

Impact Hit on Upper Fir

New results hold long range and immediate promise

→ FIR
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@ Calgary MFG

COMMERCE RESOURCES CORP. (TSX-V: CCE)

In mid-January, Commerce Resources Corp. (TSX-V: CCE) released new data on a Canadian tantalum property that ought to turn investors' heads. The company had previously identified at least one potentially mineable deposit on its land in Blue River, north of Kamloops British Columbia. The new results indicate yet another virtually identical body of rock located 1,200 meters away from the first.

The first and obvious implication is that there may be much more resource on the property than first thought, adding to existing shareholder value over the long term. The second implication, one not quite as obvious, is a significant reduction in development costs for CCE. That's because the newly confirmed zone is more easily accessible than the company's first discovery.

While the company's share price has moved up from the \$0.13 level to around \$0.20 on the news, it remains far below the \$1.00-plus value attributed in an earlier, detailed report from Fundamental Research Corp.

In large part this is likely due to two factors. First, the 2000 downturn in the tech sector

resulted in weaker demand for tantalum and lower prices. That market, however, has already turned around. Second, despite the turnaround, investors have been focused on gold as its price has more than doubled leading to constant headlines and a high level of investor awareness. In short, the tantalum market has simply been ignored, despite the potential for investment returns far exceeding that offered in many other resources, including gold and energy.

TANTALUM

For those not entirely familiar, tantalum is the metal that makes an array of technology possible. It has been classified as a "strategic metal" by the United States government and has been broadly referred to by investors as the metal of the future or the high tech metal.

Most of the world's tantalum, more than 60 per cent, goes into making electronics, primarily capacitors used in desktop and laptop computers, cellular phones, PDAs, video game systems, etc.

High-quality, tantalum capacitors are critical in making electronics. Like batteries, capaci-

Commerce Resources Corp.
TSX-V: CCE

Shares OS: 38,485,124

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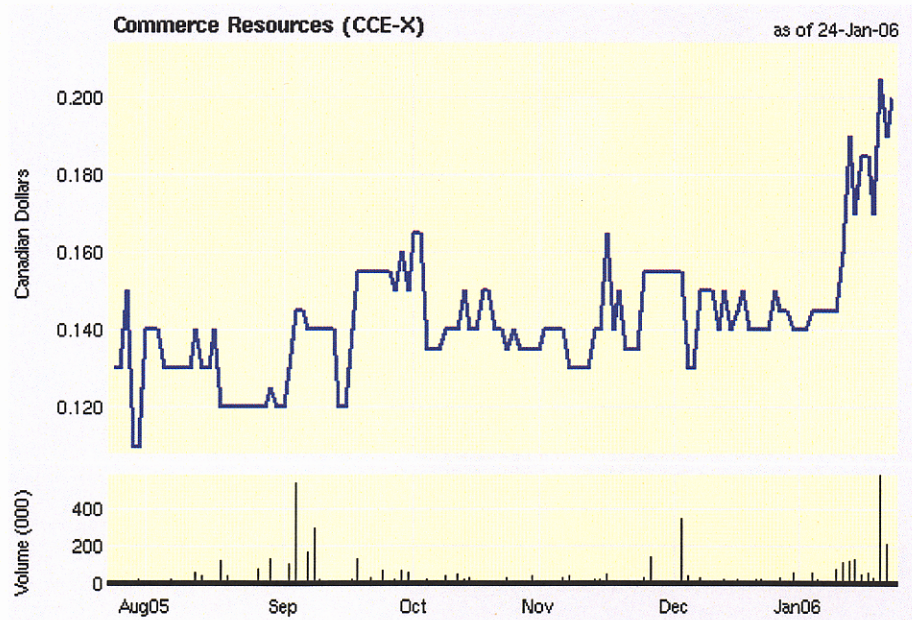
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tors store energy. A capacitor, however, can dump its entire charge in a tiny fraction of a second, where a battery would take minutes to completely discharge.

Tantalum's electro-magnetic characteristics and its superior performance in extreme conditions have made it the material of choice for producing capacitors. Tantalum capacitors, used when space is limited and dependability critical, are likely to increasingly be the only way to go for makers of electronics that compete on miniaturization.

Demand in the tech sector has come back after weakness following the 2000 crash, and it has been estimated that capacitor market growth in the order of 10 per cent annually can be expected.

The supply-side of the tantalum functions like the uranium market. While no open quotation system exists, buyers prefer to lock in supply using long-term contracts. Like the uranium market, security of supply is a critical factor. With tech market recovery, best estimate of tantalum prices pegs concentrate at about \$US55-65/lb.

Most of the world's tantalum has been supplied by Australia's Sons of Gwalia. Up to 40 per cent, however, has been supplied by operations in politically unstable countries.

CCE's location in Canada gives the company a distinct advantage in terms of political risk in a market that may increasingly put a premium on security of supply as demand for tantalum continues to expand.

Since 1955, tantalum prices have increased by 1,047 per cent. Investors can compare this with cyclical metals such as copper at 246 per cent and zinc at 271 per cent since 1955. By contrast, tantalum has been in a long-term uptrend and has yielded more than four times the return.

THE BLUE RIVER PROPERTY

CCE owns 100 per cent of the Blue River property and has been developing this prospect since 2001, when an initial 11 holes confirmed the presence of tantalum previously discovered by Anschutz Mining.

In 2002, the company established an initial estimate for an open-pitabile inferred resource of 5.2 million tons of tantalum (Ta₂O₅) grading 194 g/t at its Verity deposit.

Further work in 2002 and 2003 at the Fir deposit led to an increase in resources, with indicated pegged at 5.65 million tones and an inferred resource of 6.74 million tones grading 204 g/t tantalum. CCE also processed a 300 kg bulk sample to get an initial picture of extraction properties. Results to date have demonstrated that the host rock is relatively soft and recovery rates are very high—above 90 per cent.

More metallurgical work in 2004 confirmed high recoverability and good potential for low-cost conversion into tantalum oxide.

Last year the company carried on with work to further define the extent of the potential deposit on its Blue River property. While the initial exploration target, known as the Fir, had yielded significant results, CCE wanted to take a closer look at an outcropping 1,200 meters to the east of the Fir. It was thought that this piece, known as the Upper Fir, contained a similar structure as found at the Fir.

The latest results, released only days ago, are a strong indication that the Upper Fir is a faulted section of the same mineral trend that created the excitement at the Fir prospect.

The implications are that the potential for a larger deposit are now much more real and, more practically, that development costs could be significantly lower.

While the Blue River property is exceptionally close to critical infrastructure (it's located almost directly beneath power lines, and close to road and rail), the Upper Fir is somewhat more accessible than the Fir.

With these new results, CCE can now bulk sample, trench and drill for less on the Upper Fir, and because of the similar mineralogy to the Fir, use these results in pre-feasibility work while developing a mine and financial model.

If the company eventually does put a mine into operation, the lower costs of extraction at the Upper Fir will improve mine economics.

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It is worth noting that the Fundamental Research report of late 2004 values CCE through two separate methods to come up with a range \$0.92 to \$1.08 per share for CCE. This is prior to the latest results from the Upper Fir, which would likely have a significant impact on Fundamental's model.

MANAGEMENT

David Hodge
President, Director

David Hodge contributes to Commerce Resources many years of management experience with publicly traded company. He has been a director of mineral exploration companies since 1996, and has **stewarded** the Blue River Project from its acquisition in 2000 through to current development activities.

Jody Dahrouge
VP Exploration, Director

Mr. Dahrouge is a graduate of the University of Alberta with a Bachelors Degree in Science (Geology) and a certificate in Computer Science. Mr. Dahrouge has successfully operated Dahrouge Geological Consulting Ltd. since 1998. His experience, insight and energy combine to provide Commerce with a real resource in the acquisition and management of resource project.

Shaun Ledding, B.Comm
VP Corporate Compliance, Director

Shaun Ledding graduated with a Bachelor of Commerce (Finance) degree from the

University of British Columbia and has experience in the areas of management and regulatory compliance. He brings seven years of public company experience and is also a director of International Zimtu Technologies Inc.; the former parent company of Commerce Resources Corp.

CONCLUSION

Investors looking for diversification in junior resource exploration companies will certainly want to put CCE on their screens. Strong long-term fundamentals and growing demand in the tantalum market means that new suppliers that can offer a secure source will benefit from potentially higher prices and stable off-take.

CCE has produced high quality samples and excellent recovery rates. While it is important to understand that early-stage projects such as CCE are inherently high-risk, this company is well beyond initial exploration and is beginning to address pre-feasibility and development issues.

During the next phase of development, investors could stand to see an excellent return on investment if and when results from the pre-feasibility study and bulk sample come in, likely in the next 8 to 12 months.

In the near term, this already under-valued and overlooked situation stands to benefit from increased investor awareness as the latest round of results confirm the potential for a profitable tantalum mine at Blue River.

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notes

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