

**SPUR VENTURES INC.
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2009**

Dated: November 13, 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 November 14, 2009, and should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes of Spur Ventures Inc. (the "Company") for the quarter ended September 30, 2009 which have been prepared in accordance with Canadian Generally Accepted Accounting Principles.

This MD&A contains certain statements regarding the timing and content of upcoming programs that may be deemed to be "forward-looking statements". 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. Accordingly, readers are advised not to place undue reliance on forward-looking statements. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

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. ("Spur", or the "Company") through its 100% owned subsidiary Spur Chemicals (BVI) Inc. ("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, China.

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 near term fertilizer markets both in China and globally, the Company decided to suspend its planned MAP plant construction.

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

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 in the next 12 months to meet its obligations for all administrative and operational expenditures.

Yichang Maple Leaf Chemicals (YMC)

Spur BVI controls 90% and YPCC 10% of YMC. In November of 2003, YMC received its business license with a term that 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 (MOLAR) issued the mining licenses ("Licenses") for the Dianziping and Shukongping deposits ("Deposits") to YPCC, setting the stage for the transfer of the Licenses to YMC once Spur had contributed its first 15% of Registered Capital to the YMC JV. Spur made this contribution in March of 2005, and YPCC is contractually obligated to contribute the Deposits to the JV as its registered capital contribution. Pursuant to the terms of the YMC JV agreement, Spur has the obligation to contribute 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 their transfer to a foreign controlled JV is complex and has proved extremely time consuming for Spur. 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 of the Licenses, but to date has not been successful in meeting these requirements.

The Company is unwilling to invest additional funds in YMC until such time as it has the security of the Licenses being formally transferred to YMC. The Company is in discussions with potential business partners to assist with the transfer of the Licenses.

The Shukongping mining license was due to expire on October 9, 2009 but its extension has now been approved by Yichang City and Hubei Province and is being formally reviewed by the Central Ministry of Land and Resources in Beijing. The Dianziping mining licence remains valid until February 2014.

The YMC Joint Venture agreement requires that both YPCC and Spur BVI contribute an additional \$11.28 million (RMB76.96 million) and \$127.21 million (RMB867.85 million) respectively to complete their entire Registered Capital contributions before November 24, 2009 when the YMC Business License will be reviewed. If these contributions are not made, there is a risk that YMC's business license will not be renewed and that YMC may have to be liquidated.

Yichang Spur Chemicals (YSC)

During 2004, the Company acquired Xinyuan Chemicals Ltd. from YPCC and formed the YSC JV, which owns an NPK compound fertilizer facility located in the Hubei Province, China. Spur BVI owns a 72.18% interest in YSC and the 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 MAP plant conversion but subsequently decided to suspend construction 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. Management will continue to work with YPCC 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

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

Cash and term-deposits with major Canadian banks stood at approximately \$22.85 million (approximately \$24 million Canadian dollars mainly held in Canadian dollar denominated accounts) at US\$1 to CAD1.05 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 decided to upgrade the facility to produce MAP (Mono-ammonium phosphate), which does not rely on potash and in management's view has better economic prospects.

During 2008, the Company commenced construction activity to convert the fertilizer facility into a MAP plant. As of the date of this report, total cost to construct the plant has been estimated to be approximately \$18.5 million (RMB126 million). The Company currently has \$9.61 million (RMB65.63 million) in signed contracts for the MAP project, \$3.20 million (RMB21.83 million) has been paid, \$1.00 million (RMB6.84 million) has been accrued, and \$5.41 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 as of the date of this report, through negotiations with suppliers and contractors final contract obligations for the MAP plant may be less than \$1 million.

In order to reduce all costs, the Company has terminated the employment of approximately 100 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.

No further investment will be made in the MAP project until such time as significant progress is achieved towards the transfer of the Licenses. Once the Licenses have been transferred to YMC, there 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.

- **YPCC and Spur Form Task Force to Advance the Mining License Transfers**

Although YPCC is responsible for the formal transfer of the two mining licenses to YMC there are many tasks requiring both JV partners to work together for the ultimate success of YMC. YPCC has invited Spur to form a joint Task Force to work together to accomplish these various tasks.

The transfer of the Shukongping and Dianziping mining licenses involves at least seven key sub processes which must be advanced in parallel. It is a complex and time consuming process which requires approval by various government departments (noted in parentheses) at the Yichang City, Hubei Province and sometimes Central Beijing government level of:

1. updated reserves report and mining plan (Land and Resources) - completed; Yichang City and Hubei Province governments have formally approved an updated mining plan which allows up to 2.0 M mt of phosphate rock to be mined each year at the Dianziping and Shukongping mines. An updated mining plan and a current value of the two mines are required before the request to transfer the two mining licenses from YPCC to YMC can be submitted for approval by all three levels of government authorities.

2. updated value of the mines (State Owned Assets Administration and Supervisory Commission (SASAC) and Land and Resources) - completed; Yichang City and Hubei Province governments have formally approved a Resource Report setting the net present value of these two mines at ¥353.2 M (\$US 52M) using the Central Ministry of Land and Resources approved Discount Rate of 8.0%. The value of the mines at the time of signing the joint venture agreement in 2003 was ¥57 M (approved Discount Rate of 10%). The higher current value largely reflects the five-fold increase in the market price of rock phosphate during the same time period.

The Resource Report was completed by Headman Consultants of Beijing, a firm accredited to the Central Ministry of Land and Resources using guidelines specified under China's mining laws, and confirmed phosphate rock reserves of

- 30.23 M mt with average %P₂O₅ of 25.03% for the Dianziping mine and
- 30.03 M mt with average %P₂O₅ of 24.05%, for the Shukongping mine.

3. updated capital cost and implementation plan of the Project (Commerce Bureau and Ministry of Commerce) - completed;

4. extension of the 5 year term of the mining license for the Shukongping mines which was due to expire on October 9, 2009 (Land and Resources) - recommended by Yichang City and Hubei Province and is being formally reviewed by the Central Ministry of Land and Resources in Beijing who will set a new expiry date. The Dianziping mining licence is valid until February, 2014.

5. annual review of the Project progress and renewal of YMC's Business License on or before November 24, 2009 (Commerce Bureau and Hubei Administration for Industry and Commerce (AIC)) - in progress;

6. modified Joint Venture agreement with increased equity ownership for YPCC reflecting the current higher value of the phosphate mines, cash contributions to MAP Project, and a reduced registered capital requirement (Commerce Bureau, AIC and MofCom) – in progress and to be finalized;
7. transfer of the two mining licenses from YPCC to YMC (SASAC and Land and Resources) - in progress and to be finalized.

- **Loan Repayment from Chinese Joint Venture Partner (YPCC)**

YPCC repaid four ¥400,000 (\$58,571) installments plus ¥324,563 (\$47,525) between April and August 2009 on a loan owing to YSC since 2005. The loan has now been repaid in full.

- **Diversifying Spur**

Spur has engaged the services of a consultant with extensive experience in business development and investment banking to assist in analyzing new opportunities for Spur in the natural resource sector. A number of potential opportunities in both the fertilizer and precious metal sectors have been reviewed but management has concluded that none of these opportunities have so far merited investment.

3. Results of Operations – Q3 2009

Yichang Maple Leaf Chemicals (YMC)

YMC has been focusing on the transfer of the Licenses.

The Licenses were issued by Central Land and Resources Department to 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 and the file moved to the Yichang City level.

Yichang City completed its due diligence on the transfers in the first quarter of 2007. Since the 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 the initial report made at the time the original JV contract was signed in 2003.

This Resource Report together with an updated mining plan 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 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 and the mining plan were completed and approved by the appropriate authorities of the Yichang City to allow YPCC to set a new value for the Deposits and the respective stakes of Spur and 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, however, rather than Hubei Province Land and Resources as was previously the case.

Spur Consolidated Results

The loss in Q3 2009 was \$356,000 (Q3 2008 loss: \$469,000) and the YTD 2009 loss was \$1,659,000 (YTD 2008 loss: \$1,950,000). The \$291,000 reduction in YTD loss was mainly attributable to a YTD 2009 \$1,229,000 (39%) reduction in expenses, offset by a \$318,000 reduction in sales due to idling of YSC, a \$354,000 decrease in interest income due to a significant decline in general interest rate levels, and a \$306,000 non-recurring non-controlling interest credit. Loss per share in Q3 2009 was \$0.006 (Q3 2008 loss per share: \$0.008) and YTD 2009 loss per share was \$0.027 (YTD 2008 loss per share: \$0.033)

The reduction in expenses was mainly attributable to Spur's decision to idle the fertilizer plant and to reduce activities and costs. Significant YTD reductions included mineral property costs (\$485,000 -69%), office and miscellaneous expenses (\$180,000 -77%), professional fees (\$124,000 -59%), consulting fees (\$100,000 -37%), travel expenses (\$107,000 -52%), printing (\$28,000 -83%), and rent expenses (\$40,000 -24%). Q3 2009 wages decreased \$44,000 (-23%) to \$148,000 from \$192,000 in Q3 2008 due to a staff reduction from 125 to 25 employees in China.

The Company's cash and cash equivalents and short-term investments at the end of September 30, 2009 amounted to \$22.24 million compared to \$20.87 million at December 31, 2008.

Foreign Exchange Gain or Loss

Q3 2009 foreign exchange gain was \$154,000 (Q3 2008 foreign exchange loss: \$58,000), and YTD 2009 foreign exchange gain was \$167,000 (YTD 2008: \$127,000).

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 foreign currency losses arising from the Company's liabilities, therefore the Company is exposed to future fluctuations in the three currencies.

4. Summary of Quarterly Results (unaudited)

	Qtr ended Sep. 30, 2009	Qtr ended Jun. 30, 2009	Qtr ended Mar. 31, 2009	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
Total revenues (\$)	-	-	15,145	-	52,578	176,182	104,450	615,339
Earnings (loss) (\$)	(356,484)	(566,820)	(763,039)	2,484,417	(468,688)	(999,461)	(482,292)	(2,289,169)
Earnings/(loss) per share (\$)	(0.006)	(0.009)	(0.012)	0.041	(0.008)	(0.017)	(0.008)	(0.039)
Weighted average number of shares outstanding	60,407,187	60,407,187	60,329,196	59,915,019	60,389,796	60,111,949	58,740,520	58,740,520

Results of some quarters include significant items that do not normally occur. 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.

5. Liquidity and Capital Resources

As at September 30, 2009, the Company maintained a balance of cash and cash equivalents and short-term investments of \$22.24 million, including \$20.67 million deposits with major Canadian financial institutions (approx. \$22.22 million in Canadian dollars denominated accounts at the Q3 2009 quarter end exchange rate of one U.S. dollar to 1.0722 Canadian dollars), \$6,000 in Chinese Renminbi Deposits and \$12,000 in U.S. Dollar deposits.

As at September 30, 2009, the Company had \$9.61 million (RMB65.63 million) in signed contracts for the MAP project, \$3.20 million (RMB21.83 million) has been paid, \$1.00 million (RMB6.84 million) has been accrued, and \$5.41 million (RMB36.96 million) has been disclosed as a commitment.

In October 2009, the Company entered into a five-year office lease agreement commencing October 1, 2010 to share office space and related costs with another company.

At of the date of this report, the Company's commitments are as follows:

	Office lease	MAP project contracts	Total
2009	\$ 20,521	\$5,410,226	\$5,430,747
2010	\$ 69,694	-	\$69,694
2011	\$ 98,005	-	\$98,005
2012	\$ 91,308	-	\$91,308
2013	\$ 101,446	-	\$101,446
2014 & beyond	\$ 179,788	-	\$179,788

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

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

6. Transactions with Related Parties

During the three months ended September 30, 2009, the Company paid consulting fees of \$39,620 to two companies controlled by one officer and one director (2008: \$50,275 to two companies controlled by one director and one officer).

During the nine months ended September 30, 2009, the Company paid consulting fees of \$118,859 to two companies controlled by one officer and one director (2008: \$176,841 to three companies controlled by one director and two officers).

Accounts payable to these companies for expenses incurred were \$nil at September 30, 2009 and at December 31, 2008.

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.

7. 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 and Note 2 includes a summary of new accounting policies and new standards that are not yet effective. 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 quarter ended September 30, 2009, the Company noted several impairment indicators including but not limited to the Company's lower than cash value 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 has concluded that these long-lived assets are not impaired but have identified certain significant measurement uncertainties, which are disclosed in Note 1 to the interim consolidated financial statements for the quarter ended September 30, 2009, as follows:

Management have not recorded a current impairment charge against the existing fertilizer plant and equipment and land use rights, as management remains confident the required financing for

the MAP plant can be obtained and Spur's conversion and expansion plans for the MAP plant will generate profitable operations in future. There remain additional risks and uncertainties that the transfer of the 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 also faces 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.

8. Changes in Accounting Policies including Initial Adoption

Effective 1 January 2009 the Company adopted the Company adopted CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. Adoption of this standard has no impact on the Company's consolidated financial statements.

Effective 1 January 2009 the Company adopted the Company adopted EIC 173, *Credit risk and the fair value of financial assets and financial liabilities*. This abstract considers whether an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The Company's adoption of the modification of this abstract had no effect on the Company's consolidated financial statements.

There are three CICA accounting standards issued in January 2009 but not yet adopted by the Company, as follows: the CICA Handbook Sections 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*, which replace CICA Handbook Sections 1581, *Business Combinations*, and Section 1600, *Consolidated Financial Statements*. Section 1582 establishes accounting standards equivalent to International Financial Reporting Standards IFRS 3, "*Business Combinations*", and is applicable for business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for interim and annual consolidated financial statements for fiscal year beginning January 1, 2011. Early adoption of Section 1582, 1601 and 1602 is permitted. The Company is evaluating the impact of the adoption of these new standards on its consolidated financial statements.

International Financial Reporting Standards (IFRS) Implementation Plan

In February 2008, the Canadian Accounting Standards Board ("AcSB") approved a strategic plan which requires public companies to converge with IFRS for fiscal periods beginning on or after January 1, 2011. The Company will therefore be required to have comparative financial information prepared under IFRS as of January 1, 2010.

After year end audit in March 2010, the Company plans to convert its December 31, 2009 Canadian GAAP Balance Sheet to IFRS, and to prepare financial statements in both Canadian GAAP and IFRS in 2010 so that the Company can have IFRS financial statements ready as of January 1, 2011.

The Company has prepared a pro forma set of financial statements under IFRS to identify additional disclosure requirements and has identified the key areas that will be affected by the conversion to IFRS: foreign currency translation, impairment assessment of property, plant & equipment, and land use right. The Company will maintain dual Canadian-GAAP and IFRS accounts through 2010 to continue to meet its Canadian GAAP reporting obligations before 2011 and have the 2010 comparative set of IFRS financial statements required for 2011.

9. 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	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
Stock options	300,000	0.28	July 28, 2014
Total	63,177,187		

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 the three-month period ended September 30, 2009, compensation expense of \$40,186 was recognized (2008: \$83,115) pursuant to the vesting terms of options outstanding.

During the nine-month period ended September 30, 2009, compensation expense of \$167,574 was recognized (2008: \$142,692) pursuant to the vesting terms of options outstanding.

10. Outlook

While the fundamentals for food and fertilizers remain strong, particularly in the BRIC countries, the Company continues to 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 the partner or partners would bring both political and financial strengths to assist with the transfer of the Licenses.

11. 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 in providing reasonable assurance that the information required to be disclosed in the Company's annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported.

Since the December 31, 2008 evaluation, there have been no adverse changes to the Company's controls and procedures and in management's view they continue to remain effective.

12. 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 effect on the annual or interim financial statements.

An evaluation of the effectiveness of the Company's internal control 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 Company's internal controls over financial reporting were effective.

There were no adverse changes in the Company's internal controls over financial reporting during the quarter and nine months ended September 30, 2009 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.

13. Financial instruments and risks

Information of the Company's financial instruments is summarized as follows:

Fair value

	Effective Annual Interest Rate	Fair Value \$	Carrying Amount \$
<u>Financial Assets</u>			
Cash and deposits	up to 0.46%	17,561,259	17,561,259
Guarantee investment certificates	1.00%	4,679,168	4,679,168
Receivables	n/a	12,967	12,967
Loans receivable	24.00%	326,433	326,433
<u>Financial Liabilities</u>			
Accounts payable and accrued liabilities	n/a	1,640,061	1,640,061
Customer deposits	n/a	45,138	45,138

The carrying values of cash and deposits, guarantee investment certificates, receivables and loans receivable, customer deposits and accounts payable and accrued liabilities approximate their fair values due to the short periods to maturity.

Management has determined that there are no embedded derivatives.

Credit risk

The Company maintains a substantial portion of its cash and cash equivalents with major financial institutions in Canada. The Company is not currently subject to a concentration of credit risk in relation to its accounts receivable, due to the idling of the fertilizer plant.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Foreign currency risk

A substantial portion of the Company's business is carried out in Chinese Renminbi, and the Company maintains Renminbi denominated bank accounts. Fluctuations in exchange rates among the Canadian dollar, Chinese Renminbi and US dollar could have a material effect on

the business, results of operations and financial condition of the Company. Based on the balances as at September 30, 2009, other things being equal, a 1% increase (decrease) in the exchange rate of converting one U.S. dollar into Canadian dollars on that day would have resulted in an increase (decrease) of approximately \$223,000 in earnings before income taxes; a 1% increase (decrease) in the exchange rate of converting one Canadian dollar into Chinese Reminbi on that day would have resulted in a decrease (increase) of approximately \$15,000 in earnings before income taxes.

Interest rate risk

The Company's interest rate risk mainly arises from the interest rate impact on its interest income derived from US Dollar, Canadian Dollar and Chinese Renminbi cash and term deposits. The Company's policy is to invest its funds at market rates and, where necessary, to borrow at fixed rates, although as at September 30, 2009 the Company had no outstanding debt. Based on the balances of cash and cash equivalents and short-term investments as at September 30, 2009, other things being equal, a 1% increase (decrease) in the interest rate on that day would have resulted in an increase (decrease) of approximately \$56,000 in earnings before income taxes for the quarter ended September 30, 2009.

14. Other 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 2008 Annual Information Form which is available on the SEDAR database at www.sedar.com.

The Company wishes, however, to discuss a project specific risk, namely the required review before November 24, 2009, of YMC's business license.

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 24, 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 \$127 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 -