SPUR VENTURES INC.
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Dated: March 31, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A") has been prepared as of March 31, 2009, and should be read in conjunction with the audited consolidated financial statements with accompanying notes of Spur Ventures Inc. (the "Company") for the year ended December 31, 2008 which have been prepared in accordance with Canadian Generally Accepted Accounting Principles.

This MD&A contains certain statements that may be deemed to be "forward-looking statements" regarding the timing and content of upcoming programs. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those expressed in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, future prices of nitrogen, phosphate and potash, exploration successes, continued availability of capital and financing, the exchange rates for Canadian, US and Chinese currencies, Chinese policies on fertilizer and agriculture, and general economic, market or business conditions.

All amounts are reported in U.S. dollars and rounded to the nearest thousand where appropriate, unless otherwise stated. Additional information on the Company can be found in the filings with Canadian security commissions on SEDAR at www.sedar.com.

1. Nature of Operations

Spur Ventures Inc. (the Company) through its 100% owned subsidiary Spur BVI has majority control of two sino-foreign joint ventures (JV) in China, Yichang Maple Leaf Chemicals (YMC) and Yichang Spur Chemicals (YSC). In both JVs, the Chinese partner is Hubei Yichang Phosphorus Chemical Co. Ltd ("YPCC"), a state owned enterprise of Yichang City, Hubei Province, PRC.

Impact of the Global Recession

Due to the global financial crisis, the rapid decline in commodity prices in the fourth quarter of 2008, the Chinese government extension of export tariffs and the uncertainty in the near term fertilizer markets both in China and globally the Company decided to temporarily suspend its planned MAP plant construction.

Many Chinese fertilizer companies had significant levels of high priced inventory which, because of the tariffs, they could no longer export to take advantage of higher international prices. Chinese retailers and farmers thus delayed purchases in anticipation of lower fertilizer prices which did occur due to falling demand.

Despite government stimulus programmes supporting the fertilizer industry through the secure supply of coal, natural gas and transportation and providing access to credit and minimum crop prices to farmers, the Chinese fertilizer market remains depressed at least for the short term.

The Company believes that it has sufficient funding to meet its obligations and to maintain administrative and operational expenditures for the next 12 months.

Yichang Maple Leaf Chemicals (YMC)

In November of 2003, YMC received its business license with Spur BVI controlling 90% and YPCC 10% of the JV. The term of the license expires in 2033. All government approvals had been received for YMC to develop two phosphate deposits and to construct and operate a world-scale compound fertilizer plant.

In February and October of 2004 the Central Ministry of Land and Resources issued the mining licenses for the Dianziping and Shukongping deposits to YPCC, setting the stage for the transfer of these licenses to YMC once Spur had contributed its first 15% of Registered Capital which it did in March of 2005. YPCC is contractually obligated to contribute the two deposits to the JV while Spur contributes the project financing. The remaining 85% of the Registered Capital is due on or before November 24, 2009.

The deposits are considered state owned assets and thus the transfer to a foreign controlled JV is both complex and time consuming. YMC has been working with various government departments at the District, County and Yichang City level to meet the regulatory requirements for the formal transfer. However, to date YMC has not been successful in meeting these requirements.

The Company is unwilling to invest further in YMC until such time as it has the security of the mining licenses being formally transferred to YMC, and is in discussions with potential business partners to assist Spur in its endeavours.

Yichang Spur Chemicals (YSC)

During 2004, the Company acquired Xinyuan Chemicals Ltd. from YPCC and formed a 72.18% owned JV company, Yichang Spur Chemicals Ltd. ("YSC"), which owns an NPK compound fertilizer facility located in Hubei Province, China. The other two minority partners are YPCC which owns 16.69%, and YMC which in June, 2008 acquired the 11.13% interest originally held by Yichang Yuanfeng Chemical.

During the third quarter of 2007 management concluded that prices of raw materials, especially potash and sulphuric acid, were too high for the YSC fertilizer facility to be viable. Management decided to idle the facility and integrate it into a mono-ammonium phosphate ("MAP) plant with YMC.

During 2008, the Company commenced the construction activity to convert the fertilizer facility and convert it into a MAP plant. Due to the global financial crisis, the rapid decline in commodity prices in the fourth quarter of 2008, the Chinese government extension of export tariffs and the uncertainty in the near term fertilizer markets both in China and globally the Company decided to temporarily suspend its MAP plant construction. Management will continue to work with its joint venture partner to complete the transfer of the mining licenses to YMC in order to secure a long-term source of phosphate rock for both the MAP project and the Integrated Phosphate Project.

2. Significant Events

- **New Strategy and Significant Q4 Foreign Exchange Gain from Conversion of U.S. Dollar Holdings into Canadian Dollars**

  The Company issued a press release in October 2008 stating that the Company decided to use its financial resources to make strategic investments in stressed natural resource opportunities, with an initial focus on Canadian companies with assets in low risk jurisdictions. Consistent with this strategy, the Company converted a total of $20.37 million U.S. dollars into $24.73 million Canadian dollars in the fourth quarter of 2008 and is evaluating various investment opportunities. A foreign exchange gain of $3,584,000 was recorded in 2008, mainly attributable to the conversion of U.S. dollars into Canadian dollars in the fourth quarter of 2008.

- **Maintaining a Solid Cash Position amidst Global Financial Crisis**

  Cash and term-deposits with major Canadian banks stand at approximately $20.9 million ($24.7 million Canadian dollars) at the date of this report. The Company has no asset backed commercial paper.

- **Integrated Phosphate and MAP Project Update**

  Management concluded in the third quarter of 2007 that price levels of certain raw materials, especially potash and sulphuric acid, were too high for the NPK fertilizer facility to be viable, and planned to upgrade the current facility to produce MAP (Mono-ammonium phosphate), which does not rely on potash and has better economic prospects.

  During 2008, the Company commenced the construction activity to convert the fertilizer facility and convert it into a MAP plant. At the date of this report, total cost to construct the plant is estimated at approximately $18.5 million (RMB126 million). The Company currently has $9.73 million (RMB65.63 million) in signed contracts for the MAP project, $3.13 million (RMB20.63 million) has been paid, $1.18 million (RMB8.04 million) has been accrued, and $5.42 million (RMB36.96 million) has been disclosed as a commitment.

  On October 30, 2008, the Company announced the suspension of construction of the MAP plant pending a complete review of the impact of the global financial crisis on the Chinese economy and the fertilizer sector. Management estimates that, through negotiations with suppliers and contractors, the final contract obligations may be less than $1 million.

  In order to reduce all costs, the Company has terminated the employment of approximately 120 employees at both YSC and YMC, all in accordance with the practices dictated in China's new Employment Law. This leaves a core group of twenty-five employees to maintain facilities and negotiate with contractors and suppliers.

  The Company continues to seek potential partners, both in the MAP project and in the Integrated Phosphate project. No further investment will be made in the MAP project until such time as significant progress is achieved towards the transfer of the mining licenses. Once the mining licenses have been transferred to YMC, this asset will be sufficient collateral for debt financing from Chinese banks. At that time, the Company will decide how to proceed with additional financing for the project.

- **Shareholder Rights Plan**

  The Company has announced the implementation of a Shareholder Rights Plan (the 'Rights Plan') for the Company to ensure the fair treatment of all shareholders in the event of any take-over offer for the Company's common shares. The Rights Plan is not intended to prevent take-over bids that treat shareholders fairly and offer fair value, and permits bids that meet certain requirements intended to protect the interests of all shareholders.

  The Company is not adopting the Rights Plan in response to, or in anticipation of, any specific take-over bid or proposal to acquire control of the Company, and is similar to plans adopted by other Canadian companies. The Rights Plan has now been approved by the Toronto Stock Exchange and is subject to ratification by the Company's shareholders at the annual general meeting of shareholders.

- **Termination of Zhong Chuan Private Placement Agreement**

  On April 14, 2008, the Company signed a binding Memorandum of Understanding with Zhong Chuan International Mining Company Ltd. ("Zhong Chuan") to complete an equity private placement (the "Private Placement") and to pursue strategic investments in China and elsewhere in the Company's fertilizer business.

  The Company did not receive the private placement proceeds before the September 26, 2008 extended deadline announced in the Company's August 28, 2008 press release. On October 30, 2008, the Company terminated the agreement with Zhong Chuan.

3. Selected Annual Information

Selected annual information from the Company's three most recently completed financial years is summarized as follows:

		2008	2007	2006
Total revenues	$	333,210	7,042,959	7,193,009
Earnings (loss)		533,976	(4,837,391)	(7,024,912)
Earnings (loss) per share		0.009	(0.082)	(0.120)
Total assets		28,265,368	30,975,890	35,929,903
Cash and short-term investments		20,874,049	24,987,065	26,497,945
Total long-term liabilities	$	Nil	Nil	Nil

4. Results of Operations – Full Year

<u>Yichang Maple Leaf Chemicals (YMC)</u>

YMC has been focusing on the mining license transfer.

The mining licenses for the Dianziping and Shukongping deposits were issued by Central Land and Resources Department to Spur's JV partner YPCC in February and October of 2004 respectively.

After due diligence the first approval stage was completed in late December 2006 when Yiling District (Dianziping deposit) and Xinshang County (Shukongping deposit) officially approved the transfer to the Yichang City level.

Yichang City completed its due diligence on the transfers in the first quarter of 2007. Since the two Mining Licenses are considered state assets and are being transferred to a foreign-controlled joint venture, it is necessary to complete an assessment ("Resource Report") of the current value of the deposits updated from that made at the time the original joint venture contract was signed in 2003.

This Resource Report must be approved by the Central Ministry of Land and Resources and forms an integral part of the file that will be transferred from Yichang City to Hubei Province Land and Resources as part of the Mining License transfer process.

The first draft of the Resource Report suggests that the value of the deposits has increased since the signing of the original joint venture contract. The report is currently being reviewed by Spur's mining experts, after which Spur anticipates entering into negotiations with YPCC to set a new value for the two deposits and the respective stakes of YPCC in the YMC joint venture.

Effective January 1, 2008, new Ministry of Commerce regulations on foreign investment placed phosphate deposits in the restricted category. Spur has received expert opinions from the Central Ministry of Land and Resources and legal counsel that Spur's rights based on the 2003 joint venture contract are "grandfathered." and are not affected by this new restriction. These new regulations now require final approval at the Central Land and Resources level, rather than Hubei Province Land and Resources as was previously the case.

Spur Consolidated Results

2008 earnings were $534,000 (2007 loss: $4,837,000). The earnings were mainly attributable to a $3,584,000 foreign exchange gain, $499,000 interest income and a $464,000 credit from non-controlling interest exceeding the $4,058,000 of operating expenses. 2008 earnings per share was $0.009 (2007 loss per share: $0.082).

The $3,584,000 foreign exchange gain was mainly attributable to the gains generated during 2008 as the Company held significant U.S. cash balances as the U.S. dollar appreciated against the Canadian dollar, which is the measurement currency for the Company. In the fourth quarter of 2008, the Company exchanged most of its U.S. denominated bank deposits into Canadian dollar accounts, such that the gains were realized.

The interest income declined from $1,036,000 to $499,000 in the current year due to a significant decline in general interest rate levels and the decline in cash resources.

The $464,000 credit from the non-controlling interest represents the non-controlling shareholders share of losses in the year in the Chinese operations.

The operating expenses in 2008 were $4,058,000 (2007: $12,454,000). The $8,396,000 decrease in operating expenses is mainly attributable to reductions in the following areas because of reduced activities in China: cost of product sold ($6,701,000), mineral property costs ($726,000), selling expenses ($353,000), office and miscellaneous expenses ($94,000), wages and benefits ($89,000), interest expenses ($86,000), consulting fees ($39,000) and rent expenses ($28,000).

Year end balances of certain accounts impacted directly by sales and production also decreased as a result of the idling of YSC from December 31, 2007 to December 31, 2008. These include reductions in accounts receivable from $239,000 to $11,000, inventory from $520,000 to $nil because of sales and obsolete inventory write-off, prepaid expenses from $152,000 to $63,000, payable and accrued liabilities related to operating activities from $730,000 to $613,000. Accrued liabilities related to the MAP project construction in progress increased from $nil to $1,179,000. Non-controlling interest decreased from $441,000 to nil due to the 2008 losses in China and the resultant cumulative deficits of both YSC and YMC.

The Company's cash and cash equivalents and short-term investments at the end of 2008 amounted to $20.87 million compared to $25.0 million at December 31, 2007, maintaining a solid cash position under the current global financial crisis. 2008 interest income was $499,000 (2007: $1,036,000) due to a significant decline in general interest rate levels and the decline in cash resources. The Company believes that it has sufficient funding to meet its obligations and to maintain administrative and operational expenditures for the next 12 months.

Capital Management

Capital includes all components of shareholders' equity, which includes accumulated comprehensive income, share capital, contributed surplus and deficit.

The Company's objective in managing capital is to safeguard the Company's ability to continue as a going concern, to maintain a flexible capital structure which optimizes cost of capital at acceptable risk, and to provide reasonable returns to shareholders. The Company invests its funds in deposits and short-term investments with major financial institutions and monitors capital by gauging cash and short-term investments available for use. The Company manages its capital structure and makes adjustments in light of changes in economic conditions, foreign exchange rates and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to improve working capital. The Company has no asset backed commercial paper exposure.

Foreign Exchange Gain or Loss

The 2008 foreign exchange gain was $3,584,000, compared to a foreign exchange loss of $17,000 in 2007. The significant foreign exchange gain was mainly attributable to the gains generated during 2008 as the Company held significant U.S. cash balances as the U.S. dollar appreciated against the Canadian dollar, which is the measurement currency for the Company. In the fourth quarter of 2008, the Company exchanged most of its U.S. denominated bank deposits into Canadian dollar accounts, such that the gains were realized.

The Company conducts business in China, with most costs and revenues in Chinese Renminbi, while the Vancouver head office incurs expenses in Canadian dollars. Foreign exchange losses or gains are dependent upon the exchange rate relationship among the U.S. Dollar, Chinese Renminbi and Canadian Dollar. It is anticipated that exchange rates will be volatile for the foreseeable future. This may result in foreign exchange fluctuating between gains or losses on a quarterly basis. The Company does not use derivatives to hedge against exposures to foreign currency arising from the Company's balance sheet liabilities, therefore the Company is exposed to future fluctuations in the three currencies.

5. Summary of Quarterly Results (unaudited)

	Qtr ended Dec. 31, 2008	Qtr ended Sep. 30, 2008	Qtr ended Jun. 30, 2008	Qtr ended Mar. 31, 2008	Qtr ended Dec. 31, 2007	Qtr ended Sep. 30, 2007	Qtr ended Jun. 30, 2007	Qtr ended Mar. 31, 2007
Total revenues ($)	-	52,578	176,182	104,450	615,339	2,046,813	1,513,971	2,866,836
Earnings (loss) ($)	2,484,417	(468,688)	(999,461)	(482,292)	(2,289,169)	(524,183)	(1,435,372)	(588,667)
Earnings/(loss) per share ($)	0.041	(0.008)	(0.017)	(0.008)	(0.039)	(0.009)	(0.024)	(0.010)
Weighted average number of shares outstanding	59,915,019	60,389,796	60,111,949	58,740,520	58,740,520	58,740,520	58,740,520	58,740,520

Results of some quarters include significant items that do not normally occur quarterly. Q4 2008 results included a $3,458,000 foreign exchange gain, and the loss in Q4 2007 included a $446,000 write-off of Tianren acquisition costs and a $376,000 provision for bad debts.

6. Liquidity and Capital Resources

At the end of 2008, the Company maintained a balance of cash and cash equivalents and short-term investments of $20.87 million, including $20.68 million deposits with major Canadian financial institutions (approx. $25.32 million Canadian dollars at the 2008 year end exchange rate of one U.S. dollar to 1.2246 Canadian dollars), $0.18 million in Chinese Renminbi Deposits and $0.01 million in U.S. Dollar deposits.

As at December 31, 2008, the Company had $9.73 million (RMB65.63 million) in signed contracts for the MAP project , $3.13 million (RMB20.63 million) has been paid, $1.18 million (RMB8.04 million) has been accrued, and $5.42 million (RMB36.96 million) has been booked as commitment. . A summary of the Company's commitment in the next five years is as follows:

	Office Lease	MAP project contracts	Total
2009	$ 13,516	$5,417,084	$5,430,599
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-

The Company does not have any off-balance sheet arrangements.

The Company believes that it has sufficient funding to meet its obligations and to maintain administrative and operational expenditures for the next 12 months.

7. Transactions with Related Parties

During the year ended December 31, 2008, the Company paid consulting fees of $215,908 to three companies controlled by two officers and one director (2007: $284,675 to three companies controlled by two directors and two officers).

Accounts payable to these companies for expenses incurred were nil as of December 31, 2008 and 2007. As of December 31, 2008 there was $310,259 (RMB RMB2,116,667) due from YPCC, and as of December 31, 2007 the balance was $309,728 (RMB2,261,960). There were no other accounts receivable from related parties.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the fair value consideration established and agreed to by the related parties.

8. Fourth Quarter Q4

Spur Consolidated Results

Earnings for Q4 2008 were $2,484,000 versus a $2,289,000 loss in Q4 2007 mainly attributable to a $3,458,000 foreign exchange gain and a non-recurring Q4 2007 $446,000 write-off of Tianren acquisition costs.

9. Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

Note 3 to the audited annual consolidated financial statements for the year ended December 31, 2008 include a summary of the Company's significant accounting policies. The following policies are considered to be the critical accounting policies since they involve the use of significant estimates.

Impairment of long-lived assets

Where events or changes in circumstances suggest impairment, management reviews the future net cash flows of each long-lived asset. Estimated future net cash flows are calculated using estimated future prices, selling prices for fertilizer products, and operating, capital and reclamation costs on an undiscounted basis to determine if the carrying amount is not recoverable. If the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposal, reductions in the carrying value of such long-lived asset would be recorded to the extent the net book value of the related asset exceeds its fair value (estimated by the net present value of expected future net cash flows).

Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses if the carrying value can be recovered.

Management's estimates of mineral prices, selling prices for fertilizer products, and operating, capital and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of long-lived assets. Although management has made its best estimate of these factors, it is possible that changes may occur in the near term which could adversely affect management's estimate of the net cash flow to be generated from the Company's assets.

For the year ended December 31, 2008, the Company noted several impairment indicators including but not limited to the decline in the Company's share price, the rapid decline in commodity prices in the fourth quarter of the year, the Chinese government extension of export tariffs and the uncertainty in the near term fertilizer markets both in China and globally.

As a result, management conducted a recoverability analysis on its long-lived assets including its property, plant and equipment and land use rights in China. Management have concluded that these long-lived assets are not impaired but have identified certain significant measurement uncertainties, which are disclosed in Note 1 to the consolidated financial statements for the year ended December 31, 2008, as follows:

Management have not recorded a current impairment charge against the existing fertilizer plant and equipment and land use rights, as management remain confident that they can obtain the required financing for the MAP plant and that their conversion and expansion plans for the MAP plant will generate profitable operations in the future. There remain additional risks and uncertainties that the transfer of the mining licenses will be approved, that economic ore reserves will be identified and that the significant equity or debt financing for the Dianziping and Shukongping phosphate project will be available to the Company. The phosphate rock project would still face additional risks and uncertainties, including, but not limited to, raw material and construction cost risks, product marketing risks, and political risks.

The recoverability of the Company's investment in property rights, plant and equipment in China is dependent upon these plans or the ability of the Company to dispose of the assets and recover its investment. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary should these material risks and measurement uncertainties prove to be insurmountable, and these adjustments could be material.

10. Changes in Accounting Policies including Initial Adoption

Effective January 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

a) *Section 1400 - Assessing Going Concern*

This Section requires management to assess the Company's ability to continue as a going concern, the basis on which financial statements are prepared.

b) *Section 1535 - Capital Disclosures*

This Section establishes standards for disclosing information about objectives, policies and processes for managing capital as discussed in the last paragraph of "Spur Consolidated Results" in Section 4 of this report.

c) *Section 3031 - Inventories*

This Section prescribes the accounting treatment for inventories and provides guidance on the determination of inventory costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

d) Section 3862 - *Financial Instrument Disclosures*

This Section requires additional disclosures for financial statements users to evaluate the significance of financial instruments to the Company's financial position and performance. In addition, qualitative and quantitative disclosures are provided to enable users to evaluate the nature and extent of risks arising from the Company's financial instruments.

e) *Section 3863 - Financial Instruments Presentation*

This section establishes standards for presentation of financial instruments and non-financial derivatives. These sections detail the presentation of standards described in Section 3861, "Financial Instruments – Disclosure and Presentation".

The adoption of the standards did not have a material impact on the Company as at January 1, 2008 or for the year ended December 31, 2008, except for the required note disclosures.

Requirement to adopt International Financial Reporting Standards (IFRS) starting 2011

In February 2008, the Canadian Accounting Standards Board ("AcSB") announced that changeover for publicly-listed companies to adopt IFRS, replacing Canada's own GAAP, will be effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Corporation for the year ended December 31, 2010. The Company is presently evaluating the effect these standards will have on its financial statements.

11. Outstanding Share Data

As of the date of this report, the Company had the following shares and options outstanding:

	Number	**Exercise Price CAD**	**Expiry Date**
Shares	60,407,187	N/A	N/A
Stock options	1,250,000	1.50	July 23, 2009
Stock options	500,000	1.80	March 1, 2010
Stock options	200,000	1.50	September 16, 2010
Stock options	625,000	1.03	July 4, 2011
Stock options	200,000	0.64	January 4, 2012
Stock options	20,000	0.55	April 4, 2012
Stock options	20,000	0.50	December 3, 2012
Stock options	905,000	0.90	June 26, 2013
Total	64,127,187		

Options granted subsequent to December 31, 2006 vest over a three-year period, with one-third of the options vesting one year after the date of grant, one-third two years after the date of grant, and the remaining one-third three years after the date of grant. During 2008 compensation expense of $227,078 was recognized (2007: $243,227) for options granted in the current and prior years.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with assumptions for the grants as follows:

	2008	**2007**	**2006**
Risk free interest rate	2.76% - 2.98%	3.94% - 4.62%	4.00% - 4.50%
Expected life of options in years	5 years	5 years	5 years
Expected volatility	49% - 69%	49% - 79%	49% - 51%
Dividend per share	$0.00	$0.00	$0.00

12. Outlook

While the fundamentals for food and fertilizers remain strong, particularly in the BRIC countries, the Company has decided to temporarily suspend the construction of its MAP project and to reduce all possible costs until stability returns to the market.

The Company continues to seek a partner or partners for the MAP project. Ideally these potential new partners would bring both political and financial strengths to any partnership with Spur which may assist in the transfer of the mining licenses.

13. Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is communicated to senior management, to allow timely decisions regarding required disclosure.

An evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined under the rules of the Canadian Securities Administration, was conducted as of December 31, 2008 under the supervision of the Company's Audit Committee and with the participation of management. Based on the results of that evaluation, the Chief Executive Officer and Interim Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

14. Internal Controls over Financial Reporting

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with Canadian generally accepted accounting principles ("GAAP"). The Company's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and the Company's receipts and expenditures are made only in accordance with authorization of management and the Company's directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material affect on the annual or interim financial statements.

An evaluation of the design effectiveness of the Company's internal controls over financial reporting was conducted as of December 31, 2008 by the Company's management, including the Chief Executive Officer and Interim Chief Financial Officer. Based on this evaluation, management has concluded that the design of the Company's internal controls over financial reporting was effective.

There were no adverse changes in the Company's internal controls over financial reporting during the year ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and the Interim Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. In an emerging economy such as China, the potential for fraud is very real and the Company understands that no system of internal controls, no matter how good, can prevent inappropriate actions by an individual employee.

15. Risk Factors

The Company's business is in China which, despite recent government policy changes, carries risk for foreign owned operations. Please refer to the Company's Annual Information Form which is filed on SEDAR.

The Company wishes, however, to discuss two project specific risks, namely the expiry of one of the mining licenses and the required review before November 24, 2009, of YMC's Business License.

Expiry of the Shukonping Mining License

The mining license for the Shukongping deposit will expire at the end of October, 2009 if it has not been transferred to YMC. It can however be renewed. If it is not renewed the license will revert to the Central Ministry of Land and Resources or to MOLAR at the Hubei Province level where it must be auctioned to the highest bidder in an open competition.

Annual Review of YMC's Business License

The YMC Joint Venture agreement requires that both YPCC and Spur BVI contribute their entire Registered Capital contributions before November 24th, 2009 when the YMC Business License will be reviewed. YPCC would have to complete the transfer of the two mining licenses to YMC and Spur BVI would have to make a significant cash contribution of approximately $100 million. If these contributions are not made, there is a risk that YMC's business license would not be renewed and that YMC may have to be liquidated. If necessary, YMC will request an extension to that deadline on the basis of the challenges facing most companies during this global economic downturn. Alternatively, YPCC and Spur BVI may consider submitting a new project plan and budget which reflects the current realities of the market place.

- End -