

Management's Discussion and Analysis  
For the Three Months Ended March 31, 2004

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### Description of Business and Report Date

Commander Resources Ltd. ("the Company") is an exploration stage company engaged in the acquisition and exploration of prospective gold, nickel and base metal properties primarily in Canada. The Company is currently focusing its exploration activities on Baffin Island and in Labrador. The Company is a reporting issuer in British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol CMD. The following discussion and analysis of the financial position and results of operations for the Company should be read in conjunction with the interim financial statements and the notes thereto for the quarter ended March 31, 2004 which were not reviewed by an Auditor.

This interim Management Discussion and Analysis ("MD&A") is an update to the Company's annual MD&A for the year ended December 31, 2003. The information in this interim MD&A contains forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The forward-looking statements are only made as of the date of this interim MD&A, May 28<sup>th</sup>, 2004 (the "Report Date").

### Highlights for 2004

- On January 22<sup>nd</sup>, the Company reported the hiring of Kenneth Leigh as the new President.
- On February 17<sup>th</sup>, the Company reported the acquisition of four exploration permits totalling 157,000 acres on Baffin Island.
- On April 14<sup>th</sup>, a Board Resolution was passed appointing Kenneth Leigh as CEO of the Company. William Coulter remains Chairman of the Board.
- On April 16<sup>th</sup>, Donner Minerals notified the Company that Falconbridge was terminating its option on the South Voiseys Bay Joint Venture in which the Company has a 48% interest.
- On April 26<sup>th</sup>, the Company entered into an agreement with Alto Ventures Ltd. whereby the Company agreed to waive its First Right of Refusal for Cameco's 70% interest in the Despinassy Gold Property, Quebec. In return, Alto Ventures agreed to provide the Company with 100,000 treasury shares of Alto Ventures and to carry the Company's 30% interest in the Property for \$150,000 in expenditures or 2 years.
- On May 18<sup>th</sup>, the Company reported that a strong geophysical conductor was identified on each of the Sally and Adlatok 1 properties in Labrador.
- Exploration work on the Baffin Island Project commenced during the last week of May, including diamond drilling, airborne geophysical surveying and ground geophysics.
- Throughout the quarter, the Company raised \$1.293 million through the exercise of warrants and stock options.

Management continues to seek quality partners for the Company's large portfolio of copper-gold, gold and base metal properties. On April 26<sup>th</sup>, 2004, the Company reported that Cameco Corporation ("Cameco"), the Company's Joint Venture Partner on the Despinassy Gold Project in Quebec, entered into an Option to Purchase Agreement with Junior explorer Alto Ventures Ltd. (Alto Ventures") providing Alto Ventures the right to purchase Cameco's 70% interest in the

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Project. In a separate agreement with Alto Ventures, the Company waived its right of first refusal under the Joint Venture in consideration for the following:

- 100,000 common shares of Alto Ventures at a deemed price of \$0.10 per share;
- Alto Ventures shall carry the Company's 30% Joint Venture obligations to a maximum of \$150,000; and
- the Company retains the right of first refusal and existing royalty provisions under the Joint Venture should Alto Ventures withdraw the Agreement with Cameco.

At March 31, 2004, the Company held mineral properties exclusively in Canada. Exploration activity and expenditures incurred on the Company's properties to March 31, 2004 are tabulated and discussed in more detail below.

	Sarah Lake	Green Bay	Adlatok 1	Sally	Qimmiq	Dewar Lake	Bravo Lake	Other Properties	Total
Balance at									
December 31, 2003	\$ 1,136,260	\$ 599,997	\$ 109,621	\$ 56,890	\$ 293,385	\$ 126,480	\$ 100,783	\$ 2,640,369	\$ 5,063,785
Additions during the year:									
Acquisition costs:	-	-	-	-	7,143	-	-	12,800	19,943
Exploration costs:									
Administration	-	137	-	-	-	-	-	-	137
Drilling	-	-	-	-	-	-	-	200	200
Geology	2,957	1,080	3,074	1,254	40,523	11,503	15,751	8,585	84,727
Permitting	-	-	-	-	2,482	-	-	-	2,482
Property	-	150	-	-	184	32,689	-	704	33,727
Trenching	-	-	-	-	3,094	750	-	-	3,844
	2,957	1,367	3,074	1,254	46,283	44,942	15,751	9,489	125,117
Less:									
Recoveries	-	-	(2,282)	-	-	-	-	(2,050)	(4,332)
Net additions	2,957	1,367	792	1,254	53,426	44,942	15,751	20,239	140,728
Balance at									
March 31, 2004	\$ 1,139,217	\$ 601,364	\$ 110,413	\$ 58,144	\$ 346,811	\$ 171,422	\$ 116,534	\$ 2,660,608	\$ 5,204,513

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### **Qimmiq, Baffin Island Nunavut**

On June 18, 2003, the Company entered into an option agreement with BHP Billiton Diamonds Inc. ("BHP Billiton") to explore for gold on 50,000 hectares of Nunavut Tunngavik Incorporated leases on Baffin Island, Nunavut. A four month exploration program is underway on the project. The project will include a diamond drill program to define the width of the Malrok and Ridge Lake zones. Additional work on the property will include an airborne geophysical survey, ground geophysics, detailed geological mapping and prospecting.

#### *Qimmiq Exploration Program*

The Company proposes to complete a \$2,000,000 exploration program as outlined in the table below.

**Table 1 – Proposed Expenditures for Qimmiq**

	<b>Proposed</b>	<b>Actual</b>	<b>Variance</b>
Administration	\$ 10,000	\$	\$
Drilling	1,500,000		
Geochemistry	100,000		
Geology	25,000		
Geophysics	330,000		
Line cutting	10,000		
Prospecting & sampling	25,000		
	<u>\$ 2,000,000</u>	<u>\$</u>	<u>\$</u>

### **Dewar Lake, Nunavut**

On June 18, 2003, the Company entered into an option agreement with BHP Billiton Diamonds Inc. ("BHP Billiton") to explore for gold on sixteen Nunavut Exploration Permits covering just under 400,000 hectares on Baffin Island, Nunavut.

#### *Dewar Lake Exploration Program*

The Company proposes to complete a \$100,000 exploration program as outlined in the table below.

**Table 2 – Proposed Expenditures for Dewar Lake**

	<b>Proposed</b>	<b>Actual</b>	<b>Variance</b>
Administration	\$ 5,000	\$	\$
Geochemistry	15,000		
Geology	25,000		
Line cutting	10,000		
Prospecting	45,000		
	<u>\$ 100,000</u>	<u>\$</u>	<u>\$</u>

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### **Bravo Lake, Nunavut**

On August 21, 2003, the Company reported that it had entered into an option agreement with Falconbridge Limited ("Falconbridge") to explore for gold, diamonds and other metals on twelve Nunavut Exploration Permits covering over 720,000 hectares all on Baffin Island, Nunavut. Management plans on testing the 2003 results from the Triangle Lake prospect and the 2369 prospect during the 2004 exploration program. The property will be covered, in part, by an airborne geophysical survey, ground geophysics, detailed geological mapping and prospecting to prioritize targets for drilling either in 2004 or 2005.

#### *Bravo Lake Exploration Program*

The Company proposes to complete a \$200,000 exploration program as outlined in the table below.

**Table 3 – Proposed Expenditures for Bravo Lake**

	<b>Proposed</b>	<b>Actual</b>	<b>Variance</b>
Administration	\$ 5,000	\$	\$
Geochemistry	20,000		
Geology	20,000		
Geophysics	100,000		
Line cutting	10,000		
Prospecting	45,000		
	<u>\$ 200,000</u>	<u>\$</u>	<u>\$</u>

### **Adlatok 1, Labrador**

The Adlatok 1 project, which adjoins the Company's Sarah Lake property, consists of 100 claims. The Company is the operator and has a 59.5% interest in the project.

#### *Adlatok 1 Exploration Program*

For 2004, a large loop electromagnetic survey is planned to identify potential nickel targets for drill testing.

### **Sally, Labrador**

The Sally project, which adjoins the Company's Sarah Lake property, is 100% owned by the Company and consists of 36 claims. The property lies adjacent to Adlatok 1.

#### *Sally Exploration Program*

For 2004, a large loop electromagnetic survey is planned to identify potential nickel targets for drill testing.

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## **Results of Operations**

### ***-Current Quarter Results***

On March 1<sup>st</sup>, 2004, the Company moved into a new office located at 510 – 510 Burrard Street, Vancouver, BC. The lease agreement is for a six year period expiring on June 30, 2010. The total cost is shared amongst several companies in proportion to the area occupied. Some of the companies are related by virtue of common directors. The Company's share of leasehold improvements was \$21,499 and the Company's proportionate share of the minimum annual rental payments under this arrangement is approximately \$66,000.

Prepaid expense included an \$86,625 advance to Suisse Diamond Drilling the drill contractor hired for the Baffin Island project. Subsequent to the period, an additional \$63,187 was advanced for an aggregate of \$149,812. Under an agreement with Suisse Diamond Drilling, the Company will pay 50% of all invoices issued by Suisse Diamond Drilling for work completed on the Baffin Island Project until the \$149,812 plus interest has been repaid in full.

In the prior fiscal year, the Company filed two applications with the Mining Recorder's Office for Prospecting Permits in Nunavut. As part of the application, the Company was required to pay a cash deposit totalling \$330,642. During the quarter, the Company received a refund of the deposit less the application fees.

The Company hired Kenneth Leigh as the new President to replace William Coulter. As part of the compensation package, the Company granted Mr. Leigh 700,000 stock options with an exercise price of \$0.53 per share. For the current quarter, the vested portion of the stock-based compensation expense was \$94,258 which was computed using the Black-Scholes Option pricing method. In addition, the Company promoted Michael Lee from Controller to Chief Financial Officer.

From December 31, 2003, cash and cash equivalents increased to \$1,383,520 at March 31, 2004. Operating activities provided \$286,907 in cash, largely from the refund of \$330,642 in bid deposits. Investing activities used \$128,535 in cash of which mineral property acquisition and exploration costs used \$127,928. Financing activities provided \$1,292,898 in cash, which resulted from the issuance of common shares from the exercise warrants and stock options.

### ***-Comparison to the Comparative Fiscal Period, the Three Months Ended, March 31, 2003***

The Company received \$19,250 (Q1 2003 - \$76,565) from its production interest in the Hammerdown/Rumbullion Gold Deposit. This payment completed the \$600,000 production payment from the sale to Richmond Mines Inc. The Company does not anticipate receiving any further production interest from the mine.

General and administrative expense of \$413,530 (Q1 2003 - \$124,978) represented a \$288,552 increase over the comparative fiscal period. The increase was largely due to increased investor relations and promotion, office and miscellaneous salaries and benefits and stock-based compensation expense. The Company's loss for the period before taxes was \$400,366 (Q1 2003 - \$37,350) and the loss for the period was \$367,358 (Q1 2003 - \$37,350). An increase in stock-based compensation was the largest contributing factor to the increase in the loss for the period.

Investor relations and promotion expense was \$59,751 (Q1 2003 - \$17,274) representing a \$42,477 increase over 2003. During the quarter, the Company attended the Cordilleran Exploration Roundup in Vancouver, the Vancouver Cambridge House Investment Conference, and the PDA Convention in Toronto. In addition, new corporate brochures were printed at a cost

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of \$7,995 and a media video/interview segment was commissioned. The estimated cost of the media video is \$21,000 of which \$10,629 was incurred during the current quarter.

Office and miscellaneous expense of \$23,631 (Q1 2003 - \$17,239) included costs associated with the Company's move to a new address.

Salaries and benefits expense of \$103,202 (Q1 2003 - \$50,477) represented a \$52,725 increase over 2003. During the period, the Company hired a new President, Kenneth Leigh and William Coulter remained on as Chairman of the Board. In addition, the Company paid the new President a signing bonus to facilitate vacating his former position early.

Stock-based compensation expense of \$166,885 (Q1 2003 - \$Nil) related to the vesting of stock options granted in 2003 and the vested portion of the 700,000 stock options granted to the new President and 50,000 stock options granted to a consultant. This compensation was a non-cash expense as a result of the new CICA accounting standard adopted in the fourth quarter of fiscal 2003.

Interest income of \$8,273 (Q1 2003 - \$11,319) reflected interest earned on deposits in the normal course of business. The Company continues to invest its excess cash in redeemable guaranteed investment certificates issued by Chartered Canadian banks.

The Company's future income tax credit of \$33,008 (Q1 2003 - \$Nil) reflected the renunciation of flow-through expenditures during the quarter. This resulted in reduction of future income taxes payable by \$33,008.

During the quarter, the Company did not pay cash dividends to shareholders and does not anticipate paying cash dividends during the balance of fiscal 2004.

**Summary of Quarterly Results**

For the Quarterly Periods Ending on	<b>Mar. 31<sup>st</sup>, 2004</b>	<b>Dec. 31<sup>st</sup>, 2003</b>
Mineral property expenditures, net	\$ 127,928	\$ 246,353
Total Revenues	\$ 19,478	\$ 81,360
G&A expense	\$ (413,530)	\$ (332,928)
Loss for the period	\$ (367,358)	\$ (2,502,509)
Basic and diluted loss per share	\$ (0.02)	\$ (0.14)

The Company's predominant exploration project on Baffin Island, Nunavut is subject to seasonal conditions and as such the majority of the Company's current exploration expenditures will be incurred during the second and third quarters of 2004.

General and administrative expenses for the two most recent quarters were abnormally high due to the stock-based compensation expense of \$166,885 (Q4 2003 - \$163,919).

The large fluctuation in loss for the period between the current and previous quarter was due to the Company's consolidation of licences on the Green Bay, Newfoundland Project resulting in a \$2,186,952 write down during the December 31, 2004 quarter.

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**Liquidity**

At March 31, 2004, the Company had \$4,172,616 in working capital, which is sufficient to achieve the Company's budgeted exploration programs for fiscal 2004. During the quarter, the Company raised \$1,292,898 through the exercise of warrants and stock options. However, the Company may seek additional financing throughout the course of the year if management decides to expand the currently planned exploration budgets and/or property commitments.

**Capital Resources**

In addition to the mineral property commitments disclosed in the 2003 Annual MD&A, the Company entered into an option agreement with Black Bart Prospecting Inc. on the Big Hill property in Newfoundland. To maintain the option agreement in good standing, the Company must spend a minimum of \$30,000 by July 31<sup>st</sup>, 2004. If the Company elects to continue into the second year of the option agreement, the Company must issue 40,000 common shares to Black Bart Prospecting Inc before August 1<sup>st</sup>, 2004.

In February, 2,388,888 warrants were exercised for \$1,206,388. In addition 390,499 stock options were exercised for proceeds of \$86,510. See the Subsequent Events section below for a summary of activity after the quarter.

**Off-Balance Sheet Arrangements**

There were no significant changes in Off-Balance Sheet Arrangements from the 2003 Annual MD&A.

**Related Party Transactions**

Included in marketable securities are 1,720,000 common shares of Diamonds North Resources Ltd. ("Diamonds North"), a former subsidiary of the Company and a company related by a common director, Bernard Kahlert. As part of the Company's 2002 reorganization, the Company granted the President of Diamonds North an option to purchase 70,000 shares of Diamonds North at a price of \$0.30 per share for a two-year period, which expired on March 18, 2004. During the quarter, the President of Diamonds North exercised the entire option.

The Company shares certain administrative costs with four other companies related by virtue of common directors. Included in accounts receivable is an aggregate of \$22,771 owed by those companies for shared administrative expenses.

A Personal Law Corporation owned by Maynard Brown, an officer of the Company, provided legal services to the Company. During the period, the Company paid or accrued legal fees to the related party in the aggregate of \$537.

**Critical Accounting Estimates**

There was no significant change in Critical Accounting Estimates from the 2003 Annual MD&A.

### **Changes in Accounting Policies**

During the quarter, the Company adopted the CICA EIC 146 "Flow-Through Shares" which defines when a company should recognize the tax effect related to the renounced deductions and requires the recognition of previously unrecorded future income tax assets caused by the renouncement of expenditures relating to flow-through shares. The adoption of the EIC 146 resulted in future income taxes credit of \$33,008 along with a corresponding reduction in future income taxes payable by the same amount.

### **Financial Instruments**

Marketable securities are carried at the lower of cost or quoted market value. When market value is below cost, any unrealized loss is charged to income. During the quarter, no amount was charged to income. The quoted market value of marketable securities at March 31, 2004 was \$2,087,035.

### **Subsequent Events**

- a) On April 26<sup>th</sup>, 2004, the Company reported that Cameco Corporation ("Cameco"), the Company's Joint Venture Partner on the Despinassy, Quebec Project, entered into an Agreement with Alto Ventures Ltd. (Alto ventures") for Cameco's 70% interest in the Project. The Company waived it's right of first refusal under the Joint Venture in consideration for the following:
  - 100,000 common shares of Alto Ventures at a deemed price of \$0.10 per share;
  - Alto Ventures shall carry the Company's 30% Joint Venture obligations to a maximum of \$150,000; and
  - the Company retains the right of first refusal under the Joint Venture should Alto Ventures withdraw the Agreement with Cameco.
- b) On May 19<sup>th</sup>, 2004, the Company granted 808,000 stock options to directors, officers, employees and consultants of the Company under its stock option plan. The options are exercisable for five years at \$0.56 per share and are subject to the policies of the TSX Venture Exchange.
- c) On May 27<sup>th</sup>, 2004, the Company granted 10,000 stock options to an employee of the Company under its stock option plan. The options are exercisable for five years at \$0.62 per share and are subject to the policies of the TSX Venture Exchange.
- d) Subsequent to March 31<sup>st</sup>, 2004, the Company issued 10,000 common shares for proceeds of \$4,500 pursuant to the exercise of stock options.
- e) As at the Report Date, the Company had 24,433,117 issued common shares outstanding.