COMMERCE RESOURCES CORP.

Management Discussion & Analysis for the Three Months January 31, 2012

The following discussion and analysis of the financial position and results of operations for COMMERCE RESOURCES CORP. (the "Company" or "Commerce") should be read in conjunction with the condensed interim financial statements for the **three months ended January 31, 2012** which are prepared in Canadian dollars and in accordance with International Accounting Standard 34 ("IAS 34") – Interim Financial Reporting. The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards "(IFRS"), which replaced Canadian Generally Accepted Accounting Principles ("GAAP") on January 1, 2010. Readers are referred to the Changes in Accounting Policy section of this MD&A. The condensed interim financial statements and notes thereto and the following discussion and analysis for the three months ended January 31, 2012 have not been reviewed by the Company's Auditor.

The effective date of this report is April 27, 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.

Results of Operations

Exploration and Development Activities

Resource property expenditures for the three months ended January 31, 2012, totalled $2,950,960, an increase of 71% over the level of expenditures of $1,728,544 in the three months ended January 31, 2011. Most of these expenditures (2012: $2,127,946, 2011: $1,125,541) were incurred on the Eldor Project with the balance being incurred on the Blue River Project (2012: $823,014, 2011: $589,470) and the Carbo Claims (2012: $nil, 2011: $13,533).

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 three months ended January 31, 2012, totalled $823,014 (2011 - $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 income for the three months ended January 31, 2012, was $177,293, compared to a net loss during the three months ended January 31, 2011 of $1,361,270. The most significant reasons for the increase in income is due to stock based compensation (2012: $nil; 2011: $740,295) which was higher in 2011 due to options granted in the prior year and an increase in other income (2012: $760,000; 2011: $nil) for shares received for the Carbo Property.

Other significant differences include:

- Decreased advertising and website expenses (2012: $74,337; 2011: $113,214) and investor relations expenses (2012: $16,873; 2011: $41,008) due to few marketing initiatives in the current year;
- Decreased filing and transfer agent fees (2012: $4,055; 2011: $18,250) due to a higher volume of options and warrants exercised in the prior year;
- Decreased consulting fees (2012: $64,258; 2011: $97,461) due to increased in-house business expertise in the current year;
- Increased loss on sale of asset backed commercial paper (2012: $93,000; 2011: $nil) as the Company sold some of the investment in the current year for an amount lower than carrying value; and
- Decreased loss on sale of marketable securities (2012: $nil; 2011: $23,501) as the Company sold some of the investment in the prior year for an amount lower than carrying value.

Asset Backed Commercial Paper

As at January 31, 2012, the Company held asset-backed commercial paper ("ABCP") issued by a number of trusts with an original cost of $4,774,791 (2011: $4,774,791). 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 8 of the financial statements for the three months ended January 31, 2012.

During the three months ended January 31, 2012, the Company received payments from settlement of $2,150,999 (2011: $218,824). As at January 31, 2012, the fair value of the ABCP as determined above was $2,999,972 (2011: $4,872,289) and the Company recorded an unrealized gain of $278,682 (2011: $794,524) from this instrument. During the three months ended January 31, 2012, $nil (2011 - $634) of the Class 9 notes were written off, of which was deemed uncollectible by an independent financial institute.

Marketable securities

As at January 31, 2012, the Company had $893,175 (2011 - $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. More information on Marketable Securities can be found in Note 5 of the financial statements for the three months ended January 31, 2012.

Summary of Quarterly Results

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

	January 31, 2012	October 31, 2011	July 31, 2011	April 30, 2011	January 31, 2011	October 31, 2010	July 31, 2010	April 30, 2010
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) before income taxes, discontinued and extraordinary items (Total)	177,293	(199,248)	(535,916)	(2,157,132)	(1,361,270)	(515,043)	(499,340)	(754,153)
Basic and diluted loss before discontinued and extraordinary items (Per share)	0.001	(0.001)	(0.004)	(0.020)	(0.010)	(0.004)	(0.004)	(0.006)
Net income (loss) (total)	177,293	(169,709)	(535,916)	(2,157,132)	(1,361,270)	(397,225)	(499,340)	(754,153)
Basic and diluted net loss (per share)	0.001	(0.001)	(0.004)	(0.020)	(0.010)	(0.003)	(0.004)	(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.

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 $40,160,739. 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 January 31, 2012, the Company has total assets of $52,384,343. The primary assets of the Company are deferred resource property costs of $40,160,739, asset backed commercial paper carried at $2,999,972, equipment of $626,589, marketable securities carried at $893,175, mining tax receivable of $6,612,745, GST/HST recoverable of $304,043, and cash (and cash equivalents) of $322,858. The Company has no long-term liabilities and has working capital of $7,356,171 as at January 31, 2012.

Commitments

On May 1, 2008, the Company entered into a Management & Administration Agreement with Zimtu Capital Corp. ("Zimtu"). Under the terms of the agreement, Zimtu will provide the Company with administrative and managerial services, including corporate maintenance, continuous disclosure services, rent, and office space, over a period of 12 months for $90,000 per month. During the year ended October 31, 2011, the agreement was extended until April 30, 2012.

Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

Transactions with Related Parties

The Company incurred the following fees and expenses in the normal course of operations and are measured at the exchange amount.

	Three months ended January 31,	
Related party transactions	**2012**	**2011**
Administration fees and rent	270,000	270,000
Consulting fees	63,588	31,012
Deferred exploration and development costs	880,631	568,720
Office expenses	-	3,809
Total	1,214,219	873,541

Amounts due to (from) related parties	**January 31, 2012**	**October 31, 2011**	**November 1, 2010**
Dahrouge Geological Consulting	198,246	926,898	535,426
nKwazi Resource Management	4,480	34,846	
Dr. Axel Hoppe	21,678	30,366	8,390
Triple Dragon	(17,933)	(17,933)	(34,651)
Zimtu Capital Corp.	(43,703)	(53,031)	22,500
Net amount payable	162,786	890,780	531,665

Zimtu Capital Corp. ("Zimtu") is related by way of common directorship with a director of the Company and provides monthly administrative and managerial services (see "Commitments"). At January 31, 2012, $88,071 (October 31, 2011 - $107,641; November 1, 2010 - $187,149) included in marketable securities is for shares held in Zimtu.

Dahrouge Geological Consulting. ("Dahrouge") is related by way of common directorship.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

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:

	April 27, 2012	January 31, 2012	October 31, 2011	October 31, 2010
Common shares	147,956,422	147,781,422	147,781,422	130,699,640
Stock Options	9,963,483	11,038,483	11,038,483	8,420,000
Warrants	2,004,709	2,004,709	2,004,709	36,261,442
Brokers warrants	-	-	-	621,720
Fully Diluted Shares	159,924,614	160,824,614	160,824,614	176,002,802

For additional details of outstanding share capital, refer to the condensed interim financial statements for the three months ended January 31, 2012.

Adoption of International Financial Reporting Standards (IFRS)

The Company adopted IFRS on November 1, 2011 with a transition date of November 1, 2010. See Notes 3 and 4 of the interim condensed financial statements for the three months ended January 31, 2012, for a detailed listing of the Company's new accounting policies.

In preparing the opening IFRS statement of financial position, comparative information, and the financial statements for the year ended October 31, 2011 in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards (IFRS 1)*, the Company applied the following optional exemptions from full retrospective application of IFRS:

a. Share-based payment transactions

The Company elected to use the IFRS 1 exemption whereby the liabilities for share-based payments that had vested or settled prior to January 1, 2010 were not required to be retrospectively restated.

IFRS requires the presentation of a reconciliation of the statements of financial position, comprehensive loss and cash flows for the prior period. The adoption of IFRS has resulted in no reclassifications in the Company's reported financial position at November 1, 2010, January 31, 2011, and October 31, 2011.

Future Accounting Standards

The following amendments are not expected to have any impact on the financial results of the Company:

- Amendments to IFRS 7, Financial Instruments: Disclosures
- Amendments to IAS 1, Presentation of Financial Statements
- Amendments to IAS 24, Related Party Disclosures
- Amendments to IAS 34, Interim Financial Reporting
- Amendments to IAS 12, Income Taxes
- IFRS 9, Financial Instruments
- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 13, Fair Value Measurement
- Amendments to IAS 27, Separate Financial Statements
- Amendments to IAS 28, Investments in Associates and Joint Ventures

Financial Instruments

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein.

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents, amounts receivable, due from related parties and investments in asset-backed commercial paper are subject to credit risk for a maximum of the amounts shown on the balance sheet. The Company monitors its credit risk management practices continuously to evaluate their effectiveness.

At January 31, 2012, cash and cash equivalents of $322,858 (October 31, 2011 - $3,693,630; November 1, 2010 - $7,128,737) consisted of cash balances of $67,768 (October 31, 2011 - $812,296; November 1, 2010 - $1,499,624) on deposit with Canadian chartered banks and $255,090 (October 31, 2011 - $2,881,334; November 1, 2010 - $5,629,113) in money market funds.

The Company mitigates credit risk on these financial instruments by adhering to its investment policy that outlines credit risk parameters and concentration limits.

b) Liquidity Risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company currently has adequate liquidity to fund its financial liabilities which are comprised of accounts payable and accrued liabilities and due to related parties.

c) Market Risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Company's marketable securities and investment in asset-backed commercial paper are subject to market risk.

i) Currency Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying commodity price for minerals is impacted by changes in the exchange rate between the Canadian and United States dollar. As all of the Company's transactions are denominated in Canadian dollars, the Company is not significantly exposed to foreign currency exchange risk at this time.

ii) Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.

iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on its cash and cash equivalents and investments in asset-backed commercial paper. The sensitivity in interest rates of a decrease by 10% would result in an approximate decrease of $10,000 (2011: $10,000) in net annual earnings. The sensitivity analysis on ABCP providing the effect on other comprehensive income if interest rates were to increase by 1% for the three months ended January 31, 2012 is $149,000 (2011: $222,000).

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at January 31, 2012, October 31, 2011, and November 1, 2010:

	As at January 31, 2012		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 322,858	$ -	$ -
Short term investments	$ 34,500	$ -	$ -
Marketable securities	$ 893,175	$ -	$ -
Asset-backed commercial paper	$ -	$ -	$ 2,999,972
	$ 1,250,533	$ -	$ 2,999,972

	As at October 31, 2011		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 3,693,630	$ -	$ -
Short term investments	$ 34,500	$ -	$ -
Marketable securities	$ 457,743	$ -	$ -
Asset-backed commercial paper	$ -	$ -	$ 4,872,289
	$ 4,185,873	$ -	$ 4,872,289

	As at November 1, 2010		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 7,128,737	$ -	$ -
Short term investments	$ 34,500	$ -	$ -
Marketable securities	$ 481,037	$ -	$ -
Asset-backed commercial paper	$ -	$ -	$ 4,243,319
	$ 7,644,274	$ -	$ 4,243,319

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the exploration of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure which is comprised of working capital and shareholders' equity.

The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the exploration of its mineral properties, the Company prepares annual expenditure budgets which are updated as necessary and are reviewed and periodically approved by the Company's Board of Directors. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties.

The Company's investment policy is to hold excess cash in interest-bearing bank accounts.

Proposed Transactions and Subsequent Events

a) Subsequent to the three months ended January 31, 2012, 150,000 stock options priced at $0.26 and expiring on March 16, 2012, and 25,000 stock options priced at $0.26 and expiring April 17, 2012 were exercised.

b) Subsequent to the three months ended January 31, 2012, 850,000 stock options priced at $0.26 and

50,000 stock options priced at $1.15 expired.

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.