



## **Management Discussion & Analysis for the Nine Months Ended July 31, 2021**

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 **nine months ended July 31, 2021**, which are prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”). All financial figures presented herein are expressed in Canadian Dollars (CDN\$) unless otherwise specified.

The effective date of this report is September 27, 2021.

### **Nature of Business**

Commerce Resources Corp. is a Canadian mineral exploration and development company, listed on Tier 1 of the TSX Venture Exchange in Canada (“CCE”) and the Frankfurt Stock Exchange in Germany (“D7H”). The Company’s primary focus is on rare earth elements (“REEs”) and the rare metals tantalum and niobium. Commerce’s principal assets are the Eldor Property in Quebec and the Blue River Tantalum-Niobium Property in British Columbia. The technical information included in this Management Discussion & Analysis (“MD&A”), unless otherwise stated, has been reviewed by Darren L. Smith, M.Sc., P. Geol., of Dahrouge Geological Consulting Ltd. Mr. Smith is a Qualified Person under National Instrument 43-101 (“NI 43-101”).

The total issued and outstanding shares of the Company total 83,013,201 as at July 31, 2021 (October 31, 2020: 50,890,293) and 83,013,201 as of the date of this report.

The Company’s exploration activities have led to the discovery of a significant REE deposit; the Ashram Deposit. A positive Preliminary Economic Assessment (“PEA”) was completed on the rare earth element development potential of the Ashram Deposit (Effective date of July 5, 2012; revised January 7, 2015). The PEA, prepared by SGS Canada Inc., indicates that the deposit could potentially be developed economically as an open-pit mine and recommends future work applicable to the Pre-Feasibility and Feasibility study phases of economic evaluation.

For the Blue River Property, independent consultant Amec Foster Wheeler Americas Limited (“AFW”) and consultant Nimbus Management Ltd completed a NI 43-101 Technical Report on the Blue River Property (as defined herein) effective March 18, 2015.

The Company is currently looking for additional financing in order to advance the Company’s properties and for general working capital. As such, the Company’s activities are limited by the financial constraints the Company faces. All efforts have been put forth to raise capital, including reducing the prices of warrants in order to hopefully encourage shareholders to exercise their warrants.

Chris Grove, President of Commerce Resources Corp. continues to liaise with current shareholders and new potential sources of capital, as well as responding to the expressions of interest from global majors in the Company’s two projects.

## **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		
	2020	2019	2018
	\$	\$	\$
Total Revenues	Nil	Nil	Nil
Loss from continuing operations	(827,411)	(1,143,471)	(799,978)
Loss from continuing operations (per share, basic and diluted)	(0.02)	(0.04)	(0.03)
Net loss	(827,411)	(1,143,471)	(799,978)
Net loss (per share, basic and diluted)	(0.02)	(0.04)	(0.03)
Net comprehensive loss for the year	(827,411)	(1,143,471)	(806,746)
Total assets	63,834,828	62,973,108	62,057,123
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.

During the year ended October 31, 2018, the Company significantly decreased expenses due to a reduction in exploration activities.

During the year ended October 31, 2019, the Company's operating expenses significantly increased due to share-based compensation recorded for options granted during the year. Other cost increases included interest expense and increased travel and promotion due to fund-raising efforts.

During the year ended October 31, 2020, the Company's operating expenses were consistent with the costs in the prior year, with the exception of share-based compensation.

## **Results of Operations**

### *Exploration and Development Activities*

Resource property expenditures for the nine months ended July 31, 2021 totalled \$1,136,815, compared to \$413,287 during the nine months ended July 31, 2020. Of the total, (2021: \$1,064,259, 2020: \$340,467) was incurred on the Eldor Property and the balance was incurred on the Blue River Project (2021: \$72,556, 2020: \$72,820).

The increase in resource property spending over the last few years is due to the availability of cash. The Company intends to increase the spending now that it has successfully raised additional capital.

## Eldor Property

The Eldor Property is situated in northern Quebec approximately 130 km south of the town of Kuujuaq. The Property is 100%-owned by the Company and is composed of 244 claims comprising approximately 11,475 hectares, including the Ashram Rare Earth Deposit (“Ashram Deposit”). Of the 244 claims that comprise the Eldor Property, a total of 26 claims (1,223 ha) are currently under Option Agreement to Saville Resources Inc. where they may earn up to a 75% interest subject to certain terms and conditions. As of the Effective Date of this report, no earn-in percentage has vested.

Exploration expenditures during the nine months ended July 31, 2021, totalled \$1,064,259 (July 31, 2020: \$340,467).

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

Key findings of the PEA (in Canadian dollars):

- 4,000 t/d open-pit operation with 0.19:1 (waste: mineralization) strip ratio over a 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
- 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):

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. An Ashram basket price assumption of \$35.02 per kg was used.
- LREO (Light Rare Earth Oxides) = La<sub>2</sub>O<sub>3</sub> + Ce<sub>2</sub>O<sub>3</sub> + Pr<sub>2</sub>O<sub>3</sub> + Nd<sub>2</sub>O<sub>3</sub>
- MREO (Middle Rare Earth Oxides) = Sm<sub>2</sub>O<sub>3</sub> + Eu<sub>2</sub>O<sub>3</sub> + Gd<sub>2</sub>O<sub>3</sub>
- HREO (Heavy Rare Earth Oxides) = Tb<sub>2</sub>O<sub>3</sub> + Dy<sub>2</sub>O<sub>3</sub> + Ho<sub>2</sub>O<sub>3</sub> + Er<sub>2</sub>O<sub>3</sub> + Tm<sub>2</sub>O<sub>3</sub> + Yb<sub>2</sub>O<sub>3</sub> + Lu<sub>2</sub>O<sub>3</sub> + Y<sub>2</sub>O<sub>3</sub>
- MHREO (Middle and Heavy Rare Earth Oxides) = MREO + HREO
- MHREO / TREO, ratio expressed as a percent

The preliminary economic assessment is preliminary in nature, in that it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized. The current Ashram Technical Report (effective date July 5, 2015, and revision date January 7, 2015) explains why no after-tax case is included, and that a combined tax rate

of around 32.5% may apply to production. Mineral resources are not mineral reserves as they do not have demonstrated economic viability.

The Ashram Deposit remains open to the north, south, and at depth. The deposit's mineralized footprint is approximately 600 m along strike, over 350 m across, and 600 m deep.

*Work Program and Eldor Updates:*

On May 15, 2019, the Company announced it had signed a Letter of Intent (LOI) with the Nayumivik Landholding Corporation of Kuujuaq and the Makivik Corporation for the development of the Ashram Rare Earth Project.

On November 15, 2019, the Company provided an update on the metallurgical programs focused on upgrading the Ashram Deposit's fluorspar content to acid-spar grade. The test work is being completed at Hazen Research in CO, USA.

On November 28, 2019, the Company announced analytical results for recently analyzed 2016 drill core from the Ashram Rare Earth and Fluorspar Deposit. Drill hole EC16-159 returned 3.02% REO over 28.4 m, or 3.48% REO over 13.4 m, within larger interval of 2.38% REO over 64.5 m (66.5 m to 131.0 m).

On December 17, 2019, the Company announced that additional flotation testwork recently carried out at Université Laval ("Laval") had returned a potentially significant step-forward in cleaner-stage flotation performance on material from the Ashram Rare Earth and Fluorspar Deposit.

On January 28, 2020, the Company provided an update on the status of the fluorspar upgrade programs being carried out at Hazen Research, CO, USA. The Phase I component of the fluorspar pre-float program, consisting of scoping flotation and identification of suitable reagents, has now concluded. The Phase II program, which will focus on removing impurities in order to achieve acid-grade specifications, will begin shortly. The Company is encouraged by the Phase I results and is excited to complete Phase II.

On February 6, 2020, the Company announced that preliminary mineralogical analysis has been completed on a suite of rock samples from the Mallard Prospect, situated within the Niobium Claim Group, which is part of the Company's Eldor claims located in Quebec, and adjacent to the Ashram Rare Earth Elements and Fluorspar Deposit. The analysis indicated that pyrochlore and columbite are the dominant niobium minerals present, niobium has been mobilized which could enhance the grade of a deposit, and that the mineralogy supports the model of a continuous niobium mineralized trend through the complex.

On February 28, 2020, the Company announced that it had produced a 98% CaF<sub>2</sub> fluorspar concentrate using a fluorspar pre-float approach as an initial upgrade step to isolate a sizable portion of the fluorspar prior to material entering the primary rare earth element ("REE") recovery flowsheet. The fluorspar flotation concentrate is then processed by magnetic separation, resulting in the desired CaF<sub>2</sub> grade, while the reject fractions are sent back to the primary flowsheet circuit where the REE component is then recovered along with the bulk of the REEs.

On March 9, 2020, the Company announced a metallurgical collaboration with CanmetMINING for the Ashram Deposit. The primary objective of CanmetMining's work is to identify a key approach to further enhance beneficiation performance by exploring and testing a range of potentially applicable process methods at varying test conditions. The funding for the testwork is provided by Natural Resources Canada (NRCan) through CanmetMining's six-year rare earth element (REE) and chromite program (announced in January 2015).

On May 13, 2020, the Company provided an update on the metallurgical collaboration with CanmetMINING and announced a partnership with Corem for the Ashram Deposit. CanmetMINING has identified through

its test work an alternative reagent scheme and flotation circuit to achieve, and potentially exceed, the target objective of <25% mass pull at >80% recovery. This has also been achieved using one-half to one-quarter of the quantity (kg/t) of reagents utilized in prior test work completed by other metallurgical labs

On May 14, 2020, the Company provided an update on the INRS work on the Ashram Deposit's flotation tailings. The key takeaways included, 1) the tailings are not acid generating, 2) the tailings are not considered hazardous or radioactive (S value = 0.157) according to Quebec's Hazardous Materials Regulations and Environmental Quality Act, and 3) concentrations of all elements in the tailings' leachate fall below the "high-risk" criteria as outlined in Directive 019.

On July 23, 2020, the Company announced that further review by its Option partner Saville Resources Inc. of the historical drill logs, coupled with the findings from the recent 2019 drilling from the Mallard area has outlined a mineralized fluorspar trend, within the primary niobium trend, which is broader and more extensive than previously understood. The finding also suggests that high-grade niobium zones have the potential to overlap with high-grade fluorspar zones and highlights a key style of mineralization to target within these two overlapping trends.

On August 25, 2020, the Company announced that it has been awarded a combined total of \$160,000 in grant funding in support of research and development of the Ashram Rare Earth and Fluorspar Deposit's flowsheet. The work is a collaboration between the Company, Université du Québec en Abitibi-Témiscamingue (UQAT) and Industrial Waste Technology Centre (CTRI). The Company will provide approximately 1.5 tonnes of deposit material to be used as feed for the various test programs which will investigate 1.) optimization of the flotation circuit to produce mineral concentrates of >30% REO using only flotation, 2.) enhancing mineral liberation using a high-voltage electrical pulse (HVEP) fragmentation method, and 3.) wet screening as a classification approach.

On September 10, 2020, the Company announced results of fluorine analysis recently completed on select 2008 and 2019 drill core from the Mallard Prospect, held under Option by Saville Resources Inc. The results confirm a fluorite zone in EC08-016 of 21.5% CaF<sub>2</sub> over 38.6 m, which is wider than initially assayed, as well as strike extensions to the northwest and southeast through mineralized intervals in drill holes EC19-173 and EC08-021, respectively. Collectively, the program successfully confirmed that there is a broad and extensive fluorspar mineralized trend at Mallard, which extends for at least 600 m along strike and is open to the northwest, southeast, downdip, and is interpreted to continue to surface.

On September 24, 2020, the Company announced continued advancements towards impurity suppression and removal, from high-grade fluorspar concentrate produced from the Ashram Rare Earth and Fluorspar Deposit. The test work further achieved the standard specifications for Pb, As, and Hg while maintaining a high CaF<sub>2</sub> grade (~96.5%)

On October 8, 2020, the Company announced a test project with MineSense, a digital mining solutions provider, through its collaboration with CanmetMINING for the Ashram Deposit. The project included assessing the spectral response of 127 coarse analytical drill core rejects from Ashram as part of an evaluation of the applicability of mining optimization using XRF (X-ray fluorescence) sensors fitted to mining equipment.

On November 24, 2020, the Company announced that it had initiated a metallurgical program to produce a high-grade rare earth element (REE) mineral concentrate to satisfy a processor's request. The request is significant as a marketable mineral concentrate would potentially allow for a faster and lower-cost path to production.

On November 30, 2020, the Company announced that it had produced additional samples of acid-grade fluorspar of >98% CaF<sub>2</sub>. The sample was made from a front-end flotation/leach/magnetic process, which is

one of two approaches to acid-grade fluorspar being evaluated.

On December 31, 2020, the Company announced that it had delivered a sample of acid-spar produced from the Ashram Rare Earth and Fluorspar Deposit to an industry major as per their request. The 0.5 kg sample grades >97% CaF<sub>2</sub> and was produced by Hazen Research using the front-end beneficiation approach developed at their facilities in Colorado, USA.

On January 13, 2021, the Company announced encouraging results from an XRF (X-ray fluorescence) ore sorting test project initiative with MineSense, a digital mining solutions provider. The Company reported that algorithmic modelling of responses obtained from each XRF and LIBS (Laser Induced Breakdown Spectroscopy) analyses were successful in predicting the neodymium (Nd) content of the samples, among other elements. The results indicate that a shovel or belt mounted sensor could effectively estimate the Nd content of the raw run-of-mine feed, allowing for real-time grade-control and therefore more efficient and cost-effective mining.

On January 21, 2021, the Company announced that it had initiated a metallurgical program to produce an over 1-kilogram quantity of mixed rare earth carbonate (mixed REC) concentrate from Ashram Deposit material to satisfy several requests by global processors. In the rare earth industry, a mixed REC concentrate is typically viewed as the initial marketable product in the rare earth element (REE) value chain. This is because a mixed REC is readily saleable as it is the most common feedstock to REE solvent extraction facilities globally, which separate each individual REE and allow for them to be individually refined into marketable products and disseminated throughout their downstream value chains.

On February 9, 2021, the Company announced plans for a summer drill program at the Ashram Rare Earth and Fluorspar Deposit. A total of 15 to 20 NQ-size drill holes, for approximately 2,500 metres, are planned as part of a resource definition drill program focused along the northern, southern, and central portions of the Ashram Deposit.

On March 8, 2021, the Company announced that it had delivered a sample of high-grade monazite mineral concentrate from the Ashram Rare Earth and Fluorspar Deposit to an industry processor per their request (see news release dated Nov. 24, 2020). The 1.0-kilogram sample grades 44.3% rare earth oxide (REO) and was produced using the conventional recovery flowsheet developed by Hazen Research at their facilities in Colorado.

On April 5, 2021, the Company announced that it has engaged several specialized engineering firms to advance the remaining key components of the PFS through to completion. Companies include DRA Americas, L3 Process Development, CIMA+, and BBA Engineering.

### **Blue River Tantalum/Niobium Property**

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

Exploration expenditures during the nine months ended July 31, 2021, totalled \$40,556 (July 31, 2020: \$72,820). Most of the work this period has been with the objective of maintaining the property and its data base for future exploration and development of the project.

### **Project Update Report**

In connection with filing its Annual Information Form for its fiscal year ended October 31, 2014, the Company filed an updated technical report with respect to the Blue River Property, as further amended and filed on the date hereof, entitled: "NI 43-101 Blue River Tantalum-Niobium Project, British Columbia,

Canada - Project Update Report” (the “Blue River Report”). The Blue River Report was prepared by AFW and Nimbus Management Ltd. with a March 18, 2015 effective date. The previous technical report, with an effective date of June 21, 2013, included results of a PEA initially reported in 2011. The economic inputs for that mining study are now considered outdated and the PEA results are no longer relevant. No additional work has been completed on the property since the effective date of the previous technical report. Any changes to the economic inputs to the mineral resource estimates are considered offsetting and therefore the estimates are unchanged since the last technical report. The Blue River Report, which incorporates all data from 2005 through 2012, shows indicated mineral resources totalling 48.4 million tonnes at 197 ppm Ta<sub>2</sub>O<sub>5</sub> and 1,610 ppm Nb<sub>2</sub>O<sub>5</sub> and inferred mineral resources totalling 5.4 million tonnes at 191 ppm Ta<sub>2</sub>O<sub>5</sub> and 1,760 ppm Nb<sub>2</sub>O<sub>5</sub>. A total of 271 drill holes comprising 59,110 metres of HQ drill core and 15,512 samples were used to develop the mineral resource estimate.

## **Overall Performance**

### *Source of Funds*

Since November 1, 2019 to the date of this report, the Company has raised gross proceeds of \$9.9 million. These proceeds were raised for the specific purpose of advancing the Company’s Eldor Property and for general working capital purposes. During this time, the Company has used approximately \$1.7 million of the proceeds for work on the Company’s properties and \$2.9 million on general working capital, leaving a cash balance of \$5.3 million for property development. The flow-through funds raised in August 2019 and December 2020 will be used to further explore the Company’s Eldor property. The most recent financings are noted below:

During the nine months ended July 31, 2021, 2,004,910 share purchase warrants have been exercised for gross proceeds of \$437,502 and 268,971 broker warrants were exercised for gross proceeds of \$64,553.

On May 20, 2021, the Company closed a non-brokered private placement issuing 7,836,657 units (each, a “Unit”) at a price of \$0.33 per Unit for gross proceeds of \$2,586,097. Each Unit consists of one common share in the capital of the Company (each, a “Share”) and one common share purchase warrant (each, a “Warrant”). Each Warrant is exercisable into one additional Share at a price of \$0.44 per Share for a period of five years from the closing date. The Company paid cash finder’s fees of \$85,661 and issued 255,920 finder’s warrants (each, a “Finder’s Warrant”) to certain finders in connection with the Offering. The Finder’s Warrants have the same terms and conditions as the Warrants.

On December 30, 2020, the Company completed the second and final tranche of the non-brokered private placement, issuing 161,291 common shares (each, a “Share”) issued on a “flow-through” basis pursuant to the Income Tax Act (Canada) at a price of \$0.31 per Share for gross proceeds of \$50,000.

On December 24, 2020, the Company completed a first tranche (the “First Tranche”) of the non-brokered private placement, issuing 6,279,838 common shares (each, a “Share”) issued on a “flow-through” basis pursuant to the Income Tax Act (Canada) at a price of \$0.31 per Share for gross proceeds of \$1,946,750 (the “Offering”). In connection with the closing of the First Tranche, the Company paid cash finder’s fees of \$30,000 to one finder.

On December 21, 2020, the Company completed its non-brokered private placement, issuing 15,571,241 units (each, a “Unit”) at a price of \$0.21 per Unit for gross proceeds of \$3,269,961. Each Unit consists of one common share in the capital of the Company (each, a “Share”) and one common share purchase warrant (each, a “Warrant”). Each Warrant is exercisable into one additional Share at a price of \$0.29 per Share for a period of five years from the closing date. The Company paid cash finder’s fees of \$44,116 and issued 187,250 finder’s warrants (each, a “Finder’s Warrant”) to certain finders in connection with the Offering. The Finder’s Warrants have the same terms and conditions as the Warrants.

On June 25, 2020, the Company closed an over-subscribed non-brokered private placement of 6,686,939 units (each, a “Unit”) at a price of \$0.18 per Unit for aggregate proceeds of \$1,203,649. Each Unit consists of one common share of the Company (each, a “Share”) and one common share purchase warrant (each, a “Warrant”), with each Warrant entitling the holder to purchase one Share at a price of \$0.24 per Share for a period of five years following the closing of the Offering (the “Closing”). Finder’s fees of \$53,077 were paid and 290,067 finder’s warrants were issued with a fair value of \$39,689. The finder’s warrants have the same terms and conditions of the warrants.

On May 5, 2020, the Company closed a non-brokered private placement of 2,727,271 units (each, a “Unit”) at a price of \$0.11 per Unit for aggregate proceeds of \$300,000. Each Unit consists of one common share of the Company (each, a “Share”) and one common share purchase warrant (each, a “Warrant”), with each Warrant entitling the holder to purchase one Share at a price of \$0.15 per Share for a period of five years following the closing of the Offering (the “Closing”). Finders’ fees of \$584 was paid and 2,871 finder’s warrants were issued with a fair value of \$580. The finder’s warrants have the same terms and conditions of the warrants.

For additional details regarding the Company’s recent financing, please refer to Note 8 of the Company’s condensed interim financial statements for the nine months ended July 31, 2021.

#### General and Administrative

Net loss for the nine months ended July 31, 2021, was \$1,124,090, compared to a net loss during the nine months ended July 31, 2020 of \$648,886, for a difference of \$475,204. The significant changes in expenses include:

- Administrative fees (2021: \$149,500, 2020: \$264,448) decreased due to a change in payroll policy (see below);
- Advertising and promotion (2021: \$158,802, 2020: \$131,651) increased as the Company promoted its current property developments;
- Consulting fees and salaries (2021: \$320,457; 2020: \$103,067) increased as the Company is now directly paying employee salaries rather than having them billed through the administrative agreement and due to specialized consultants hired for industry specific meetings and for non-exploration consulting services provided by Eldor’s Project Manager;
- Share-based compensation (2021: \$374,234, 2020: \$18,916) increased due to the options granted during the period;
- Travel expenses (2021: \$247; 2020: \$15,078) have decreased due to less travel related to trade shows and financing meetings due to the Covid-19 pandemic;
- Interest income (2021: \$10,396, 2020: \$1,118) increased due to cash balances earning interest;
- Unrealized gain on marketable securities (2021: \$10,970, 2020: \$2,472) increased due to the appreciation of share prices of the Company’s investments; and
- Deferred income tax recovery (2021: \$26,918, 2020: \$nil) increased due to eligible flow-through expenditures incurred in the period.



## **Summary of Quarterly Results**

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

	<b>July 31, 2021</b>	<b>April 30, 2021</b>	<b>January 31, 2021</b>	<b>October 31, 2020</b>
Revenues	Nil	Nil	Nil	Nil
Net income (loss) from continuing operations	(174,438)	(646,116)	(303,536)	(178,525)
Net income (loss) and comprehensive income (loss)	(174,438)	(646,116)	(303,536)	(178,525)
Basic and diluted net income (loss) (per share)	(0.00)	(0.01)	(0.00)	(0.00)

	<b>July 31, 2020</b>	<b>April 30, 2020</b>	<b>January 31, 2020</b>	<b>October 31, 2019</b>
Revenues	Nil	Nil	Nil	Nil
Net income (loss) from continuing operations	(181,622)	(239,499)	(227,765)	(641,275)
Net income (loss) and comprehensive income (loss)	(181,622)	(239,499)	(227,765)	(649,184)
Basic and diluted net income (loss) (per share)	(0.00)	(0.01)	(0.01)	(0.02)

Over the course of the Company's previously completed eight quarters, the Company's net loss has remained at a consistent level, with the exception of the share-based payments expense recorded during the quarter ended October 31, 2019 and the quarter ended April 30, 2021.

## **Liquidity and Capital Resources**

During the prior fiscal year and up to the date of this report, the Company has raised gross proceeds of \$9.9 million. These proceeds were raised for the specific purpose of advancing the Company's Eldor Property and for general working capital purposes. During this time, the Company has used approximately \$1.7 million of the proceeds for work on the Company's properties and \$2.9 million on general working capital, leaving a cash balance of \$5.3 million for property development. The flow-through funds raised in August 2019 and December 2020 will be spent on upcoming exploration projects. The Company believes it will be able to raise the capital required to continue to develop these properties. The Company does not have any specific work commitments or property payments, all work on the property is determined by how to best spend the funds raised, taking into consideration the Company's working capital requirements. The Company has maintained reasonable general and administrative expenditures, with advertising and promotion of the property dependent on the capital available to cover such expenditures.

The Company's present cash resources are sufficient to meet all its current liabilities and administrative and overhead expenses for the next eighteen months. The Company filed its amended and restated final short form prospectus on June 21, 2016 and raised additional capital to continue its work on the Eldor Property, and for general working capital requirements.

The Company will continue to require funds to further 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.

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.

All of the Company's properties are in the exploration or development stage only. Development of one or both 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.

As at July 31, 2021, the Company has total assets of \$70,853,285 (October 31, 2020: \$63,834,828). The primary assets of the Company are exploration and evaluation assets of \$63,132,638 (October 31, 2020: \$61,995,823), short term investments of \$23,000 (October 31, 2020: \$23,000), equipment of \$334,687 (October 31, 2020: \$357,089), marketable securities carried at \$28,269 (October 31, 2020: \$17,299), reclamation bonds of \$80,000 (October 31, 2020: \$80,000), prepaid expenses of \$1,292,465 (October 31, 2020: \$272,557), GST/QST and other receivables of \$47,431 (October 31, 2020: \$36,235), and cash of \$5,914,795 (October 31, 2020: \$1,052,825). The Company has no long-term liabilities and has working capital of \$6,003,295 (October 31, 2020: \$300,017) as at July 31, 2021.

*Cash From (Used in) Operating Activities:* Cash used in operating activities during the nine months ended July 31, 2021 was \$2,079,509, compared with \$692,689 used in operating activities during the nine months ended July 31, 2020. Cash was mostly spent on general operating expenses, outstanding payables, and prepaid expenses related to advances for the Company's field work program, and adjusted for items not involving cash.

*Cash From Financing Activities:* Total cash from financing activities during the nine months ended July 31, 2021 was \$7,886,378 (2020: \$1,551,625), consisting of share subscriptions receivable used of \$231,412 (2020: \$134,850 provided), shares issued for cash of \$8,354,863 (2020: \$1,503,649) and share issuance costs of \$237,073 (2020: \$86,874).

*Cash Used in Investing Activities:* Total cash used in investing activities during the nine months ended July 31, 2021 was \$944,899 compared to \$423,975 of cash used during the nine months ended July 31, 2020 for the exploration and development of its mineral properties.

### **Commitments**

On May 1, 2008, the Company entered into a Management & Administration Agreement ("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. The agreement has subsequently been renewed in prior years and on December 1, 2020, the Company renewed the agreement for another period of 12 months.

On November 16, 2020, the Company signed an agreement with Zimtu Capital Corp. whereas Zimtu will provide services under the ZimtuADVANTAGE program. The Company paid \$100,000 up front for the initial 12-month term.

## **Transactions with Related Parties**

During the nine months ended July 31, 2021 and 2020, the Company incurred the following transactions with officers or directors of the Company or companies with common directors:

<b>Key management compensation*</b>	<b>Nine months ended July 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Geological services	140,749	22,502
Administrative fees, net of wage subsidy received	149,500	264,448
Consulting fees and salaries	133,494	66,456
Share-based payments	161,209	-
Advertising and promotion	75,000	10,528
<b>Total</b>	<b>659,952</b>	<b>363,934</b>

<b>Amounts due to (from) related parties</b>	<b>July 31,</b>	<b>October 31,</b>
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Dahrouge Geological Consulting (a)	65,977	21,918
Zimtu Capital Corp. (c)	1,001	(68)
<b>Due to related parties – Net total</b>	<b>66,978</b>	<b>21,850</b>

- (a) Dahrouge Geological Consulting provides geological services to the Company. Dahrouge is controlled by a director of the Company, Jody Dahrouge.
- (b) Dr. Axel Hoppe provides guidance, direction and advice based on his professional experience in tantalum and niobium for over forty years.
- (c) Zimtu Capital Corp. is a company with common directors and management. Zimtu provides key management services to the Company.

\* Key management includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Company's executive officers and certain members of its Board of Directors.

The terms and conditions of these transactions with key management and their related parties were no more favourable than those available, or which might reasonably be expected to be available, or similar transactions to non-key management related entities on an arm's length basis.

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.

## **Off Balance Sheet Arrangements**

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

## **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:

	<b><u>Year Ended</u></b> <b><u>October 31, 2020</u></b>	<b><u>Year ended</u></b> <b><u>October 31, 2019</u></b>
Capitalized or Expensed Exploration and Development Costs	\$835,268	\$198,218
General and Administration Expenses	\$1,148,749	\$1,148,749

### **Disclosure of Outstanding Share Capital**

The total issued and outstanding shares of the Company total 83,013,201 as July 31, 2021 (October 31, 2020: 50,890,293).

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

	<b><u>September 27, 2021</u></b>	<b><u>July 31, 2021</u></b>	<b><u>October 31, 2020</u></b>	<b><u>October 31, 2019</u></b>
Common Shares	83,013,201	83,013,201	50,890,293	41,476,083
Stock Options	4,409,732	4,409,732	2,917,232	2,917,232
Warrants	40,491,351	40,491,351	19,088,363	10,426,425
Agents' Warrants	467,741	467,741	293,542	-
Fully Diluted Shares	128,382,025	128,382,025	73,189,430	54,819,740

On March 5, 2021, the Company announced that it has granted an aggregate of 1,800,000 stock options (each, an "Option") to certain directors, officers, employees and consultants of the Company for the purchase of up to 1,800,000 common shares of the Company pursuant to its Stock Option Plan. Each Option is exercisable for a period of two (2) years at a price of \$0.38 per common share. Of these Options, 200,000 are being granted to persons providing investor relations to the Company and, pursuant to the policies of the TSX Venture Exchange, must vest over 12 months from the issuance date, with 25% vesting in each three (3) month period after the grant of the Options.

On September 24, 2021, the Company announced that it has applied to the TSX Venture Exchange (the "Exchange") for an amendment to the terms of the 9,674,153 warrants (the "Warrants") issued in connection with the Company's private placement which held its first closing on October 11, 2019 and second closing on October 31, 2019. The Company proposes to extend the expiry date of the Warrants from October 11, 2021 to October 11, 2024 in respect of the first closing and October 31, 2021 to October 31, 2024 in respect of the second closing. In addition, the Company has applied for an amendment of the Warrants' exercise price from \$0.50 to \$0.285. All other terms of the Warrants will remain the same. The extension of the expiry date and repricing is subject to the approval of the Exchange.

For additional details of outstanding share capital, refer to Notes 8 and 9 of the condensed interim financial statements for the nine months ended July 31, 2021.

### **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 effect 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.

### ***Global Risks***

Early in 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact

on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. The Company's ability to raise the additional capital required for Phase II may be affected by the current uncertainties of the global market

### **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](http://www.commerceresources.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).