September 1, 2011

BY SEDAR

Dear Sirs/Mesdames:

Revised Management's Discussion & Analysis for the Quarter Ended June 30, 2011

On August 10, 2011, Spur Ventures Inc. ("Spur") released its Management's Discussion and Analysis (the "MD&A") for the quarter ended June 30, 2011. Subsequent to the release of the MD&A, Spur noted certain typographical errors in the MD&A. A corrected version of the MD&A is attached hereto.

Please contact Spur with any questions you may have.

Yours very truly,

SPUR VENTURES INC.

SPUR VENTURES INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE QUARTER ENDED JUNE 30, 2011

Dated: August 10, 2011

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

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

INTRODUCTION

This MD&A has been prepared as of August 10, 2011, and should be read in conjunction with the Company's unaudited interim consolidated financial statements with accompanying notes for the quarter ended June 30, 2011, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The objective of this MD&A is to help the reader understand the factors affecting the Company's current 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 latest 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. In making the forward-looking statements in this MD&A, the Company has made certain key assumptions, including, but not limited to, the assumptions that price for phosphate rocks and phosphate fertilizers at certain levels, the estimated phosphate rock resources can be realized and financings are available. 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" or 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 phosphate 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. On July 22, 2011, the mining licenses for the Dianziping and Shukongping deposits were transferred to YMC and registered in the name of 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 name plate capacity NPK plant which includes a 60,000 tonne/year phosphoric acid plant.

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 commencing with the exploration stage in 1996 when Spur signed its first partnership agreement.

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 controlled 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 MOLAR in Beijing.

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

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 $11.91 million (RMB76.96 million) and $134.08 million (RMB866.55 million) respectively to complete their entire registered capital contributions by November 24, 2009.

Because 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.

The new Registered Capital amount was established at $123 million (RMB 798 million) instead of the previous $176 million (RMB 1.14 billion). Spur BVI could maintain a 49% equity ownership in YMC, taking into account previous contributions to YMC of $24.7 million (RMB 159.6 million), and was required to contribute $35.8 million (RMB 231.4 million) in order to maintain this 49% 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 $159.37 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 again 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.

To rectify this situation, two separate but sequential modifications to the YMC Joint Venture agreement were signed by Spur and YPCC.

The first modification, approved on March 23, 2011 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.

Under the second, more significant modification to the YMC JV agreement, Spur would receive full credit for its Registered Capital contributions to date of RMB 159 million or $24.7 million (representing 20.02% of YMC's total Registered Capital), with no requirement for further investment. The balance of registered capital contribution would come from YPCC through the contribution of the Dianziping and Shukongping mining license and cash, earning YPCC approximately 80% of YMC. 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 had indicated that it expected to receive Hubei SASAC's approval in the near future.

The restoration of YMC's legal status cited above 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. The Company announced on August 3, 2011 that the Central Ministry of Land and Resources ("MOLAR") in Beijing has formally approved the transfer of the mining licenses for the Shukongping and Dianziping phosphate deposits from YPCC to YMC.

Fulfilling the YMC JV Obligations by Partnering with Xingfa

Based on the original JV Agreement for YMC approved by NDRC and MofCom in 2004, YMC is expected to develop the Shukongping and Dianziping deposits for the sole purpose of supplying phosphate rock to a world-scale phosphate fertilizer plant anticipated 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 deposits 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 half of 2012. According to Xingfa's design plans, the Xingfa Plant is anticipated to 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 is anticipated to 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.

COMPANY HISTORY – YSC

YSC's original plant was built in 1999 for approximately RMB50 million ($7.7 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 200,000 tonne/yr 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.

<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.

SIGNIFICANT EVENTS

In July 2011, the Central Ministry of Land and Resources (MOLAR) has approved the transfer of the mining licenses for the Shukongping and Dianziping deposits as part of Spur's JV partner, YPCC's, "in-kind" equity contribution to Yichang Maple Leaf Chemicals ("YMC").

On July 22, 2011, the mining licenses for the Dianziping and Shukongping deposits were transferred to YMC and registered in the name of YMC. This is a milestone development for the Company's project in China as the mining licenses are fundamental to the development of the Sino-Canadian integrated fertilizer project.

Other significant events, which are anticipated over the coming months, as outlined in greater detail in Spur's March 30, 2011 press release, are:

1. The anticipated approval by the Hubei Province and Yichang City authorities of the takeover of YPCC by Yichang Xingfa Chemical Group Ltd. ("Xingfa")

2. The anticipated approval by Yichang Bureau of Commerce and Hubei Department of Commerce of a modified JV agreement setting the equity sharing between YPCC and Spur to change from 51:49 to 80:20 such that Spur has no further obligation to contribute cash to YMC.

3. The anticipated merger of Yichang Spur Chemicals Ltd. with YMC once YMC's Registered Capital contributions are complete.

4. The anticipated vend-in of Xingfa's fertilizer complex, which is under construction, into YMC to fulfill the JV obligation for YMC to be fully integrated through mining into world scale manufacturing of compound phosphate fertilizers. The terms on which the vend-in might occur are still to be negotiated.

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

Results of Operations – Q2 2011

YMC has been focusing on the transfer of the mining licenses from YPCC and is not yet operational. YSC has been idle since October, 2007.

<u>Spur Consolidated Results</u>

Q2 2011 loss was $500,000, $40,000 less than Q2 2010 loss of $540,000. The reduction in loss was mainly attributable to a $21,000 reduction in operating expenses and a $25,000 increase in interest income. Loss per share in Q2 2011 was $0.008 (Q2 2010 loss per share: $0.009).

Interest income increased slightly from $51,000 in Q2 2010 to $76,000 in Q2 2011 mainly due to a slight increase in general interest rate levels.

Operating expenses decreased $21,000 from $482,000 in Q2 2010 to $461,000 in Q2 2011, primarily as a result of reduced activity in China, the Company's continued focus on cost control and the change over to IFRS accounting on January 1, 2010. Prior to January 1, 2010, the Company consolidated the financial results of YMC as it had been considered a variable interest entity under Canadian GAAP. Under IFRS the Company accounts for its interest in YMC using the equity method. Accordingly the depreciation expense in the second quarter of 2011 is $11,000 lower than the comparative period. In addition, mineral property costs related to YMC were nil in the quarter as these costs are no longer consolidated as the Company's operating expenses. Other specific reductions include stock-based compensation expenses ($20,000) and consulting fees ($19,000). Please refer to Note 4e of the June 30, 2011 financial statements regarding the impact on earnings and balance sheet from de-recognition of YMC net assets under IFRS.

The Company continues to maintain a solid cash position with cash and cash equivalents, short-term GICs and marketable securities at the end of Q2 2011 amounting to $23.42 million compared to $ 23.35 million at December 31, 2010.

<u>Foreign Exchange Gain or Loss</u>

With the change over to IFRS on January 1, 2011 the Company designates RMB as the functional currency for its subsidiaries in China, U.S. dollar for Spur BVI, and Canadian dollar for its head office in Canada. Under Canadian GAAP, the Canadian dollar was designated as the functional currency of the Company.

There was no material realized foreign exchange gain or loss in Q2 2011 and Q2 2010 because there were no significant transactions denominated in currencies other than the functional currencies. All unrealized foreign exchange gain or loss from translation of functional currencies to U.S. dollar presentational currency are recorded as accumulated other comprehensive income ("AOCI") in the equity section of the balance sheet. As the U.S. dollar depreciated against the RMB and Canadian dollar, the AOCI at December 31, 2010 increased from $1.8 million to $2.4 million at June 30, 2011.

The Company does not use derivatives to hedge against exposures to foreign currency arising from the Company’s balance sheet liabilities; therefore the AOCI is expected to increase or decrease against decrease or increase in the strength of U.S. currency.

Summary of Quarterly Results (unaudited)

	Qtr ended Jun. 30, 2011 [a]	Qtr ended Mar. 31, 2011 [a]	Qtr ended Dec. 31, 2010 [b]	Qtr ended Sep. 30, 2010 [b]	Qtr ended Jun. 30, 2010 [a]	Qtr ended Mar. 31, 2010 [a]	Qtr ended Dec. 31, 2009 [b]	Qtr ended Sep. 30, 2009 [b]
Sales of obsolete inventory and parts ($)	-	67,353	25,042	36,787	-	11,424	58,592	-
Earnings (loss) ($)	(499,905)	(290,024)	(417,775)	(382,450)	(540,329)	(459,232)	116,134	(356,484)
Earnings/(loss) per share ($)	(0.008)	(0.005)	(0.007)	(0.006)	(0.009)	(0.007)	0.002	(0.006)
Dividends per share ($)		-	-	-	-	-	-	-
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	60,407,187

[a] quarterly results reported under IFRS.
[b] quarterly results previously reported under Canadian GAAP.

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

As at June 30, 2011, the Company maintained a balance of $23.42 million in cash and cash equivalents and short-term GICs, including $23.39 million in deposits and GICs with major Canadian financial institutions.

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:

	Office lease
2011	$ 54,333
2012	$ 100,805
2013	$ 112,013
2014	$ 113,447
2015	$ 85,086

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 progressing the approval of the second modification to the YMC JV agreement noted above and anticipates YPCC to complete YMC's Registered Capital contributions before December 31, 2011.

Once YMC's Registered Capital contributions have been completed, the Company will be able to initiate the agreed upon merger of its two joint ventures, YSC and YMC, into one joint venture, still named YMC.

The Company will also work with Xingfa to finalize the process for vending-in of Xingfa's fertilizer plant into YMC.

The Company continues to assess other investment opportunities in the natural resource sector with a focus on development rather than exploration in opportunities in relatively secure jurisdictions.

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

Transactions with Related Parties and Key Management

During the three-month period ended June 30, 2011, the Company incurred $153,848 salaries and benefits and $36,303 consulting fees to key management and the directors of the Company for services (three-month period ended June 30, 2010: $152,890 salaries and benefits and $46,006 consulting fees).

During the six-month period ended June 30, 2011, the Company incurred $251,142 salaries and benefits and $70,649 consulting fees to key management and the directors of the Company for services (three-month period ended June 30, 2010: $253,062 salaries and benefits and $101,549 consulting fees).

Key management includes the Chairman, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Corporate Secretary.

There are no unpaid amounts to the parties.

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 interim consolidated financial statements for the quarter ended March 31, 2011 includes 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 compares the carrying amount to the higher of the value in use or the fair value less costs to sell for 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 a discounted basis to determine if the carrying amount is not recoverable. If the carrying amount exceeds the sum of the discounted 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.

Management conducted recoverability analyses 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 quarter ended June 30, 2011, as follows:

Management have not recorded a current impairment charge against the existing fertilizer plant and equipment and land use rights at YSC, because management remain confident that financing can be obtained for the MAP plant and that 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 Company also faces additional risks and uncertainties, including, but not limited to, raw material and construction cost risks, product marketing risks, and political risks.

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

Changes in Accounting Policies including Initial Adoption

First-time adoption of IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, commencing January 1, 2011, the Company has been preparing these condensed interim consolidated financial statements under IFRS.

The IFRS accounting policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of August 5, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS, that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

These interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standard Board ("IASB"). Please refer to Note 3 of the Company's financial statements for the quarter ended March 31, 2011 for principal accounting policies applied in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years and quarters presented, unless otherwise stated.

First-time adoption exemptions applied

IFRS1 *First-time adoption of International Financial Reporting Standards*, which governs the first time adoption of IFRS, in general requires accounting policies to be applied retrospectively to determine the opening statement of financial position at the Company's transition date of January 1, 2010, and allows certain exemptions from retrospective application on the transition to IFRS. The Company has elected to reset to nil the unrealized foreign currency translation amount from previous functional currency to reporting currency translations. Consequently the accumulated other comprehensive income ("AOCI") was reset to zero at January 1, 2010 and the balance was recorded as an adjustment to deficit.

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	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	61,757,187		

Options granted vest over a three-year period, with one-third of the options vesting one year after the date of grant, one-third two years after the date of grant, and the remaining one-third three years after the date of grant.

During the three-month period ended June 30, 2011, stock-based compensation expense of $12,134 was recognized (2010: $32,490) for options.

During the six-month period ended June 30, 2011, stock-based compensation expense of $28,305 was recognized (2010: $73,031) for options.

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
Risk free interest rate	1.52% - 2.12%
Expected life of options in years	5 years
Expected volatility	49% - 69%
Dividend per share	$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 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.

Since the December 31, 2010 evaluation, there have been no adverse changes to the Company's controls and procedures and they continue to remain effective.

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 effect 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 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 period ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and 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

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

June 30, 2011	Loans and Receivables	Other financial liabilities	Total Carrying Amount	Total Fair Value	Fair value hierachy level
Financial Assets					
Cash and deposits	$ 230,516	$ -	$ 230,516	$ 230,516	(*)
Guaranteed investment certificates (GICs)	$ 23,189,902	$ -	$ 23,189,902	$ 23,189,902	(*)
Receivables	$ 82,549	$ -	$ 82,549	$ 82,549	(*)
Financial Liabilities					
Accounts payable and accrued liabilities	$ -	$ 650,352	$ 650,352	$ 650,352	(*)
Due to affiliate	$ -	$ 6,166,791	$ 6,166,791	$ 1,809,098	n/a

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

Management has determined that there are no embedded derivatives.

The Company's activities expose it to a variety of financial risks, which include foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk.

Credit risk

The Company maintains a substantial portion of its cash and cash equivalents and short term fixed interest investments with major financial institutions in Canada and China.

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 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 June 30, 2011, 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 $237,000 in accumulated other comprehensive income; a 1% increase (decrease) in the exchange rate of converting one U.S. dollar into Chinese Reminbi on that day would have resulted in a decrease (increase) of approximately $66,000 in accumulated other comprehensive income. The Company does not anticipate significant impact of foreign currency translation on earnings unless significant transactions denominated in currencies other than functional currencies take place.

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 June 30, 2011, the Company had no outstanding debt. Based on the balances of cash and cash equivalent and short-term investments as at June 30, 2011, other things being equal, a 1% increase (decrease) in the interest rate on that day would have resulted in an increase (decrease) of approximately $231,000 in earnings before income taxes.

Liquidity Risk

The Company has been keeping its cash resources in highly liquid short term investment such as guarantee investment certificates offered by major Canadian financial institutions and monitors its cash spending not to exceed available cash resources.

Commodity price risk

The phosphate rock mining and integrated fertilizer projects in China are exposed to fluctuations in commodity prices like MAP fertilizer, P-rock, sulphuric acid, ammonia, etc. Management has recognized these risks and closely monitors the impact of the commodity price fluctuations on the recoverability of project investment.

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 -