABCP restructuring process. The restructuring closed on January 21, 2009. The exchange of restructured ABCP notes was completed on January 21, 2009. A first installment of interest (to August 31, 2008) was also paid on the same day. The balance of the interest is to be paid in subsequent installments, and the amounts and timing are still to be determined. Restructuring fees already incurred and a reserve for additional restructuring fees were deducted from this first interest payment.

Upon completion in January 2009, the Company received the following:

- $7.35 million of senior Master Asset Vehicle MAV II Class A-1 and A-2 Notes and subordinated Class B and Class C Notes
  - $4.83 million of Class A-1 Notes
  - $1.95 million of Class A-2 Notes
  - $0.35 million of Class B Notes
  - $0.22 million of Class C Notes

  Class A-1, Class A-2 and Class B Notes will bear interest at the Bankers' Acceptance ("BA") rate less 0.50% and Class C Notes will bear interest at the BA rate plus 20%. These notes have legal maturity dates in 2056 but the expected repayment date of the Class A-1 and A-2 notes is January 22, 2017. The senior notes (Class A-1 and Class A-2) have been rated "A" by DBRS while the subordinated notes (Class B and C) are unrated.

- $0.78 million of MAV II Ineligible Asset ("IA") Notes
  The IA Tracking Notes will bear interest at a rate based on the net rate of return generated by the underlying tracking assets. The maturities of the notes are based on the maturities of the underlying assets. These notes will not be rated.

The valuation technique used by the Company to estimate the fair value of its investment in ABCP at October 31, 2008, incorporates probability weighted discounted cash flows considering the best available public information regarding market conditions and other factors that a market participant would consider for such investments. The assumptions used in determining the estimated fair value reflect the details included in the Information Statement issued by the pan-Canadian restructuring committee and the risks associated with the long-term floating rate notes. The interest rates and maturities of the various long-term floating rate notes, discount rates and credit losses modeled are:

Probability weighted average interest	10.81%
Weighted average discount rate	11.46%
Maturity of long-term floating rate notes	8 years to 30 years
Credit losses	Rated notes: Nil to 30%
	Unrated notes: 20% to 100%

If these assumptions were to change, the fair value of ABCP could change significantly. The Company recorded a fair value adjustment of $1,639,911 during the year ended October 31, 2007 to other comprehensive income as it perceived that the decline in fair value was not long-term and concluded that ABCP was not impaired. In accordance with CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" the Company concluded that the decline in fair value is other than temporary and recognized recorded an impairment charge of $1,639,911 previously recorded in other comprehensive income in the statement of loss during the year ended October 31, 2008. The valuation model was updated at October 31, 2008 with revised assumptions based on current market conditions and, as a result, the Company recorded an additional provision for impairment of ABCP of $2,902,046 bringing the total impairment charge to $4,541,957.

As at January 31, 2009, an increase in the estimated discount rates of 100 basis points would reduce net income by $275,000.

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		
	2008	2007	2006
Total Revenues	Nil	Nil	Nil
Income (loss) from continuing operations	(6,301,541)	(3,716,372)	(1,408,476)
Income from continuing operations (per share)	(0.04)	(0.05)	(0.03)
Income from continuing operations (per share, fully diluted)	(0.04)	(0.04)	(0.02)
Net Income (loss)	(6,301,541)	(3,674,116)	(1,357,654)
Net Income (loss) (per share)	(0.04)	(0.03)	(0.03)
Net income (loss) (per share, fully diluted)	(0.04)	(0.02)	(0.03)
Net comprehensive income (loss)	(4,695,655)	(5,342,767)	(1,357,654)
Net comprehensive income (loss) (per share)	(0.04)	(0.05)	(0.03)
Net comprehensive income (loss) (per share, fully diluted)	(0.04)	(0.04)	(0.02)
Total assets	41,209,386	43,792,486	5,548,283
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:

	January 31, 2008	October 31, 2008	July 31, 2008	April 30, 2008	January 31, 2008	October 31, 2007	July 31, 2007	April 30, 2007
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) before discontinued and extraordinary items (Total)	(74,715)	(5,124,044)	(411,190)	(504,231)	(262,076)	(1,230,244)	(666,051)	(1,613,178)
Basic and diluted loss before discontinued and extraordinary items (Per share)	(0.001)	(0.035)	(0.00)	(0.005)	(0.00)	(0.01)	(0.01)	(0.04)
Net income (loss) (total)	(74,715)	(582,087)	(411,190)	(504,231)	(262,076)	(1,230,244)	(666,051)	(1,613,178)
Basic and diluted net loss (per share)	(0.001)	(0.035)	(0.00)	(0.005)	(0.00)	(0.01)	(0.01)	(0.04)

Liquidity and Solvency

As at the quarter ended January 31, 2009, the Company has total assets of $39,514,038. The primary assets of the Company are deferred resource property costs of $22,002,851, asset backed commercial paper carried at $3,593,698, marketable securities carried at $10,700 and cash (and cash equivalents) of $13,515,188.

The Company has no long-term liabilities and has working capital of $13,166,302 as at January 31, 2009.

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 $22,002,851. 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:

	2009	2008
Administration fees	$270,000	$1,080,000
Consulting fees	$27,098	$164,372
Deferred exploration and development costs	$371,575	$3,941,358
	$668,673	$5,185,730

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

At the quarter ended January 31, 2009, accounts payable includes $174,017 (2008: $1,059,605) due to a company with a common director of the Company for geological consulting work and $2,987 due to a director of the Company for reimbursement of expenses.

Administrative fees include management fees, rental expenses and accounting services received during the year.

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:

	First Quarter ended January 31, 2009	Year ended October 31, 2008
Capitalized or Expensed Exploration and Development Costs	$1,386,510	$13,296,821
General and Administration Expenses	$395,259	$2,640,777
Gain on sale of marketable securities	-	$1,065
Gain on sale of mineral properties	-	-

Disclosure of Outstanding Share Capital

Authorized: unlimited number of common shares without par value.

Issued:

		Number	Amount
Balance, October 31, 2007		111,438,265	$ 49,555,396
Issued for cash:			
– Exercise of warrants	- at $0.42	95,750	40,215
Balance, October 31, 2008		111,534,015	$ 49,595,611
		-	-
Balance, January 31, 2009		111,534,015	$ 49,595,611

Commitments:

The Company has granted 6,585,000 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 first quarter ended January 31, 2009:

	2009		2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance, beginning of the year	6,585,000	$0.70	6,847,500	$0.70
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	$1.03	(262,500)	$1.03
Options outstanding, end of period	6,585,000	$0.70	6,585,000	$0.70
Options exercisable, end of period	6,585,000	$0.70	6,585,000	$0.70

As at January 31, 2009, the Company had 6,585,000 (2008: 6,585,000) share purchase options outstanding entitling the holders thereof the right to purchase one common share as follows:

Number		Exercise	
2009	2008	Price	Expiry Date
500,000	500,000	$0.55	March 31, 2009
500,000	500,000	$0.75	March 31, 2009
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
550,000	550,000	$1.15	April 16, 2012
115,000	115,000	$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
100,000	100,000	$1.15	October 3, 2012
6,585,000	6,585,000		

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:

Number		Exercise	
2009	2008	Price	Expiry Date
-	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
8,856,214	8,856,214	$1.50	August 1, 2009
27,291,817	28,731,192		

Brokers Units and Warrants: The following brokers units and warrants are also outstanding, entitling the holder thereof the right to purchase one common share for each unit or warrant held:

Number			Exercise	
2009	2008	Description	Price	Expiry Date
290,000	290,000	Warrants	$1.12	June 19, 2009
1,232,101	1,232,101	Brokers' units	$1.20	August 1, 2009
1,232,101	1,232,101	Warrants*	$1.50	August 1, 2009
2,754,202	2,754,202			

* exercisable only if Broker Units are exercised into units.

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, fair value of asset-backed commercial paper and stock-based compensation.

Changes in Accounting Policies

Effective November 1, 2007, the Company adopted the new CICA accounting standards: (a) Handbook Section 1535, *Capital Disclosures*; (b) handbook Section 3862, *Financial Instruments – Disclosures*; (c) Handbook Section 3863, *Financial Instruments – Presentation*; and (d) Handbook Section 1506, *Accounting Changes*. The main requirements of these new standards and the resulting financial statement impact are detailed in the audited financial statements for the year ended October 31, 2008.

Consistent with the requirements of the new accounting standards, the Company has not restated any prior period amounts as a result of adopting the accounting changes. The effect of the adoption of these standards is also summarized in the audited financial statements of the Company for the year ended October 31, 2008.

International financial reporting standards ("IFRS"):

In 2006, AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the fiscal year ended on or before December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Proposed Transactions and Subsequent Events

On February 10, 2009, the Company announced that it had entered into an agreement with Canadian International Minerals Inc. ("CIN") in January, 2009, whereby CIN is entitled to a 75% interest in the Carbo property by paying $30,000 in cash, issuing 1,500,000 common shares to the Company and incurring total expenditures of $198,000 on the property over a three year period.

Fourth Quarter

Not applicable.

Additional Information

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