COMMERCE RESOURCES CORP.

Management Discussion & Analysis for the Three Months Ended January 31, 2014

The following discussion and analysis of the financial position and results of operations for COMMERCE RESOURCES CORP. (the "Company" or "Commerce") should be read in conjunction with the condensed interim financial statements for the **three months ended January 31, 2014,** which are prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standard 34 ("IAS 34").

The effective date of this report is March 27, 2014.

All financial figures presented herein are expressed in Canadian Dollars (CDN$) unless otherwise specified.

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 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 metals development potential of the Blue River Tantalum-Niobium Project was completed in November 2011. Commerce released an updated mineral resource estimate for the Upper Fir Deposit in July 2013.

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. 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 and is used mostly to make stainless steel and high-strength, low-alloy steels.

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. 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		
	2013	2012	2011
	$	$	$
Total Revenues	Nil	Nil	Nil
Loss from continuing operations	(1,889,905)	(200,080)	(4,224,027)
Loss from continuing operations (per share, basic and diluted)	(0.01)	(0.00)	(0.03)
Net loss	(1,889,905)	(200,080)	(4,224,027)
Net loss (per share, basic and diluted)	(0.01)	(0.00)	(0.03)
Net comprehensive loss for the year	(981,125)	(2,207,884)	(3,963,902)
Total assets	52,346,628	51,883,708	54,478,390
Total long term financial liabilities	Nil	Nil	Nil
Cash dividend declared per share	Nil	Nil	Nil

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

Results of Operations

Exploration and Development Activities

Resource property expenditures for the three months ended January 31, 2014, totalled $785,592, compared to $1,143,499 in the three months ended January 31, 2013. Most of these expenditures (2014: $729,554, 2013: $790,638) were incurred on the Eldor Project with the balance being incurred on the Blue River Project (2014: $56,038, 2013: $351,008), and the Other Claims (2014: $nil, 2013: $1,852).

The decrease in resource property spending 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.

Eldor Rare Earth Project

The Eldor Project 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 three months ended January 31, 2014, totalled $729,554 (January 31, 2013: $790,638).

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):

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.

2013 Work Program:

Commerce's 2013 summer work program at the Eldor consisted of twelve NQ size drill holes (1,177 m) as well as related geotechnical and hydrological work focused on the advancement of the Ashram Deposit. The objectives of the program were to complete infill holes to increase the resource confidence from the current inferred category to the indicator and/or measured categories within the planned open-pit area, evaluate a northwestern extension to the deposit, complete Phase I (2013) geotechnical / hydrological work from which to base Phase II (2014), and to complete additional baseline environmental work for year to year evaluation. The programs were successful in achieving all four of its objectives.

In addition, metallurgical studies continue to make significant advancements with improvements in mineral concentrate grades and recoveries.

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 the town of Blue River, and is owned 100% with no underlying royalties.

Exploration expenditures during the three months ended January 31, 2014, totalled $56,038 (2013: $351,008). Most of the work this period 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, with an effective date of August 31, 2011, 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.

2013 Work Program:

During 2013, the Company carried out geological, engineering, metallurgical and environmental programs to support the advancement of exploration and development at the Blue River Project.

Mineral Resource Update

A Mineral Resource Update and subsequent technical report which incorporates all data from 2005 through 2012 was completed by AMEC with effective date of June 21, 2013. Study results show Indicated Mineral Resources totalling 48.4 million tonnes at 197 ppm Ta_2O_5 and 1.610 ppm Nb_2O_5 and Inferred Mineral Resources totalling 5.4 million tonnes at 191 ppm Ta_2O_5 and 1,760 ppm Nb_2O_5. AMEC used a total of 271 drill holes comprising 59,110 metres of HQ drill core and 15,512 samples to develop the mineral resource estimate.

Mineralogical and Metallurgical Test Work

Mineralogical variability studies show that the partially optimized flotation flow sheet which formed the base of the metallurgical analysis in the Preliminary Economic Assessment, and which was further optimized during phase 2 test work (reported December 3, 2012) shows good applicability across the range of mineralogies tested. The new metallurgical results continue to strengthen the foundation of broadly based technical knowledge developed in 2012, and with completion of the mineral resource update by independent consultants AMEC Americas Ltd, are sufficient to support the initiation of a pre-feasibility study.

Treasure Mountain Property

On July 31, 2013, the Company entered into a Mineral Property Purchase Agreement ("Agreement") with Canadian International Minerals Inc. ("CIN") and Canadian Strategic Metals Corp. ("CSM") (CIN and CSM together called the "Vendors") to purchase a 100% interest in and to the 24 mineral claims in the Similkameen and New Westminster Mining Districts of British Columbia, known as the Treasure Mountain Property. In consideration, on October 9, 2013, the Company paid a total of 10,000,000 shares of CIN valued at $0.02 per share. On March 15, 2014, the Company entered into an agreement with Ximen Mining Corp. ("Ximen") whereby Ximen can earn a 100%-interest in and to the Treasure Mountain Property located in British Columbia, Canada. The Company will receive cash of $125,000 on or before September 15, 2014. The agreement is subject to acceptance by the TSX-V.

General and Administrative

Net loss for the three months ended January 31, 2014, was $302,001, compared to a net loss during the three months ended January 31, 2013 of $234,651, for a difference of $67,350. The significant differences include:

- Administrative fees (2014: $147,540; 2013: $282,000) decreased due to the rate revision on May 1, 2013 to reflect the change in management services required due to the reduction of exploration at the Blue River Property;
- Advertising and website (2014: $73,856; 2013: $72,698) and investor relations expenses (2014: $11,184; 2013: $7,680) as a group were consistent with the prior period's costs, with travel expenses increasing during the period (2014: $25,364; 2013: $15,821);

- Bank charges and interest (2014: $9,825; 2013: $269) was higher in 2014 due to interest expense charged on renounced flow through expenditures;
- Consulting fees (2014: $47,507; 2013: $25,120) increased and were offset by a reduction in professional fees (2014: $6,959, 2013: $40,918);
- Filing and transfer agent fees (2014: $5,868, 2013: $8,048) decreased due to fewer regulatory filings in the period;
- Interest income (2014: $9,557, 2013: $21,274) decreased as fewer investments were held in the current period;
- Gain on the disposition of asset backed commercial paper (2014: $2,927; 2013: $402,661) was lower in 2014 due to the reduced redemptions; and
- Deferred tax recovery (2014: $28,448; 2013: $184,017 expense) increased due to the timing of flow through expense renunciations.

Asset Backed Commercial Paper

As at January 31, 2014, the Company held asset-backed commercial paper ("ABCP") issued by a number of trusts with an original cost of $787,057 (2013: $789,801). 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 condensed interim financial statements for the three months ended January 31, 2014.

During the three months ended January 31, 2014, the Company received payments from settlement of $2,938 (2013: $410,022) and recognized a gain on sale of ABCP of $2,927 (2013: $406,183). As at January 31, 2014, the fair value of the ABCP as determined above was $229,605 (2013: $229,616) and the Company recorded an unrealized loss of $nil (2013: $14,991) from this instrument.

Marketable Securities

As at January 31, 2014, the Company had $127,544 (2013 - $69,142) in marketable securities, valued at fair market value. The Company's marketable securities are comprised of securities that it received in the sale or optioning of property interests and purchased in private placements. More information on marketable securities can be found in Note 4 of the condensed interim financial statements for the three months ended January 31, 2014.

Summary of Quarterly Results

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

	January 31, 2014	October 31, 2013	July 31, 2013	April 30, 2013	January 31, 2013	October 31, 2012	July 31, 2012	April 30, 2012
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) before income taxes, discontinued and extraordinary items (Total)	(330,449)	(1,354,034)	(269,633)	(429,813)	(50,634)	778,833	(465,950)	(753,914)
Basic and diluted loss before discontinued and extraordinary items (Per share)	(0.002)	(0.008)	(0.002)	(0.003)	0.000	0.005	(0.003)	(0.005)
Net income (loss) (total)	(302,001)	(1,239,554)	(226,500)	(388,658)	(234,651)	842,491	(465,950)	(753,914)
Basic and diluted net income (loss) (per share)	(0.002)	(0.007)	(0.001)	(0.002)	(0.001)	0.006	(0.003)	(0.005)

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 $48,981,644. It is the Company's intention to commit further funds for continuing exploration activities.

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

The Company will continue to require funds to continue the exploration of its resource properties. As a result, the Company may have to continue to rely on equity and debt financing. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

All of the Company's properties are in the exploration stage only. Development of each of the properties will only follow upon obtaining satisfactory results. Exploration and development of natural resources involve a high degree of risk and few properties which are explored are ultimately developed into producing properties. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

The Company's revenues, if any, are expected to be in large part derived from the extraction and sale of rare metals from the properties (tantalum and niobium) and rare earth elements. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control such as international, economic and political trends, expectations of inflation, currency exchange fluctuations and interest rates.

The Company has no specific work commitments on its resource properties but, as discussed above, will continue to perform exploration work on its Blue River and Eldor Properties. The Company's present cash resources are sufficient to meet all of its current contractual obligations and administrative and overhead expenses for at least the next eighteen months.

As at January 31, 2014, the Company has total assets of $52,046,074 (2013: $52,346,628). The primary assets of the Company are exploration and evaluation assets of $48,981,644 (2013: $48,200,034), short term investments of $34,500 (2013: $134,500), asset backed commercial paper carried at $229,605 (2013: $229,616), equipment of $582,308 (2013: $592,221), marketable securities carried at $127,544 (2013: $69,142), reclamation bonds of $82,000 (2013: $82,000), mining tax receivables of $1,098,201 (2013: $1,895,219), non-current prepaid expenses of $161,673 (2013: $231,905), current prepaid expenses of $114,556 (2013: $105,727), GST/HST receivable of $36,294 (2013: $57,793), amounts receivable of $34,898 (2013: $26,819), due from related parties of $176,096 (2013: $121,092), and cash and cash equivalents of $386,755 (2013: $600,560). The Company has no long-term liabilities and has working capital of $1,431,934 (2013: $2,401,987) as at January 31, 2014.

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. On May 1, 2013, the Company extended the agreement for a period of 12 months, with a revised rate of remuneration of $49,180 per month due to the change in management services required as a result of the reduced exploration at the Blue River Property.

Transactions with Related Parties

During the three months ended January 31, 2014 and 2013, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

	Three months ended January 31,	
	2014	2013
Key management compensation*	**$**	**$**
Consulting fees	24,951	12,130
Geological services	325,800	374,366
Office, promotion, and travel expenses	12,500	15,718
Total	363,251	402,214

	January 31, 2014	October 31, 2013
Amounts due to (from) related parties	**$**	**$**
Dahrouge Geological Consulting (a)	283,454	148,353
Nimbus Resource Management (b)	1,344	5,985
Axel Hoppe, director	15,085	19,600
Due to related parties - Total	299,883	173,938
Due from a related party – Zimtu Capital Corp. (c)	(176,096)	(121,092)

(a) A company controlled by a director of the Company, Jody Dahrouge.

(b) A company owned by a director of the Company, Jenna Hardy.

(c) Zimtu Capital Corp. ("Zimtu") is related by way of common directorship with two directors of the Company and provides monthly administrative and managerial services (see Note 13). At January

31, 2014, $55,044 (2013 - $39,142) included in marketable securities is for shares held in Zimtu. Also see Subsequent Events.

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

A number of these entities transacted with the Company during the year. The terms and conditions of these transactions with key management personnel 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 personnel 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.

Subsequent Events

a) On February 26, 2014, the Company issued 100,000 stock options to a consultant at a price of $0.20, exercisable for 5 years.

b) On March 14, 2014, the Company closed a private placement of 8,425,652 flow-through units ("FT Units") at a price of $0.23 per FT Unit and 3,012,500 units ("Units") at $0.20 per Unit for gross proceeds of $2,540,400. Each FT Unit consists of one flow-through common share and one half of one non flow-through common share purchase warrant in the capital of the Company. Each whole share purchase warrant (a "Warrant") is exercisable into one common share of the Company for a period of 18 months from closing at a price of $0.35 per common share. Each Unit consists of one common share and one half of one Warrant. All the securities issuable will be subject to a four-month hold period from the date of closing.

   The Company has paid Secutor Capital Management Corporation (the "Agent") a cash commission of $174,228, plus expenses. In addition, the Company granted a total of 571,908 compensation options to acquire common shares of the Company exercisable at $0.35 per share for 18 months from closing.

c) On March 15, 2014, the Company entered into an agreement with Ximen Mining Corp. ("Ximen") whereby Ximen can earn a 100%-interest in and to the Treasure Mountain Property located in British Columbia, Canada. The Company will receive cash of $125,000 on or before September 15, 2014. The agreement is subject to acceptance by the TSX-V.

d) On March 7, 2014, the Company entered into a consulting agreement with Zimtu Capital Corp. to provide corporate development and market services. The contract term is for one year for a monthly fee of $5,000.

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, 2013	Year ended October 31, 2012
Capitalized or Expensed Exploration and Development Costs	$4,483,656	$8,591,038
General and Administration Expenses	$1,853,321	$2,379,393

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:

	March 27, 2014	January 31, 2014	October 31, 2013	October 31, 2012
Common Shares	178,421,794	166,983,642	166,983,642	153,408,088
Stock Options	12,577,586	12,005,678	12,005,678	9,073,067
Warrants	15,407,686	9,688,610	9,688,610	4,805,542
Fully Diluted Shares	206,407,066	188,677,930	188,677,930	167,286,697

For additional details of outstanding share capital, refer to Notes 11 and 12 of the condensed interim financial statements for the three months ended January 31, 2014.

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, 2013.

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, short term investments, 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 January 31, 2014, cash and cash equivalents of $386,755 (2013: $600,560) consisted of cash

balances of $6,158 (2013: $78,079 bank indebtedness) with Canadian chartered banks and $380,597 (2013: $678,639) in money market funds. As at January 31, 2014, the Company also held short term investments of $34,500 (2013: $134,500) in GIC's at a Canadian chartered bank and asset-backed commercial paper fair valued at $229,605 (2013: $229,616).

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 $5,000 (2013: $30,000) in net annual earnings. The sensitivity analysis on ABCP providing the effect on other comprehensive income if interest rates were to increase by 1% for the three months ended January 31, 2014 is $3,000 (2013: $9,000).

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 January 31, 2014 and October 31, 2013:

	As at January 31, 2014		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 386,755	$ -	$ -
Short term investments	34,500	-	-
Marketable securities	127,544	-	-
Asset-backed commercial paper	-	-	229,605
	$ 548,799	$ -	$ 229,605

	As at October 31, 2013		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 600,560	$ -	$ -
Short term investments	134,500	-	-
Marketable securities	69,142	-	-
Asset-backed commercial paper	-	-	229,616
	$ 804,202	$ -	$ 229,616

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 January 31, 2014 and October 31, 2013:

	January 31, 2014			October 31, 2013		
	Face value	Fair value variances	Fair value	Face value	Fair value variances	Fair value
MAV II Notes						
Class B	353,772	(143,873)	209,899	353,772	(143,873)	209,899
Class C	233,913	(222,894)	11,019	233,913	(222,894)	11,019
	587,685	(366,767)	220,918	587,685	(366,767)	220,918
Ineligible Asset						
Tracking Notes	199,372	(190,685)	8,687	202,116	(193,418)	8,698
	787,057	(557,452)	229,605	789,801	(560,185)	229,616

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 January 31, 2014, 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 of the condensed interim financial statements for the three months ended January 31, 2014, 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, January 31, 2014. 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 January 31, 2014, the Company's shareholders' equity was $51,469,164 (2013 - $51,737,963). 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.

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.