

Putting in Place Last Pieces Brings Fortunate Surprises

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Article #1 “The Knock-Out Criteria for Rare Earth Element Deposits: Cutting the Wheat from the Chaff” and article #2 “Knocking Out Misleading Statements in the Rare Earth Space” can be downloaded [here](#).

Article #3 “Rare Earth Deposits: A Simple Means of Comparative Evaluation” can be downloaded [here](#).

Article #4 “Ashram - The Next Battle in the REE Space between China & ROW?” can be downloaded [here](#).

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Following up on our latest [article](#) “Ashram - The Next Battle in the REE Space between China & ROW”, Commerce Resources Corp. (“CCE”) has released material news yesterday ([July 2](#)).

We had the chance to speak with geologist Darren Smith (M.Sc., P.Geol.) who is Project Manager with Dahrouge Geological Consulting Ltd. and Commerce’s Qualified Person:

Rockstone:

Commerce Resources Corp. just published results from the 2014 drill program at its 100% owned Ashram Rare Earth Project in Quebec. The intent of this drill program was to upgrade the inferred resource (**220 million tonnes @ 1.88% TREO**) to the indicated or measured category (**29 million tonnes @ 1.90% TREO**). Please explain the significance of the new assays and why these surprised you.

Darren Smith:

The intent of this drill program was the same as that of the summer 2013 program, except that it focused on infill drilling over Centre Pond, as well as one land based hole and three geotechnically focused holes. The primary goal of the infill drill programs was the upgrading of the inferred mineral resources to the indicated or measured category (i.e. increase the resource confidence) as is required at the Prefeasibility level. Of the 4,000 tonne per day proposed pit as outlined in the in the PEA, approximately two thirds is classified as inferred resources. The long-term intent is to remain with a 4,000 tonne per day production scenario and upgrade all of the in-pit inferred resources to higher confidence. To this end, Commerce has made significant progress in the face of a difficult market.

These two programs have gone exceedingly well, not only coming in under budget, but also de-risking the project further than anticipated through several unexpected yet highly positive discoveries. This is very significant as, typically, infill drill programs are quite boring, being far more predictable than exploration drill programs. In Commerce’s case three significant developments adding to the robustness of the project have been noted:

1. The discovery during the 2013 drill program of

mineralized material within the pit, as outlined in the PEA, where waste had been modelled. This indicates a decrease in the already extremely low strip ratio for the deposit (0.2:1). This was an unexpected, yet extremely favourable discovery.

2. The discovery of additional MHREO Zone material (material enriched in the middle and heavy rare earth oxides) outside of the MHREO Zone resource as modelled in 2012. Initial interpretations identify up to four potential extensions to the MHREO Zone, and mostly within the proposed pit as outlined in the PEA. Although these interpreted extensions require review and sign-off by a Qualified Person before inclusion into the MHREO Zone resource may be considered, this newly identified material enriched in the MHREOs is present near surface and largely within the pit as outlined the PEA. This is anticipated to only have a positive impact on the project as MHREO enriched material is the most valuable material in the deposit, and it is now indicated to be more prevalent in the overall deposit, as well as the pit proposed in the PEA, than previously thought.

As an addendum to this, these MHREO Zone intersections continue to return critical rare earth oxide (CREO) grades that compare very favourably (Dy₂O₃ and Tb₂O₃) or exceed (e.g. Nd₂O₃ and Eu₂O₃) several of the well-known heavy REO deposits in the space. Moreover, the REO distribution of europium oxide (Eu₂O₃), the most expensive of the CREOs, is among the highest in the world of any rare earth deposit in development or production. The Ashram Deposit continues to display a remarkably well-balanced REO distribution focused on the CREOs, along with a relatively high grade.

3. The discovery of significant high grade (>2% TREO) mineralization adjacent to the MHREO Zone material. The average grade of the mineralized in-pit material as outlined in the PEA is 1.82% TREO, and therefore, any intersections above this will help strengthen the robustness of overall grade within the pit. The 2014 program returned several intersections of significantly higher grade than 1.82% TREO, notably; **2.13% TREO over 172.66 m**, including **2.32% over 96.66 m (EC14-098)**, **2.25% over 56.32 m (EC14-101)**, and **2.01% TREO over 81.00 m (EC14-099)**.

So I guess the overall theme of the 2013 and 2014 drill campaigns is only positive discoveries and developments appear to have been made as the project

continues to be advanced. Commerce will not know the full impact of these discoveries until the Prefeasibility Study is completed with this new information incorporated; however, indications strongly support those impacts will be positive in nature.

Rockstone:

When can we expect the release of an updated resource estimate?

Darren Smith:

All of the infill resource drilling is anticipated to be completed by the end of Q1 2015 as several holes over Centre Pond remain that require lake ice to access. The updated resource is then anticipated to be completed in the following quarter (Q2 2015).

Rockstone:

Please inform us how the discussions with possible joint venture partners are progressing.

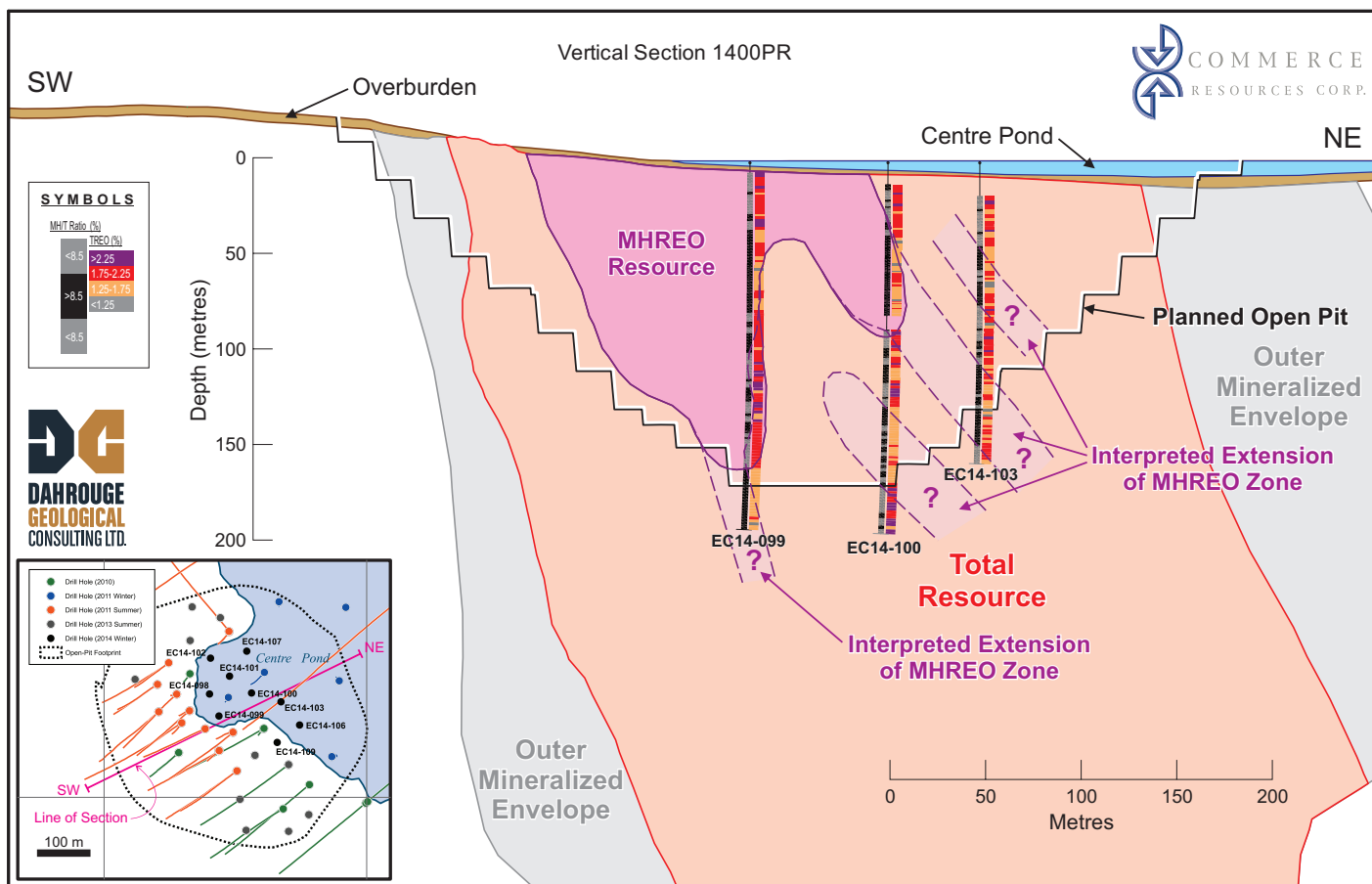
Darren Smith:

Several companies are actively engaged in due dili-

gence and advanced discussion with the Company at this time. Commerce has utilized a wide outreach, which is international in scope, to identify a strategic partner either with knowledge of rare earth processing or an integrated producer/end user who has knowledge related to operations, processing, or refining of rare earths. Commerce has taken the necessary steps of demonstrating that a very high grade mineral concentrate can be produced with demonstrated commercial processes, and would now like to work alongside a partner who will have a direct stake in defining the strategic approaches necessary to move the project forward towards production.

CONCLUSION

Yesterday's drill results show that Commerce intersected 4 times (in 3 separate holes) the same mineralization that occurs in their identified MHREO Zone, which is the most valuable type of mineralization in the Ashram Deposit and where the starter pit is anticipated to be located.



Along with the cross-section on page 3 it becomes clear that a new window of opportunity has opened up for several extensions of the MHREO Zone.

2012 MHREO Zone Resource Estimate:

Measured & indicated: **6.6 Mt of 1.63% TREO at 11% MH/T**
Inferred: **2.8 Mt of 1.57% TREO at 11% MH/T**

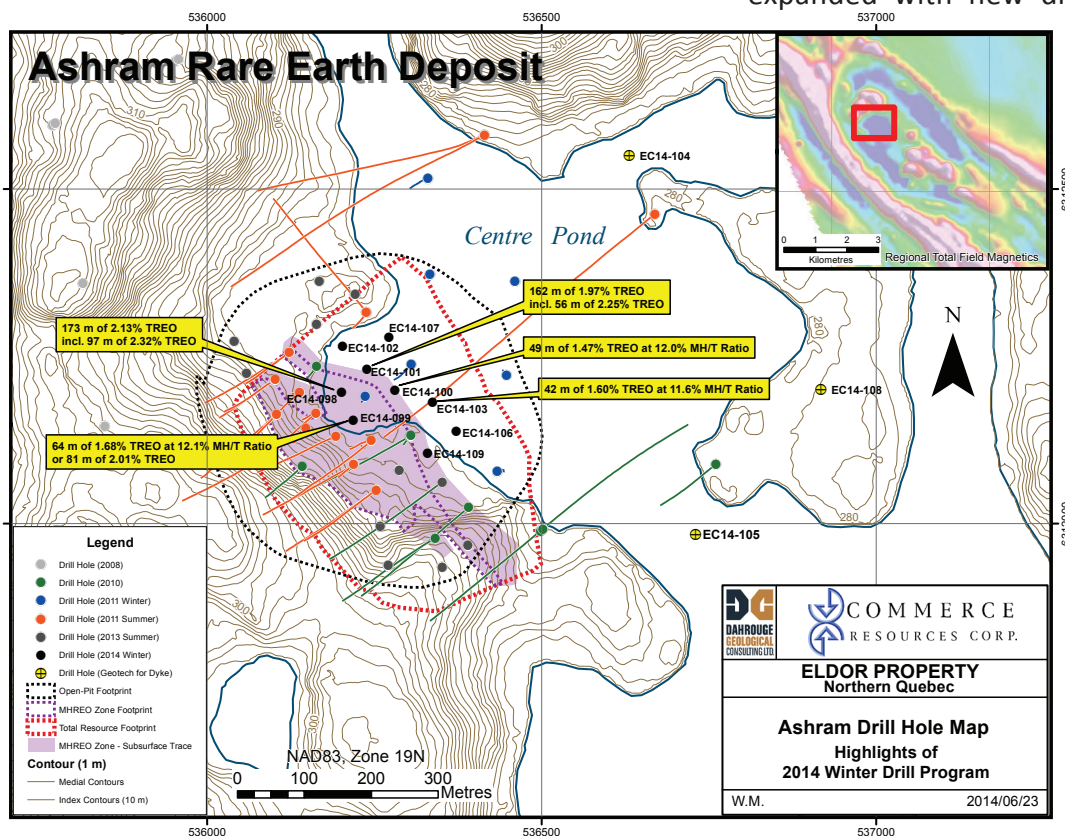
July 2, 2014 news had the following drill results:

- The recent infill program indicates the zone of MHREO enrichment identified within the open-pit modelled in the previous PEA extends beyond the area of the original interpretation. This is best evidenced in hole **EC14-103** with **42 m of 1.6% TREO at 11.6% MH/T** and hole **EC14-100** with **49 m of 1.47% TREO at 12% MH/T** where a clear extension of the MHREO Zone can be interpreted.
- In addition, **EC14-099** bottomed unexpectedly in strong MH/T mineralization (**33 m of 1.41% TREO at 12.6% MH/T**) at a depth of 192 m, further suggesting that a more extensive MHREO mineralizing system is present than originally indicated.

- Additional MHREO mineralized intersections within the current interpreted zone include **EC14-098** with **35 m of 1.8% TREO at 10.5% MH/T** (including 38 ppm Tb₂O₃ and 160 ppm Dy₂O₃) and **EC14-099** with **65 m of 1.68% TREO at 12.1% MH/T** (including 38 ppm Tb₂O₃ and 153 ppm Dy₂O₃). These terbium and dysprosium grades compare favourably with some of the better known heavy rare earth deposits in the REE space (e.g. Kipawa), except at Ashram these values are complemented by considerable enrichment in neodymium and europium.

- In addition to the interpreted extension of the MHREO Zone, strong TREO mineralization was also intersected in the surrounding mineralized material within the pit shell identified in the PEA. Highlighted results include: **EC14-098** with **2.13% TREO** over 173 m, including **2.32%** over 97 m; **EC14-101** with **1.97% TREO** over 163 m, including **2.25%** over 56 m; and **EC14-099** with **2.01% TREO** over 81 m. These intersection grades are higher than the resource categories previously reported (1.9% TREO measured and indicated, and 1.88% TREO inferred).

The highly valuable MHREO Zone not only has been expanded with new discoveries of extensions but



also with higher grades. Apparently, Commerce is moving straight ahead with the most important fundamental steps to advance the Ashram Project towards a production state. The proposed starter pit may turn out to be of higher grade. The next resource estimate, to be prepared in conjunction with the ongoing prefeasibility study, is expected to lift the economics of the projects to new highs. As shown in previous [articles](#), the economics of Ashram are already among the best in the entire sector, whereas Ashram leads the pack with its capability of producing a high-enough mineral concentrate for refineries or end-users.

As mirrored in its share price, Commerce is on the way up advancing to the *primus inter pares* (first among peers) of the REE space and it must be only a question of time until a joint venture agreement with a strategic partner is announced.

Commerce had no difficulties raising capital at a share price level that was around 300% higher than most of the previous year, because it is getting increasingly clear that Ashram has the potential of becoming the next REE mine in development. Commerce directed most of the raised funds to further develop Ashram with drillings in order to make the upcoming prefeasibility study even more attractive.

We anticipate a largely increased resource estimate and higher grades in the proposed starter pit. The ongoing prefeasibility study may positively surprise the market. However, we expect the announcement of a joint-venture partner even before the prefeasibility study is disclosed.

Negotiations with potential partners and governmental agencies have increased substantially since December 2013, when the company reported on its breakthrough in metallurgy and which event immediately put it in the forefront of all REE development projects as our [analysis](#) has shown. Today, there exist not many companies capable of producing a saleable mineral concentrate with more than 40% TREO with a flow-sheet that makes abundant economic sense at any given state of the market: **Commerce Resources is one of the very few that can.**

Technically, the share price has reached the end of a month-long consolidation phase that, again, took the shape of a triangle. A strong buy signal is generated once the resistive (red) leg is broken as a "thrust" to the upside can be expected thereafter. The goal of the thrust is to rise above the previous high of the triangle (C\$0.34) and transform it into new support in order for a new upward-trend to commence thereafter. As per below chart, next larger resistances currently occur between C\$0.40-0.50.



Link to above chart: <http://scharts.co/1eXc6Vt>



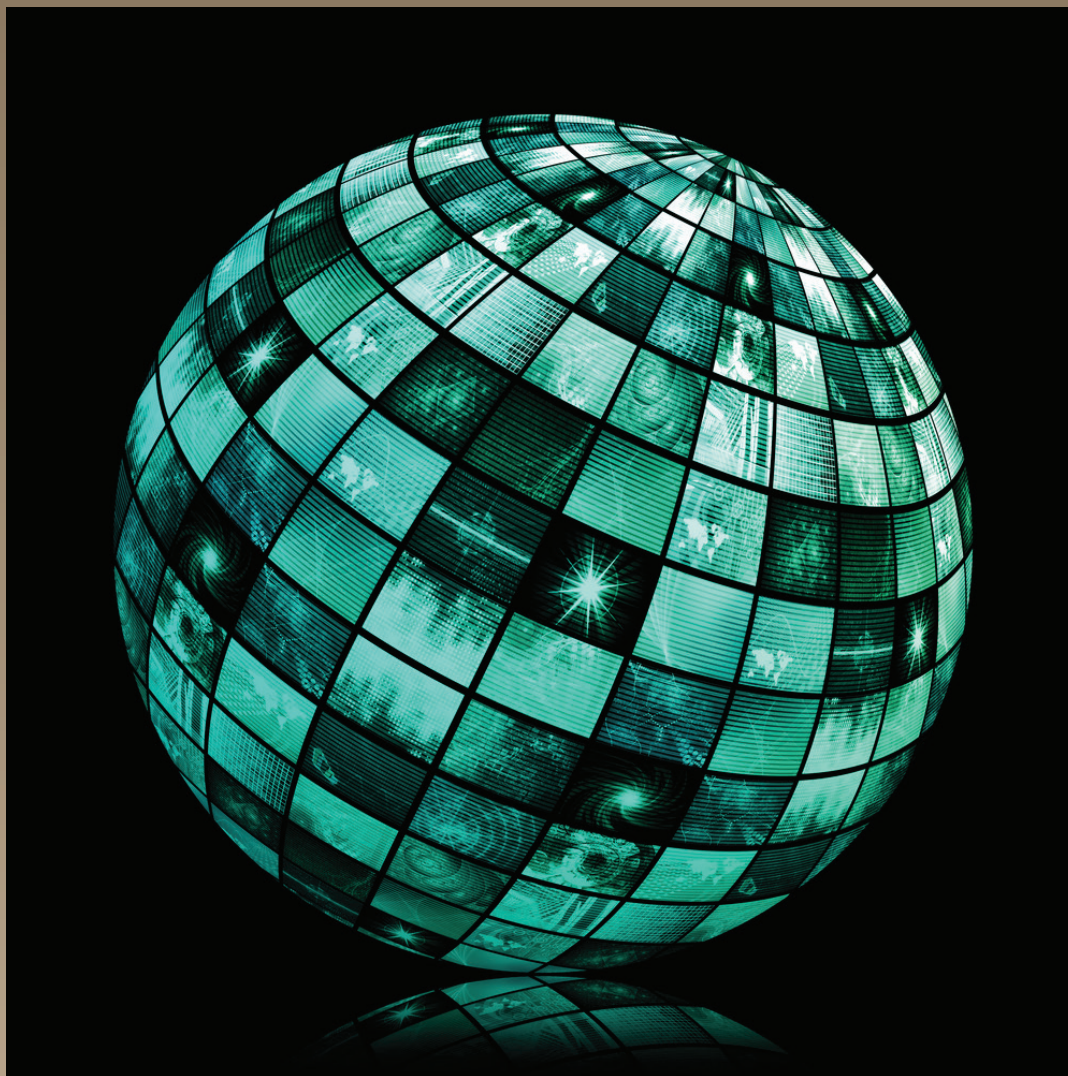
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All statements in this report, other than statements of historical fact should be considered forward-looking statements. Much of this report is comprised of statements of projection. Statements in this report that are forward looking include that rare earth element prices are expected to rebound; that Commerce Resources Corp. can and will start developing its projects into a mine; that exploration has or will discover a mineable deposit. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in these forward-looking statements. Risks and uncertainties respecting mineral exploration companies are generally disclosed in the annual financial or other filing documents of Commerce Resources Corp. and similar companies as filed with the relevant securities commissions, and should be reviewed by any reader of this report. In addition, with respect to Commerce Resources Corp., a number of risks relate to any statement of projection or forward statements, including among other risks: the receipt of all necessary approvals; the ability to conclude a transaction to build the mine; uncertainty of future production, capital expenditures and other costs; financing and additional capital requirements for exploration, development and construction of a mine; the receipt in a timely fashion of further permitting for its projects; legislative, political, social or economic developments in the jurisdictions in which Commerce Resources Corp. carries on business; operating or technical difficulties in connection with mining or development activities; the ability to keep key employees and operations financed. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Rockstone and the author of this report do not undertake any obligation to update any statements made in this report.

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“The Ashram Deposit continues to exceed our expectations in nearly all respects. The winter program, which drilled holes inside the previously identified resource, not only increased our confidence in the resource model, but appears to have expanded the identified MHREO Zone, the most valuable zone in the deposit, as well as returning high grade TREO intercepts in adjacent material. Coupled with its simple rare earth mineralogy which is amenable to >40% TREO mineral concentrate grades at high recovery, our Ashram Deposit is clearly a standout in the REE space.” (Dave Hodge, President of Commerce Resources Corp.)