COMMERCE RESOURCES CORP.

Management Discussion & Analysis for the Quarter ended July 31, 2010

The following is a discussion and analysis of the operations, results, and financial position of Commerce Resources Corp. (the "Company" or "Commerce") for the third quarter ended July 31, 2010, and should be read in conjunction with the interim financial statements for the quarter ended July 31, 2010 as well as 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 September 29, 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. is a Canadian mineral exploration and development company, listed as a Tier 1 Issuer on the TSX Venture Exchange and on the Frankfurt Stock Exchange.

The Company's primary focus is on tantalum, niobium and rare earth elements ("REEs"):

Tantalum is an element found in many ways in our everyday lives, improving technology and material performance. Its many applications include use in electronics, medicine, engineering and energy generation. Tantalum has unique attributes that make it suitable for several specific purposes; it has an exceedingly high melting point (about 3,000° C); is highly corrosion-resistant; alloys well with other metals; is superconductive for electricity; has an excellent capacity to store and release an electrical charge. Tantalum metal and tantalum pentoxide (Ta_2O_5), one of tantalum's compounds, are mainly used in electronics to make a part called a capacitor. It allows the capacitors to be very small and is ideal for high technology uses including digital cameras and video cameras, mobile phones, laptop computers, LCD/Plasma televisions, and data storage devices.

Concern is rising from consumers and non-governmental organizations around the source of minerals that are going into common consumer electronics. As a result, the United States signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") in July, 2010. The Dodd-Frank Act amends Section 13 of the Securities Exchange Act of 1934 to impose a new reporting requirement on publicly traded companies that manufacture products for which "conflict minerals" are necessary to their functionality or production. Conflict minerals include "columbite-tantalite (tantalum), cassiterite (tin), gold, wolframite (tungsten), or their derivatives" and other minerals determined by the US Secretary of State to be financing conflict in conflict areas. Companies using conflict minerals in the products they manufacture must report to the United States of America Securities & Exchange Commission ("SEC") and disclose on their websites annually whether any such materials did originate from conflict areas. The Company is active in monitoring and participating in the developments surrounding the issue of conflict minerals.

Niobium possesses a unique complex of properties like heat resistance, high thermal conductivity, elasticity, corrosion resistance and the ability to form a stable and adhesive layer of oxide. Due to these properties, niobium and its alloys are widely used in chemistry, metallurgy and electronics as well as in the medical, nuclear, and aerospace industries. Niobium is used mostly to make stainless steel and high-strength, low-alloy steels. These steels are used in large-diameter pipelines for oil and natural gas, in frames and wheels of cars and trucks and as microalloyed steel in structural applications.

REEs are a collection of seventeen chemical elements in the periodic table, namely scandium, yttrium, and the fifteen lanthanides. Rare earth elements are incorporated into many modern technological devices, including superconductors, samarium-cobalt and neodymium-iron-boron high-flux rare-earth magnets, electronic polishers, refining catalysts and hybrid car components (primarily batteries and magnets).

Properties

The Company is in the process of exploring three mineral projects located in Canada: Blue River Tantalum-Niobium Project, and the Eldor and Carbo Rare Earth Projects. The Blue River Project is at an advanced stage of exploration and is the Company's top priority.

The technical information included in this MD&A unless otherwise stated, has been reviewed by Jody Dahrouge, P. Geol., a director of the Company. Mr. Dahrouge is a Qualified Person under National Instrument 43-101.

Blue River Tantalum/Niobium Project

The Blue River Project, located in British Columbia, Canada, is host to the Upper Fir Deposit. The Upper Fir Deposit is located approximately 30 km north of Blue River, British Columbia and is owned 100% with no underlying royalties.

The "Independent Technical Report, Blue River Property, Blue River, British Columbia, Canada" and dated March 30, 2010 was prepared for the Company by Michelle Stone, Ph.D., P. Geo, and Julie Selway, Ph.D., P.Geo., independent Qualified Persons as defined by National Instrument 43-101 ("NI 43-101"), of Caracle Creek International Consulting Inc. ("CCIC") (the "Technical Report") has been filed on SEDAR and is also available on the Company's website.

The results of the resource estimate filed as part of the Technical Report, reported with a 175 grams per tonne ("g/t") Ta_2O_5 cut-off, show that the Upper Fir contains an Indicated resource of 7,384,000 tonnes with a grade of 217 g/t Ta_2O_5 and Nb_2O_5 grade of 1,202 g/t (3,533,000 and 19,568,000 lbs of contained Ta_2O_5 and Nb_2O_5, respectively).

Inferred resources at the same cut-off include 16,494,000t of 213 g/t Ta_2O_5 and 1,222 g/t Nb_2O_5 (7,746,000 and 44,436,000 lbs of contained Ta_2O_5 and Nb_2O_5, respectively).

Based on data to the end of 2008, a summary of the Upper Fir resource estimate is as follows:

CATEGORY	Cut-off (ppm) Ta_2O_5	Tonnes > Cut-off (T)	Grade (ppm) Ta_2O_5	Contained lbs Ta_2O_5	Grade (ppm) Nb_2O_5	Contained lbs Nb_2O_5
INDICATED RESOURCE	100	16,945,000	175	6,538,000	1,174	43,858,000
	150	11,308,000	198	4,937,000	1,170	29,168,000
	175	**7,384,000**	**217**	**3,533,000**	**1,202**	**19,568,000**
	200	4,566,000	236	2,376,000	1,299	13,076,000
INFERRED RESOURCE	100	44,121,000	167	16,147,000	1,184	115,070,000
	150	26,235,000	194	11,221,000	1,182	68,365,000
	175	**16,494,000**	**213**	**7,746,000**	**1,222**	**44,436,000**
	200	8,918,000	235	4,621,000	1,385	27,230,000

Notes:
- "ppm" = parts per million.
- The 175 ppm cut-off reporting base case is highlighted. Ppm and grams per tonne are equivalent units.

- Mineral resources which are not mineral reserves do not have demonstrated economic viability.
- Not all tonnage will be recovered in mining, nor will all tantalum and niobium values be recovered during milling and processing.
- 1 tonne = 2,204.6 pounds (lbs).
- Tonnes and pounds rounded to the nearest 1,000.

The resource comprises a series of sill-like carbonatite bodies with up to 91.2m in estimated cumulative true thickness. This composite body extends more than 1,450m in a north-south direction and as much as 800m in an east-west direction. Tantalum and niobium are contained in the minerals pyrochlore and ferrocolumbite, which are present as microscopic grains as well as megascopic composite grains that exceed one centimetre in diameter.

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.

The 2010 exploration program in Blue River has again focused on the Upper Fir Deposit and consists of approximately 10,000 m of HQ drilling and engineering work which will support a preliminary economic evaluation.

Eldor Property

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

During exploration at the Eldor Property in 2009, the Company identified the Ashram Peninsula rare earth element ("REE") mineralized zone (the "Ashram Rare Earth Element 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.

The 2010 exploration program included the drilling of 16 holes totalling approximately 4,100 metres, as well as prospecting, mapping, soil sampling, a ground magnetic survey, and trenching. The drilling was designed to test the previously untested Ashram Rare Earth Element Zone and identify a carbonatite-hosted REE deposit.

Results recently released from the first two holes of the 2010 exploration program confirmed the potential for a significant new and large tonnage REE discovery at the Ashram Rare Earth Zone. Significant tonnage potential has been indicated by the broad thickness and relative continuity of grade encountered thus far in the first two holes at the Ashram Rare Earth Element Zone. A total of six holes (1366.38 m) were completed at the Ashram Rare Earth Element Zone with assays pending. All six holes collared in mineralization, intersecting the same three lithologies encountered in the first two holes (A-Zone, B-Zone, and BD-Zone). The Company has also made the decision to expand the drill program.

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. In February, 2009, Canadian International Metals Inc. (TSXv: CIN) ("CIN") was granted an option to acquire up to a 75% interest in the Carbo Claims.

CIN has previously completed geological mapping, soil and rock geochemical sampling, and trenching, and intends to conducting a 1,000 meter diamond drill program in the fall of 2010 at the Carbo Property.

Selected Annual Information

The following is a summary of the financial data of the Company for the last three completed fiscal year ends and are derived from the audited annual financial statements of the Company, prepared in accordance with Canadian Generally Accepted Accounting Principals ("GAAP"):

	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

The Company has recorded losses in each of its three most recently completed fiscal years and expects to continue to record losses until such time as an economic resource is identified, developed and brought into profitable commercial operation on one or more of the Company's properties or otherwise disposed of at a profit.

<u>Results of Operations</u>

Exploration and Development Activities

Resource property expenditures for the three months ended July 31, 2010 totalled $29,401,129, an increase of 38% over the level of expenditures in the comparable three month period ended July 31, 2009.

Resource property expenditures for the nine months ended July 31, 2010 totalled $4,872,093, an increase of 11% over the level of expenditures in the comparable nine month period ended July 31, 2009. Most of these expenditures ($3,052,093) were incurred on the Blue River Project with the balance being incurred on the Eldor Project ($1,818,984) and the Carbo Claims ($1,016). No properties were abandoned or written off during the quarter and no expenditures were written off.

The increase is due to the level of activities on the properties, including drilling, engineering, environmental and metallurgical work at the Blue River Project, as well as an exploration program including geophysical surveys, geochemical surveys, and drilling being carried out at the Eldor Project.

Blue River: Exploration expenditures during the three months ended July 31, 2010 totalled $1,662,000. Most of the work done this year has been with the objective of better defining the Upper Fir deposit as well as to provide more detailed technical data to support engineering investigations related to preliminary economic evaluation. Metallurgical studies have been conducted to define an efficient process for the recovery of tantalum.

Eldor Project: Exploration expenditures during the three months ended July 31, 2010 totalled $1,278,129. The majority of the work done this year has been with the objective of testing the potential of the Ashram Rare Earth Element Zone to host carbonatite-hosted REE deposit.

General and Administrative

Operating expenses for the three months ended July 31, 2010 was $499,340, an increase of 146% over the amount incurred during the comparable quarter ended July 31, 2009. The main areas of increase were in advertising/website, consulting fees and travel/promotion.

Expenditures on advertising/website and travel/promotion reflects the result of increased marketing to international investors and new marketing initiatives. Lower interest rates resulted in interest income declining to $22,922 during the three months ended July 31, 2010 from $183,901 during the comparable three months ended July 31, 2009.

Administrative expenses for the nine months ended July 31, 2010 was $1,975,063, an increase of 36% over the comparable nine months ended July 31, 2009.

Consulting fees for the nine months ended July 31, 2010 increased by $130,187 to $275,751 compared to the nine months ended July 31, 2009, primarily due to the increase in monitoring and participating in the developments surrounding the issue of conflict minerals.

Asset Backed Commercial Paper

As at July 31, 2010, the Company held asset-backed commercial paper ("ABCP") issued by a number of trusts with an original cost of $8,135,655 (2009: $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 during the year ended October 31, 2007 however, due to liquidity issues in the ABCP market, they 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 financial statements for the quarter ended July 31, 2010. During the nine months ended July 31, 2010, $6,804 (2009: $54,236) of ABCP was redeemed at no discount.

Marketable securities

As at July 31, 2010, the Company has $259,468 in marketable securities. The Company's marketable securities are comprised mostly of securities that it received in the sale or optioning of property interests.

Summary of Quarterly Results

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

	July 31, 2010	April 30, 2010	January 31, 2010	October 31, 2009	July 31, 2009	April 30, 2009	January 31, 2009	October 31, 2008
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) before discontinued and extraordinary items (Total)	(499,340)	(754,153)	(721,570)	(1,302,861)	(199,671)	(1,179,401)	(74,715)	(5,124,044)
Basic and diluted loss before discontinued and extraordinary items (Per share)	(0.004)	(0.006)	(0.006)	(0.011)	(0.002)	(0.011)	(0.001)	(0.046)
Net income (loss) (total)	(499,340)	(754,153)	(721,570)	(1,302,861)	(199,671)	(1,175,626)	(74,715)	(5,124,044)
Basic and diluted net loss (per share)	(0.004)	(0.006)	(0.006)	(0.011)	(0.002)	(0.011)	(0.001)	(0.046)

The fluctuations on quarterly net loss is primarily due to stock-based compensation expenses recognized on stock options granted to director, officers, employees and consultants of the Company.

Capital Resources and Liquidity

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 $26,418,215. It is the Company's intention to commit further funds for continuing exploration activities.

The Company's financial success will be dependent on the economic viability of its resource properties and the extent to which is can discover and develop new mineral deposits. Such development may take several years to complete and the amount of resulting income, if any, is difficult to determine.

The Company will continue to require funds to continue the exploration of its resource properties. As a result, the Company may have to continue to rely on equity and debt financing. 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. The Company's present cash resources are sufficient to meet all of its current contractual obligations and administrative and overhead expenses for at least the next eighteen months.

As at the nine month period ended July 31, 2010, the Company has total assets of $44,762,971. The primary assets of the Company are deferred resource property costs of $26,418,215, asset backed commercial paper carried at $4,124,550, marketable securities carried at $259,468 and cash (and cash equivalents) of $12,688,540. The Company has no long-term liabilities and has working capital surplus of $12,127,136 as at July 31, 2010.

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 companies with a common director as follows:

	July 31, 2010	October 31, 2009
Administration fees	$810,000	$1,080,000
Consulting fees	$58,537	$125,322
Office, advertising, promotion, and travel	$7,886	$51,767
Fixed assets	-	$60,000
Deferred exploration and development costs	$2,109,481	$2,012,446
	$2,985,904	$3,409,535

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 July 31, 2010, $986,549 (2009: $178,056) was due to a company with a common director of the Company, for fees and expenses related to geological consulting, and $9,721 (2009: $11,874) was due from a company with a common director. The payables and receivables are non-interest bearing and due on demand.

At July 31, 2010, $140,668 included in marketable securities (2009: $71,276) is with a company with a director 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:

	Year Ended October 31, 2009	Year ended October 31, 2008
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

The following is a breakdown of the share capital of the Company, on an annual basis as well as at the most recently ended quarter and the date of this report:

	September 29, 2010	July 31, 2010	October 31, 2009	October 31, 2008
Common shares	130,587,140	130,587,140	130,517,140	111,534,015
Stock Options	8,530,000	8,505,000	7,540,000	6,585,000
Warrants	36,298,942	36,298,942	36,298,942	28,635,442
Agent's Options	621,720	621,720	621,720	2,754,202
Fully Diluted Shares	176,037,802	176,012,802	174,977,802	149,508,659

For additional details of outstanding share capital, refer to the financial statements for the quarter ended July 31, 2010.

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 and analyzing specific areas such as revenue recognition, share-based payments, property, plant and equipment, exploration and development costs, financial instruments, and impairment tests. The analysis will be completed and a plan to implement the conversion will be devised Q4 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 quarter ended July 31, 2010, 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

On August 17, 2010, the Company granted 25,000 stock options valued at $0.25 for five years to a consultant.

Additional Information

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