

BEAT THE MARKET

I N V E S T M E N T N E W S L E T T E R

May 25 2011

by Christopher Skidmore

Commerce Resources Corp.
TSXv: CCE - FSE: D7H - OTCQX: CMRZF
Premium 'Nov. 2010' @ \$0.55 + \$0.24 / 44%

Share Price \$0.79
Share Out 134.1M
Market Cap \$105 million



Developing One of the Largest Rare Earth Deposits in Canada

THE WORLD HAS GONE RARE EARTH CRAZY.

Since the new year, prices for rare earths have continued their parabolic moves as China ramps



down on export quotas and imposes further restrictions. Strict supply conditions are foreseen to continue until at least 2015 when the vast majority of the planned projects can come into production. In the past several months prices for most rare earths have doubled or in some cases even tripled. The light rare earths continue to lead the way making the bulk of the price increases. Heavy rare earths are much rarer than the lights and will continue to be strategic until there is a steady supply, but the light rare earths are where the bulk of the future demand on a tonnage basis will come from. Neodymium and lanthanum make up a significant portion of the rare earths required for the manufacturing of magnets and other components which are used in the production of hybrid and electric vehicles. Since the summer of 2010 when China first started to impose quotas on rare earth exports, the light rare earth neodymium has gone from about \$50/kg to \$250/kg. Even the most abundant light rare earths, cerium and lanthanum have seen big price increases going from about \$20/kg early last summer to nearly the \$140 per kg value they command at current prices, less than a year later.

There are several factors that point to further demand increases and continuing supply constraints that will make this market extremely tight for years to come.

- Underestimation of future demand. Driven primarily by a rising popularity in electric and hybrid vehicles as well as a growing movement for wind and solar products.

- China continuing to impose export quotas and restrictions.
- Large planned development projects are still three to four years from production.

Currently approximately 120,000 tonnes of rare earths are consumed per year. In the last six months rare earth demand forecasts have been ramped up to as much as 275,000 tonnes per year by 2015 which is more than double the current demand in just three and a half years. Demand forecasts are still most likely underestimating the 2015 number. This creates an opportunity for new development projects to meet the enormous surge in demand for rare earths. A bulk tonnage open pit rare earth project like the massive open pits in China would be an ideal type of mine to meet any unexpected surge in rare earth demand.

CUT IN CHINA'S EXPORT QUOTA HAS TRIGGERED RECENT INCREASE IN OXIDE PRICES



Source: Ernst & Young "Technology Minerals: The rare earth race is on!" April 2011

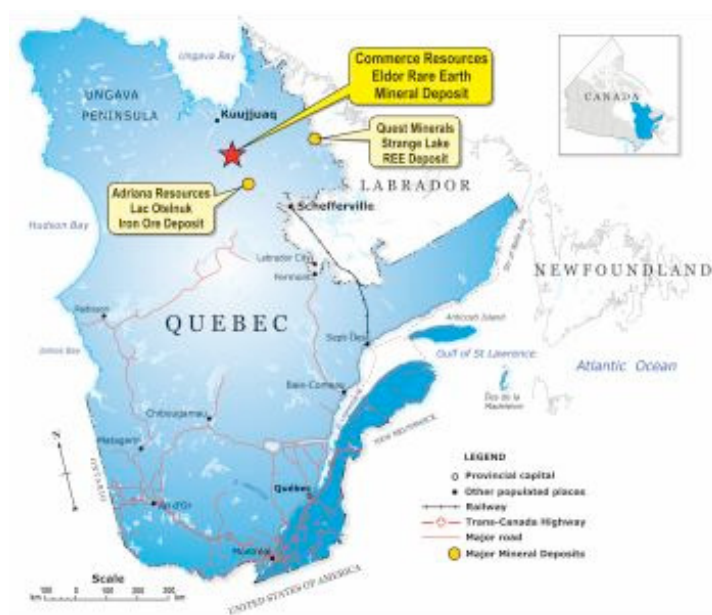
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Commerce Resources has discovered a significant light rare earth deposit at the Eldor Project in Quebec that has potential to expand to multiples of its current size and has also discovered a significant heavy rare earth enriched zone near surface that would be ideal for the focus of a starter open pit. Commerce is developing the 2010 rare earth discovery at the Ashram Zone into what may arguably become the largest rare earth resource in Canada.

Commerce's Eldor Project has the potential to be the largest tonnage rare earth project in Canada once the boundaries of the Ashram Zone are fully defined. It currently ranks third as the largest rare earth deposit in Canada based on tonnage behind Avalon & Quest. It is in a virtual tie with Quest for contained TREO behind only Avalon which is the largest in Canada. This puts Commerce Resources' Ashram Zone in some pretty lofty company and is attractively priced being comparable in scope and grade to the mega projects.

ONE OF THE LARGEST RARE EARTH DEPOSITS IN CANADA

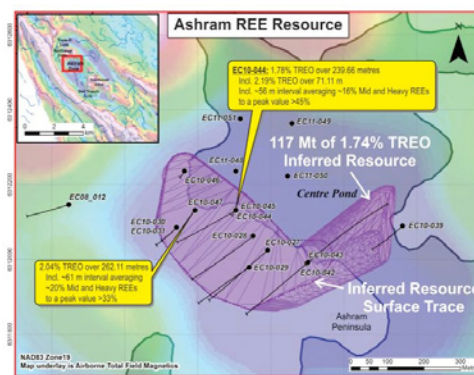


Commerce is another Avalon Rare Metals (TSX: AVL - \$7.02 – Market Cap: \$650 Million) or Quest Rare Minerals (TSXv: QRM - \$7.30 – Market Cap: \$435 Million) in the making. It is an undervalued rare earth project when compared to its peers, trading at less than a third of the value per resources in the ground of the other two massive rare earth projects in Canada. It is a potential open pit light rare earth project with near surface heavy rare earth enrichment that has a similar distribution in elements to Avalon's Nechalacho Deposit. The recent nature of the discovery has the market still largely unaware of the massive rare earth find at the Eldor Project. 2010 drilling defined an inferred resource of 117Mt grading 1.74% TREO with only twelve holes totaling 3,300 meters of drilling. The deposit is open in every direction.

Company	Tonnage	Grade TREO	TREO	50 Day MA Market Cap	MC per tonne of TREO
Avalon Rare Metals Thor Lake (Nechalacho)	315Mt	1.36%	4.298Mt	\$734M	\$171
Quest Rare Minerals Strange Lake (B-Zone)	230Mt	0.91%	2.098Mt	\$410M	\$195
Commerce Resources Eldor (Ashram)	117Mt	1.74%	2.041Mt	\$109M	\$53

ASHRAM POTENTIAL FOR MATERIAL EXPANSION OF THE RESOURCE

The Ashram Zone is open to the north, the east, the south and is somewhat constrained to the west. It is also open at depth with almost all of the holes from the 2010 drill program bottoming in mineralization to a maximum drilling depth of about 375 meters. The recently completed follow up 2011 winter drill program consisting of approximately 3,600 meters in eight holes almost doubles the area of the anomaly drilled and significantly increases the depth profile of the deposit with the deepest hole bottoming in mineralization at around 600 meters depth. The program was designed to explore the untested northeastern part of the Ashram Zone where Commerce was getting consistently higher grades



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and where the heavy rare earth enriched zone was developing. The 2011 winter program more than doubles the meters drilled at Ashram to date and gives Commerce significant potential to expand the resource at Ashram if results from the lab come back positive. Commerce has reported that all of the holes drilled intersected encouraging rock types similar to the 2010 drilling program and results are expected back from the lab shortly. Commerce has a great chance to materially increase the resource at the Ashram Zone. Hole EC10-046, one of the last holes drilled in the 2010 program demonstrated that the grades were increasing at depth with some of the highest grades at Ashram grading >3% TREO just meters from the bottom of the hole.

HEAVY RARE EARTH DISCOVERY IN HOLE EC10-047

Late in the 2010 drill program Commerce announced they had discovered a significant near surface heavy rare earth enriched zone at Ashram. Two holes drilled 110 meters apart returned 61 meter and 55 meter intervals of a heavy rare earth enriched zone. Hole EC10-047, for instance, encountered a 61 meter interval starting at a depth of only 6 meters that averaged 1.41% TREO of which 14.56% was represented by the heavies. This heavy rare earth enriched zone has about double the heavy rare earth values encountered in the rest of the deposit. The heavy rare earth enrichment at Ashram could be the icing on the cake on what was considered to be a light rare earth discovery to start last summer.

The heavy rare earth enrichment in EC10-047 has all of the key elements for the electric and hybrid car revolution. It has a similar distributions to Avalon's Nechalacho Deposit in key heavy rare elements such as dysprosium (Dy) and terbium (Tb) and elevated values of the critical light rare earth neodymium (Nd) which is vital for the production neodymium magnets that help power electric vehicles and hybrid cars. The enriched zone shows excellent potential for expansion as Commerce continues to trace it north.

	Grade	Orebody	Neodymium	Terbium	Dysprosium
Commerce – EC10-047 HREE Enriched Zone	1.41% TREO	Carbonatite	23.99%	0.41%	1.72%
Avalon – Nechalacho Deposit	1.36% TREO	Peralkaline	19.20%	0.41%	1.81%

COMMERCE RESOURCES ELDOR PROJECT MATERIALLY UNDERVALUED

Commerce's Eldor Project is attractively priced with a great value aspect trading at a third the in-situ value of its peers. Commerce has considerable growth potential to expand the existing resource well beyond the current 117Mt. The Ashram Zone has demonstrated a significant heavy rare earth discovery and compares favorably to some of the largest rare earth projects in Canada. Ashram also has the benefit of being hosted in carbonatite which is the favorable orebody to produce and process rare earths from. Commerce is already one of the largest rare earth deposits anywhere in the world and has the potential to expand to the largest deposit in Canada with a potential open pit mine that is similar in scale to those that Chinese companies are mining in Mongolia and China. Investments like Commerce do not come around often as Commerce is an extremely undervalued investment considering the large resource defined at Ashram. Commerce also demonstrates one of the best growth profiles in the industry with incredible potential for resource expansion. Companies that demonstrate both value and growth are investments that provide a great entry point based on risk and an opportunity to leverage your investment. Commerce is a company with plans on turning Ashram into the one the largest rare earth deposits in the world and demonstrate that the Eldor Project has the essentials to make a rare earth mine for years to come.

CCE Investment Highlights...

- Considerable growth potential with deposit boundaries still undefined
- Extremely undervalued when compared to peers
- Large tonnage open pit potential
- Heavy rare earth discovery with favorable distribution that compares well to Avalon

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Beat the Market Stock Picks

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