



COMMERCE RESOURCES CORP.

Management Discussion & Analysis for the Year ended October 31, 2009

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

The effective date of this report is February 26, 2010.

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. All such statements, other than statements of historical facts, that address estimated resource quantities, grades, locations, geometry and contained metals, possible future mining, exploration and development activities, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements should not be in any way construed as guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements.

Factors that could cause actual results to differ materially from those in forward-looking statements include market prices for metals, the conclusions of detailed feasibility and technical analyses, lower than expected grades and quantities of resources, mining rates and recovery rates and the lack of availability of necessary capital, which may not be available to the Company on terms acceptable to it or at all.

Readers are cautioned not to put undue reliance on forward looking statements.

The Company is subject to the specific risks inherent in the mining exploration business as well as general economic and business conditions. For more information on the Company, readers should review the Company's disclosure that is available on their website at www.commerceresources.com as well as at www.sedar.com.

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, collectively 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, the Fir is located 1,200 metres ("m") west of the Upper Fir deposit and the Verity is located approximately 10 km north of the Upper Fir.

All of deposits comprising the Blue River Tantalum/Niobium Project are owned 100% with no underlying royalties.

Exploration Program: Exploration on the Blue River Project in 2009 concentrated on infilling geological and mineralogical data gaps identified in previous years exploration on the Upper Fir as well as to provide more detailed technical data to support engineering investigations related to preliminary economic evaluation. The 2009 field program added approximately 5,586 m of HQ drilling (a further 21 holes) to the previous 2005 to 2008 drilling for a total of 37,145.4 m drilled to date.

Future Developments: An independent NI 43-101 compliant resource estimation for the Upper Fir was prepared by Michelle Stone, Ph.D., P. Geo, and Julie Selway, PhD., P.Geo., independent Qualified Persons as defined by NI 43-101, of Caracle Creek International Consulting Inc. ("CCIC") and it is currently under review by the British Columbia Securities Commission. As at the date hereof, the report is being updated to include resource estimates for each of the Fir, the Verity and the Upper Fir Deposits.

The 2010 exploration program in Blue River is to consist of approximately 10,000 m of HQ drilling on the Upper Fir deposit, with some regional property exploration anticipated.

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>. It should be noted that the Fir and Verity resource calculations should not be relied upon as there is no National Instrument 43-101 compliant technical report regarding either. Resource calculations for all deposits will be included in the independent resource estimate currently being prepared as noted above.

Eldor Property

The Eldor Property is located in Labrador Trough area of northern Quebec and was acquired in 2007. The Company acquired the property by both staking and by a purchase agreement with Virginia Mines Inc. (TSX: VGQ).

Exploration Program: Exploration at the Eldor Property this summer consisted of the collection of 61 rock, 48 trench, and 5 soil samples from various locations at the Property.

The Company identified the Ashram Peninsula rare earth element (“REE”) mineralized zone from rock sampling at a 1 km by 0.8 km magnetic low. The zone has been defined by multiple outcrop samples returning greater than 1% REE+Y and is adjacent to a glacially dispersed boulder train that returned assays of up to 4.18% REE+Y. Soil samples were collected at locations where rock sampling was not possible. Of the five samples collected, two returned greater than 0.80% REE+Y (0.85% and 1.07%).

In addition to the REE zone discovered during the summer program, the presence of significant tantalum-niobium mineralization on the Eldor Property continues to be evident. Summer prospecting at the Star Trench area produced a boulder assay of 1,408 g/t Ta₂O₅, 6,171 g/t Nb₂O₅, 0.16% U₃O₈. Additionally, prospecting at the Southeast Zone in the area of drill hole EC08-025 discovered a large area of highly anomalous radioactivity. Boulder samples in this area, believed to be locally derived and possibly frost heaved, assay consistently higher than 200 g/t Ta₂O₅ to a high of 1,153 g/t.

During the fall exploration program, follow-up sampling was conducted in order to define further drilling targets. A total of 70 rock samples were collected. A high value of 2.74% REE was returned from exposed outcrop, with values in excess of 1% REE representing over 55% of the total rock samples collected (boulders and outcrop). Significant mineralization (>1% to 2.74% REE) was consistently returned from numerous samples over multiple outcrops within an area measuring approximately 500 metres by 150 metres, truncated to the east by a shallow lake. Sampling was also conducted at a tantalum-niobium target, the “Glimmerite Occurrence,” originally identified in 2007, located 1.5 kilometres north of the Ashram Zone. Significant tantalum-niobium mineralization was confirmed with a sample assaying 1682 ppm tantalum and exceeding the detection limit for niobium (greater than 50,000 ppm (5%) Nb). Further work is required to fully assess the zone’s significance and extent.

Future Developments: The 2010 exploration program on the Eldor is to consist of approximately 3,000m of drilling, trenching, prospecting-mapping, rock and soil sampling.

Other Properties

Carbo Property

The Carbo Property is located approximately 80 km northeast of Prince George, British Columbia. The Carbo Property covers a series of REE and niobium bearing dike- or sill-like carbonatites and syenites. 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 must pay the Company \$30,000 (\$10,000 received at October 31, 2009, \$10,000 received subsequent to year end) in cash, issue 1,500,000 (500,000 received at October 31, 2009, 500,000 shares issued subsequent to year end) common shares to

the Company and incur total exploration expenditures of \$198,000 on the Carbo Property over a three year period.

CIN has recently commenced an exploration program of geological mapping, soil and rock geochemical sampling, and trenching at the Carbo Property. The 2009 exploration program at the Carbo Property resulted in the identification of a new soil anomaly greater than 1 kilometre by 500 m in the southwest portion of the claim blocks. The highlight of the program was a soil sample (09mgb0002) within the new anomaly that exceeded the detection limit of 10,000 ppm (greater than 1%) cerium (Ce), indicative of light rare earth content, and 309 ppm gadolinium (Gd), indicating the presence of heavy rare earths. The Company and CIN are encouraged by the results being released from the area and are planning an expanded program that will include trenching and drilling in 2010.

Results of Operations

General and Administrative

Net loss for the year ending October 31, 2009 was \$2,140,649 as compared to a net loss of \$4,695,655 for the same period in 2008, a decrease of \$2,555,006. The most significant differences are last year's provision for impairment of investments in asset-back commercial paper (2009: \$nil; 2008: \$4,541,957) and the reclassification of unrealized losses on investments (2009: \$nil; \$1,639,911) which did not require adjustment in 2009, offset by an unrealized gain on asset-backed commercial paper (2009: \$591,892; 2008: \$nil). Furthermore, stock based compensation increased (2009: \$1,176,918; 2008 \$nil) due to the grant of options as well as the re-pricing of existing options during 2009.

Significant reductions in advertising and website expenses (2009: \$322,677; 2008: \$353,942), and investor relations (2009 \$150,286; 2008: \$460,662) were offset by increased travel and promotion expenses (2009: 306,141; 2008 \$271,466). The overall reduction in promotions was a cost-saving measure while the markets took a downturn. Further, consulting fees (2009: \$201,686; 2008: \$249,582), filing and transfer agent fees (2009: \$34,932; 2008: \$45,864), office, telephone and miscellaneous (2009: \$23,703; 2008: \$102,275), and professional fees (2009: \$33,398; 2008: \$75,331) were all lower in a cost-saving effort. Interest income in 2009 was lower due to fewer investments and lower interest rates (2009: \$562,728; 2008: \$880,128)

Asset Backed Commercial Paper

As at October 31, 2009, the Company held asset-backed commercial paper ("ABCP") issued by a number of trusts with an original cost of \$8,135,655 (2008: \$8,135,655). At the dates the Company acquired these investments they were rated R1 (High) by Dominion Bond Rating Services ("DBRS"). These investments matured in 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.

More information on ABCP can be found in Note 5 of the audited financial statements for the year ended October 31, 2009.

During the year ending October 31, 2009, \$54,236 of ABCP was redeemed at no discount.

Marketable securities

During the year ended October 31, 2009, the Company had purchased and sold certain securities and realized a gain of \$17,196 compared to a realized gain of \$1,065 in prior year.

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		
	2009	2008	2007
	\$	\$	\$
Total Revenues	Nil	Nil	Nil
Loss from continuing operations	(2,756,648)	(6,301,541)	(3,716,372)
Loss from continuing operations (per share)	(0.02)	(0.04)	(0.05)
Loss from continuing operations (per share, diluted)	(0.02)	(0.04)	(0.04)
Net loss	(2,756,648)	(6,301,541)	(3,674,116)
Net loss (per share, basic and diluted)	(0.02)	(0.04)	(0.03)
Net loss (per share, diluted)	(0.02)	(0.04)	(0.03)
Comprehensive income (loss) for the year	615,999	1,605,886	(1,668,651)
Net comprehensive income (loss) (per share, diluted)	(0.02)	(0.06)	(0.04)
Total assets	45,092,078	41,209,386	43,792,486
Total long term financial liabilities	Nil	Nil	Nil
Cash dividend declared per share	Nil	Nil	Nil

Summary of Quarterly Results

Net loss before other items for the three months ending October 31, 2009 was \$1,302,861 as compared to a net loss of \$5,124,044 for the comparative quarter ended October 31, 2008, an increase of \$492,072, which can be explained by the increase of \$507,313 in stock-based compensation due to the repricing and granting of options.

Consulting fees (2009: \$56,122; 2008: \$78,371), investor relations (2009 \$48,174; 2008: \$143,600), travel and promotion (2009: 98,811); 2008 \$105,274) and office, telephone and miscellaneous (2009: \$11,863; 2008: \$55,232) were lower due to cost saving measures implemented as the economy faced a downturn. There was an increase in the costs associated with advertising & website fees (2009: \$180,335; 2008: \$41,472) due to a shift from investor relations and travel to more cost effective methods of advertising. Also filing and transfer agent fees (2009: \$4,661; 2008: \$1,046) increased due to the timing of expenses related to year-end filings.

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

	October 31, 2009	July 31, 2009	April 30, 2009	January 31, 2009	October 31, 2008	July 31, 2008	April 30, 2008	January 31, 2008
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) before discontinued and extraordinary items (Total)	(1,302,861)	(199,671)	(1,179,401)	(74,715)	(5,124,044)	(411,190)	(504,231)	(262,076)
Basic and diluted loss before discontinued and extraordinary items (Per share)	(0.011)	(0.002)	(0.011)	(0.001)	(0.046)	(0.00)	(0.005)	(0.00)
Net income (loss) (total)	(1,302,861)	(199,671)	(1,175,626)	(74,715)	(5,124,044)	(411,190)	(504,231)	(262,076)
Basic and diluted net loss (per share)	(0.011)	(0.002)	(0.011)	(0.001)	(0.046)	(0.00)	(0.005)	(0.00)

Liquidity and Solvency

As at the year ended October 31, 2009, the Company has total assets of \$45,092,078. The primary assets of the Company are deferred resource property costs of \$22,031,815, asset backed commercial paper carried at \$4,131,354, marketable securities carried at \$148,536 and cash (and cash equivalents) of \$15,909,787.

The Company has no long-term liabilities and has working capital of \$17,946,957 as at October 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 \$22,031,815. 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>2009</u>	<u>2008</u>
Administration fees	\$1,080,000	\$1,080,000
Consulting fees	\$125,322	\$164,372
Office expenses and travel	\$51,767	-
Fixed assets	\$60,000	-
Deferred exploration and development costs	<u>\$2,012,446</u>	<u>\$3,941,358</u>
	<u>\$3,409,535</u>	<u>\$5,185,730</u>

These charges were measured at the exchange amount, which is the amount agreed upon by the transacting parties. Administrative fees and rent include management fees, rental expenses and accounting services received during the year.

At October 31, 2009, \$178,056 (2008: \$1,059,605) was due to a company with a common director of the Company for fees and expenses related to geological consulting and \$11,874 (2008: \$Nil) was due from companies with a common director. The payables and receivables are non-interest bearing and due on demand.

At October 31, 2009, \$71,276 included in marketable securities (2008:\$Nil) is with other public companies having directors in common.

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>Year Ended</u> <u>October 31, 2009</u>	<u>Year ended</u> <u>October 31, 2008</u>
Capitalized or Expensed Exploration and Development Costs	\$5,935,113	\$13,296,821
General and Administration Expenses	\$3,337,446	\$2,640,777
Gain on sale of marketable securities	\$17,196	\$1,065

Disclosure of Outstanding Share Capital

	<u>February 26, 2010</u>	<u>October 31, 2009</u>	<u>October 31, 2008</u>	<u>October 31, 2007</u>
Common shares	130,577,140	130,517,140	111,534,015	111,438,265
Stock Options	7,765,000	7,540,000	6,585,000	6,847,500
Warrants	36,298,942	36,298,942	28,635,442	28,731,192
Agent's Options	<u>621,720</u>	<u>621,720</u>	<u>2,754,202</u>	<u>2,754,202</u>
Fully Diluted Shares	175,262,802	174,977,802	149,508,659	149,771,159

For additional details of outstanding share capital, refer to the financial statements for the year ended October 31, 2009.

Changes in Accounting Policies

There have been no changes in the accounting policies except for the added disclosures regarding the fair values on the asset-back commercial paper.

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. To meet the change over date, the Company is required to issue its first IFRS compliant Financial Statements for the year ending October 31, 2012. To provide comparative information, an opening Balance Sheet will be necessary on November 1, 2010.

Management has addressed this issue by researching methods to identify the items materially impacted on the Company's financial statements. The Company is also evaluating the impact of adopting IFRS. The analysis will be completed and a plan to implement the conversion will be devised before Q3 of the 2010 fiscal year. Management expects to complete the conversion in Q4 of the 2010 fiscal year and believes it has the necessary financial expertise and resources available.

Financial Instruments and Other Instruments

The Company has classified its financial instruments as follows:

- Cash and cash equivalents are classified as held-for-trading and are measured at fair value.
- Marketable securities and asset-backed commercial paper ("ABCP") are classified as available for sale. They are recorded at fair value at initial recognition. Subsequent revaluation resulting in gains or losses is recorded in the statements of comprehensive income (loss).
- Amounts receivable is classified as loans and receivables. They are recorded at cost, which on initial recognition represents their fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.
- Accounts payable and accrued liabilities are classified as other liabilities. They are initially measured at fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.

Handbook Section 3862, Financial Instruments – Disclosures, was amended in June 2009. It establishes revised standards for the disclosure of financial instruments. The new standard establishes a three-tier hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data, which are unobservable inputs.

Changes in valuation methods may result in transfers into or out of an investment's assigned level. During the year ended October 31, 2009, there were no significant transfers between level 1 and 2. Financial instruments classified as level 1 – quoted prices in active markets include cash and cash equivalents and marketable securities. Financial estimates classified as level 3 – significant unobservable inputs include asset-backed commercial paper.

Proposed Transactions and Subsequent Events

1. On November 24, 2009, Company granted stock options to directors to acquire up to 285,000 common shares of the Company at a price of \$0.66 per share for a period of five years.
2. On January 29, 2010, Shaun Ledding resigned as a director and the Chief Financial Officer of the Company
3. On February 26, 2010, the Company announced that the resource estimate for its Upper Fir Deposit, Blue River Project was delayed in order to include resource estimates for the Fir and Verity Deposits as well.

Additional Information

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