COMMERCE RESOURCES CORP.

Management Discussion & Analysis for the Year Ended October 31, 2011

The following is a discussion and analysis of the operations, results, and financial position of Commerce Resources Corp. (the "Company" or "Commerce") for the year ended October 31, 2011, and should be read in conjunction with the audited financial statements for the years ended October 31, 2011 and 2010, all of which were prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAPP").

The effective date of this report is February 28, 2012.

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 in Canada, the OTCQX in the United States of America, and on the Frankfurt Stock Exchange in Germany. The Company's primary focus is on the rare metals tantalum and niobium and rare earth elements ("REEs"). Commerce's principal assets are its Blue River Tantalum-Niobium Project in British Columbia and its Eldor Rare Earth Project in Quebec. 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.

A positive Preliminary Economic Assessment ("PEA") on the rare metal development potential of the Blue River Tantalum-Niobium Project was completed in November 2011. Current work on this project is focused on the Upper Fir deposit where AMEC Americas Limited is working on an updated mineral resource estimate that will include the results of drilling completed to the end of 2010 and assays received as of September 29, 2011.

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; and 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 component 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.

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.

At the Eldor Rare Earth Project, the Company's exploration activities have led to the discovery of a significant new rare earth element deposit; the Ashram. An initial NI 43-101 compliant resource estimate was filed as part of a technical report in April 2011. The Company has completed 33 new drill holes which will be incorporated into an updated resource model.

REEs are a collection of seventeen chemical elements in the periodic table, namely scandium, yttrium, and the fifteen lanthanides. REEs 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).

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 GAAP:

	Fiscal year ended October 31		
	2011	2010	2009
	$	$	$
Total Revenues	Nil	Nil	Nil
Loss from continuing operations	(4,224,027)	(2,372,288)	(2,756,648)
Loss from continuing operations (per share, basic and diluted)	(0.03)	(0.02)	(0.02)
Net loss	(4,224,027)	(2,372,288)	(2,756,648)
Net loss (per share, basic and diluted)	(0.03)	(0.02)	(0.02)
Net loss and comprehensive loss for the year	(3,963,902)	(2,154,144)	(2,140,649)
Net loss and comprehensive loss (per share, basic and diluted)	(0.03)	(0.02)	(0.02)
Total assets	54,478,390	44,235,587	45,092,078
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 year ended October 31, 2011, totalled $15,502,193, an increase of 63% over the level of expenditures of $9,492,053 in the year ended October 31, 2010. Most of these expenditures (2011: $9,829,809, 2010: $3,992,981) were incurred on the Eldor Project with the balance being incurred on the Blue River Project (2011: $5,667,314, 2010: $5,493,905) and the Carbo Claims (2011: $5,070, 2010: $5,167).

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

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.

Exploration expenditures during the year ended October 31, 2011, totalled $5,667,314. Most of the work done to date this year has been with the objective of better defining the Upper Fir deposit as well as to provide the necessary technical data to support engineering investigations. Metallurgical studies have also been conducted to define an efficient process for the recovery of tantalum and niobium.

A positive NI 43-101 compliant Preliminary Economic Assessment ("PEA"), prepared by independent consultants, AMEC Americas Limited, indicates that the deposit can be developed economically as an underground mine and recommends future studies to support a pre-feasibility level assessment of the project. This assessment incorporated drilling and structural data developed from the project and includes detailed solids modeling and preliminary metallurgical and process flow sheet designs.

AMEC Americas Limited ("AMEC") completed the "Blue River Ta-Nb Project, NI 43-101 Technical Report, Blue River, British Columbia" with an effective date of January 31, 2011, and determined a base case Indicated mineral resource of 36.35 million tonnes containing 195 ppm (gpt) Ta_2O_5 and 1,700 ppm (gpt) Nb_2O_5. Base case Inferred mineral resources are 6.40 million tonnes containing 199 ppm (gpt) Ta_2O_5 and 1890 ppm (gpt) Nb_2O_5. AMEC used a total of 183 drill holes comprising 37,446 metres of HQ drill core and 8,218 sawn core samples to develop the mineral resource estimate. Most holes were at a nominal spacing of 50 metres with dips typically between -60 to sub-vertical.

2011 Work Program:

During 2011, the Company completed approximately 8,715 metres in a 34 drill-hole definition drilling program which was targeted to improve understanding of geological and structural relationships within the Upper Fir deposit.

The 2010 drilling results (54 holes; 12,949 metres) are being compiled for inclusion in an updated three dimensional block model and resource estimate which will itself form a separate resource update.

Environmental baseline investigations, including water quality, hydrology and vegetation studies, which commenced in 2006 are continuing work which will contribute to ongoing environmental assessment. Additional geotechnical engineering is also underway.

Eldor Rare Earth Project

The Eldor Property is situated in northern Quebec approximately 130 km south of the town of Kuujjuaq and 100 kilometres north of Adriana Resources' Lac Otelnuk Iron Deposit. The property is 100%-owned by the Company and is composed of 404 claims comprising approximately 19,006 hectares.

Exploration expenditures during the year ended October 31, 2011, totalled \$9,829,809. The majority of the work done to date this year has been drilling to further define and expand the Ashram Rare Earth Deposit.

At the Eldor Property, Commerce's 2010 exploration program led to the discovery of a significant new rare earth element deposit known as the Ashram Deposit. In early 2011, Commerce reported an initial NI 43-101 resource estimate for the Ashram Zone. Mineral resources were estimated by SGS Geostat applying four different Total Rare Earth Oxide ("TREO") cut-off grades, with a base-case resource estimated using a TREO cut-off grade of 1.25%. **At this cut-off, the Ashram Zone hosts an Inferred Resource of 117,340,000 tonnes grading 1.74% TREO.** The mineral resource estimate for TREO cut-offs of 1.00%, 1.25% (base case), 1.50% and 1.75% are outlined in the table below.

Table: Mineral Resources Estimate - Eldor Property - Ashram REE Deposit								
Cut-off Grade TREO (%)	**Resources Categories**	**Tonnes***	**TREO** (%)**	**LREO** (%)**	**IREO** (%)**	**HREO** (%)**	**Y2O3** (%)**	**CaF2** (%)***
1.00%	Inferred	134,970,000	1.663	1.538	0.067	0.018	0.040	5.30
1.25% (base case)	**Inferred**	**117,340,000**	**1.740**	**1.612**	**0.069**	**0.019**	**0.040**	**5.56**
1.50%	Inferred	95,000,000	1.818	1.687	0.071	0.019	0.041	5.78
1.75%	Inferred	50,950,000	1.966	1.831	0.074	0.020	0.042	6.15

*Rounded to nearest 10,000. ** Rounded to nearest 0.001. *** Rounded to nearest 0.01

Notes:

- Effective date March 1, 2011.
- Mineral resources are not mineral reserves and do not have demonstrated economic viability.
- Bulk density of 3.0 t/m3 used.
- Total Rare Earth Oxides (TREO) include: La_2O_3, Ce_2O_3, Pr_2O_3, Nd_2O_3, Sm_2O_3, Eu_2O_3, Gd_2O_3, Tb_2O_3, Dy_2O_3, Ho_2O_3, Er_2O_3, Tm_2O_3, Yb_2O_3, Lu_2O_3, Y_2O_3.
- Light Rare Earth Oxides (LREO) include: La_2O_3, Ce_2O_3, Pr_2O_3 and Nd_2O_3.
- Intermediate Rare Earth Oxides (IREO) include: Sm_2O_3, Eu_2O_3 and Gd_2O_3.
- Heavy Rare Earth Oxides (HREO) include: Tb_2O_3, Dy_2O_3, Ho_2O_3, Er_2O_3, Tm_2O_3, Yb_2O_3 and Lu_2O_3.

The resource estimate was based on twelve holes totalling 3,313 metres drilled in 2010.

Following the resource calculation, Commerce completed a follow-up winter drill program consisting of seven holes totalling 3,367 metres. The program significantly expanded the footprint and depth extent of the Ashram Zone beyond that of the current Inferred Resource. Mineralization at Ashram has now been confirmed over an approximate area of 600 metres east-west, by 650 metres north-south, to depths of greater than 600 metres. The deposit remains open to the north, east, south, at depth, and is not fully constrained to the west. Altogether since its discovery in 2010, a total of 6,680 metres of drilling has been completed at Ashram.

Importantly, the drilling to date has identified the potential for near surface enrichment in the valuable heavy and middle rare earth elements within the Ashram Deposit. Hole EC10-047, for instance, encountered a 61 metre interval starting at a depth of 6 metres that averaged 1.41% TREO of which 19.08% was represented by the middle and heavy rare earths. The near surface enrichment was encountered again in holes EC10-044 and EC10-045 100 metres to the east of EC10-047. The enrichment is rare for a carbonatite-hosted orebody and its definition is an important priority for future and ongoing drilling.

2011 Work Program:

Exploration in 2011 included 9,012 metres of BTW and NQ diameter diamond drilling in 26 holes for the purposes of expanding the mineralized area and infilling the geological and structural information within the Ashram Deposit.

An updated block model and resource estimate with accompanying technical report under the supervision of SGS Geostat is underway using mapping and drill data from the 2011 winter and summer/fall campaigns. The current resource includes 12 holes (3,313 m) completed in 2010, leaving 33 holes (12,379 m) yet to be incorporated into the model.

Commerce is also working with Hazen Research Inc. of Golden, Colorado to complete preliminary metallurgical studies for Ashram. Additionally, the Company has retained Roger Mitchell of Lakehead University, Ontario to complete advanced mineralogical studies and Environnement Illimite Inc. of Montreal, Quebec to complete a baseline environmental study. The data from these studies and the summer drilling program will be used to undertake a resource update and Preliminary Economic Assessment for Ashram deposit.

General and Administrative

Net loss for the year ended October 31, 2011, was $4,224,027, an increase of 78% over the amount incurred during the year ended October 31, 2010 of $2,372,288. The most significant reason for the increase in expenses is due to stock based compensation (2011: $2,113,133; 2010: $288,262) which was higher in 2011 due to an increased amount of options granted.

Other significant differences include:

- Increased advertising and website expenses (2011: $420,179; 2010: $368,996) and investor relations expenses (2011: $193,234; 2010: $157,192) were incurred as part of new marketing initiatives;
- Increased filing and transfer agent fees (2011: $65,441; 2010: $36,538) were incurred due to the high volume of options and warrants exercised in the current year;
- Increased professional fees (2011: $74,738; 2010: $58,996) are primarily due legal and accounting costs for the year;
- Increased consulting fees (2011: $473,341; 2010: $374,771) due to additional business expertise required during the current year;
- Decreased bank charges and interest (2011: $2,507; 2010: $19,637) due to the interest charges incurred in the previous year;
- Decreased interest income (2011: $123,655; 2010: $190,143) due to lower interest rates and reduced investments in the current year;
- Increased gain on sale of asset backed commercial paper (2011: $53,904; 2010: $nil) as the Company sold some of the investment in the current year for an amount higher than carrying value; and
- Increased other income (2011: $276,369; 2010: $nil) from the proceeds of the Carbo Property sale.

Asset Backed Commercial Paper

As at October 31, 2011, the Company held asset-backed commercial paper ("ABCP") issued by a number of trusts with an original cost of $7,666,741 (2010: $8,074,267). When 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 year ended October 31, 2011.

During the year ended October 31, 2011, the Company received payments from settlement of $218,824

(2010: $7,152). As at October 31, 2011, the fair value of the ABCP as determined above was $4,872,289 (2010: $4,243,319) and the Company recorded an unrealized gain of $794,524 (2010: $119,117) from this instrument. During the year ended October 31, 2011, $634 (2010 - $nil) of the Class 9 notes were written off, of which was deemed uncollectible by an independent financial institute.

Subsequent to October 31, 2011, the Company received total proceeds of $1,056,000 and $1,000,049 from the sale of 1,500,000 and 1,390,000 units of MAV II Class A-1Notes, respectively. Accrued interest paid associated with the redemption is respectively $2,436 and $713.

Marketable securities

As at October 31, 2011, the Company had $457,743 in marketable securities valued at fair market value. 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:

	October 31, 2011	July 31, 2011	April 30, 2011	January 31, 2011	October 31, 2010	July 31, 2010	April 30, 2010	January 31, 2010
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) before income taxes, discontinued and extraordinary items (Total)	(199,248)	(535,916)	(2,157,132)	(1,361,270)	(515,043)	(499,340)	(754,153)	(721,570)
Basic and diluted loss before discontinued and extraordinary items (Per share)	(0.001)	(0.004)	(0.020)	(0.010)	(0.004)	(0.004)	(0.006)	(0.006)
Net income (loss) (total)	(169,709)	(535,916)	(2,157,132)	(1,361,270)	(397,225)	(499,340)	(754,153)	(721,570)
Basic and diluted net loss (per share)	(0.001)	(0.004)	(0.020)	(0.010)	(0.003)	(0.004)	(0.006)	(0.006)

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

Fourth Quarter

Net loss for the three months ending October 31, 2011 was $169,709 compared to a net loss of $397,225 for the three months ended October 31, 2010, an increase of $227,516. The most significant difference is the increased other income (2011: $276,369; 2010: $nil) from the proceeds of the Carbo Property sale.

Other differences include:

- Increased investor relations expenses (2011: $58,666; 2010: $32,470) were incurred as part of new marketing initiatives;
- Increased consulting fees (2011: $196,869; 2010: $99,020) due to additional business expertise required during the current year;
- Decreased stock based compensation expense (2011: $213,958 recovery; 2010: $120,026 recovery) due to revaluations made for year-end;
- Increased gain on sale of asset backed commercial paper (2011: $53,904; 2010: $nil) as the Company sold some of the investment in the current year for an amount higher than

carrying value; and

- Increased gain on the sale of marketable securities (2011: $29,539; 2010: $nil) for shares sold during the current year.

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 $37,209,779. 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 it 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. 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 rare metals from the properties (tantalum and niobium) and rare earth elements. 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 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 year ended October 31, 2011, the Company has total assets of $54,478,390. The primary assets of the Company are deferred resource property costs of $37,209,779, asset backed commercial paper carried at $4,872,289, equipment of $450,260, marketable securities carried at $457,743, mining tax receivable of $6,612,745, GST/HST recoverable of $525,975, and cash (and cash equivalents) of $3,693,630. The Company has no long-term liabilities and has working capital of $8,301,279 as at October 31, 2011.

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:

	2011	2010
Administration fees	$1,080,000	$1,080,000
Consulting fees	411,622	104,402
Deferred exploration and development costs	5,318,923	3,625,623
Advertising and promotion	40,872	8,684
Office expenses	-	878
	$6,851,417	$4,819,587

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, 2011, $926,898 (2010: $535,426) was due to a company with a common director of the Company for fees and expenses related to geological consulting, $34,846 (2010: $8,390) was due to directors for consulting fees, $53,031 (2010: $22,500, was due to) was due from a company with a common director, and $17,933 (2010: $34,651) was due from another company with a common director. The payables and receivables are non-interest bearing and due on demand.

At October 31, 2011, $107,641 included in marketable securities (2010: $187,149) is with a public company 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:

	Year Ended October 31, 2011	**Year ended October 31, 2010**
Capitalized or Expensed Exploration and Development Costs	$15,502,193	$9,492,053
General and Administration Expenses	$4,675,701	$2,641,035

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:

	February 28, 2012	**October 31, 2011**	**October 31, 2010**	**October 31, 2009**
Common shares	147,781,422	147,781,422	130,699,640	130,517,140
Stock Options	11,038,483	11,038,483	8,420,000	7,540,000
Warrants	2,004,709	2,004,709	36,261,442	36,298,942
Brokers warrants	-	-	621,720	621,720
Fully Diluted Shares	160,824,614	160,824,614	176,002,802	174,977,802

For additional details of outstanding share capital, refer to the audited financial statements for the year ended October 31, 2011.

Changes in Accounting Policies

There have been no changes in the accounting policies. See Note 2 of the audited financial statements for additional details of the Company's significant accounting policies.

International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The eventual changeover to IFRS represents changes due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

IFRS will be required for the Company's interim and annual financial statements for fiscal year beginning in November 1, 2011. The transition date of November 1, 2010 will require the statement of the amounts reported by the Company for the year ended October 31, 2011. The Company has determined the impact of IFRS on its financial statements and will be filing its first set of financial statements under IFRS commencing January 31, 2012, being the first quarter of fiscal 2012.

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements. The opening balance sheet figures will also need to be audited by the Company's auditors. To comply with these requirements, the Company will gather additional information and the current reporting processes will be modified to provide the appropriate level of detail in order to prepare the Company's financial statements under IFRS.

Impact on the Internal Controls over Financial Reporting

The Company will make the appropriate changes to maintain the integrity of the Company's internal controls over financial reporting for the initial transition to IFRS, including the related note disclosures, as well as on-going financial reporting.

Impact on the Disclosure Controls and Procedures

IFRS requires additional disclosures in a number of areas including estimates, related party transactions, income taxes and impairment. In the year of adoption of IFRS, additional disclosures are required to show the transition from GAAP to IFRS for the opening balance sheet figures as of November 1, 2010. Reconciliations of equity and earnings (loss) are required with disclosure of the key differences.

Financial Reporting Expertise

The Company will ensure that the appropriate management oversight is in place and appropriate management review and approval is obtained for all additional financial and other material disclosures. The Company's accounting personnel will be trained in IFRS, and the Audit Committee will assess the Board of Director's IFRS knowledge and recommend any additional training that may be required.

Impact on the Business

The Company has reviewed its significant business activities to date and believes that none of these will be impacted by the transition to IFRS. Business process will be monitored during the following months to detect and address any previously not identified IFRS conversion issues.

Conversion Plan

The Company’s conversion plan to transition from Canadian GAAP to IFRS consists of three phases:

• Phase 1 (Scoping and diagnostic) – A preliminary diagnostic review which included the determination, at a high level, of the financial reporting differences and options under IFRS and the key areas that may be impacted was completed in 2010.

• Phase 2 (Impact analysis, quantification and evaluation) – In this phase, the Company will perform a detailed assessment and technical analysis of each area identified from Phase 1 that will result in the conclusion of IFRS transitional adjustments, decisions on accounting policy choices and the drafting of accounting policies. The Company has started this second phase with completion expected in the first quarter of 2012.

• Phase 3 (Implementation phase) – This phase includes the collection of financial information necessary to compile IFRS compliant financial statements and the preparation of the opening balance sheet as at November 1, 2011, and will be carried out in the first half of 2012.

Based on the review in Phase 1 and the work to date under Phase 2, a number of key accounting areas were identified where IFRS differs from current GAAP, which are expected to have an impact on the Company’s financial statements. These key areas are explained below. IFRS will require more extensive disclosure and analysis of balances and transaction in the notes to the financial statements. The Company’s review has not identified significant impact on its accounting processes, financial reporting systems and controls.

IFRS 1, First-time Adoption of IFRS

IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective applications of IFRS. The purpose of the options is to provide relief to companies and simplify the conversion process by not requiring them to recreate information that may not exist or may not have been collected at the inception of the transaction. We have analyzed the various exemptions available and are working towards implementing those most appropriate in our circumstances.

Property, Plant and Equipment

IFRS currently allows property, plant and equipment to be either recorded using the cost or revaluation models. Depreciation must be based on the useful lives of each significant component within property, plant and equipment. We have the option to record items of property, plant and equipment at their fair value on transition to IFRS. This value becomes the deemed cost of the asset. The Company expects to continue to record property, plant and equipment at their historical costs due to the complexity and resources required to determine fair values on an annual basis.

Mineral Properties, Exploration and Development Costs

IFRS currently allows exploration and evaluation expenses to be either capitalized or expensed. The Company expects to continue to capitalize its exploration and evaluation expenses.

Impairment of Mineral Properties

Canadian GAAP provides for a 2 step test with no impairment being required if the undiscounted future expected cash flows relating to an asset are higher than the carrying value of that asset. Under IFRS, the undiscounted cash flows are not considered and an impairment is recorded when the recoverable amount (defined as the higher of ‘value in use’ and `fair value less costs to sell’) is below the asset’s carrying value.

The Company will be required to adopt the discounted future cash flow approach with respect to impairment analysis of its mineral properties. Impairment under this approach may generate a greater likelihood of write-down in future.

Write down to net realizable value can be reversed under IFRS if the conditions of impairment ceased to exist. This difference in approach between Canadian GAAP and IFRS could result in potentially significant volatility in earnings.

Stock Based Compensation

Under IFRS, each instalment is to be treated as a separate share option grant with graded-vesting features, forfeitures are to be estimated at time of grant and revised if actual forfeitures are likely to differ from previous estimates and options granted to parties other than employees are measured on the date the goods or services received. The concept of employees and other providing similar services under IFRS is a broader concept under IFRS. The Company is currently recording its stock based compensation expenses on a straight line basis over the vesting period and forfeitures as they occur. The transition to IFRS would likely result in more variability in the compensation expenses.

The Company continues to monitor IFRS standards development as issued by the International Accounting Standard Board and the regulators which may affect the timing, nature and disclosure of the Company's adoption of IFRS.

Financial Instruments and Other Instruments

The Company has classified its financial instruments as follows:

- Cash and cash equivalents and short term investment 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 and measured at fair value at each period and subsequent revaluation resulting in gains or losses is recorded in accumulated other comprehensive income.

- Amounts receivable and amounts due from related parties are 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 and amounts due from related parties 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 establishes revised standards for the disclosure of financial instruments. This 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 nine months ended July 31, 2011, there were no significant transfers between level 1 and 2.

Proposed Transactions and Subsequent Events

a) Subsequent to October 31, 2011, the Company received total proceeds of $1,056,000 and $1,000,049 from the sale of 1,500,000 and 1,390,000 units of MAV II Class A-1Notes, respectively. Accrued interest paid associated with the redemption is respectively $2.436 and $713.

b) Subsequently to October 31, 2011, CIN issued the 8,000,000 common shares at $0.095 per share to the Company in regards to the amended Carbo Property agreement.

Industry and Economic Factors Affecting Performance

As a mineral exploration and development company, Commerce's performance is affected by a number of industry and economic factors and exposure to certain environmental risks and regulatory requirements. These include metal prices, competition amongst exploration firms for attractive mineral properties, the interest of investors in providing high-risk equity capital to exploration companies, and the availability of qualified staff and equipment such as drilling rigs to conduct exploration.

Risk Factors

Mineral exploration and development involves a high degree of risk such that few properties, which are explored, are ultimately developed into producing mines. With respect to the Company's properties, where mineral resources exist, substantial expenditures will be required to confirm ore reserves which are sufficient to commercially mine and to obtain the required environmental approvals and permitting required to commence commercial operations. Should any mineral resource be defined on such properties there can be no assurance that the mineral resources on such properties can be commercially mined or that the metallurgical processing will produce economically viable saleable products. The decision as to whether a property contains a commercial mineral deposit and should be brought into production will depend upon the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and/or geologists, all of which involves significant expense. This decision will involve consideration and evaluation of several significant factors including, but not limited to: (1) costs of bringing a property into production, including exploration and development work, preparation of production feasibility studies and construction of production facilities; (2) availability and costs of financing; (3) ongoing costs of production; (4) market prices for the minerals to be produced; (5) environmental compliance regulations and restraints (including potential environmental liabilities associated with historical exploration activities); and (6) political climate and/or governmental regulation and control.

Environmental Risks and Other Regulatory Requirements

Any future operations of the Company, including development activities and commencement of production on its properties, will require permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. In addition, agreements may be required with local native people groups that could have a material affect on the Company's operations. Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with the applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for the construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in the development of new mining properties.

Management

The Company is dependent on a relatively small number of key personnel, the loss of any of whom could have an adverse effect on the Company.

Forward Looking Statements

This Management Discussion & Analysis may contain forward-looking information and is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ from those projected in the forward-looking statements.

Readers can identify many of these statements by looking for words such as "believes", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof.

Forward-looking information is based on the opinions and estimates of management and its consultants at the date the information is given. It is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information. The information is based on reasonable assumptions which include but are not limited to those regarding actual costs for mining and processing and their impact on the cut off grade established, actual capital costs, forecasts of mine production rates, the timing and content of upcoming work programs, geological interpretations, potential process methods and mineral recoveries, the availability of markets for the products produced, market pricing for the products produced, etc.

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.

Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements. There can be no assurance that the plan, intentions or expectations upon which these forward looking statements are based will occur. Forward looking statements are subject to risks, uncertainties and assumptions. 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.

Readers are cautioned not to put undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements that are contained herein, except in accordance with applicable securities laws.

Additional Information

Additional information related to the Company can be found on the Company's website at www.commerceresources.com or on SEDAR at www.sedar.com.