COMMERCE RESOURCES CORP.

Management Discussion & Analysis for the Year Ended October 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 audited financial statements for the **year ended October 31, 2012** which are prepared in Canadian dollars and in accordance with International Financial Reporting Standards (“IFRS”), which replaced Canadian Generally Accepted Accounting Principles (“GAAP”) on November 1, 2010. Readers are referred to the Adoption of International Financial Reporting Standards (IFRS) section of this MD&A.

The effective date of this report is February 25, 2013.

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 (“AMEC”) is working on an updated mineral resource estimate that will include the results of exploration in 2012, as well as 34 additional drill holes (totalling 8,715m) of infill drilling completed in 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.

A positive PEA on the rare earth element development potential of the Eldor Project was completed in May 2012. The Company’s exploration activities have led to the discovery of a significant REE deposit;

the Ashram Deposit. A PEA for the Ashram was announced in May 2012. The PEA, prepared by SGS Canada Inc., indicates that the deposit can be developed economically as an open-pit mine and recommends future work applicable to the pre-feasibility and feasibility phases of economic evaluation.

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:

	Fiscal year ended October 31		
	2012*	2011*	2010**
	$	$	$
Total Revenues	Nil	Nil	Nil
Loss from continuing operations	(200,080)	(4,224,027)	(2,372,288)
Loss from continuing operations (per share, basic and diluted)	(0.00)	(0.03)	(0.02)
Net loss	(200,080)	(4,224,027)	(2,372,288)
Net loss (per share, basic and diluted)	(0.00)	(0.03)	(0.02)
Net loss and comprehensive loss for the year	(2,207,884)	(3,963,902)	(2,154,144)
Total assets	51,883,708	54,478,390	44,235,587
Total long term financial liabilities	Nil	Nil	Nil
Cash dividend declared per share	Nil	Nil	Nil

* Figures for years ended October 31, 2012 and 2011 are expressed under IFRS.

** Figures for year ended October 31, 2010 are expressed under Canadian GAAP.

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 year ended October 31, 2012, totalled $8,591,038, compared to $15,502,193 in the year ended October 31, 2011 and $9,492,053 in the year ended October 31, 2010. Most of these expenditures (October 31, 2012: $4,835,365, October 31, 2011: $9,829,809, November 1, 2010: $3,992,981) were incurred on the Eldor Project with the balance being incurred on the Blue River Project (October 31, 2012: $3,755,673, October 31, 2011: $5,667,314, November 1, 2010: $5,493,905) and the Carbo Claims (October 31, 2012: $nil, October 31, 2011: $5,070, November 1, 2010: $5,167).

The decrease is due to the reduced exploration activities on the properties, including engineering, environmental and geological work at the Blue River Project, as well as exploration and engineering work 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, 2012, totalled $3,755,673 (October 31, 2011: $5,667,314, November 1, 2010: $5,493,905). Most of the work done this year has been with the objective of better defining the Upper Fir deposit as well as providing the necessary technical data to support engineering investigations.

A positive NI 43-101 PEA, prepared by independent consultants, AMEC, 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 modelling and preliminary metallurgical and process flow sheet designs.

In addition, AMEC completed the "Blue River Tantalum-Niobium Project, British Columbia, Canada, NI 43-101 Technical Report on Mineral Resource Update" with an effective date of June 22, 2012, and determined a base case Indicated mineral resource of 51.8 million tonnes containing 192 ppm (gpt) Ta_2O_5 and 1,490 ppm (gpt) Nb_2O_5. Base case Inferred mineral resources are 8.8 million tonnes containing 186 ppm (gpt) Ta_2O_5 and 1,660 ppm (gpt) Nb_2O_5. AMEC used a total of 237 drill holes comprising 50,395 metres of HQ drill core and 12,736 samples to develop the mineral resource estimate.

2012 Work Program:

During 2012, the Company carried out geological, engineering, metallurgical and environmental programs to support the advancement of exploration and development at the Blue River Project. The results strengthened the foundation of broadly based technical knowledge developed in 2011, and following completion of the mineral resource update currently in progress by independent consultants AMEC, will be sufficient to support the initiation of a pre-feasibility study (PFS).

Metallurgical Test Work in 2012

Metallurgical work in 2012 has continued to update and optimize the process flow sheet described in the PEA study completed by AMEC on the Blue River Project (effective date of September 29, 2011). In addition, the Company commissioned Acme Metallurgical Ltd. to initiate a Phase 2 investigation designed to follow-up the previous successful results which had tested flotation as the preferred method to remove the larger portion of fine slimes and carbonatite minerals early in the process.

In addition, results are nearing completion for metallurgical investigations which considered the effects of variable tantalum and niobium grades, mineralogy and lithological textures. This work will be reported once results are received and reviewed.

2012 Field Exploration and Results

During 2012, the Company completed a field exploration program which completed in late August. A structural geology review of outcrop, core and previous data refined concepts of "faults" versus "fractures" and confirmed the previously held view that most faults have low displacement, likely resulting from tectonic uplift and expansions. The Company also re-logged selected diamond drill core from 2005-2009 with a particular focus on rock types, structures and carbonatite textures to ensure conformity of these aspects over time. The work provided only minor changes, but added considerable structural detail. This will increase the level of confidence in structural model interpretation and therefore better support for the resource block model.

An independent structural geology review of 2005-2010 data was conducted to support use of the carbonatite model in resource definition. The review verified the structural data previously collected and broadly supported the structural constraints in the 2011 block model, as well as the new model which will be used in the Mineral Resource Update.

Upcoming Mineral Resource Update

A Mineral Resource Update and subsequent technical report which will incorporate all data from 2005 through 2012 is underway by AMEC with completion targeted for the first quarter of 2013. This work will build from the previous Mineral Resource Update technical report in which AMEC compared results from the 34 holes totalling 8,715m drilled in 2011, after the closure of the resource database to the updated resource model and found them to be reasonably consistent with the geology predicted by the model.

Environmental baseline investigations, including water quality, hydrology and vegetation studies, which commenced in 2006 are continuing and will contribute to the ongoing environmental assessment.

Eldor Rare Earth Project

The Eldor Property is situated in northern Quebec approximately 130 km south of the town of Kuujjuaq. 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, 2012, totalled $4,835,365 (October 31, 2011: $9,829,809, November 1, 2010: $3,992,981).

In May 2012, the Company reported a positive NI 43-101 PEA for the Ashram Deposit. The PEA, prepared by independent consultants SGS Canada Inc. - Geostat (SGS Geostat) of Montreal (Blainville), indicates that the deposit can be developed economically as an open-pit mine and recommends future work applicable to the pre-feasibility and feasibility phases of economic evaluation.

Key findings of the PEA:

- 4,000 t/d, open-pit operation with 0.19:1 (waste:ore) strip ratio over 25 year mine life
- Pre-tax Net Present Value (NPV) of $2.32 billion dollars at a 10% discount rate
- Pre-tax Internal Rate of Return (IRR) of 44% and pre-tax payback period of 2.25 years
- Estimated capital cost of $763 million (including 25% contingency)
- Estimated operating cost of $95.20/tonne treated, or approximately $7.91/ kg of rare earth oxide (REO) produced
- Greater than 175 years worth of mineable mineralized material (open pit + underground) using a Cut-off Grade (CoG) of 1.25% TREO
- Annual production averaging ~16,850 tonnes of rare earth oxide over life of mine, including 2,870 tonnes Nd oxide, 96 tonnes Eu oxide, 26 tonnes Tb oxide, 106 tonnes Dy oxide, and 440 tonnes Y oxide
- Rare earth element host mineralogy (monazite, bastnaesite, and xenotime) comprises phases amenable to recovery with processing using conventional and proven techniques

The PEA uses the mineral resource estimate for the Ashram Deposit released on March 6, 2012 (SGS Geostat, 2012), which is an approximate 100% increase in tonnage over the Company's initial inferred mineral resource estimate. This resource includes all drilling completed at the Ashram Deposit to date (15,691.74 metres in 45 holes). The mineral resource estimate is as follows:

Cut-off	Confidence Category	Tonnage (t)	TREO (%)	LREO (%)	MREO (%)	HREO (%)	MHREO (%)	MHREO/TREO (%)
1.25	Measured	1,590,000	1.77	1.60	0.089	0.085	0.17	9.8%
	Indicated	27,670,000	1.90	1.77	0.073	0.056	0.13	6.7%
	Inferred	219,800,000	1.88	1.77	0.068	0.045	0.11	6.0%

- The base case TREO cut-off grade (CoG) for the reporting of the 2012 mineral resource estimate was retained from the 2011 base case CoG of 1.25% TREO. Using the Ashram basket price of $35.02 per kg, the marginal (mill) CoG was calculated at 0.51% TREO. Although all material above 0.51% TREO is considered economic, a mining CoG of 1.25% TREO was selected in order to maximize the mill feed grade.
- LREO (Light Rare Earth Oxides) = La_2O_3 + Ce_2O_3 + Pr_2O_3 + Nd_2O_3
- MREO (Middle Rare Earth Oxides) = Sm_2O_3 + Eu_2O_3 + Gd_2O_3
- HREO (Heavy Rare Earth Oxides) = Tb_2O_3 + Dy_2O_3 + Ho_2O_3 + Er_2O_3 + Tm_2O_3 + Yb_2O_3 + Lu_2O_3 + Y_2O_3
- MHREO (Middle and Heavy Rare Earth Oxides) = MREO + HREO
- MHREO / TREO, ratio expressed as a percent

The rare earth mineralized footprint at Ashram extends approximately 700 metres along strike, over 500 metres across, and to depths exceeding 600 metres. Mineralization remains open to the north, south, at depth, and is not fully constrained to the west and east.

2012 Work Program:

Commerce's 2012 work program for the Eldor consists of fieldwork, mineralogical and metallurgical testing, and environmental baseline data collection. The programs have made significant metallurgical advancements from those detailed in the news release dated November 15, 2012 and the highlights are:

- Production of <u>reproducible, high-grade,</u> rare earth mineral concentrates with greater than 30.0% TREO
- Successful application of wet high intensity magnetic separation (WHIMS) to mineral concentrate upgrading
- Significant advancement in sulphation roast-leaching ('cracking') of mineral concentrates using a two-acid method

<u>General and Administrative</u>

Net loss for the year ended October 31, 2012, was $200,080, compared to a net loss during the year ended October 31, 2011 of $4,224,027, for a difference of $4,023,947. The most significant reasons for the decrease in net loss are due to stock based compensation (2012: $nil; 2011: $2,113,133) which was higher in 2011 due to options granted, and an increase in the gain on the disposition of asset backed commercial paper (2012: $1,315,445; 2011: $53,904).

Other significant differences include:

- Decreased advertising and website expenses (2012: $222,458; 2011: $420,179) and investor relations expenses (2012: $66,408; 2011: $193,234) due to fewer marketing initiatives in the current year;
- Increased bank charges and interest (2012: $22,081, 2011: $2,507) due to interest charged on adjustments to a prior year tax filing;
- Decreased filing and transfer agent fees (2012: $45,330; 2011: $65,441) due to costs related to the private placement in the prior year;
- Decreased consulting fees (2012: $246,875; 2011: $473,341) due to increased services provided by in-house business expertise in the current year;
- Increased professional fees (2012: $434,777, 2011: $74,738) due to additional legal and professional services incurred in the current year;
- Decreased interest income (2012: $40,210, 2011: $123,655) due to fewer investments held;
- Decreased impairment of mineral properties (2012: $nil; 2011: $39,896) as the Company wrote off the costs for some small property claims it had previously held in the prior year; and

- Increased other income (2012: $760,000; 2011: $276,369) as the Company received shares for the sale of the Carbo Property in the current year.

Asset Backed Commercial Paper

As at October 31, 2012, the Company held asset-backed commercial paper ("ABCP") issued by a number of trusts with an original cost of $1,172,074 (October 31, 2011: $7,666,741, November 1, 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 8 of the audited financial statements for the year ended October 31, 2012.

During the year ended October 31, 2012, the Company received payments from settlement of $4,653,094 (2011: $218,824) and recognized a gain on sale of ABCP of $1,315,445 (2011: $53,904). As at October 31, 2012, the fair value of the ABCP as determined above was $248,446 (October 31, 2011: $4,872,289, November 1, 2010: $4,243,319) and the Company recorded an unrealized gain of $28,670 (2011: $794,524) from this instrument. During the year ended October 31, 2012, $nil (October 31, 2011 - $634) of the Class 9 notes were written off, of which was deemed uncollectible by an independent financial institute.

Marketable Securities

As at October 31, 2012, the Company had $348,774 (October 31, 2011 - $457,743, November 1, 2010: $481,037) 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 audited financial statements for the year ended October 31, 2012.

Summary of Quarterly Results

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

	October 31, 2012	July 31, 2012	April 30, 2012	January 31, 2012	October 31, 2011	July 31, 2011	April 30, 2011	January 31, 2011
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) before income taxes, discontinued and extraordinary items (Total)	1,133,419	(465,950)	(753,914)	(177,293)	(199,248)	(535,916)	(2,157,132)	(1,361,270)
Basic and diluted loss before discontinued and extraordinary items (Per share)	0.008	(0.003)	(0.005)	(0.001)	(0.001)	(0.004)	(0.020)	(0.010)
Net income (loss) (total)	1,197,077	(465,950)	(753,914)	(177,293)	(169,709)	(535,916)	(2,157,132)	(1,361,270)
Basic and diluted net income (loss) (per share)	0.008	(0.003)	(0.005)	(0.001)	(0.001)	(0.004)	(0.020)	(0.010)

The fluctuations on quarterly net income are primarily due to the gain on disposition of asset backed commercial paper recognized.

Fourth Quarter

Net income for the three months ended October 31, 2012, was $1,197,077, compared to a net loss during the three months ended October 31, 2011 of $169,709, for a difference of $1,366,786. The most significant reason for the increase in net income is due to the gain on the disposition of asset backed commercial paper (2012: $1,315,445; 2011: $53,904).

Other significant differences include:

- Decreased advertising and website expenses (2012: $23,344; 2011: $107,557), investor relations expenses (2012: $7,978; 2011: $58,666), and travel expenses (2012: $28,262, 2011: $71,130) due to fewer marketing initiatives and less travel in the current quarter;
- Decreased consulting fees (2012: $37,070; 2011: $196,869) due to increased services provided by in-house business expertise in the current quarter;
- Increased stock-based compensation fees (2012: $nil; 2011: $213,958 recovery) due to evaluations made for year-end in the prior quarter;
- Increased professional fees (2012: $161,879, 2011: $45,716) due to additional legal and professional services incurred in the current quarter;
- Decreased interest income (2012: $9,764, 2011: $30,890) due to fewer investments held;
- Decreased impairment of mineral properties (2012: $nil; 2011: $39,896) as the Company wrote off the costs for some small property claims it had previously held in the prior quarter;
- Decreased other income (2012: $nil; 2011: $276,369) due to the timing of the shares received for the sale of the Carbo property; and
- Increased gain on disposition of marketable securities (2012: $1,316,870; 2011: $86,438) as the Company sold a significant amount of its ABCP investments in the current quarter for an amount greater than carrying value.

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 exploration and evaluation assets, carried at $44,034,212. 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 October 31, 2012, the Company has total assets of $51,883,708. The primary assets of the Company are exploration and evaluation assets of $44,034,212, asset backed commercial paper carried at $248,446, equipment of $644,570, marketable securities carried at $348,774, mining tax receivable of $5,529,544, non-current prepaid expenses of $237,886, current prepaid expenses of $134,642, GST/HST recoverable of $227,270, and cash and cash equivalents of $309,661. The Company has no long-term liabilities and has working capital of $5,110,931 as at October 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. The agreement was extended on May 1, 2012, for a term of one year.

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.

	Years ended October 31,	
Related party transactions	**2012**	**2011**
Administration fees and rent (a)	1,080,000	1,080,000
Consulting fees	232,705	411,622
Deferred exploration and development costs	3,399,297	5,318,923
Office, promotion, and travel expenses	55,583	40,872
Total	4,767,585	6,851,417

Amounts due to (from) related parties	**October 31, 2012**	**October 31, 2011**	**November 1, 2010**
Dahrouge Geological Consulting (b)	583,276	926,898	535,426
nKwazi Resource Management (c)	-	4,480	-
Nimbus Resource Management (c)	23,500	19,443	-
Dr. Axel Hoppe, director	5,564	30,366	8,390
Pasinex Resources Limited (b)	-	(17,933)	(34,651)
Zimtu Capital Corp. (b)	(17,811)	(53,031)	22,500
Net amount payable	594,529	910,223	531,665

(a) Zimtu Capital Corp. ("Zimtu") is related by way of common directorship with a director of the Company and provides monthly administrative and managerial services. At October 31, 2012, $61,161 (October 31, 2011 - $107,641; November 1, 2010 - $187,149) included in marketable securities is for shares held in Zimtu.

(b) A company with a common director of the Company.

(c) A company owned by a director of the Company.

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. The amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

At October 31, 2012, $61,161 included in marketable securities (October 31, 2011: $107,641; November 1, 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, 2012	**Year ended October 31, 2011**
Capitalized or Expensed Exploration and Development Costs	$8,591,038	$15,502,193
General and Administration Expenses	$2,379,393	$4,675,701

Disclosure of Outstanding Share Capital

The following is a breakdown of the share capital of the Company, on an annual basis and the date of this report:

	February 25, 2013	**October 31, 2012**	**October 31, 2011**	**October 31, 2010**
Common shares	167,183,642	153,408,088	147,781,422	130,699,640
Stock Options	13,888,178	9,073,067	11,038,483	8,420,000
Warrants	11,693,319	4,805,542	2,004,709	36,261,442
Brokers warrants	-	-	-	621,720
Fully Diluted Shares	192,765,139	167,286,697	160,824,614	176,002,802

For additional details of outstanding share capital, refer to the audited financial statements for the year ended October 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 audited financial statements for the year ended October 31, 2012, for a detailed listing of the Company's new accounting policies.

The Company's financial statements for the year ending October 31, 2012 are the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was November 1, 2010 (the "Transition Date"). IFRS 1 requires first time adopters to retrospectively apply all the effective IFRS standards as of the reporting date of October 31, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to the transition to IFRS, the Company prepared its financial statements in accordance with Canadian GAAP.

The Company has applied the following exemptions to its opening statement of financial position dated November 1, 2010:

Share-based Payments

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payments to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to November 1, 2010.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated November 1, 2010:

Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of November 1, 2010 are consistent with its GAAP estimates for the same date.

While IFRS employs a conceptual framework that is similar to Canadian GAAP, some differences exist in certain matters of recognition, measurement and disclosure. The adoption of IFRS has resulted in no reclassifications in the Company's statements of financial position, statements of operations and comprehensive income and statements of cash flows as at November 1, 2010 and October 31, 2011.

Future Accounting Standards

For details of the Company's Future Accounting Standards, including accounting standards not yet adopted, new accounting standards adopted, and accounting standards amended but not yet effective, please refer to Note 4 of the Company's audited financial statements for the year ended October 31, 2012.

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 statements of financial position. The Company monitors its credit risk management practices continuously to evaluate their effectiveness.

At October 31, 2012, cash and cash equivalents of $309,661 (October 31, 2011 - $3,693,630;

November 1, 2010 - $7,128,737) consisted of cash balances of $53,909 (October 31, 2011 - $812,296; November 1, 2010 - $1,499,624) on deposit with Canadian chartered banks and $255,752 (October 31, 2011 - $2,881,334; November 1, 2010 - $5,629,113) in money market funds. As at October 31, 2012, the Company has asset-backed commercial paper fair valued at $248,446 (October 31, 2011 - $4,872,289; November 1, 2010 - $4,243,319).

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 1% would result in an approximate decrease of $12,000 (October 31, 2011: $77,000) 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 year ended October 31, 2012 is $10,000 (October 31, 2011: $222,000).

d) Fair Value

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 October 31, 2012, October 31, 2011, and November 1, 2010:

	As at October 31, 2012		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 309,661	$ -	$ -
Short term investments	$ 34,500	$ -	$ -
Marketable securities	$ 348,774	$ -	$ -
Asset-backed commercial paper	$ -	$ -	$ 248,446
	$ 692,935	$ -	$ 248,446

	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

Level 3 financial assets consist of the following investments in ABCP including Master Asset Vehicle II ("MAV II") notes and Ineligible Asset Tracking notes as at October 31, 2012, October 31, 2011 and November 1, 2010:

	October 31, 2012			October 31, 2011			November 1, 2010		
	Face value	Fair value variances	Fair value	Face value	Fair value variances	Fair value	Face value	Fair value variances	Fair value
MAV II Notes									
Class A-1	-	-	-	4,503,315	(1,146,861)	3,356,453	4,503,315	(1,478,915)	3,024,399
Class A-2	-	-	-	1,980,871	(684,812)	1,296,059	1,980,871	(940,619)	1,040,252
Class B	353,772	(143,873)	209,899	353,772	(166,572)	187,200	353,772	(201,719)	152,053
Class C	233,913	(222,894)	11,019	233,913	(224,683)	9,230	233,913	(227,266)	6,647
	587,685	(366,767)	220,918	7,071,871	(2,222,928)	4,848,943	7,071,871	(2,848,519)	4,223,352
Ineligible Asset									
Tracking Notes	584,389	(556,860)	27,528	591,626	(568,281)	23,346	702,683	(682,716)	19,967
	1,172,074	(923,628)	248,446	7,663,497	(2,791,209)	4,872,289	7,774,554	(3,531,235)	4,243,319

The MAV II notes received as a result of the restructuring of third party sponsored ABCP by the Pan-

Canadian Investors Committee in January 2009 include a pooling of leveraged investments as well as traditional assets and cash. The leveraged investments are subject to a potential requirement post additional collateral based on certain triggers being met (a margin call). Traditional assets are un-levered investments and include residential and commercial mortgage backed securities, corporate credit and cash equivalents. Class A-1, Class A-2 and Class B Notes will bear interest at the Bankers' Acceptance ("BA") rate less 0.50% and Class C Notes will bear interests at the BA rate plus 20%.

The IA Tracking Notes will bear interest at a rate based on the net rate of return generated by the underlying tracking assets. The maturities of the notes are based on the maturities of the underlying assets. These notes will not be rated.

The Company is aware of a number of trades in the restructured notes that have occurred prior to October 31, 2012, but does not consider them to constitute an active market. Accordingly, the Company has not used these trades to determine the fair value of its notes. As described in Note 8, the Company has used a probability weighted discounted cash flows approach to determine the fair value of these investments, incorporating available information regarding market conditions as at the measurement date, October 31, 2012. These estimates arrived at by the Company are subject to measurement uncertainty and are dependent on market conditions as at the measurement date.

If an active market for the restructured notes were to develop in the future, the Company would change its valuation technique to determine the fair value of its notes using quoted market prices.

e) Capital Management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at October 31, 2012, the Company's shareholders' equity was $50,358,045 (October 31, 2011 - $51,258,157; November 1, 2010 - $43,047,482). 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.

Proposed Transactions and Subsequent Events

a. On December 12, 2012, the Company completed a brokered private placement with Marquest Capital Markets and Casimir Capital Ltd. (the "Agents") in the amount of 6,438,890 flow-through units (the "FT Units") at a price of $0.18 per flow-through unit for gross proceeds of $1,159,000. The FT Units consist of one flow-through common share (a "FT Share") and one half of one non-transferable share purchase warrant (each, a "Warrant"). One whole Warrant will entitle the holder to purchase one additional common share (a "Warrant Share") of the Company at a price of $0.25 per share until June 11, 2014. The FT Units, FT Shares, Warrants and Warrants Shares are subject to a hold period expiring on April 12, 2013. In addition with the private placement, the Company paid the Agents a cash commission of 8% of the gross proceeds of FT Units and issued 8% of the number of FT Units sold on options (the "Agents' Option") totalling 515,111 Agents' Option to purchase additional common shares (the "Agents' Option Share"), with each Agents' Option being exercisable at a price of $0.25 per Agents' Option Share until June 11, 2013. On December 31, 2012, the Company filed the renouncement of the qualified expenditures in full of $1,159,000.

The Company also closed a non-brokered private placement of 7,336,664 FT Units for gross proceeds of $1,320,600. The non-brokers FT Units were issued at the same price and on the same terms as the brokered private placement. No finder's fee or commissions were paid. On December 31, 2012, the Company filed the renouncement of the qualified expenditures in full of $1,320,600.

b. Subsequently to October 31, 2012, the Company redeemed its ABCP Class 15 (IA) Notes in full for $403,568 and partial of its ABCP Class 11 (IA) Notes for $1,627 and realized a gain on sale of ABCP of $402,661.

c. On December 31, 2012, the Company filed the renouncement of the qualified expenditures of $1,680,500 in full for the flow-through shares issued respectively on August 2 and August 3, 2012. See Note 11 (b).

d. On February 8, 2013, the Company granted 4,300,000 incentive stock options, exercisable into one common share of the Company at a price of $0.15 per share for a period of 5 years. The Company also announced, subject to the approval of the Exchange, the re-pricing of 1,985,000 incentive stock options issued to consultants of the Company, to reflect current market conditions. The options were originally granted in 2009, 2010, and 2011 at prices ranging from $0.26 to $0.81. The new exercise price for these options will be $0.15 per share. The modification will have no impact on the fair value of the stock options as they were 100% vested when granted.

e. Subsequent to the year ended October 31, 2012, the Company received its refund for the 2011 Quebec mining tax credits of $3,761,528, including interest on refund of $18,640.

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.

Approval

The Board of Directors of Commerce Resources Corp. has approved the disclosure contained in this MD&A.

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.