



SPUR VENTURES INC.

Toronto Stock Exchange: SVU

ANNUAL INFORMATION FORM

For year ended December 31, 2008

Dated: March 31, 2009

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PRELIMINARY NOTES

In this Annual Information Form ("AIF"), Spur Ventures Inc., including all subsidiaries as the context requires, is referred to as "Spur" or the "Company". All information contained herein is as at December 31, 2008 unless otherwise stated.

Financial Statements

All financial information in this AIF is prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP").

This AIF should be read in conjunction with the Company's consolidated audited financial statements and notes thereto, as well as with the management's discussion and analysis for the year ended December 31, 2008. The financial statements and management's discussion and analysis are available at www.spur-ventures.com and under the Company's profile on the SEDAR website at www.sedar.com.

Currency

All sums of money which are referred to in this AIF are expressed in lawful money of the United States, unless otherwise specified.

Cautionary Statement Regarding Forward-Looking Statements

This AIF contains "forward-looking statements". Forward-looking statements include, but are not limited to, statements with respect to the estimation of mineral resources, 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; 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, as well as those factors discussed under "Description of the Business – Risk Factors". 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 AIF.

CORPORATE STRUCTURE

Name, Address and Incorporation

Spur Ventures Inc. was incorporated under the laws of the Province of British Columbia with the name "Braymart Development Corporation" on July 24, 1986. The authorized capital consisted of 20,000,000 common shares without par value. On July 31, 1987 the Company's name was changed to "Spur

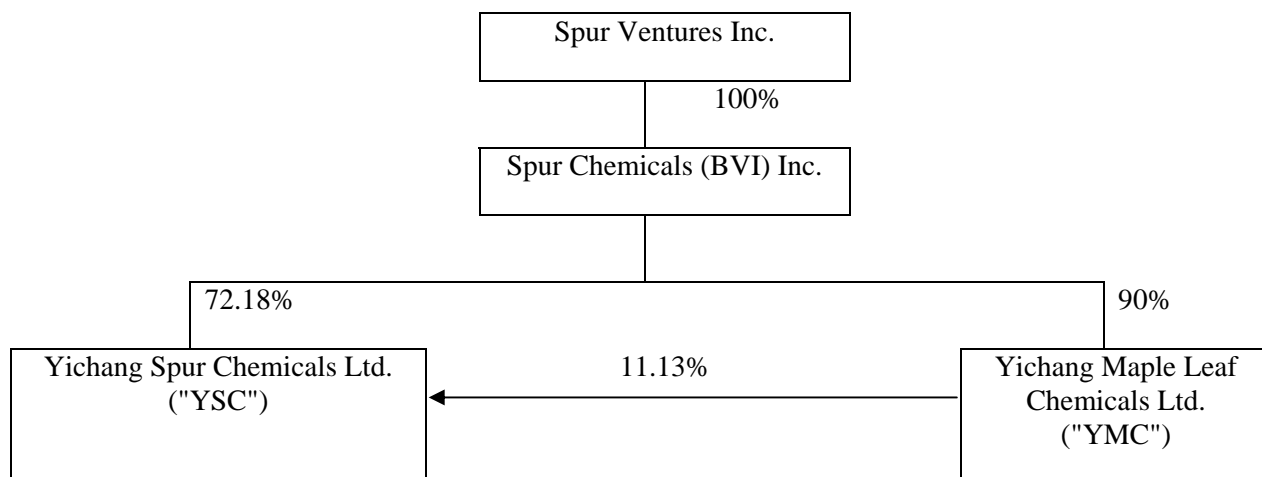
Industries Corporation". On September 22, 1987, the Company's name was changed to "Spur Ventures Inc." In December 1988, the Company conducted a public offering in Canada and became a reporting issuer under the British Columbia Securities Act. On July 31, 1991, the Vancouver Stock Exchange deemed the Company inactive. In June 1994, a reorganization program was initiated to reactivate the Company. Effective December 31, 1993, the Company's authorized capital was increased from 20,000,000 common shares to 100,000,000 Common Shares without par value and 100,000,000 Preferred Shares without par value, and on February 16, 1996 the Company's active status was restored. On June 17, 2004, the Company's authorized capital was increased from 100,000,000 Common Shares without par value and 100,000,000 Preferred Shares without par value to an unlimited number of Common Shares without par value and an unlimited number of Preferred Shares without par value.

The Company's head and principal office is located at Suite 3083 - 595 Burrard Street, P.O. Box 49298, Bentall III, Vancouver, British Columbia, Canada V7X 1L3. The Company's registered and records office is located at 10th Floor - 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

Intercorporate Relationships

The Company has three active subsidiaries: Spur Chemicals (BVI) Inc. (directly held, and incorporated in the British Virgin Islands) and Yichang Spur Chemicals Ltd. and Yichang Maple Leaf Chemicals Ltd. (both indirectly held by the Company through Spur Chemicals (BVI) Inc. and incorporated in China).

The following chart sets forth the structure of the Company's holdings in its subsidiaries and its current voting and equity interest therein.



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History and Significant Acquisitions

Change in Accounting Policies

During the year ended December 31, 2007, the Company retrospectively changed its accounting policy for exploration expenditures to more appropriately align itself with policies practiced in the United States and those applied by other companies in the fertilizer industry. Prior to the year ended December 31, 2007, the Company capitalized all such costs to mineral properties and only wrote down capitalized costs when either the property was abandoned or if the capitalized costs were not considered to be economically recoverable. Exploration expenditures are now charged to earnings as they are incurred.

Accordingly, the deficit at January 1, 2007 was increased by \$3,112,768 from \$15,455,024 to

\$18,567,792. The loss for the year ended December 31, 2007 was increased by \$1,570,829 from \$3,266,562 to \$4,837,391, and loss per share was increased from (\$0.055) to (\$0.082).

Year Ended December 31, 2006 (Restated)

YSC produced 39,844 metric tonnes (“mt”) of NPK fertilizer in 2006, compared to 33,442 mt in 2005. The plant was shut down for a total of 30 days for routine maintenance, 60 days due to a dispute with the Agricultural Bank of China and then again for 199 hours due to electricity shortages.

Sales for year ended December 31, 2006 were \$7,193,009, an 8.8% increase over the sales of \$6,613,823 in 2005, with sales volume of 34,695 mt in 2006 compared to 29,816 mt in 2005. Cost of product sold amounted to \$7,018,628 as compared to \$6,546,401 in 2005. Gross profit was \$174,381 versus \$67,422 in 2005, reflecting the benefits of YSC’s improved operating efficiencies and despite raw materials price increases.

Annual net loss was \$7,024,912 or \$0.12 per share. Management is required on an ongoing basis to determine if the undiscounted cash flows of each asset are less than its carrying value and, if so, to estimate and record an impairment charge. Management determined that the carrying cost of YSC can be justified when YSC production reaches 70,000 mt/yr. Over the three years from 2004 to 2006, production averaged less than 40,000 mt each year due to a series of events, including interruptions in electrical supply and plant down time for the Company’s Q1-2006 debottlenecking project. As a result, Spur management decided to take a conservative approach and booked a non-cash impairment charge of \$4,328,622, or 51% of the book value of YSC. Before this impairment charge annual net loss was \$2,696,290 or \$0.05 per share, compared to \$3,624,847 or \$0.08 per share in 2005.

Total expenses for the year ended December 31, 2006 were \$4,595,232 versus \$3,596,547 in 2005. There were several reasons for this \$998,685 increase, including a number of additions to the management team in China. Depreciation and amortization increased to \$332,760 in 2006 from \$106,128 in 2005. Mineral property costs were \$806,041 in 2005 versus \$555,108 in 2006. Rent increased from \$84,616 in 2005 to \$238,593 as the Company moved into a larger office in Vancouver and expanded office space in Yichang. Selling expenses were \$331,938 in 2006 compared to \$266,506 in 2005, reflecting increased sales volume and additional efforts to promote sales in a more competitive NPK market. Professional fees increased to \$621,795 in 2006 from \$227,600 in 2005, mostly attributable to higher audit related fees (as Spur established better internal controls), Sarbanes Oxley Act implementation preparation and quarterly financial reviews. Transfer agent and filing fees increased to \$141,831 from \$24,361 in 2006, a result of the change in the listing of the Company’s shares to the TSX from the TSX Venture Exchange. The increases in expenses were partially offset by the decrease of \$277,124 in stock based compensation. The Company’s short-term investments and guaranteed investment certificates generated interest income of \$1,168,316 in 2006 versus \$366,266 in 2005.

The Company’s cash and cash equivalents and short-term investments at the end of 2006 amounted to \$26,497,945, as compared with \$30,755,711 at the end of 2005, including \$11.0 million in cash. Of this amount \$5.5 million was held in two major Canadian banks and \$5.5 million held in YMC and YSC accounts with major banks in China. The amounts on deposit in China consisted of \$4.5 million in Canadian dollars and \$1.0 million in Chinese renminbi for working capital. The Company maintained complete control over the disbursements from the YMC registered capital accounts. The Company also had US dollar denominated short-term investments of \$15.5 million, with more than 90 days maturity periods, held in two major Canadian financial institutions.

Inventory decreased to \$2,429,443 at the end of 2006 from \$2,604,680 at the end of 2005. Accounts receivable increased to \$1,247,384 at the end of 2006 from \$401,787 in 2005. The Company granted credit to some long-time customers to promote sales and attempt to overcome intense competition in the NPK market. The increase of \$318,848 in prepaid expenses at the end of 2006 from the balance of \$280,268 at the end of 2005 reflected the increased production activities. The Company did not have any off-balance sheet arrangements as of the end of 2006.

The Company substantially completed its due diligence for the Tianren acquisition late in the fourth quarter of 2005 and, on June 18, 2006, entered into the final agreement setting out the details concerning the actual transfer of the interests and the time frame for doing so. During the year the Company and Tianren worked with the appropriate authorities on the various approval processes, both in China and in Canada. In this regard, and anticipating delays in getting approvals in China for the Tianren acquisition, by an amending agreement made as of the 20th of December, 2006 the Company agreed to extend the closing date for the acquisitions to September 30, 2007, to remove the Xinjiang shares from the transaction and to reduce the number of Spur shares to be issued to Tianren to approximately 13.3 million shares.

Year Ended December 31, 2007

Sales for the year ended December 31, 2007 were \$7,042,959, relatively flat compared to \$7,193,000 in 2006, with sales volume of 32,000 mt and 35,000 mt of NPK fertilizer respectively. Cost of product sold totalled \$6,909,786 compared to \$7,018,000 in 2006, while gross profit was \$133,000 versus \$174,000 in 2006. Unit cost of production was \$216/mt compared to \$202/mt in 2006. The loss for the year totalled \$4,837,391 compared to a loss of \$6,016,000 in 2006 (which included an impairment charge of long-lived assets in the amount of \$4,328,000). The 2007 Loss per Share was \$0.08 compared to \$0.12 in 2006.

Total general and administrative expenses increased \$948,000 to \$5,543,000 from \$4,595,000, mainly due to higher mineral property costs of \$1,570,829 in 2007 as compared to \$555,108 in 2006, due to the change in accounting treatment referred to above. These increases were partially offset by lower professional fees (reduced SOX compliance), interest expense (reduction in bank loans), transfer agent and filing fees (one time TSX registration fee in 2006), and stock-based compensation expenses.

Management concluded in the third quarter of 2007 that the price level of raw materials, especially potash, was too high for the NPK fertilizer facility to be viable and idled the YSC plant. Management decided to upgrade the current facility to produce MAP (Mono-ammonium phosphate) which does not rely on potash and which management believes has better economic prospects. The plans include using the existing YSC facilities to build a MAP plant with the flexibility to produce up to 200K mt per year of powdered MAP to supply NPK producers and transform YSC from a NPK producer for farmers into production of Mono-ammonium Phosphate (11-44-0) (MAP) for industrial and export customers. It is estimated that there are more than 300 NPK fertilizer suppliers, but only about 20 MAP manufacturers. The switch to MAP would be a shift to a less competitive and higher margin business. More than ten domestic NPK producers have signed Letters of Intent with the Company to purchase approximately 230,000 mt of powdered MAP. It is estimated that such a plant would cost approximately RMB108 million or \$15.5 million to build.

Because the YSC plant was idled in Q3-2007, year end balances of certain accounts were directly impacted by the ensuing sales and production decreases. These included decreases in customer deposits from \$683,000 to \$38,000, in accounts receivables from \$1,247,000 to \$239,000, in inventory from \$2,429,000 to \$519,000, in prepaid expenses from \$599,000 to \$152,000, and in accounts payable and accrued liabilities from \$1,716,000 to \$730,000. Bank loans totalling \$1,271,000 at the end of 2006 were fully repaid in 2007.

Foreign exchange loss for the year ended December 31, 2007 was \$16,000, compared to a foreign exchange gain of \$94,000 for 2006. This foreign exchange loss was mainly a result of the strength of the Canadian dollar versus Chinese RMB, and was calculated using the temporal method in the translation of the Company's integrated joint ventures, YMC and YSC. Under the temporal method, monetary assets and liabilities are translated at period-end exchange rates and items included on the statements of operations and cash flows are translated at rates in effect at the time of the transaction. Non-monetary assets and liabilities are translated at historical rates. The gain or loss on translation is charged to the statement of operations.

On June 18, 2006, the Company entered into an agreement to acquire certain fertilizer related business of Hebei Tianren Chemical Corporation. The Company incurred due diligence, legal and other costs in connection with the proposed acquisition, which were deferred and capitalized. Due to delays in obtaining government approvals for the acquisition, certain downturns in these businesses and upon expiry of the most recent extension of the agreement on December 31, 2007, the Company abandoned the acquisition and wrote-off the previously capitalized deferred acquisition costs in the amount of \$446,000.

The mining licenses for the Shukongping and Dianziping mines were issued by Central Land and Resources Department to Hubei Yichang Phosphorous Chemical Co. Ltd. ("YPCC"), the Company's JV partner, in February and October of 2004 respectively. The first approval stage was completed in late December 2006 when Yiling County (Dianziping mine site) and Xinshang County (Shukongping mine site) officially approved the transfer to the Yichang City level. Yichang City has now also completed its own due diligence on the transfer and will be in a position to recommend the transfer to Hubei Province Land and Resources once an updated Resource Report verifying the value of the two phosphate mines has been completed. China introduced new foreign investment guidelines in January of 2008 which will require that Central Land and Resources as well as Hubei Province Land & Resources approve the transfers. Hubei Administration for Industry and Commerce, after receiving the approval received by the Company from Central Ministry of Commerce (MofCom), issued the business license for YMC on October 18, 2007, with a term retroactive from November 24, 2003 to November 24, 2030, with the next review slated for November 24, 2009.

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. The fertilizer plant was idled at that time so that it could be converted into a mono-ammonium phosphate plant (the "MAP Plant"). In management's view the MAP Plant had much better economic prospects because of less competition in China and the fact that potash, a raw material that was increasing substantially in price, was not required in the production process.

The Company's cash and cash equivalents and short-term investments at the end of 2007 amounted to \$24,987,000 compared to \$26,498,000 at the end of 2006, the decrease resulting from funding required for the Company's operations. Interest income was \$1,036,000, compared to \$1,168,000 in 2006.

Year Ended December 31, 2008

Sales for the year ended December 31, 2008 were \$333,210 compared to \$7,042,959 in 2007. The Company did not produce any fertilizer during the year and sales were of existing inventory only. Cost of product sold totalled \$209,127 compared to \$6,909,786 in 2007. Earnings for the year were \$533,976 compared to a loss of \$4,837,391 in 2007. This improvement is mainly attributable to a \$3.6 million foreign exchange gain and \$1.6 million reduction in operating expenses in 2008. Earnings per Share were \$0.009 compared to a loss per share of \$0.082 in 2007.

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

As a result, 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, and the MAP Plant's economic viability. In order to reduce costs, the Company terminated the employment of approximately 120 employees at both YSC and YMC, all in accordance with 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.

As at December 31, 2008, the Company had \$9.73 million (RMB65.63 million) in signed contracts for

the MAP project , of which \$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. Management estimates that, through negotiations with suppliers and contractors, the final contract obligations may be less than \$1 million.

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.

The Company also 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. Due to the volatility of financial markets amid the ongoing global financial crisis, the Company's board of directors believes that the Company's share price is significantly below its asset value per share. 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.

The Company also announced that, after full consideration by its board of directors, the Company has decided to use its financial resources to make strategic investments in stressed natural resource opportunities within the context of current financial markets. Several key stakeholders have been proponents of this strategy in recent months. The Company's focus will initially be on Canadian companies with assets in low risk jurisdictions. Spur board and management believe this change in strategy will make optimal use of the Company's financial resources and maximize value for all shareholders in the current environment. Consistent with this strategy, the Company converted a total of \$20.37 million into CDN\$24.73 million in the fourth quarter of 2008. The Company continues to seek potential investors, both in the MAP project and in the Integrated Phosphate Project.

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. 2008 interest income was \$499,000 (2007: \$1,036,000) due to a significant decline in general interest rate levels. The Company believes that it has sufficient funding to meet its obligations and to maintain administrative and operational expenditures for the next 12 months.

DESCRIPTION OF THE BUSINESS

General

Yichang Integrated Phosphate Mining and Fertilizer Project

The Company's initial focus was the development of a fully integrated fertilizer business in the People's Republic of China. The recoverability of the amounts invested by the Company in property, plant and equipment is dependent upon the ability of the Company to obtain the necessary financing to complete the expansion of the Company's existing fertilizer plant to allow for additional product mix and future profitable production or proceeds from the sale of fertilizer products.

To implement its strategy of integration from raw materials supply to fertilizer production, Spur originally planned to build an NPK complex close to the phosphate mines which are currently in the name of YPCC. However, in late 2003 an opportunity emerged to form a new Sino-foreign joint venture with Xinyuan Chemicals Ltd. Xinyuan owned a 100,000 tpa NPK plant, built in 1999 and commissioned in 2000 at a cost of 50 million renminbi. The original shareholders, YPCC (60%) and Yidu Chuxing Industrial and

Trade Group (40%) had experienced operational difficulties and raw material shortages. Purchasing this facility allowed Spur to advance its plans to enter into NPK production.

The fertilizer complex is located in Zhicheng Township, Yidu City, Yichang Municipality, Hubei Province, and at the time of purchase employed 240 people, including 198 full-time and 42 contract labourers.

YSC successfully completed construction and commissioning of a 60,000 tpa phosphoric acid plant on March 31, 2005, thus reducing its dependence on purchased phosphoric acid.

YMC is a phosphate mining company that is 90% owned by Spur Chemicals (BVI) Inc., with the remaining 10% owned by YPCC. YPCC owns the rights to two phosphate deposits, the Dianziping and Shukongping deposits, which YPCC has agreed to transfer to YMC as YPCC's registered capital contribution to the YMC project. The deposits are located approximately 100 km north/northwest of Yichang City. The Company originally planned for a 700,000 tpa mining operation at Dianziping and 500,000 tpa at Shukongping, for a total annual production of 1.2 million mt/year of ore, to be commenced upon the transfer of the mining licences from YPCC. Neither of the licenses has been transferred to YMC to date.

The license for the Shukongping Mine 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.

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's contribution would be the transfer of the two mining licenses to YMC, and Spur BVI would have to make an approximately \$100 million cash contribution. 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.

Spur management concluded in the third quarter of 2007 that price levels of raw materials, especially potash, were too high for the NPK fertilizer facility to be viable. Subject to the availability of debt and/or equity financing and the feasibility of a profitable operation, management planned to upgrade the current facility to produce MAP (Mono-ammonium phosphate) which does not rely on potash and, in management's view, has better economic prospects.

As already stated, 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, and the MAP Plant's economic viability. The Company is now in the process of assessing all its options with respect to its assets in China and the future direction of the Company. The Company currently has approximately 25 employees in China, and two employees and two contractors in Canada.

Risk Factors

An investment in the securities of the Company should be considered speculative due to the nature of the business of the Company, and involves significant risks which should be carefully considered by prospective investors before purchasing such securities. In addition to the other information set forth elsewhere in this AIF, the following risk factors should be given special consideration when evaluating trends, risks and uncertainties relating to the Company's business. Any of the following risks could have a materially adverse effect upon the Company, its business and future prospects. In addition, other risks and uncertainties not presently known by management of the Company could adversely affect the Company and its business in the future.

China has an evolving legal structure

Many laws and regulations dealing with economic matters in general, and foreign investment in particular, have been promulgated, including changes to the Constitution of China to authorize foreign investment and to guarantee "the lawful rights and interests" of foreign investors in China. Nevertheless, China does not have a comprehensive system of laws, and the legal and judicial systems in China in respect of commercial laws are rudimentary. In addition, enforcement of existing laws may be uncertain and sporadic and may be subject to domestic politics.

China is an emerging economy

Although the Chinese economy has experienced significant growth in the recent past, such growth has been uneven among various sectors of the economy and geographic regions. The central government has recently implemented measures to control inflation, which are intended to have the effect of significantly restraining economic expansion. Consequently, the government's pursuit of economic reforms may adversely affect the Company's business. It is also possible that inflation in China will cause the cost of the Company's products to be uneconomic for the rural farming community that makes up the Company's market.

Investment in China can be adversely affected by significant political, economic and social uncertainties

Any change in laws and policies by the Chinese government could adversely affect the Company's investment in China. The Chinese government has been pursuing economic reform and open door policies since 1978. The general development pattern in the last 25 years shows that the political environment in China has been improving gradually. Circumstances such as a change in leadership, social or political disruption or unforeseen circumstances may affect significantly or encumber the Chinese government's abilities to pursue such policies.

Mineral and fertilizer prices have historically fluctuated substantially

These prices are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and world wide production levels. The effects of these factors cannot be accurately predicted. The economics of mining and fertilizer production are also affected by operating costs, variation in the grade of mined mineralized material and fluctuation in the price of fertilizer products.

The Company's operations require approvals, licenses and permits from governing Chinese authorities, which may not be granted

For example, an amendment to the Company's joint venture contract with YMC must be approved by the Ministry of Commerce and the National Development and Reform Commission. Failure to receive final approval could place at risk Company funds forwarded to YMC and its ownership of the YMC phosphate deposits. YPCC, the Company's joint venture partner in the YMC joint venture, has yet to make its equity contribution of the mining licenses for the Dianziping and Shukongping mining licenses, as a result of which YMC may be required to apply to the Hubei Administration for Industry and Commerce for an additional extension or extensions of the time in which such equity contribution can be made and for YMC's business licence. If such extension or extensions are not granted, the transfer of the mining licences to YMC and subsequent mining of the Dianziping and Shukongping deposits by YMC may be in jeopardy.

Raw materials costs and transportation costs are rising

The continued rapid growth in the Chinese and Indian economies has in the past driven up the prices of international commodities and transportation costs worldwide. Although the US economy is heading into a period of slower growth, if raw material, ocean freight and transportation costs within China continue to rise such higher prices will have an adverse effect on the profits of fertilizer producers such as the Company.

The Company's operations may encounter risks that are not insurable

The Company may become subject to liability for mining risks, pollution or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. The payment of such liabilities would reduce the funds available for other activities of the Company. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the financial position of the Company.

Expiry of the Shukongping 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 by that time. 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. As a result, there is no guarantee that the Company will ever be in a position to exploit the license for this deposit or for the Dianziping deposit.

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's contribution would be the transfer of the two mining licenses to YMC, and Spur BVI would have to make an approximately \$100 million cash contribution. 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, but there is no guarantee that YMC will obtain such extension.

Announced New Direction of the Company

In a press release issued on October 30, 2008, the Company announced its intention to use its financial resources to make strategic investments in stressed natural resource opportunities within the context of current financial markets, with an initial focus on Canadian companies with assets in low risk jurisdictions. The Company has yet to make such an investment, and there is no

guarantee that it will do so or that if it does make such an investment that it will be a profitable one.

The Company may need Additional Capital

If the Company decides to proceed with the development of the phosphate mines, completion of the Yichang Project, completion of the MAP project, or to make a strategic investment or investments in stressed natural resource opportunities, it may require significant additional funding to do so. The Company may rely on a combination of equity financing, bank loans and participation of strategic partners to raise such additional funding, but there is no assurance such amounts will be available, or if available, on favourable terms.

Conflicts of Interest

Certain directors and officers may have conflicts of interest arising from similar positions they hold in other natural resource companies. It is possible that certain opportunities may be offered to both the Company and to such other companies, and further that such other companies may participate in the same opportunities in which the Company has an interest. In exercising their powers and performing their functions, the directors of the Company are required to act honestly and in good faith and in the best interest of the Company, and to exercise the care, diligence and skill of a reasonably prudent person.

DIVIDENDS

To date the Company has neither declared nor paid any dividends on its outstanding shares. The Company intends to retain any future earnings to finance the development of its properties, and accordingly, does not anticipate paying any dividends in the foreseeable future.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of common shares, of which 60,407,187 were issued and outstanding as fully paid and non-assessable shares as at the date of this AIF.

The holders of the common shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company, and each common share confers the right to one vote in person or by proxy at all meetings of the shareholders of the Company. The holders of the common shares, subject to the prior rights, if any, of the holders of any other class of shares of the Company, are entitled to receive such dividends in any financial year as the board of directors of the Company may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the common shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Company, the remaining property and assets of the Company.

The Company is also authorized to issue an unlimited number of preferred shares, none of which are issued. Preferred shares may be issued in series, in such numbers and with such designation and special rights and restrictions as may be determined by the directors. Holders of preferred shares have no right to vote at meetings of common shareholders, but do have priority over common shareholders in the event of a dissolution or winding-up of the Company.

The Company has a stock option plan (the "Plan") pursuant to which the directors of the Company are authorized to grant options to directors, officers, employees and consultants of the Company and its subsidiaries on up to 8,000,000 common shares. There currently are a total of 3,720,000 options outstanding, and the Company has the right to issue options to purchase up to an additional 2,365,000 shares pursuant to the Plan:

Expiry Date	Number	Exercise Price
July 23, 2009	1,250,000	\$1.50
Mar. 1, 2010	500,000	\$1.80
Mar 14, 2011	200,000	\$1.50
July 4, 2011	625,000	\$1.03
Jan 3, 2012	200,000	\$0.64
April 4, 2012	20,000	\$0.55
December 3, 2012	20,000	\$0.50
June 26, 2013	905,000	\$0.90
Total	3,720,000	

MARKET FOR SECURITIES

Trading Price and Volume

The Company's shares are listed for trading through the facilities of the TSX under the symbol "SVU". During the period from January 1, 2008 to February 27, 2009, the Company's shares traded as follows:

Month	Volume (Daily average)	High (Cdn\$)	Low (Cdn\$)
February 2009	72,800	0.23	0.21
January 2009	39,200	0.29	0.20
December 2008	66,300	0.28	0.19
November 2008	171,800	0.29	0.19
October 2008	94,400	0.33	0.20
September 2008	123,200	0.57	0.23
August 2008	77,400	0.66	0.48
July 2008	74,900	0.88	0.63
June 2008	476,800	1.24	0.74
May 2008	89,800	0.85	0.69
April 2008	298,100	0.97	0.60
March 2008	101,100	0.64	0.59

Month	Volume (Daily average)	High (Cdn\$)	Low (Cdn\$)
February 2008	139,600	0.65	0.53
January 2008	118,600	0.68	0.45

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The name, municipality of residence, positions held with the Company, and principal occupation within the five preceding years as at the date of this AIF of each director, officer and executive officer of the Company is as follows:

Name, Province and Country of Residence, and Position with the Company	Principal Occupation within the five preceding years	Period of Service as a Director or Officer	Number of Shares and % of Class ⁽¹⁾
Steven G. Dean British Columbia, Canada Chairman & Director	Chairman and Director of the Company and Amerigo Resources Ltd., formerly President and a Director of Teck Cominco Limited.	June 2003 to Present	1,165,000 common shares, or 1.928%
Robert J. Rennie Alberta, Canada President, CEO & Director	Chief Executive Officer and Director of the Company, formerly Vice President of Agrium Inc.	March 2005 to Present	30,000 common shares, or 0.049%
Robert G. Atkinson British Columbia, Canada Vice Chairman & Director	Director and Vice Chairman of the Company, Director of Quest Capital Corp. and formerly President and CEO of Loewen Ondaatje McCutcheon & Co Ltd.	March 1996 to Present	2,292,050 common shares, or 3.794 %
Ruston Goepel British Columbia, Canada Independent Director	Director of the Company, Senior Vice President of Raymond James Ltd.; formerly founding partner and CEO of Goepel Shields & Partners.	June 2003 to Present	170,000 common shares, or 0.281 %
John Van Brunt Alberta, Canada Vice Chairman & Director	Director and Vice Chairman of the Company, formerly Chief Executive Officer of Agrium.	July 2004 to Present	40,000 common shares, or 0.066%
David Black British Columbia, Canada Independent Director	Director of the Company, Retired Partner DuMoulin Black LLP, barristers and solicitors, Director of a number of public companies	June 2000 to Present	30,000 common shares, or 0.049%
Michael Kuta British Columbia, Canada Corporate Secretary	Corporate and mining lawyer, General Counsel and Secretary of the Company, formerly in private practice of law.	August 2005 to Present	3,000 common shares, or 0.004%
Zhai Jidong China Chief Operating Officer	Chief Operating Officer of the Company, former Director & President of Huaying Phosphorus Company Ltd., China-Japanese ITOCHU joint venture, Vice President & Chief Economist of Sino-Arab Chemical Fertilizers Company Ltd.,	July 2006 to Present	0 common shares, or 0.00%

(1) As a group, all directors and executive officers beneficially own, directly or indirectly, or exercise control or direction over, a total of 3,730,050 common shares, representing 6.17% of the issued and outstanding common shares of the Corporation as at March 31, 2009.

Steven G. Dean - Director and Chairman of the Board since June 2003

Mr. Dean is a Fellow of the Institute of Chartered Accountants of Australia, a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Canadian Institute of Mining, Metallurgy and Petroleum. He has extensive experience in mining, most recently as President of Teck Cominco Limited until his retirement in July 2002. Mr. Dean is Chairman and a director of Amerigo Resources Ltd. and Candente Resource Corp., both of which are listed on the Toronto Stock Exchange, and of Infinito Gold Ltd., whose shares are listed on the TSX Venture Exchange.

Robert J. Rennie – President, Chief Executive Officer and Director since March 2005

Dr. Rennie joined the Company as its first Chief Executive Officer in March of 2005 after taking early retirement from Agrium Inc. He served in several roles in Agrium including Vice President of New Products R&D and finally as Vice President of South America and Vice President of Corporate Affairs. He led Agrium's entry into Argentina building the world's largest single train urea plant, a joint venture with Spain's Repsol-YPF. He also turned around Agrium's struggling retail business, Agroservicios Pampeanos. When he retired, the South American operations accounted for 25% of Agrium's profitability and were its most profitable corporate entities. Dr. Rennie serves as Vice Chairman of the Agriculture Committee of the International Fertilizer Industry Association and as Co-Chair with the Alberta Minister of Innovation and Science of the Alberta Life Sciences Institute. Dr. Rennie holds a PhD from the University of Minnesota.

Robert G. Atkinson – Director since March 1996, Vice Chairman since June 2003

Mr. Atkinson has been in the investment industry for over 30 years. He is former President and CEO of Loewen Ondaatje McCutcheon & Co Ltd., a Canadian investment dealer. Mr. Atkinson also serves as a Director of Quest Capital Corp, a Toronto Stock Exchange listed company. Mr. Atkinson received a B.Comm. degree from the University of British Columbia in 1963.

Ruston Goepel - Director since June 2003

Mr. Goepel is Senior Vice President, Raymond James Ltd. He entered the investment business in 1968. He was a founding partner and CEO of Goepel Shields & Partners, a national securities dealer which was acquired in January, 2001 by Raymond James Inc., a large U.S. brokerage firm. Mr. Goepel is also a director of Amerigo Resources Ltd., VANOC, TELUS Corporation and Baytex Energy Trust.

John Van Brunt – Director and Vice Chairman since July 2004

Until his retirement in 2003, Mr. Van Brunt was Chief Executive Officer of Agrium, the world's largest producer of nitrogen fertilizers. He managed the initial IPO of Cominco Fertilizers (now Agrium Inc.) in 1993, and then built the company through mergers and acquisitions from sales of US\$250M to \$3.0 billion. At the time of his retirement Mr. Van Brunt was Vice Chairman of the Agrium Board. Mr. Van Brunt is also past-President of the International Fertilizer Industry Association and past-Chairman of the Board of Directors of the Fertilizer Institute in Washington, and is a director of URALCHEM, OJSC.

David Black – Director since June 2000 to June 24, 2008

Mr. Black is a retired corporate and securities lawyer and former partner and associate counsel with DuMoulin Black, a law firm established in 1966 specializing in the provision of corporate, securities and finance legal services to natural resource and commercial/industrial companies. Mr. Black is a director of Southwestern Resources Corp., a company listed on the Toronto Stock Exchange, and of a number of other companies with operations in China.

Michael Kuta – General Counsel and Corporate Secretary since August 2005

Mr. Kuta is a member of the British Columbia and Canadian Bar Associations and has more than 25

years experience in corporate commercial, securities and taxation law, in both private and public practice. Mr. Kuta was an associate lawyer at Thorsteinssons LLP, Tax Lawyers, Vice-President, Law at The Loewen Group and InsulPro Industries, and Director, Content Development for the Thomson Corporation. Mr. Kuta has experience in domestic and international business acquisitions and combinations and finance. He has an HBA (Honours in Business Administration) degree from the University of Western Ontario, and an LLB from the University of British Columbia. Mr. Kuta is also General Counsel and Corporate Secretary for Amerigo Resources Ltd., a company listed on the TSX, and of Los Andes Copper Ltd., a company listed on the TSX Venture Exchange, and is a director of Nikos Explorations Ltd., a company listed on the TSX Venture Exchange.

Zhai Jidong – Chief Operating Officer since July 2006

Mr. Zhai has more than 19 years experience in fertilizers business management, including production and marketing. Mr. Zhai was formerly Director and President of Qinhuangdao Huaying Phosphoric Acid Co. Ltd. (a joint venture between a Chinese state-owned company and Japan's ITOCHU) and Chief Economist of Sino Arab Chemical Fertilizers Co. Ltd. (a joint venture among CNCCC of China, GCT of Tunisia and PIC of Kuwait, three large state-owned companies). Mr. Zhai currently is Vice Chairman of the China Phosphate Industry Association, a director of the China Sulphuric Acid Industry Association and a member of both the Agriculture Committee of the International Fertilizer Industry Association and of the Hebei Committee of the Chinese People's Political Consultative Conference. Mr. Zhai holds a B.Sc. degree from Tianjin Nankai University and a Masters degree in economics from Hebei University.

There is no family relationship among any of the directors or officers of the Company identified above. There is no arrangement or understanding with major shareholders, customers, suppliers or others pursuant to which any director or officer was selected as a director or officer of the Company.

Directors' and Officers' Terms of Office

The terms of the Company's directors expire at the Company's annual general meeting each year. The members of board committees are elected by the Board of Directors as soon as possible following each annual general meeting. Other than as set out in this AIF, there are no service contracts between the Company and any of its directors providing for benefits upon termination of their employment or service. The officers of the Company are elected by the Board of Directors and hold office for such period and on such terms as the board may determine.

Committees of the Board of Directors

The committees of the board of directors of the Company and the directors serving on each of the committees are described below:

Audit Committee

The Audit Committee is presently comprised of Messrs. Atkinson, Goepel and Black, all of whom are independent directors and "financially literate", meaning that they are able to read and understand financial statements and to understand the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. Mr. Atkinson, Chairman of the Audit Committee, has accounting or related financial management expertise. The Audit Committee must consist of not less than three Directors as determined by the Board, all of whom qualify as independent directors and who are free from any relationship that would interfere with the exercise of their independent judgment as members of the Audit Committee.

The primary function of the Audit Committee is to assist the Board in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting and the Company's auditing, accounting and financial reporting processes. The Audit Committee is also responsible for monitoring compliance with applicable laws

and regulations and the systems of internal controls. The Audit Committee has the authority to retain special legal, accounting or other consultants to advise the Audit Committee. The Audit Committee may request any director, officer or employee of the Company, or the Company's outside counsel or independent auditor, to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. The Board has adopted an Audit Committee Charter. The Audit Committee reports to the Board after each Committee meeting.

Corporate Governance and Nominating Committee

The members of the Corporate Governance and Nominating Committee are Messrs. Goepel (Chairman), Van Brunt and Black, all of whom are independent of management. This committee is responsible for the Company's overall corporate governance and oversees the orientation program for new directors. In its report to the Board of Directors, the committee recommends names for election to the Board of Directors and from time to time recommends candidates to fill Board vacancies and newly created Director positions.

Compensation Committee

The Compensation Committee is comprised of Messrs. Van Brunt (Chairman), Atkinson and Dean. This Committee has the responsibility for determining compensation for the directors and senior management. To determine compensation payable, the Compensation Committee reviews compensation paid for directors and senior management of companies of similar size and stage of development in the mineral exploration, mining and fertilizer industries, and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Company. In setting compensation the Committee annually reviews the performance of the CEO in light of the Company's objectives and considers other factors that may have impacted the success of the Company in achieving its objectives.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of the Company's directors or executive officers or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this AIF or has been, within the ten years before the date of this AIF, a director or executive officer of any company, that while that person was acting in that capacity;
 - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
 - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
 - (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or

instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

Conflicts of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such a participation or such terms and such director will not participate in negotiating and concluding terms of any proposed transaction. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. Under the laws of the Province of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Audit Committee Mandate

The Company's audit committee has a charter (the "Audit Committee Charter") in the form attached to this AIF as Schedule "A".

Composition of the Audit Committee

The following are the members of the Company's Audit Committee:

Robert Atkinson (Chairman)	Independent ⁽¹⁾	Financially literate ⁽¹⁾
David Black	Independent ⁽¹⁾	Financially literate ⁽¹⁾
Ruston Goepel	Independent ⁽¹⁾	Financially literate ⁽¹⁾

(1) As defined by National Instrument 52-110.

Relevant Education and Experience

A description of the education and experience of each audit committee member that is relevant to the performance of his or her responsibilities as an audit committee member may be found above under the heading "Directors and Officers: Name, Occupation and Security Holding".

External Auditor Services Fees (By Category)

The aggregate fees billed by the Company's external auditors in the last two fiscal years in Canadian dollars are as follows:

Fee Summary	2008 (\$)	2007 (\$)
Consolidated Financial Statement Audit		
- Vancouver	55,000	75,000
- China procedures	30,000	81,200
- Quarterly reviews (China & Vancouver)	7,500	112,000
Audit services	92,500	268,200
Audit related services		
- Comment on SOX project plan		
- Other		
Audit related services		
Total services	92,500	268,200

LEGAL PROCEEDINGS

The Company is not a party to any material legal proceedings and is not aware of any such proceedings pending or contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in this AIF, no director, executive officer or principal shareholder of the Company, or any associate or affiliate of the foregoing, have had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this AIF that has materially affected or will materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Trust Company of Canada, 510 Burrard Street, 2nd Floor, Vancouver, British Columbia, V6C 3B9. The Company has appointed Computershare Trust Company of Canada, as its co-transfer agent and registrar.

MATERIAL CONTRACTS

Other than the Shareholder Rights Plan referred to above that was approved by the Company's board of directors and filed on SEDAR on November 14, 2008, and is subject to approval by the Company's shareholders at its annual general meeting in May, 2009, there are no material contracts required to be filed as defined in National Instrument 51-102.

INTERESTS OF EXPERTS

The auditors of the Company are PricewaterhouseCoopers LLP, Chartered Accountants, of Vancouver, British Columbia. PricewaterhouseCoopers LLP, Chartered Accountants, report that they are independent of the Company in accordance with the Rules of Professional Conduct in British Columbia, Canada.

Neither the expert named under "Names of Experts", nor any designated professionals (as such term is defined in Form 51-102F2) of that expert, when or after the expert prepared the report, has received or is

about to receive any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of one of the Company's associates or affiliates (based on information provided to the Company by the experts) or is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's Information Circular for its most recent annual general meeting of securityholders that involved the election of directors. Additional financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for the 12 months ended December 31, 2008.

SCHEDULE "A"

AUDIT COMMITTEE CHARTER

(Effective October 4, 2004)

A. Audit Committee Purpose

The Board of Directors of the Corporation has an overall responsibility to oversee the affairs of the Company for the benefit of the shareholders. The Audit Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- Ensure the effectiveness of the overall process of identifying and addressing principal business risk and the adequacy of the related disclosure
- Monitor the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting and legal compliance
- Monitor the independence of the and performance of the Company's independent auditors
- Provide an avenue of communications among the independent auditors, management and the Board of Directors
- Encourage adherence to, and continuous improvement of, the Company's policies, procedures and practices at all levels

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors as well as anyone in the organization. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.

B. Audit Committee Composition and Meetings

Audit Committee members shall meet the requirements of the appropriate securities regulators. The Audit Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be independent non-executive directors, free from any relationship that would interfere with the exercise of his or her independent judgement. All members of the Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements, and at least one member of the Committee shall have accounting or related financial expertise.

Audit Committee members shall be appointed by the Board. If the Audit Committee Chair is not designated or present, the members of the Committee may designate a Chair by majority vote of the Committee membership.

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Audit Committee Chair shall prepare and/or approve an agenda in advance of each meeting. The Committee should meet privately in executive session at least annually with management, the independent auditors and as a committee to discuss any matters that the Committee or each of these groups believe should be discussed. In addition, the Committee, or at least its Chair, should communicate with management quarterly to review the Company's financial statements and significant findings based upon the Auditors limited review procedures, if any.

C. Audit Committee Responsibilities and Duties - Detail

Review Procedures

1. Review the Company's annual audited financial statements and management discussion and analysis prior to filing or distribution. Review should include discussion with management and independent auditors of significant issues regarding accounting principles, practices and judgements.
2. In consultation with management and the independent auditors, consider the integrity of the Company's financial reporting processes and controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. Review significant findings prepared by the independent auditors together with management's responses.
3. Review with financial management the Company's quarterly financial results and management discussion and analysis prior to the release of earnings. Discuss any significant changes to the Company's accounting principles and any items required to be communicated by the independent auditors.

Independent Auditors

4. The independent auditors are accountable directly to the Audit Committee. The Audit Committee shall review the independence and performance of the auditors and annually recommend to the Board of Directors the appointment of the independent auditors or approve any discharge of auditors when circumstances warrant.
5. Approve the fees and other significant compensation to be paid to the independent auditors, and pre-approve any non-audit services that the auditor may provide.
6. On an annual basis, the Committee should review and discuss with the independent auditors all significant relationships they have with the Company that could impair the auditor's independence.
7. Review the independent auditors audit plan and engagement letter.
8. Prior to releasing the year-end earnings, discuss the results of the audit with the independent auditors.
9. Consider the independent auditors' judgements about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.

Other Audit Committee Responsibilities

10. On at least an annual basis, review with the Company's counsel, any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.
11. Annually prepare a report to shareholders to be included in the Company's annual information circular. The Chairman of the Committee will review all disclosure documents to be issued by the Company relating to financial matters, including news releases, annual information forms and information circulars.