

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

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August 1, 2007

Commerce Resources Corp. (TSX.V: CCE, FSE: D7H)—Resource at the Upper Fir; Tantalum & Niobium Market Update

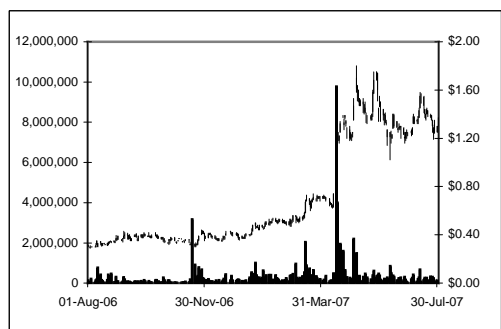
Sector/Industry: Junior Mining

www.commerceresources.com

Market Data (as of July 31, 2007)

Current Price	C\$1.30
Fair Value	C\$2.25 ↑
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.29 – C\$1.80
Shares O/S	79,316,960
Market Cap	C\$103.11 mm
Current Yield	N/A
P/E	N/A
P/B	11.17
YoY Return	333.3%
YoY TSXV	22.1%

*see back of report for rating and risk definitions



Update Highlights

- The company announced a resource estimate from the Upper Fir deposit that indicates a large resource at both 100 and 150 g/t cut-off grades.
- The Upper Fir has become the company's key project, due to its grades, size, orientation and open pit nature. The company will continue to drill to expand the resource and delineate the deposit in 2007.
- Niobium prices have risen significantly in 2007. Our short-term and mid-term outlook on Tantalum and Niobium prices continues to be positive based on strong demand for these metals.
- Commerce has built a strategic advisory board made up of industry professionals experienced in the numerous aspects of bringing a mine into production.
- The company has begun environmental permitting and is planning a prefeasibility study for the Upper Fir deposit in 2007.
- A recently acquired carbonatite property in Quebec gives Commerce the chance to repeat their exploration success at Blue River.
- Commerce recently announced a non-brokered private placement to raise \$31.5 million. On June 26, 2007, the company announced that they closed the first tranche of the private placement, and raised \$4.51 million.

Note: Two of FRC's analysts have visited CCE's property in the past 12 months; see the back of this report for additional disclosures

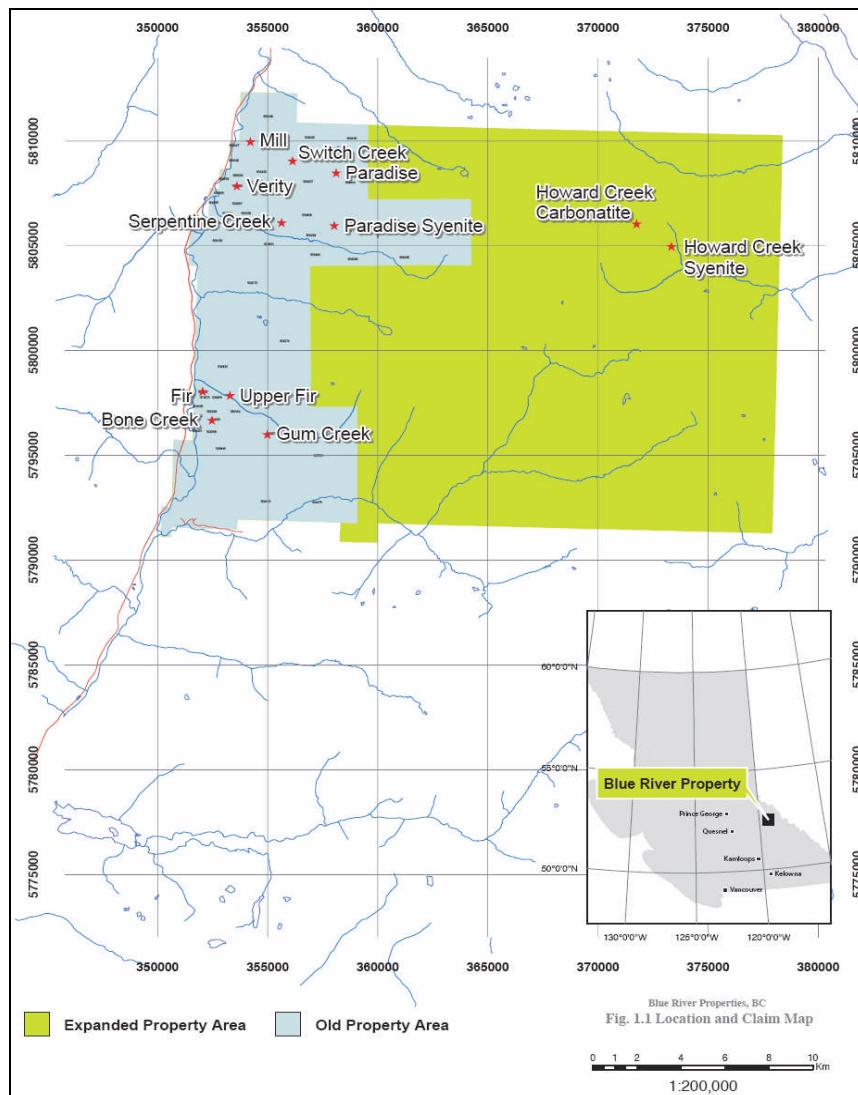
Key Financial Data (C\$)	2004	2005	2006	2007 - Q1	2007 - Q2
Current Assets	111,502	109,773	3,559,961	5,753,378	6,323,473
Total Assets	1,135,693	1,281,392	5,714,383	8,354,214	9,304,700
Current Liabilities	195,088	108,742	106,484	250,257	76,407
Working Capital	(83,586)	1,031	3,453,477	5,503,121	6,247,066
Net Income	(605,618)	(310,432)	(1,357,654)	(164,643)	(1,777,821)
EPS	(0.03)	(0.01)	(0.03)	(0.00)	(0.04)

- Commerce recently closed the first tranche of a \$31.5 million private placement, and raised \$4.51 million.

Commerce Resources is an emerging mining and exploration company whose primary asset is the Blue River tantalum and niobium project in central BC. The project, composed of the Fir, Upper Fir and Verity properties, is an advanced exploration stage tantalum deposit. Commerce is aggressively exploring the property and plans to advance the Upper Fir deposit into prefeasibility and permitting in 2007.

Company Overview

Commerce Resources is focused on the exploration and development of tantalum and niobium resources on their Fir, Upper Fir and Verity deposits on the Blue River property in central British Columbia. In our previous note, we discussed Commerce’s 2006 drilling results at the Upper Fir deposit that indicated the potential for a large deposit. In March 2007, a resource estimate of 3.98 million pounds tantalum oxide indicated, and 2.51 million pounds tantalum inferred, as well as niobium oxide content of 26.16 million pounds indicated, and 16.3 million pounds inferred at a cut-off of 150 g/t for the Upper Fir was announced. **This large resource, high grades, and open pittable nature of the Upper Fir deposit lead the company to begin a prefeasibility study and environmental permitting in 2007 on the Upper Fir.**



Source: Commerce Resources Corp.

Blue River Tantalum & Niobium Properties

Property Overview: This property has at least 12 carbonatite showings in their large landholdings. The company has focused their exploration on the Verity, Fir, and Upper Fir showings, and has defined resource estimates at all three properties. In 2007, the company

plans to proceed with a prefeasibility study and work to complete environmental permitting for the Upper Fir deposit.

Ownership: In January and February of 2007, Commerce expanded their land holdings in the Blue River area. The company added 38,145 hectares through staking of 84 minerals claims adjacent to the east of their Blue River property. Commerce now controls a large land package of 53,236 hectares, improving their previous holdings of 15,091 hectares. These new claims are believed to host a number of mineralized carbonatite occurrences, including the Howard Creek Carbonatite. These new claims appear to be part of the very large mineralized system that may still have significant exploration potential. In addition, the intrusive center of the Upper Fir Carbonatite, where the best grades and thickness of the carbonatite are found, appears to be located in these claims to the east of the Upper Fir.

A benefit of Commerce's 100% ownership of the entire Blue Rive property is that the claims were all acquired by staking and are thus, are not subject to any royalties, including net smelter returns.

Accessibility and Infrastructure: As the project advances towards feasibility, it is useful to consider accessibility and infrastructure. The Blue River property is accessible by the many logging access roads and clear cuts made in the area. Commerce has rehabilitated some of these roads and trails for their own use to access their key projects. These logging roads branch from Highway 5 approximately 20 kilometers north of the town of Blue River.

The main line of the Canadian National Railway and a BC Hydro line both pass through the property, which would be a benefit for future development and mining operations. The company has begun to consider areas of the property suitable for the location of a processing plant and mining related infrastructure. At this time, the property has no infrastructure.

Geology and Mineralization: The Blue River property is a unique tantalum and niobium deposit with respect to the traditional sources of these metals. The host for tantalum, niobium, and phosphate on the property is carbonatite, a basic igneous rock that is composed of over 50% carbonate minerals. Carbonatite is one of three types of deposits where tantalum occurs. As far as the company is aware, there are no tantalum mines from carbonatite in operation presently. Many carbonatites have tantalum, but very few have tantalum at economic grades. The economic minerals are pyrochlore and columbite/ferrocolumbite, which are typically niobium minerals but have significant amounts of tantalum in Blue River.

Metallurgy: The company completed preliminary metallurgical recovery work in 2004 that is very promising. The carbonatite appears to be amenable to conventional flotation and gravity recovery with recovery rates of 80%-85% for both tantalum and niobium. SGS Lakefield is currently working on more detailed metallurgical studies.

Exploration Work: In 2006, the company focused on delineation of resources at the Upper Fir Carbonatite through a drilling program. *These drilling results were summarized in FRC's note entitled "Results from Drilling at Upper Fir Confirm Potential Expansion of*

In April 2007, the company announced they had expanded the scope of their work with Gartner Lee to include further environmental test work on the Upper Fir deposit to justify an application for an environmental assessment permit from the BC Environmental Assessment Office. This is in line with the company's plans to complete a prefeasibility study for the Upper Fir in 2007.

Prefeasibility and Engineering

Commerce has retained the Mineral Development Advisory Group (MINDEV) to facilitate scoping and prefeasibility studies for the Upper Fir project. They will also oversee the environmental assessment and permitting process contracted to Gartner Lee Ltd. (see above). MINDEV will assist Commerce in completing a prefeasibility study by Q4-2007. MINDEV is a mining consulting group that focuses on exploration projects that require geological, engineering, environmental, and financial services to develop their assets through feasibility and production. Charlie Pitcher from MINDEV joined Commerce's strategic advisory board as well (see below).

Eldor Carbonatite

New Property Acquisition: In May 2007, the company announced the acquisition of an early stage niobium property in Quebec, Canada. The Eldor Carbonatite Complex has similar geological characteristics to Blue River. It is a tantalum and niobium bearing carbonatite with promising surface showings, including up to 11.4% Nb₂O₅ and 0.21% Ta₂O₅. We expect the company to complete a preliminary exploration program for an estimated budget of \$200,000.

Ownership: The company purchased a 100% interest in 8 claims that make up the Eldor Carbonatite Property from Virginia Mines Inc. (TSX: VGQ). Commerce issued 710,000 shares to Virginia in exchange for their interest. Virginia retains a 1% NSR royalty. Five of the eight claims are subject to an underlying 5% net profit royalty, which Commerce can purchase for \$500,000. Commerce acquired an additional 88 claims through staking.

Historic Exploration/Production: The Eldor Carbonatite was discovered during a uranium prospecting program in the 1980s. There has been limited exploration since. Mineralization has been identified in a 7.5 km by 2.5 km elliptical body. We believe the dimensions and characteristics of mineralization are promising for future exploration on the property. The acquisition of Eldor gives Commerce the opportunity to repeat their success at Blue River and provides further long-term growth potential for the company.

Management

Strategic Advisory Board

Since our last update, Commerce has formed a strategic advisory board to advance their Blue River tantalum and niobium project into production. While Commerce's management is experienced in the technical and corporate aspects of running a junior resource company, we believe the company is wise to bring in industry experts, as exploration and development in rare earth elements requires unique technical expertise. This board is made up of experienced mining professionals including engineers, geologists, and metallurgists. The Strategic Advisory Board contains members from Ulba Metallurgical Plant JSC, the subsidiary of Commerce's strategic partner NAC KazAtomProm in Kazakhstan. *To read more about these strategic alliances with experts in tantalum and niobium, please read*

FRC's note entitled "Alliances Provide Long Term Strategic Benefits," dated June 21, 2006 on our website, www.researchfrc.com.

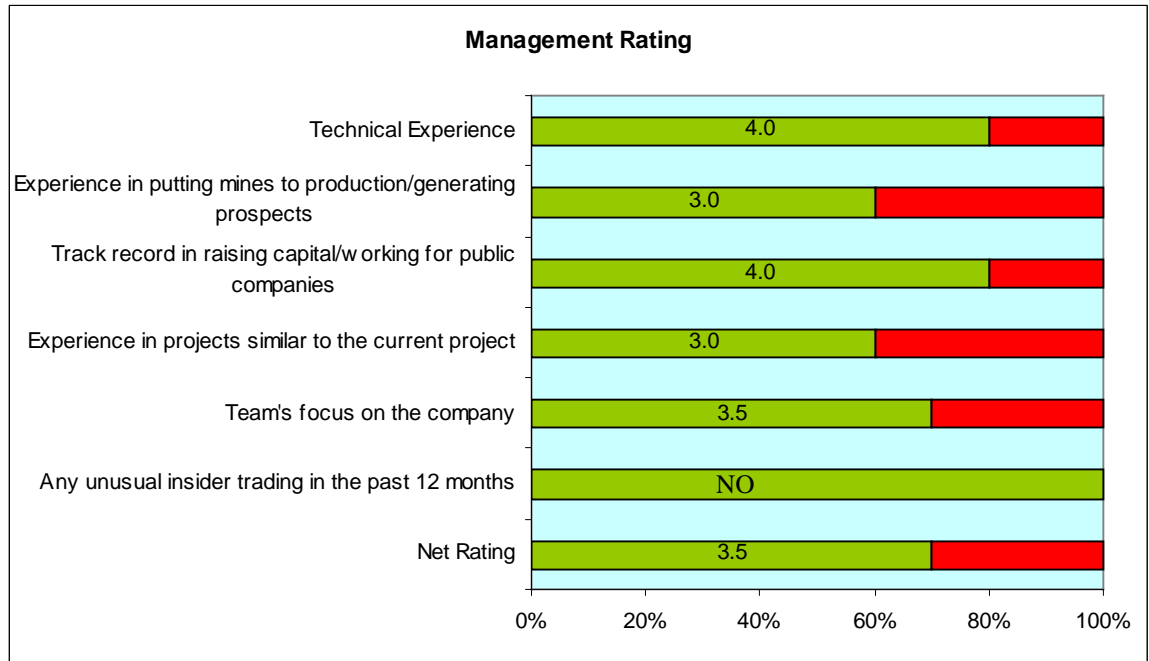
Charles Pitcher, P.Eng., brings to Commerce over 35 years of experience in senior executive and management positions in civil construction and mine development. He has worked throughout North America, Africa and the former Soviet Union on the underground and open pit mining of base and precious metals and coal. In 2002, Mr. Pitcher joined Western Canadian Coal Corp. (TSX: WTN) as Chief Executive Officer to oversee the completion of feasibility studies and production. Mr. Pitcher currently heads up the management of their joint venture with NEMI (Northern Energy & Mining Inc.), formed to continue the exploration and development of the Saxon and Belcourt coal properties located in British Columbia. With his significant experience in project development in British Columbia, Mr. Pitcher will be instrumental in bringing a practical approach to developing the Blue River project.

Jeff Austin, P.Eng., is a graduate of the University of British Columbia in mining and mineral process engineering, and has worked within the industry for over 25 years. He managed International Metallurgical and Environmental Inc., a company providing technical services to the mining industry. Significant metallurgical test work on the Blue River Carbonatites has been completed at the International Metallurgical and Environmental Inc.'s facilities under Mr. Austin's supervision. He is currently the president of Western Canada Limestone Ltd. As a member of the advisory board, Mr. Austin will actively participate in metallurgical investigations, lab work, analysis and reporting. In addition, he will play a key role in planning and supervising work on the Company's pending commercial bulk sample program at the Blue River property.

Alexander Gagarin is a First Deputy Director General and Chief Engineer of NAC KazAtomProm's tantalum division, Ulba Metallurgical Plant JSC. In this role, he is responsible for the strategic development, marketing and production of Ulba's tantalum, niobium and beryllium end products. Mr. Gagarin is a graduate of the Moscow Institute of Chemical Technology, with a specialization in the chemical technology of materials for electronics. As a member of the advisory board, Mr. Gagarin will actively participate in the metallurgical investigations, lab work, analysis and reporting. In addition, he will play a key role in the processing of the Company's commercial bulk sample to end products.

Management Rating

We believe that the most important aspect of a junior mining company is its management. Our management rating system is a quantitative way to rate management based on a number of factors, including technical experience, the ability to raise financing, and management's time commitment to the company. We also analyzed trading records to identify for evidence of unusual trading by management. **Our net rating for Commerce is 3.5, which we have rated average.** Commerce's management team is small, but fully committed to advancing the Blue River project. Because of their focus on a rare element, they have assembled an excellent advisory team to assist them in the myriad aspects of developing a tantalum/niobium deposit.



Strength of Board

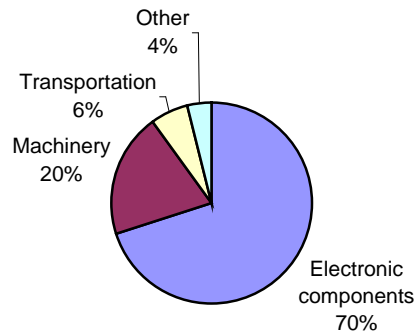
The Toronto Stock Exchange recommends that the Board of Directors of every company include independent or unrelated directors who are free of any relationship or business that could materially interfere with the director’s ability to act in the best interest of the company. An unrelated/independent director can be a shareholder. In this report, we introduce our strength of board rating, which uses information available from the company’s annual “Management Information Circular” to ensure that the company has an independent Board of Directors, Audit Committee, and Compensation Committee. This report also identifies any non-arms length transactions and management’s compensation.

Commerce’s Board of Directors is made up of three individuals: David Hodge, Jody Dahrouge, and Shaun Ledding. David Hodge is a related/non-independent director, as he serves as executive management and receives a salary from the company. Jody Dahrouge owns a geological consulting company that provides services for Commerce, so he is a non-independent director as well. All board members hold shares in the company. The Audit Committee is made up of the three directors, two of whom are not independent. Commerce does not have any non-arms length transactions.

Outlook on Tantalum

Applications: Tantalum is a rare metal primarily used as tantalum metal powder in the manufacturing of electronic components, mainly tantalum capacitors. Tantalum capacitors are used in cell phones, PDAs, computers, and other electronic equipment. The metal is also used in the manufacturing of superalloys for jet engine components. The chart on the next page shows the major applications of Tantalum (in 2003). As shown in the chart, demand for tantalum for electronic components represented 70% of total demand. We believe the current distribution of demand is similar to levels in 2003.

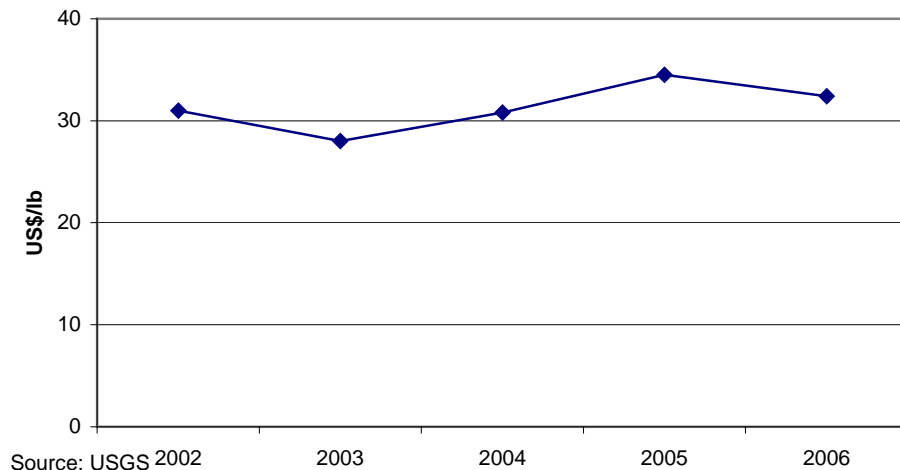
Tantalum Applications



Source: USGS

Prices: Tantalum is not traded in any central market; hence prices are set on a transaction-by-transaction basis. Tantalum prices are normally set by negotiations between buyers and sellers based on volume, processing requirements, and product specifications. The graph below shows tantalum prices since 2002. Prices have hovered between \$28/lb - \$35/lb since 2002, and as of April 2, 2007, tantalum was trading at \$32/lb.

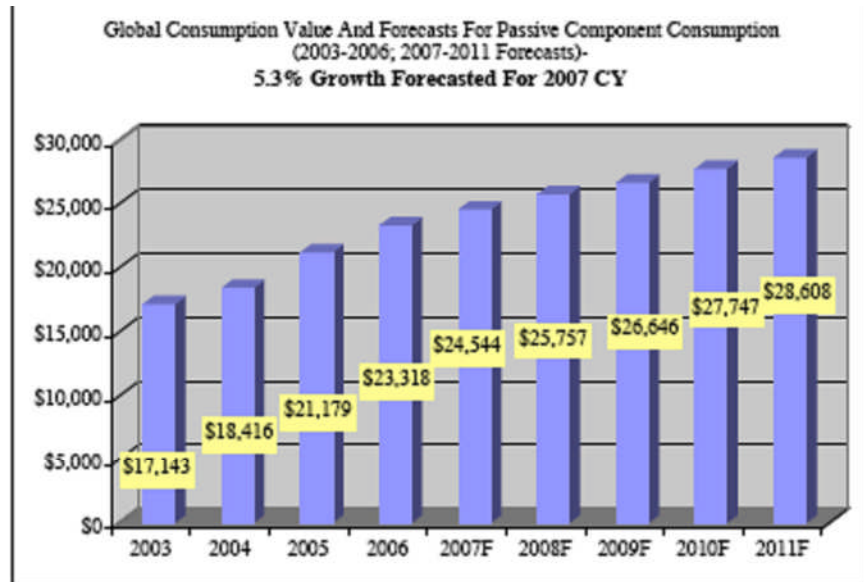
Tantalum Prices



Demand: According to the U.S. Geological Survey (USGS), U.S. consumption of tantalum rose by 2% YOY, and reached 1.5 million pounds in 2006. The U.S. imported 87% of its 1.5 million pounds annual requirement. Global consumption has increased at about 7% per annum over the past 20 years, and reached 6 million pounds in 2006 (according to the USGS and the Tantalum-Niobium International Study Center - TIC).

Surging demand for tantalum in electric components: The chart below shows Paumanok Publications Inc.'s forecasts for the value of consumption of passive components (which also

includes tantalum capacitors). (*Paumanok provides market research and consulting services to the passive electronic component industry.*)



Source: Paumanok Publications, Inc

As shown in the chart, the consumption value of passive components is expected to grow at a compounded annual growth rate (CAGR) of 4.2% during 2006 – 2011. Global consumption volume was 2.25 trillion pieces in 2006, and is expected to increase by 10.6% in 2007, to 2.48 trillion pieces. Global consumption volume is expected to grow at a CAGR of 8.0% during 2006 – 2011.

Based on expectations of strong growth in demand for tantalum capacitors going forward, we expect tantalum demand to increase from current levels.

Supply: Most of the identified tantalum resources in the world are in Australia, Brazil and Canada. Australia (730 tonnes) and Brazil (250 tonnes) were the top two countries in the world in terms of global production in 2006. Canada (70 tonnes) was 4th in the world behind Mozambique (81 tonnes). Sons of Gwalia Ltd's Greenbushes and Wodgina mines in Western Australia, and Cabot Corp's, Tanko mine, Manitoba, Canada, are some of the major tantalum mines in the world.

According to the USGS, global production in 2006 increased by 2.4% YOY, to 2.84 million pounds (compared to global demand of 6 million pounds). Tantalum recycled from old scrap supported 13% of consumption in 2006. The USGS and TIC predict that the U.S.'s current stockpile of tantalum will be depleted by the end of 2007.

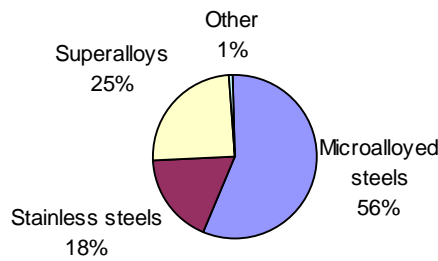
Conclusion: We believe that tantalum resources and production will be increased in the long-term if tantalum prices stay high in the future. Although we do not expect any supply crunch in the long-term, our outlook on tantalum is positive, based on growing demand for tantalum in electronic components. We expect prices to stay high in the short-term and mid-

term as demand outpaces supply, but expect prices to slightly soften in the long-term as more supply comes into the market.

Outlook on Niobium (Columbium)

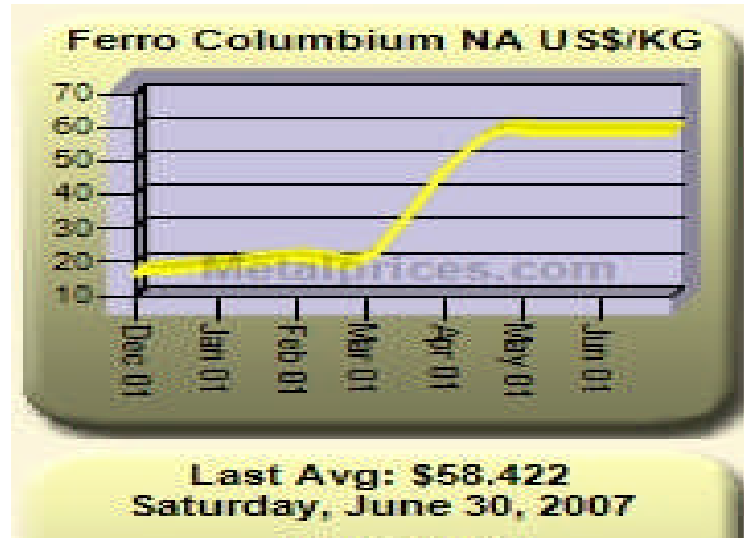
Applications: Niobium, in the form of ferrocolumbium, is an important ingredient in special alloy steels. Its high strength and low-alloy content make it useful in the manufacturing of pipelines, automobiles, and structural steels. Niobium is also being evaluated as a substitute to tantalum in capacitors. The chart below shows the major applications of Niobium (in 2003).

Niobium Applications



Source: USGS

Prices: Niobium prices have increased three-fold in the past six months, from \$7.6/lb at the end of 2006, to the current price of \$26.5/lb. The table below shows Niobium prices since December 2006.



Demand: U.S. consumption of niobium increased by 39% YOY, to 22.7 million lbs in 2006. About 20% of the consumption in the U.S. came from recycling.

Rising demand for steel: We believe the expected growth in the Chinese manufacturing and construction industry (based on the forecasted 10-11% p.a growth in the Chinese economy in 2007-08) will keep the demand for steel high in the short-term and mid-term. China, the largest consumer of steel in the world, accounted for about 31% of global steel demand in 2005(RNCOS). According to Abare, demand for steel in China is expected to increase from 355 Mt in 2005, to 445 Mt in 2007.

According to the International Stainless Steel Forum (ISSF), global stainless steel production rose by 16.7% YOY to 28.4 Mt in 2006. China's production rose by 68% YOY to 5.3 Mt (18.7% of global production) in 2006. Japan, the second largest stainless steel producer, increased its production by 2.3% in 2006, to 4.1 Mt. According to Goldman Sachs, stainless production in China is expected to rise by 33%, and 23%, in 2007, and 2008, respectively.

Production and Reserves: Most of the identified Niobium in the world occurs mainly as pyrochlore in carbonatite deposits. Global production increased by 54.8% YOY, to 132 million pounds in 2006. Most of the known niobium resources are predominantly located in Brazil. Brazil accounted for about 93.4% of global production in 2006. The largest known deposit in the world is located in Araxa, Brazil (owned by CBMM). Canada and Australia are the other top producers in the world.

According to the USGS, Brazil holds 96.9%, Canada holds 2.5%, and Australia holds 0.7%, of the total known niobium reserves in the world. According to the TIC, the identified global reserve of 460 million tons is sufficient to supply current world demand for about 500 years.

Molybdenum and Vanadium are the two primary substitutes of niobium, as alloying elements in high-strength low-alloy steels. **We attribute the recent spike in prices to an increase in steel demand and surge in Vanadium prices.** Vanadium prices went over \$45.35/lb, compared to \$7.3/lb for niobium, in late 2006. Although, not many projects are expected to be put into production in the next two years, we do not expect a supply crunch for Niobium in the long-term. Based on these factors, we believe that the strong growth in demand for steel will keep niobium prices high in the short-term and mid-term.

Update on Financials

Cash and working capital at the end of April 2007 (Q2-2007) were \$5.93 million and \$6.32 million, respectively, compared to \$3.18 million and \$3.45 million at the end of FY2006 (end of October 2006). In the first six months of FY2007, the company had a net loss of \$1.78 million (eps: -\$0.04), compared to \$0.54 million (eps: -\$0.02) in the comparable period in the previous year. Net loss increased due to a significant increase in stock based compensation YOY, from \$0.31 million to \$1.41 million.

We estimate that the company had a burn rate (sum of cash required for operating and investing activities) of \$0.11 million per month in the first six months of FY2007, compared to \$0.04 million per month in the comparable period in the previous year.

Announced a private placement to raise \$31.5 million: Commerce raised a total of \$3.99 million in the first six months of FY2007. In June 2007, the company announced a non-

brokered private placement of 26.25 million units at \$1.20 per unit for gross proceeds of \$31.5 million. Each unit will consist of one common share and one share purchase warrant (exercise price of \$1.50 per share for a period of two years from date of issuance). On June 26, 2007, the company announced that they closed the first tranche of private placement, and raised \$4.51 million.

Stock Options and Warrants: At the end of April 2007, the company had 5.97 million stock options outstanding with a weighted average exercise price of \$0.56, and expiry dates between July 2007 and April 2012. The company also had 12.31 million warrants outstanding with a weighted average exercise price of \$0.44, of which 10.72 million warrants (all of them are currently 'in the money') are expiring in September – October 2007. If all these warrants are exercised, Commerce would raise an additional \$4.83 million by the end of FY2007.

Based on cash on hand of \$5.93 million at the end of April 2007, the expected cash inflow of \$4.83 million through the exercise of warrants and options by the end of FY2007, and the recently announced private placement of \$31.5 million, we believe the company is in an excellent cash position to fund development activities in 2007 and 2008. The recommended budget for the 2007 exploration program at the Blue River Property is only \$4.33 million. Therefore, we are not sure why the company is pursuing the proposed \$31.5 million private placement at this time. We speculate that the extra capital might be used for acquisitions.

Valuation

We continue to value the company based on Discounted Cash Flow (DCF) and Real Options valuation techniques. The following noteworthy changes were made in the valuation models:

- We had not accounted for the value of Niobium in our previous valuation models, for conservatism. Based on our continued positive outlook on Niobium prices, and the significant rise in prices in 2007, we have accounted for the value of Niobium in our revised valuation models.
- Resource estimates: We have increased the total resource estimates to reflect the new resource estimate determined at the Upper Fir. We have used all of indicated and half of inferred resources in our valuation models.
- We have raised our capital cost estimate from \$35 million to \$45 million. The revised capital cost estimate, we believe, is a better estimator of current costs.
- Share Dilution: Total number of shares (diluted) has increased from 53.4 million to 92.6 million shares (FRC estimate).

As a result of all the above-mentioned changes, our DCF valuation on Commerce increased from \$0.95 per share to \$1.87 per share, and our real options valuation increased from \$1.08 per share to \$2.60 per share. Our valuation (per share) increased primarily because the revised valuation models account for the value of Niobium and the new resource estimates at the Upper Fir, offset by share dilution and an increase in capital cost estimates.

Summary of DCF Valuation	
Resources (Indicated and 50% of Inferred) - in mm tonnes	21.90
Recovery	80%
Recovered Tantalum Oxide - in mm lbs	7.95
Recovered Niobium Oxide - in mm lbs	46.30
Production Commencement	2,010
Throughput (tpd)	2010 - 13: 3,000 2014+: 4,000
Mine Life (years)	17
Average Operating Costs (US\$/tonne) - open pit	\$32
Average Operating Costs (US\$/tonne) - underground	\$38
Long-term Price of Tantalum Oxide (US\$/lb)	\$150
Long-term Price of Niobium Oxide (US\$/lb)	\$10
Capital Investment (US\$)	\$45,000,000
Discount Rate	12%
Tax	35%
Value	\$166,430,983
Working Capital	\$6,247,066
Long-term Debt	-
Net Value of CCE	\$172,678,049
Shares (diluted)	92,585,068
Value per share	\$1.87

Real Options Valuation Model					
	Resources	Grade	Contained Metal	Price (US\$/lb)	Value (C\$)
	(in mm tonnes)	(g/t)	(in mm lbs)		
Tantalum Oxide	21.90	206	9.94	150.00	1,371,030,000
Niobium Oxide	21.90	1,197	57.81	10.00	531,852,000
Total Value (C\$)					\$1,902,882,000
Operating Costs (C\$)					\$944,570,440
Recovery	80%	Net Value (C\$)			\$958,311,560

Inputs relating to the underlying asset			
Estd. Mineral Resources (in mm tonnes)			21.90
Estd. Value of Minerals if extracted today			\$958,311,560
Annualized Standard Deviation of Mineral prices			8%
Capital Investment			\$51,750,000
Estd. Mine Life (years)			17
Riskfree Rate			4.20%
Output			
Stock Price	\$958,311,560	T.Bond rate	4.20%
Strike Price	\$51,750,000	Variance	0.01
Expiration (in years)	17.0	Annualized div yield	7.67%
d1 =	6.957	Value of Option	\$234,640,207
N(d1) =	1.000	Working Capital	\$6,247,066
d2 =	6.614	Debt	-
N(d2) =	1.000	No of outstanding shares (diluted)	92,585,068
Value per share			\$2.60

Conclusions & Rating

In our initial report, we concluded that the Blue River projects held significant merit and the company was undervalued. The identification and delineation of the Upper Fir deposit has added significant value to the project since that time, and the company is proceeding with engineering, feasibility, and permitting work for this deposit. Commerce has been clear that they are seeking an industry partner to assist in advancing this large project into production. At this time, Commerce is working to advance their project through permitting, environmental baseline studies, and engineering/feasibility work to make their project more attractive for partnership/acquisition. We believe this is an excellent strategy for the company. We believe that other metals may have garnered most of the market's attention and Commerce's rare earth project may not be generating the notice it deserves.

We now assign the fair value of the company based on the average of the two valuations as the company has made significant progress since our initial report. **Therefore, based on our valuation models and review of the company's projects, we reiterate our BUY rating on Commerce, and raise our fair value estimate from \$0.94 per share to \$2.25 per share.**

Risks

The following risks, though not exhaustive, may cause our estimates to differ from actual results.

- Commerce is exposed to all of the risks associated with a junior mining company that does not generate any positive cash flow.
- Commerce is particularly leveraged to the price of tantalum and niobium, which are not traded on public markets and are hard to track.
- The success of the prefeasibility study and resource expansion are important to the long-term growth of the company.

Appendix



a) Investor Property Visit (September 2006) – FRC Analysts Micheal Casserly and Siddharth Rajeev (center) also visited the company’s property



b) FRC Analyst Micheal Casserly at CCE’s Property

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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