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COMMANDER
RESOURCES LTD

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FINANCIAL

INTERIM REPORT

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For the
Three Months Ended
March 31, 2004

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COMMANDER RESOURCES LTD.

FINANCIAL STATEMENTS

For The Three Months Ended

March 31, 2003

(Financial Statements Not Reviewed By An Auditor)

COMMANDER RESOURCES LTD.

Balance Sheets
(Not Reviewed by an Auditor)

	March 31, 2004	December 31, 2003 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,383,520	\$ -
Cash, exploration funds (Note 12)	1,800,610	1,893,328
Marketable securities (Note 3)	893,353	928,353
Accounts receivable	39,888	171,766
Due from related parties (Note 8)	22,771	35,134
Prepaid expenses	112,607	21,280
Bid deposits (Note 4)	-	330,642
	4,252,749	3,380,503
Mineral properties (Note 5)	5,204,513	5,063,785
Property, plant and equipment (Note 6)	52,746	27,421
	\$ 9,510,008	\$ 8,471,709
LIABILITIES		
Current liabilities		
Cheques in excess of funds on deposit	\$ -	\$ 67,750
Accounts payable and accrued liabilities	80,133	46,300
	80,133	114,050
Future income taxes	520,447	553,455
	600,580	667,505
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	20,973,352	19,630,960
Contributed surplus	9,449	9,449
Stock-based Compensation (Note 7 (d))	279,621	149,431
Deficit	(12,352,994)	(11,985,636)
	8,909,428	7,804,204
	\$ 9,510,008	\$ 8,471,709

Nature of Operations and Going Concern (Note 1)
Commitment (Note 9)
Subsequent Events (Note 13)

Approved by the Directors:

"Kenneth E. Leigh"
Kenneth E. Leigh

"William J. Coulter"
William J. Coulter

COMMANDER RESOURCES LTD.

Statements of Operations and Deficit
(Not Reviewed by an Auditor)

	For the Three Months Ended	
	March 31, 2004	March 31, 2003
Revenue		
Production interest	\$ 19,250	\$ 76,565
Mineral property transactions	228	-
	<u>19,478</u>	<u>76,565</u>
General and administrative expenses		
Audit and accounting	15,120	11,543
Amortization	3,423	973
Annual report and meeting	6,727	926
Consultants	11,450	6,969
Investor relations and promotion	59,751	17,274
Legal	3,898	571
Office and miscellaneous	23,631	17,239
Regulatory fees	9,149	2,185
Rent	5,344	11,988
Salaries and benefits	103,202	50,477
Stock-based compensation	166,885	-
Telephone	789	1,193
Transfer agent	4,161	3,640
	<u>413,530</u>	<u>124,978</u>
Loss before the undernoted	(394,052)	(48,413)
Investment income	8,273	11,319
Property investigation	(587)	(3,110)
Gain (loss) on sale of marketable securities	(14,000)	2,854
Loss before taxes	(400,366)	(37,350)
Future income taxes	33,008	-
Loss for the period	(367,358)	(37,350)
Deficit, beginning of period	(11,985,636)	(9,349,070)
Deficit, end of period	\$ (12,352,994)	\$ (9,386,420)
Basic and diluted loss per share	\$ (0.02)	\$ (0.00)
Weighted average number of shares outstanding	22,890,063	17,537,349

b

COMMANDER RESOURCES LTD.

Statements of Cash Flows
(Not Reviewed by an Auditor)

	For the Three Months Ended	
	March 31, 2004	March 31, 2003
Cash provided from (used for):		
Operating activities		
Loss for the period	\$ (367,358)	\$ (37,350)
Items not involving cash:		
Amortization	3,423	973
Gain (loss) on sale of marketable securities	14,000	(2,854)
Stock-based compensation	166,885	-
Future income taxes	(33,008)	-
	(216,058)	(39,231)
Net change in non-cash working capital items		
Cash, exploration funds	92,718	-
Accounts receivable	131,878	143,819
Due from related parties	12,363	(30,600)
Prepaid expenses	(91,327)	(1,231)
Bid deposits	330,642	-
Accounts payable and accrued liabilities	26,691	1,610
	286,907	74,367
Investing activities		
Proceeds from sale of marketable securities	21,000	7,076
Purchase of marketable securities	-	(39,000)
Note receivable	-	(3,058)
Mineral property acquisition and exploration costs	(127,928)	(47,742)
Accounts payable and accrued liabilities related to mineral properties	7,141	(253,114)
Purchase of equipment	(28,748)	-
	(128,535)	(335,838)
Financing activities		
Shares issued for cash, net of issue costs	1,292,898	92,000
Increase (decrease) in cash and cash equivalents		
Equivalents	1,451,270	(169,471)
Cash and cash equivalents, beginning of period	(67,750)	1,343,690
Cash and cash equivalents, end of period	\$ 1,383,520	\$ 1,174,219

Cash and cash equivalents is defined to include cash and cash equivalents less cheques in excess of funds on deposit.

Supplemental Cash Flow Information (Note 11)

COMMANDER RESOURCES LTD.

Notes to Financial Statements

March 31, 2004

(Not Reviewed by an Auditor)

1. Nature of Operations and Going Concern

The Company is in the process of actively exploring and developing its mineral properties and has not yet determined whether these properties contain mineral resources or ore reserves. The Company is considered to be in the exploration stage.

The recoverability of amounts shown for mineral property interests is dependent upon one or more of the following:

- the discovery of ore reserves,
- the ability of the Company to obtain financing to complete development, and
- future profitable production from the properties or proceeds from disposition.

At March 31, 2004, the Company had incurred a deficit of \$12,352,994 and had working capital of \$4,172,616, which is sufficient to achieve the Company's planned business objectives for fiscal 2004. However, the Company may require additional financing, if the Company elects to expand its current 2004 exploration programs and/or property commitments.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on continued financial support from its shareholders and other related parties, the ability of the Company to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company's liabilities as they become payable. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

(a) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(b) Basis of presentation

The accompanying interim financial statements have not been reviewed by an Auditor and are prepared in accordance with GAAP in Canada with respect to the preparation of interim financial statements. Accordingly, they do not include all of the information and disclosure required by Canadian GAAP in the preparation of annual financial statements. The accounting policies used in the preparation of the accompanying unaudited interim financial statements are the same as those described in the annual financial statements and the notes thereto for the year ended December 31, 2003. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim financial statements should be read in conjunction with the Company's financial statements including the notes thereto for the year ended December 31, 2003.

(c) Certain comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

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COMMANDER RESOURCES LTD.

Notes to Financial Statements
 March 31, 2004
 (Not Reviewed by an Auditor)

3. Marketable Securities

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, marketable securities were written down by \$Nil. The quoted market value of marketable securities at March 31, 2004 was \$2,087,035.

Included in marketable securities are 167,647 common shares of Fjordland Exploration Inc., a company related by virtue of a common director and 1,720,000 common shares of Diamonds North Resources Ltd., a company related by virtue of another common director.

4. Bid Deposits

In the prior fiscal year, the Company filed two applications with the Mining Recorder's Office for prospecting permits in Nunavut and was required to provide a cash deposit of \$330,642. The Company elected to withdraw the applications and received a refund of the deposit less the application fee.

5. Mineral Properties

At March 31, 2004, the Company held mineral properties exclusively in Canada. Expenditures incurred on the mineral properties are as follows:

	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	9,585	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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COMMANDER RESOURCES LTD.

Notes to Financial Statements

March 31, 2004

(Not Reviewed by an Auditor)

5. Mineral Properties (continued)

(a) Sarah Lake Joint Venture, Labrador

The Company owns a 48% interest in the Sarah Lake Joint Venture, which was formed in 1998. An option was granted to Falconbridge Limited ("Falconbridge") in 2001, requiring Falconbridge to incur \$4,000,000 in exploration expenditures by 2006 to earn a 50% joint venture interest. Subsequent to the period, on April 16th, 2004, Donner Minerals, the operator of the joint venture, informed the Company that Falconbridge had elected to terminate the option.

(b) Green Bay, Newfoundland

The Company holds a 100% interest in the Green Bay property. In the prior fiscal year, the Company sold four claim blocks within the Green Bay property (mineral exploration license 4870) to Richmond Mines Inc. ("Richmont"). In consideration, Richmont shall pay to the Company a royalty of \$25 for each ounce of gold produced from license 4870.

(c) Adlatok 1, Labrador

The Company owns a 59.5% interest in the Adlatok 1 property.

(d) Sally, Labrador

The Company owns a 100% interest in the Sally property.

(e) Qimmiq, Nunavut

The Company has 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. Under the option agreement, the Company may earn 50% of BHP Billiton's exploration rights by expending \$4 million by 2007, 80% by expending an aggregate \$10 million by 2012 and a 100% interest by delivering a feasibility study to BHP Billiton by December 31, 2014. The option agreement is subject to a floating net smelter return royalty from 1% to 3% based on gold prices, payable to BHP Billiton and a 12% royalty on net profits payable on production from the Nunavut Tunngavik Incorporated leases. If a mineral discovery is made, excluding gold, BHP Billiton may exercise a back-in option on the mineral discovery allowing BHP Billiton to re-acquire up to an aggregate of a 75% interest for a period of up to ten years after the Company has earned a 100% interest in the property.

(f) Dewar Lake, Nunavut

The Company has 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. Under the option agreement, the Company may earn a 100% interest in BHP Billiton's exploration rights and interest by incurring \$200,000 in expenditures on the property by December 31, 2005. The option agreement is subject to a floating net smelter return royalty from 1% to 3% based on gold prices, payable to BHP Billiton. If a mineral discovery is made, excluding gold, BHP Billiton may exercise a back-in option on the mineral discovery allowing BHP Billiton to re-acquire up to an aggregate of a 75% interest for a period of up to ten years after the Company has earned a 100% interest in the property.

COMMANDER RESOURCES LTD.

Notes to Financial Statements

March 31, 2004

(Not Reviewed by an Auditor)

5. Mineral Properties (continued)

(g) Bravo Lake, Nunavut

The Company has an option agreement with Falconbridge Limited ("Falconbridge") to explore for gold, diamonds and other metals on twelve Nunavut Exploration Permits covering over 720,000 acres all on Baffin Island, Nunavut. These Falconbridge permits adjoin the BHP Billiton properties optioned in June. The Company may earn a 100% interest in Falconbridge's exploration rights and interest on Baffin Island by incurring \$8 million of exploration expenditures on the property by 2011.

If a nickel and/or base metal mineral discovery is made, Falconbridge can exercise a back-in option on the mineral discovery allowing Falconbridge to re-acquire up to an aggregate of a 75% interest. If a diamond resource discovery is made, Falconbridge may exercise a back-in option on the mineral discovery allowing Falconbridge to re-acquire up to an aggregate of a 50% interest.

The option agreement is subject to the following royalties payable to Falconbridge:

- on gold, a sliding scale net smelter return royalty from 1% to 3% based on gold prices;
- on nickel production, a 2% net smelter return royalty;
- on diamonds, a 2% gross overriding royalty; and
- on base metal production, a 1.5% net smelter return royalty.

(h) Big Hill, Newfoundland

In February, 2004 the Company completed an option agreement with Black Bart Prospecting Inc. whereby the Company may acquire a 100% interest in the Big Hill property, consisting of four claims in the Baie Verte Electoral District, Newfoundland. Under the terms of the agreement, the Company paid \$7,000 in cash, issue an aggregate of 200,000 common shares over four years (20,000 shares issued) and expend a total of \$480,000 in exploration expenses on the property over four years. The option is subject to a 2.5% net smelter return royalty with a 1.5% buy back provision.

COMMANDER RESOURCES LTD.

Notes to Financial Statements
March 31, 2004
(Not Reviewed by an Auditor)

5. Mineral Properties (continued)

(i) Other Properties

The Company owns several other properties in Canada in which it holds interests ranging from 30% to 100%. The Company has granted options on some of these properties. The carrying values of those properties included under Other Properties at March 31, 2004 are as follows:

	2004
British Columbia	
Abe & Pal	\$ 25,080
Tam	60,021
New Brunswick	
Rio	855,947
Stewart	425,552
Nunavut	
Taluk	24,812
Newfoundland and Labrador	
Big Hill	48,078
Sadie	980
Ontario	
Dorothy	25,732
Matheson	14,185
McVean	8,558
Sabin	79,826
Quebec	
Despinassy	104,835
Yukon	
Olympic, Rob	986,673
Rein	329
	\$ 2,660,608

6. Property, Plant and Equipment

	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 55,074	\$ 46,029	\$ 9,045
Computer equipment	108,575	85,477	23,098
Leasehold improvements	21,499	896	20,603
	\$ 185,148	\$ 132,402	\$ 52,746

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COMMANDER RESOURCES LTD.

Notes to Financial Statements
March 31, 2004
(Not Reviewed by an Auditor)

7. Share Capital

(a) Authorized:

100,000,000 common shares without par value.

(b) Issued and outstanding common shares

	Number of Shares	Amount
Balance, December 31, 2003	21,623,730	\$ 19,630,960
Issued for cash:		
Exercise of warrants	2,388,888	1,206,388
Issued for cash and other consideration:		
Exercise of options, for cash	390,499	86,510
Exercise of options, stock-based compensation		36,694
For mineral property	20,000	12,800
Balance, March 31, 2004	24,423,117	\$ 20,973,352

(c) Stock Options

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. Under the Company's Stock Option Plan, the Company may grant options for the purchase of up to 2,766,666 common shares. Vesting of options is made at the discretion of the board of directors at the time the options are granted. At March 31, 2004, the Company had stock options outstanding for the purchase of 2,036,333 common shares with an average remaining contractual life of 4.11 years, of which 1,461,333 stock options are exercisable at March 31, 2004.

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2003	1,676,832	\$0.22
Granted	750,000	\$0.54
Exercised	(390,499)	\$0.22
Outstanding at March 31, 2004	2,036,333	\$0.35

COMMANDER RESOURCES LTD.

Notes to Financial Statements
March 31, 2004
(Not Reviewed by an Auditor)

7. Share Capital (continued)

The following summarizes information about stock options outstanding at March 31, 2004:

Number of Shares	Exercise Price	Expiry Date
45,665	\$0.23	December 14, 2004
179,332	\$0.23	September 11, 2006
29,999	\$0.23	January 10, 2007
50,000	\$0.17	December 19, 2007
574,671	\$0.20	January 23, 2008
316,666	\$0.26	August 20, 2008
15,000	\$0.45	September 10, 2008
75,000	\$0.50	December 18, 2008
700,000	\$0.53	January 21, 2009
50,000	\$0.64	February 19, 2009
2,036,333		

(d) Stock-Based Compensation

In the fourth quarter of fiscal 2003, the Company adopted the CICA released amendments to Section 3870, "Stock Based Compensation and Other Stock-based Payments," which requires an expense to be recognized in the financial statements for all forms of employee stock-based compensation, including stock options. Prior to the adoption, the Company disclosed the effects of accounting for stock-based compensation only to directors and employees as compensation expense, using the fair-value based method, as pro-forma information in the share capital note. In the prior year, the pro-forma disclosed stock-based compensation expense for the three months ended March 31, 2003 was \$113,911.

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions at March 31, 2004:

Risk-free interest rate	2.80%
Expected dividend yield	-
Expected stock price volatility	104.72%
Expected option life in years	3.30

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the period.

COMMANDER RESOURCES LTD.

Notes to Financial Statements

March 31, 2004

(Not Reviewed by an Auditor)

7. Share Capital (continued)

(e) Warrants

The following summarizes information about warrants outstanding at March 31, 2004:

Exercise Price	Expiry Date	Outstanding at December 31, 2003	Issued	Exercised	Expired	Outstanding at March 31, 2004
\$0.505	February 28, 2004	2,388,888	-	2,388,888	-	-
\$0.70	December 2, 2004	1,865,000	-	-	-	1,865,000
\$0.70	December 2, 2004	23,800	-	-	-	23,800
\$0.70	December 10, 2004	1,635,000	-	-	-	1,635,000
\$0.70	December 10, 2004	54,600	-	-	-	54,600
		5,967,288	-	2,388,888	-	3,578,400

(f) Agents' Options

The following summarizes information about Agent's Options outstanding at March 31, 2004:

Exercise Price	Expiry Date	Outstanding at December 31, 2003	Issued	Exercised	Expired	Outstanding at March 31, 2004
\$0.70	December 2, 2004	119,500	-	-	-	119,500
\$0.70	December 10, 2004	77,700	-	-	-	77,700
		197,200	-	-	-	197,200

8. Related Party Transactions

In addition to the marketable securities disclosed in Note 3, the Company has the following related party transactions and balances:

- (a) 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.
- (b) The Company paid or accrued legal fees in the aggregate of \$537 to a personal law corporation owned by an officer of the Company.

9. Commitment

The Company entered into an agreement for the lease of new office premises for a six year period expiring on June 30, 2010. The Company moved into the premises on March 1, 2004. The cost of the entire premises 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 proportionate share of minimum annual rental payments under this arrangement is approximately \$66,000.

COMMANDER RESOURCES LTD.

Notes to Financial Statements
March 31, 2004
(Not Reviewed by an Auditor)

10. Segmented Information

The Company has one operating segment, mineral exploration, and all assets of the Company are located in Canada.

Revenues for the period were derived from a production interest, which was earned in Canada.

11. Supplemental Cash Flow Information

Significant non-cash operating, investing and financing activities:	
Investing activities:	
Shares issued for mineral property	\$ 12,800
Investing activities:	
Stock-based compensation	\$ 36,694
Other cash flow information:	
Interest received	\$ 3,407

12. Income Taxes

Flow-through shares are issued by a company that incurs certain resource expenditures and renounces them for tax purposes allowing the expenditures to flow-through to the subscriber who purchased the shares. Subscribers may in turn claim expenditures as a deduction on their personal or corporate tax returns.

The total amount of funds raised through the issuance of flow-through shares must be spent on qualified mineral exploration. The proceeds of flow-through financing are restricted in use for Canadian Exploration Expenditures ("CEE") under Canadian Income Tax Legislation. The flow-through gross proceeds less the qualified expenditures made to date, represent the funds received from flow-through share issuances which have not been spent as at December 31, 2003 and which are held in trust for such expenditures. As at March 31, 2004 the amount of flow-through proceeds remaining to be expended is \$1,800,610.

13. Subsequent Events

(a) On April 26, 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.

COMMANDER RESOURCES LTD.

Notes to Financial Statements
March 31, 2004
(Not Reviewed by an Auditor)

13. Subsequent Events (continued)

(b) On May 19, 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.

On May 27, 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.

(c) Subsequent to March 31, 2004, the Company issued 10,000 common shares for proceeds of \$4,500 pursuant to the exercise of stock options.



FORM 51-102F1

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

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 28th, 2004 (the "Report Date").

Highlights for 2004

- On January 22nd, the Company reported the hiring of Kenneth Leigh as the new President.
- On February 17th, the Company reported the acquisition of four exploration permits totalling 157,000 acres on Baffin Island.
- On April 14th, a Board Resolution was passed appointing Kenneth Leigh as CEO of the Company. William Coulter remains Chairman of the Board.
- On April 16th, 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 26th, 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 18th, 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 26th, 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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**COMMANDER
RESOURCES LTD.**

FORM 51-102F1

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

Project. In a separate agreement with Alto Ventures, 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 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

	Proposed	Actual	Variance
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

	Proposed	Actual	Variance
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

	Proposed	Actual	Variance
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.



**Management's Discussion and Analysis
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Results of Operations

-Current Quarter Results

On March 1st, 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	Mar. 31 st , 2004	Dec. 31 st , 2003
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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For the Three Months Ended March 31, 2004

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 31st, 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 1st, 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.



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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 26th, 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 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 under the Joint Venture should Alto Ventures withdraw the Agreement with Cameco.
- b) On May 19th, 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 27th, 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 31st, 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.

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CORPORATE INFORMATION

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*Chairman, Chief Executive Officer
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Vice President, Exploration and Director

Albert F. Reeve, P.Eng.
Director

Victor A. Tanaka, P.Geo.
Director

Janice Davies
Corporate Secretary

Maynard E. Brown, LL.B.
Assistant Corporate Secretary

LISTINGS

TSX Venture Exchange: CMD
U.S. 12g Exemption: #82-2996

CAPITALIZATION

(as at March 31, 2004)

Shares Authorized: 100,000,000
Shares Issued: 24,423,117

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