SPUR VENTURES INC.
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

Dated: March 30, 2011

T A B L E of C O N T E N T S

This Management Discussion & Analysis ("MD&A") is comprised of the following sections:

INTRODUCTION

This MD&A has been prepared as of March 30, 2011, and should be read in conjunction with the Company's audited consolidated financial statements with accompanying notes for the year ended December 31, 2010, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles.

The objective of this MD&A is to help the reader understand the factors affecting the Company's past and future financial performance. 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.

Cautionary Statement Regarding Forward-Looking Statements

This MD&A contains "forward-looking statements". Forward-looking statements include, but are not limited to, statements with respect to the estimation of mineral resources, the timing and content of upcoming programs, the realization of mineral resource estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to international operations; actual results of planned expansion activities; changes in project parameters as plans continue to be refined; future prices of resources; exchange rates for Canadian, U.S. and Chinese currencies; possible variations in grade or recovery rates, accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; Chinese government policies on fertilizer and agriculture; general economic, market or business conditions as well as those factors discussed under "Description of the Business – Risk Factors" in the Annual Information Form. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statements or information made in this MD&A, except as required under applicable securities legislation..

C O M P A N Y   P R O F I L E

Spur Ventures Inc. ("Spur"; collectively with its subsidiaries is referred to as the "Company") is a company listed on the Toronto Stock Exchange with interests in the fertilizer industry in China. Through its 100% owned subsidiary Spur Chemicals (BVI) Inc. ("Spur BVI"), Spur has indirect interests in two sino-foreign joint ventures ("JV") in China, Yichang Maple Leaf Chemicals Ltd. ("YMC") and Yichang Spur Chemicals Ltd. ("YSC"). Spur's Chinese partner in both JVs is Hubei Yichang Phosphorus Chemical Co. Ltd ("YPCC"), a state owned enterprise of Yichang City, Hubei Province, China.

YMC was formed to construct a world scale integrated compound fertilizer production facility and develop the Dianziping and Shukongping phosphate deposits to provide a captive source of phosphate for fertilizer production. The licenses for these deposits were issued in the name of YPCC, and the original YMC JV agreement requires YPCC to transfer these licenses as part of YPCC's "in-kind" Registered Capital contribution in YMC. YPCC has yet to receive the Chinese regulatory approvals necessary for the licenses to be transferred to YMC.

YSC owns a fertilizer complex located in the Zhicheng Township of Yidu City, approximately 45 kilometers southeast of Yichang City consisting of a 100,000 tonne/year NPK plant and a 60,000 tonne/year phosphoric acid plant. The Company's original plan was to eventually increase YSC's compound fertilizer production capacity to 1 million tonne/year with both JVs forming part of a fully integrated fertilizer business from phosphate mining to production of high analysis compound fertilizers but due to changes on land policy in China, sufficient land for the larger capacity plant was no longer available.

C O M P A N Y   H I S T O R Y – Y M C

Since the Company's founders first identified the opportunity to acquire the two phosphate deposits in the mid 90's based on geological data from the China Geological Survey Brigade, the project has evolved through a number of stages.

The exploration stage began in 1996 when Spur signed its first partnership agreement. During this initial stage Spur engaged Jacob's Engineering to complete a bankable feasibility study on the two deposits. The Jacob's study was supplemented by more detailed studies by the Nanjing Mining Institute and, during the period to 2003 the environmental impact studies required for the operation of the mines were completed and approved.

During the second stage Spur focused on formalizing legal agreements and joint venture structures. On November 9, 2003 YMC was formally established by a JV agreement which allowed Spur to earn a 90% equity interest and YPCC a 10% equity interest. The calculation of YPCC's 10% interest was based on the estimated value of the two phosphate deposits plus an allowance for previous expenditures and technical know-how. Spur's interest was based on previous expenditures and cash contributions. YMC's business license was formally issued on November 24, 2003 with a 30 year term.

The YMC JV agreement required 27 separate approvals from the Yiling District, Xingshan County, Yichang City, Hubei Province and finally in Beijing from the Ministry of Commerce ("MofCom", which is responsible for foreign JV's) and the National Development Reform Commission ("NDRC", which is responsible for projects).

The third stage of implementation began in 2004 with the issuance to YPCC of the Dianziping mining license in February and the Shukongping mining license in October from the Central Ministry of Land and Resources ("MOLAR") in Beijing. As required in accordance with the terms of the YMC JV agreement, Spur then completed the first 15% of its Registered Capital contribution in March and August of 2005, which initiated the formal transfer of the mining licenses to YMC.

Since the deposits are state owned assets and the YMC JV agreement provided for their transfer to a majority foreign owned JV, the transfer process is both complex and time consuming, and involves approximately seven departments at each of the city and provincial levels with a final review by MofCom, NDRC and MOLAR in Beijing.

The Shukongping mining license is valid until October 9, 2011. The Dianziping mining licence is valid until February 2014.

A complete document package is required for the final submission for the Chinese authorities to authorize the transfer of the mining licenses from YPCC to YMC. China Mining Law requires YMC to submit an updated mining plan (none was required in 2003) and a current mine valuation to the relevant Chinese government authorities before the transfer of licenses from YPCC to YMC can take place.

During the third quarter of 2009, Yichang City and Hubei Province governments formally approved an updated mining plan allowing mining for up to 2.0 million tonnes of phosphate rock per annum at the two mines and a Resource Report setting the deemed net present value of the two mines at RMB353.2 million ($53.6 million) using MOLAR's approved Discount Rate of 8.0%.

The Resource Report is not prepared in accordance with NI43-101 and is not intended to be relied upon as such by the readers. The Resource Report was solely required for purposes of Chinese mining laws and was prepared under the guidelines specified under these laws.

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

- 30.23 M mt with average %P_2O_5 of 25.03% for the Dianziping deposit and
- 30.03 M mt with average %P_2O_5 of 24.05%, for the Shukongping deposit.

The deemed value of the deposits at the time of signing the YMC JV agreement in 2003 was RMB57 million (MOLAR approved discount rate of 10%). The higher deemed value as per the Resource Report largely reflects the five-fold increase in the market price of rock phosphate during the same time period.

The YMC Business License was scheduled to be reviewed by Hubei Administration for Industry and Commerce ("Hubei AIC") before November 24, 2009. The original YMC Joint Venture agreement required that both YPCC and Spur BVI contribute an additional $11.27 million (RMB76.96 million) and $126.93 million (RMB866.55 million) respectively to complete their entire registered capital contributions by November 24, 2009.

As these contributions were not made, both YPCC and Spur BVI negotiated with the Chinese authorities to reach a modified JV Agreement on May 6, 2010 which was approved by the Chinese government granting YPCC the right to earn a 51% equity ownership in YMC (taking into account previous contributions to YMC) and Spur BVI a 49% equity ownership in YMC. On May 7, 2010 YMC's new business license was issued with the new YMC Board consisting of 7 members, 4 from YPCC and 3 from Spur BVI with the Chair nominated by YPCC and the Vice Chair by Spur BVI.

In order to earn the 51% interest YPCC was required before August 31, 2010 to:

1. transfer the Dianziping and Shukongping licenses to YMC at a deemed value, for purposes of determination of Registered Capital under Chinese laws, of $53.6 million (RMB 353 million); and

2. contribute approximately $2.6 million (RMB 17 million) in cash.

The new Registered Capital amount was established at $121 million (RMB 798 million) instead of the previous $173 million (RMB 1.14 billion). Spur BVI could maintain a 49% equity ownership in YMC, taking into account previous contributions to YMC of $24.2 million (RMB 159.6 million), and was required to contribute $35.1 million (RMB 231.4 million) in order to maintain this equity interest. Under the terms of the original YMC joint venture agreement signed in November 2003, Spur BVI would have been required to contribute a total of $156.3 million (RMB 1.03 billion) to maintain a 90% equity ownership.

In April 2010, the YMC Business License expiry date was extended by Hubei Administration for Industry and Commerce ("Hubei AIC") from November 24, 2009 to October 31, 2010. Subsequent to December 31, 2010, the business licence of YMC was extended to December 31, 2011 by the Hubei Administration for Industry and Commerce.

In February, 2011 Hubei AIC served notice on YMC that the Registered Capital contributions from both JV partners were long overdue and that if the situation was not rectified YMC could be subject to substantial penalties. See page 7 – Significant Events "Two Modified Joint Venture Agreements Signed".

COMPANY HISTORY – YSC

YSC's original plant was built in 1999 for approximately RMB50 million ($7 million) and commissioned in 2000. The plant has its own rail spur on a national railway line and its own jetty on the Yangtze River both facilitating low-cost access to inputs and markets.

When Spur acquired the fertilizer complex in 2003 for $2.57 million it was producing NPK fertilizer. At the time of its acquisition, management understood that the plant would not be profitable on a standalone basis until a certain level of integration and economies of scale were achieved. As a result, in March 2005 Spur built a 60,000 mt/yr phosphoric acid plant in order to allow YSC to produce its own phosphoric acid from purchased phosphate rock and sulphuric acid with the longer term objective of replacing the purchased rock with phosphate rock mined by YMC. The phosphoric acid plant was completed in six months (vs. planned nine months) at a cost of U.S.$6.85 million.

YSC operations improved considerably under Spur BVI management. The plant set new daily and monthly production and sales records, made a modest gross profit in markets where competitors were losing money, and was able to run at its full 100,000 mt capacity (compared to the previous best performance of 30,000 mt achieved prior to its acquisition by the Company).

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 had better economic prospects.

During 2008, the Company commenced the construction project to convert the fertilizer facility into a MAP plant. In October 2008, however, 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.

It is anticipated that the MAP construction project will be reinitiated once the YSC and YMC merger is completed and become an integral part of the larger YMC phosphate project.

S I G N I F I C A N T   E V E N T S

- **Solid Cash Position Maintained**

  Cash and Guaranteed Investment Certificates (GICs) with major Canadian financial institutions stood at approximately $23.5 million (approximately $23 million Canadian dollars, mainly held in Canadian dollar denominated accounts) at U.S.$1 to CDN$0.98 as of the date of this report. The Company has no asset backed commercial paper.

- **Two Modified Joint Venture Agreements Signed**

  Two separate but sequential modifications to the YMC Joint Venture agreement have been signed by Spur and YPCC.

  The first modification, approved on March 23 by Hubei DC, confirmed an extension to the deadline for the Registered Capital contributions of both JV partners from August 31, 2010 to December 31st, 2011. This simple JV agreement modification was purely an administrative procedure with the objective to ensure that YMC's Business License could be renewed by Hubei AIC, thus restoring YMC to the status of a legally operating entity. YMC's Business License had expired on October 31, 2010 and the next renewal will now occur on December 31, 2011.

  In the second, more significant modification to the YMC JV agreement, Spur has received a special exemption from the Chinese authorities to receive full credit for its Registered Capital contributions to date of RMB 159 million or $24.6 million (representing 20.02% of YMC's total Registered Capital), with no requirement for further investment. Spur can thus retain the flexibility to invest in either the future feed and industrial phosphate developments planned by Xingfa ("Phase 2" and "Phase 3" described below), or in other natural resource opportunities.

  The second modification also includes strengthened minority protections for Spur (some already embodied in Chinese law) including the requirement for unanimous board approval for financings, corporate transactions, material asset disposals and deviations from annual profit distributions of less than 80% of profits. The new YMC Board will have 7 directors, five appointed by YPCC, including the Chairman, and 2 appointed by Spur, including the Vice Chairman. In addition, each of Spur and YPCC will appoint a supervisor (the "Supervisor") to YMC. The Supervisor role is common for foreign JV companies based in China. Each Supervisor will focus on overseeing the day to day operational and financial matters of the JV on behalf of each JV partner and will attend board meetings as a non-voting participant.

  Spur, YPCC and Xingfa have agreed to submit the second modification to Hubei DC for approval once Xingfa has received final approval from Hubei Province State Owned Assets Supervision and Administration Commission ("SASAC") for its acquisition of YPCC (previously announced by Spur in the October 19, 2010 press release). Xingfa has already received approval from Yichang SASAC and has indicated that it expects to receive Hubei SASAC's approval during the second quarter of 2011.

- **<u>Mining License Transfers Receives Hubei Province Approval</u>**

  The restoration of YMC's legal status cited above has allowed Hubei L&R to formally approve the transfer of the Dianziping and Shukongping mining licenses from YPCC to YMC and to send the mining license transfer file for final approval by MOLAR in Beijing. It is anticipated that MOLAR will require one to two months to reach its final decision on whether to approve the transfer of the mining licenses.

- **<u>YMC and YSC Restructuring</u>**

  As Xingfa becomes Spur's new formal partner in YMC, Spur and YPCC are now able to implement their long-term strategy to merge YSC and YMC. YSC, with its existing NPK plant, has always been recognized as an integral part of the YMC Integrated Phosphate Project. The YSC site in Yidu City is also home to YMC's partly developed 200,000 tonne per annum MAP facility.

  Because both YSC and YMC are Sino-foreign JV's and the Chinese partner (YPCC) in both JV's is a State Owned Enterprise, the merger will be completed under the provisions of applicable Chinese law and will be subject to a process based on government guidelines. Legal counsel has advised Spur that an independent valuation firm accredited to Yichang SASAC will determine the value of both JV's after which YSC will cease to exist and the final JV partners' equity positions in YMC will be adjusted according to the approved values of both JV's.

  The merger process cannot legally begin until YMC's Registered Capital contributions have been completed but is expected to be completed by December 31, 2011.

- **<u>Fulfilling the YMC JV Obligations by Partnering with Xingfa</u>**

  Based on the original JV Agreement for YMC approved by NDRC and MofCom in 2004, YMC must develop the Shukongping and Dianziping mines for the sole purpose of supplying phosphate rock to a world-scale phosphate fertilizer plant to be built by YMC.

  To make up for time lost over the last years, Xingfa has proposed to vend into YMC (on terms to be settled) a fertilizer plant (the "Xingfa Plant"**)** currently under construction near Yidu City in Hubei Province which is where YSC is located. The combination of YMC's two mines and the Xingfa Plant is expected to fulfill the obligation from the original YMC JV Agreement cited above. The process to determine both the acceptability of the vend-in transaction and the terms and mechanics on which the vend-in would occur is expected to be initiated with the government authorities once Xingfa's acquisition of YPCC (noted above) has been finalized.

  The Xingfa Plant is expected to enter plant commissioning in the first quarter of 2012. According to Xingfa's design plans, the Xingfa Plant will have annual production capacity of 300,000 tonnes of DAP, 200,000 tonnes of MAP, 300,000 tonnes of SSP and 100,000 of MDCP (a feed phosphate product) supported by a one million tonne per annum phosphate rock beneficiation plant, 800,000 tonne per annum sulphuric acid plant and a 300,000 tonne per annum phosphoric acid plant. The site on which the Xingfa Plant is being developed occupies 100 hectares and Xingfa has estimated the capital cost of the plant to be approximately $150 million.

The Xingfa Plant represents the first phase of a three phase, integrated phosphate project planned for development by Xingfa where the second phase will be 500,000 tonnes of various types of feed phosphates and the third phase will be over 1 million tonnes of high value industrial phosphates.

The entire three phase facility will be fully integrated such that products from one phase become the feedstock for another phase, thus potentially increasing profitability, reducing environmental losses and, most importantly, ensuring that the phosphate rock from YMC's two and Xingfa's five phosphate mines can be fully optimized regardless of the grade and quality of the specific phosphate rock.

Xingfa have commenced the development of a port site on the Yangtze River to support the three phase facility with annual handling capacity of 4 million tonnes. Xingfa has also secured extensive rail and road links and land for all ancillary plant facilities and a phosphogypsum pond.

- **Diversifying Spur**

  Without the requirement for further investment in YMC, Spur can retain the flexibility to invest in Xingfa's planned feed and industrial phosphate facilities or in other natural resource opportunities.

F I N A N C I A L   R E S U L T S

Selected Annual Information

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

		2010	2009	2008
Sales from obsolete inventory	$	73,253	73,737	333,210
Earnings (loss)	$	(1,784,824)	(1,543,210)	533,976
Basic and diluted earnings/(loss) per share	$	(0.03)	(0.026)	0.009
Total assets	$	30,911,198	30,958,208	28,265,368
Cash, short-term investments and marketable securities	$	23,352,377	23,311,254	20,874,049
Total long-term liabilities	$	Nil	Nil	Nil
Cash dividends declared	$	Nil	Nil	Nil

Results of Operations – Full Year

During 2010 YMC focused on the transfer of the mining licenses from YPCC and is not yet operational. YSC has been idle since October, 2007 but during 2010 sold inventory that had been written off as not recoverable in prior years.

Spur Consolidated Results

The 2010 loss was $1,785,000 (2009 loss: $1,543,000). The loss was mainly attributable to $2,093,000 in operating expenses which were reduced by $209,000 in interest income, a $26,000 foreign exchange gain and $73,000 in sales of inventory which was not considered recoverable. 2010 loss per share was $0.03 (2009 loss per share: $0.026).

Interest income increased from $148,000 to $209,000 in the current year mainly due to an increase in general interest rate levels.

Operating expenses in 2010 were $2,093,000 (2009: $2,486,000), a 16% decrease year over year. The $393,000 decrease in operating expenses is primarily attributable to a reduction in activity in China. Specific reductions include: wages and benefits ($165,000), stock-based compensation expenses ($104,000), mineral property costs ($75,000), rent expenses ($13,000), office and miscellaneous expenses ($4,000).

Significant balance sheet item changes between 2010 and 2009 year end include: $18,350,000 increase in short-term deposits due to investment in Canadian dollar GICs and a stronger Canadian dollar versus the U.S. dollar, $487,000 decrease in marketable securities which were sold in January 2010, and a $168,000 increase in accrued liabilities primarily related to the MAP project as a result of a stronger Chinese currency versus the U.S. dollar.

The Company continues to maintain a solid cash position with cash and cash equivalents, short-term investments in GICs and marketable securities at the end of 2010 amounting to $23.35 million compared to $23.31 million at December 31, 2009.

Capital Management

Capital includes all components of shareholders' equity. 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 GICs with major financial institutions and monitors capital by gauging cash and short-term investments available for use. The Company manages the 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 2010 foreign exchange gain was $26,000, compared to a foreign exchange gain of $234,000 in 2009.

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.

Summary of Quarterly Results (unaudited)

	Qtr ended Dec. 31, 2010	Qtr ended Sep. 30, 2010	Qtr ended Jun. 30, 2010	Qtr ended Mar. 31, 2010	Qtr ended Dec. 31, 2009	Qtr ended Sep. 30, 2009	Qtr ended Jun. 30, 2009	Qtr ended Mar. 31, 2009
Sales from obsolete inventory ($)	25,042	36,787	-	11,424	58,592	-	-	15,145
Earnings (loss) ($)	(417,775)	(382,450)	(569,586)	(415,013)	116,134	(356,484)	(566,820)	(736,039)
Basic and diluted earnings/(loss) per share ($)	(0.007)	(0.006)	(0.009)	(0.007)	0.002	(0.006)	(0.009)	(0.012)
Weighted average number of shares outstanding	60,407,187	60,407,187	60,407,187	60,407,187	60,407,187	60,407,187	60,407,187	60,329,196

Results of some quarters include significant items that do not normally occur quarterly. Q4 2009 results included a $486,620 gain on fair value of marketable securities.

L I Q U I D I T Y and C A P I T A L R E S O U R C E S

At the end of 2010, the Company maintained a balance of $23.35 million in cash deposits and short-term GICs with major Canadian financial institutions.

As at December 31, 2010, YMC had $9.96 million (RMB65.63 million) in signed contracts related to the MAP project, of which $3.31 million (RMB21.83 million) has been paid, $1.04 million (RMB6.84 million) has been accrued, and $5.61 million (RMB36.96 million) remains 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. A summary of the Company's commitment in the next five years is as follows:

	MAP project contracts	Office lease	Total
2011	$5,607,627	$ 104,891	$5,712,518
2012	-	$ 97,734	$ 97,734
2013	-	$ 108,600	$ 108,600
2014	-	$ 109,991	$ 109,991
2015	-	$ 82,493	$ 82,493

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.

O U T L O O K

The Company is focusing on the successful transfer of the two mining licenses from YPCC to YMC, after which it will be necessary for YPCC to complete YMC's Registered Capital contributions by December 31, 2011.

By the end of 2011 the Company expects that the mining licenses will have been successfully transferred from YPCC to YMC and that YPCC will have completed its additional cash portion of its Registered Capital obligations. Spur now has no further investment obligations in YMC.

Once YMC's Registered Capital contributions have been completed, the process to merge YSC and YMC is expected to begin. Both JV's will undergo a formal valuation according to Chinese law and the final equity ownership of YPCC and Spur in YMC will reflect the final valuation attributed to YSC.

In addition, the process to determine both the acceptability and the terms and mechanics of the proposed vend-in to YMC of the Xingfa Plant is expected to be initiated as soon as possible with the government authorities once Xingfa's acquisition of YPCC (noted above) has been finalized.

O T H E R   M D & A   R E Q U I R E M E N T S

Transactions with Related Parties

During the year ended December 31, 2010, the Company incurred consulting fees of $158,576 to three companies controlled by one director and two officers (2008: $162,751).

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount agreed to by the parties.

Fourth Quarter Q4

<u>Spur Consolidated Results</u>

Q4 2010 had a loss of $418,000 while Q4 2009 recorded earnings of $116,000, mainly due to a $487,000 gain on fair value of marketable securities and $40,000 more foreign exchange gain in Q4 2009.

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, 2010 include a summary of the Company's significant accounting policies. The following policies are considered to be 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, 2010, the Company noted several impairment indicators including but not limited to the decline in the Company's share price, low commodity prices, 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, 2009, 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.

Changes in Accounting Policies including Initial Adoption

On January 1, 2010, the Company adopted the following CICA accounting standards: 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*, Section 1600, *Consolidated Financial Statements*, Section 1625 *Comprehensive Evaluation of Assets and Liabilities*. Section 1582 establishes accounting standards equivalent to International Financial Reporting Standards IFRS 3, *"Business Combinations"*. Section 1601 together with Section 1602 establish standards for the preparation of consolidated financial statements. Section 1625 establishes recognition, measurement and disclosure standards dealing with the comprehensive revaluation of assets and liabilities by profit-oriented enterprises in order to establish a new cost basis. Adoption of these accounting pronouncements had no material impact on the financial statements.

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

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 is therefore required to have comparative financial information prepared under IFRS as of January 1, 2010.

The Company has identified the following material estimated differences in accounting treatments between Canadian GAAP and IFRS. These estimated differences are yet to be finalized and are subject to change as a result of the review and audit performed by the external auditors:

(1) Impairment of Property, plant & equipment and Land use rights
Under Canadian GAAP if indication of impairment is identified, the asset's carrying value is compared to the asset's undiscounted cash flows. If the undiscounted cash flows are less than the carrying value, the asset is impaired by an amount equal to the difference between the discounted cash flows and the carrying value. The Company completed an impairment review of its assets at December 31, 2010 and concluded that the assets were not impaired in accordance with Canadian GAAP.

Under IFRS if indication of impairment is identified, the asset's carrying value is compared to the asset's discounted cash flows. If the discounted cash flows are less than the carrying value, the asset is impaired by an amount equal to the difference between the discounted cash flows and the carrying value. The Company is in progress of evaluating the discounted cash flows and considering other indicators of value. This analysis will be completed by the filing date for the March 31, 2011 quarterly accounts.

(2) Investment in YMC
Under Canadian GAAP, YMC continues to be accounted for as a variable interest entity (VIE) and thus the Company is still consolidating its 90% interest in YMC as the Company remains the primary beneficiary as defined by CICA Handbook Accounting Guideline AcG-15 ("AcG 15").

Under IFRS the investment in YMC would be accounted for using the equity method since May 7, 2010 when YPCC was deemed to have obtained control over YMC under the modified YMC JV agreement. Therefore certain financial statement items on the book of YMC will be derecognized and the equity investment will be picked up at fair value.

At December 31, 2010, the fair value of the equity investment in YMC was estimated to be $4,370,000 with an estimated dilution gain of $748,000. However, there is a disputed $6,059,000 payable to YMC from YSC which should have been reclassified and eliminated as inter-company payable and receivable based on the concept of an integrated Sino-Canadian fertilizer project endorsed by YMC and YSC. As such, our analysis is not yet complete and we expect that it will be completed by the filing date for the March 31, 2011 quarterly accounts.

(3) Functional currency and foreign currency translation
Under Canadian GAAP, the functional currency or the currency used for daily transactions was the Canadian dollar. Under IFRS, the functional currency of YMC and YSC are changed to Chinese RMB and the functional currency of the Canadian parent will remain the Canadian dollar. Upon first time adoption of IFRS on December 31, 2009, the impact on change of functional currency and cumulative translation adjustment (estimated to be $1,132,000) is charged to retained earnings/cumulative deficit with a corresponding increase in other comprehensive income (a separate component of equity) under IAS21 "The Effects of Changes in Foreign Exchange Rates".

The Company is well advanced in completing the conversion of its December 31, 2009 Canadian GAAP Balance Sheet to IFRS, and has been preparing pro-forma financial statements in both Canadian GAAP and IFRS in 2010 so that the Company can have IFRS financial statements ready by the filing date for the March 31, 2011 quarterly accounts. The Company has engaged its external auditors to perform necessary review or audit of the 2010 accounts under IFRS during the first half of 2011. The above estimated differences are subject to change as a result of the review and audit performed by the external auditors.

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	625,000	1.03	July 4, 2011
Stock options	200,000	0.64	January 3, 2012
Stock options	20,000	0.50	December 3, 2012
Stock options	830,000	0.90	June 26, 2013
Stock options	300,000	0.28	July 28, 2014
Total	62,382,187		

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 year ended December 31, 2010, compensation expense of $104,806 was recognized (2009: $209,321) for options granted in 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:

	2010	2009
Risk free interest rate	1.98% - 3.21%	2.25% - 2.83%
Expected life of options in years	5 years	5 years
Expected volatility	72% - 91%	64% - 81%
Dividend per share	$0.00	$0.00

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, 2010 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.

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 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, 2010 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, 2009 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

<u>Limitations of Controls and Procedures</u>

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.

Financial instruments and risks

CICA Handbook Section 3862 Financial Instruments – Disclosures requires classification of these items within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly;

Level 3 – Inputs that are not based on observable market data.

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

December 31, 2010	Held for trading	Held to maturity	Available for sale	Loans and Receivables	Other financial liabilities	Total Carrying Amount	Total Fair Value	Fair value hierachy level
Financial Assets								
Cash and deposits	$ 197,773	$ -	$ -	$ -	$ -	$ 197,773	$ 197,773	2
Guaranteed investment certificates (GICs)	$ -	$ 23,154,604	$ -	$ -	$ -	$23,154,604	$23,154,604	2
Receivables (*)	$ -	$ -	$ -	$ 21,370	$ -	$ 21,370	$ 21,370	3
Financial Liabilities								
Accounts payable and accrued liabilities (*)	$ -	$ -	$ -	$ -	$1,875,686	$ 1,875,686	$ 1,875,686	3

(*) The carrying amount of accounts receivable, accounts payable and accrued liabilities approximates fair value due to their short term nature.

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 and China. 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 as discussed in the Section "Company History-YSC".

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 and deposits. During the year ended December 31, 2008, the Company converted $20.4 million from U.S. Dollars into Canadian Dollars and has continued throughout 2009 to hold the majority of its cash and short-term deposits in Canadian Dollars. Fluctuations in exchange rates among the Canadian dollar and Chinese Renminbi and U.S. dollar could have a material effect on the business, results of operations and financial condition of the Company. Based on the balances as at December 31, 2010, 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 $287,000 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 $16,000 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 U.S. Dollar, Canadian Dollar and Chinese Renminbi cash and deposits. The Company's policy is to receive interest based on market rates, and, where necessary, to borrow at fixed rates although as at December 31, 2010, the Company had no outstanding debt. Based on the balances of cash and cash equivalent and short-term investments as at December 31, 2010, other things being equal, a 1% increase (decrease) in the interest rate on that day would have resulted in an increase (decrease) of approximately $234,000 in earnings before income taxes.

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 2010 Annual Information Form which is available on the SEDAR database at www.sedar.com.

- End -