



**SPUR VENTURES INC.**

**Toronto Stock Exchange: SVU**

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**ANNUAL INFORMATION FORM**

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**For year ended December 31, 2009**

**Dated: March 31, 2010**

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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, 2009 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, 2009. The financial statements and management's discussion and analysis are available at [www.spur-ventures.com](http://www.spur-ventures.com) and under the Company's profile on the SEDAR website at [www.sedar.com](http://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; 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". 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, except as required under applicable securities legislation.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

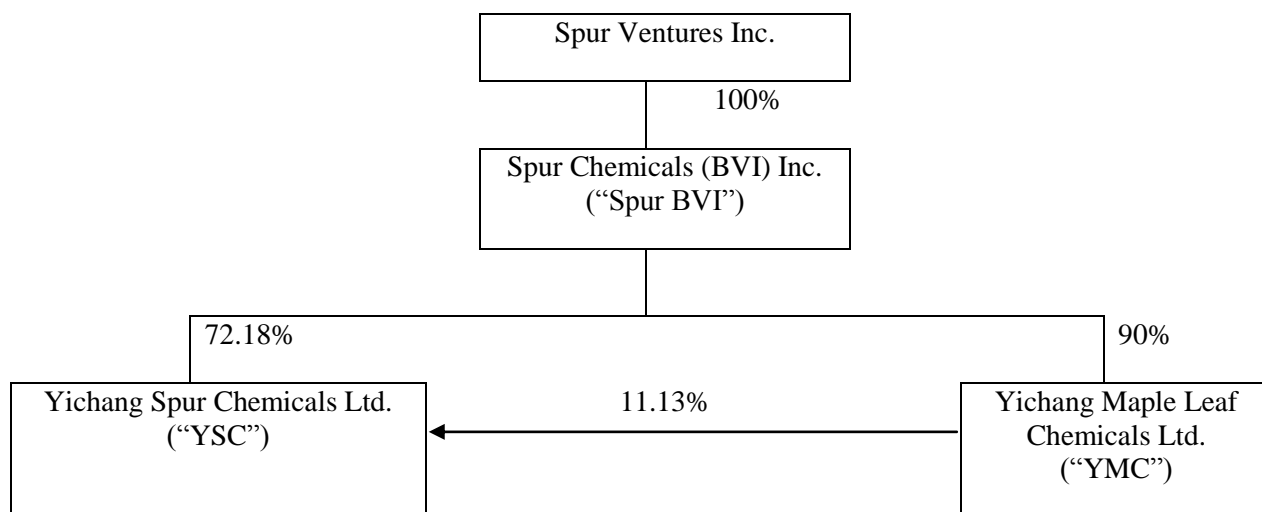
Spur Ventures Inc. was incorporated under the laws of the Province of British Columbia with the name “Braymart Development Corporation” on July 24, 1986. The authorized capital consisted of 20,000,000 common shares without par value. On July 31, 1987 the Company's name was changed to “Spur Industries 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, 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 \$7,024,912 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.

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, and as a result shutdown the facility temporarily in order to convert the facility into a mono-ammonium phosphate plant (MAP). The MAP plant was estimated to cost approximately RMB 108 million (\$15.5 million) to construct.

More than ten domestic NPK producers signed Letters of Intent with the Company to purchase approximately 230,000 mt of powdered MAP.

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.

The idling of the YSC plant in the third quarter of 2007 impacted year end sales and production balances, including decreases in customer deposits from \$683,000 to \$38,000, accounts receivable from \$1,247,000 to \$239,000, inventory from \$2,429,000 to \$519,000, prepaid expenses from \$599,000 to \$152,000, and in accounts payable and accrued liabilities which decreased 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.

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.

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 Ministry of Land and Resources ("MOLAR") 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 completed its own due diligence on the transfer and was in a position to recommend the transfer to Hubei Province Land and Resources subject to the completion of an updated Resource Report verifying the value of the two phosphate mines. In January 2008, China introduced new foreign investment guidelines requiring that MOLAR, as well as Hubei Province Land & Resources approve the mining license transfers.

On October 18, 2007, Hubei Administration for Industry and Commerce ("Hubei AIC"), after receiving approval from the Central Ministry of Commerce ("MofCom"), issued the business license for YMC, with a term retroactive from November 24, 2003 to November 24, 2030, with the next review slated for November 24, 2009.

#### 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 was 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. In the fourth quarter of 2008, 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, the Company decided to temporarily suspend its MAP plant construction.

In addition, in order to reduce its cost base, the Company terminated approximately 100 employees at both YSC and YMC, all in accordance with practices dictated in China's new Employment Law. A core group of twenty-five employees remained to maintain facilities and negotiate with contractors and suppliers.

As at December 31, 2008, YMC had \$9.73 million (RMB65.63 million) in signed contracts for the MAP project, of which \$3.13 million (RMB20.63 million) had been paid, \$1.18 million (RMB8.04 million) had been accrued, and \$5.42 million (RMB36.96 million) had been booked as commitment. Management had estimated that, through negotiations with suppliers and contractors, the final contract obligations may be less than \$1 million.

Management continued 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 and continued to seek potential investors, both in the MAP project and in the Integrated Phosphate Project.

The Company also announced the implementation of a Shareholder Rights Plan (the “Rights Plan”) 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 believed that the Company's share price was significantly below its asset value per share. The Rights Plan was not intended to prevent take-over bids that treated shareholders fairly and offered fair value, and would permit any bid that met certain requirements intended to protect the interests of all shareholders.

The Company did not adopt 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 was approved by the Toronto Stock Exchange and ratified 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, it had 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 had been proponents of this strategy. The Company's focus was to initially be on Canadian companies with assets in low risk jurisdictions. The Company's board and management believed this change in strategy would 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'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.

#### Year Ended December 31, 2009

Sales for the year ended December 31, 2009 were \$73,737 compared to \$333,210 in 2008. The Company did not produce any fertilizer during the year and sales were of written-off inventory only. Cost of product sold was \$nil compared to \$209,127 in 2008. Net loss was \$1,543,210, or (\$0.026) per share, compared to net income of \$533,976, or \$0.009 per share, in 2008. Excluding foreign exchange gains, the Company would have posted a net loss in 2008 of \$3,050,091, or (\$0.051) per share, compared to a net loss in 2009 of \$1,777,232, or (\$0.029 per share).

The conversion of the YSC fertilizer facility into a MAP plant remained on hold and no further significant investment will be made in the MAP project until such time as the mining licenses have transferred to YMC.

As at December 31, 2009, YMC had \$9.61 million (RMB65.63 million) in signed contracts for the MAP project, of which \$3.20 million (RMB21.83 million) had been paid, \$1.00 million (RMB6.84 million) had been accrued, and \$5.41 million (RMB36.96 million) remained as a commitment. Management estimates that, through negotiations with suppliers and contractors, the final contract obligations may be less than \$1 million, but no settlements have been made to date.

The Shukongping mining license expired on October 9, 2009 and YPCC has met all of the requirements and paid all of the fees necessary to extend the license. There is no assurance that this YPCC request for extension will be successful. The Dianziping mining licence is valid until February 2014.

China Mining Law now requires YMC to submit an updated mining plan and a current mine valuation to Chinese government authorities highlighted above before the transfer of licenses from YPCC to YMC can take place.

During the third quarter of 2009, Yichang City and Hubei Province governments formally approved an updated mining plan allowing mining of up to 2.0 million tonnes of phosphate rock per annum at the two mines and a Resource Report setting the deemed net present value of the two mines at RMB353.2 million (\$52 million) using MOLAR's approved Discount Rate of 8.0%.

The Resource Report is not prepared in accordance with NI43-101 and is not intended to be relied upon as such by the readers. The Resource Report was solely required for purposes of Chinese mining laws and was prepared under the guidelines specified under these laws. The Resource Report was completed by Headman Consultants of Beijing, a firm accredited to MOLAR using guidelines specified under China's mining laws, and confirmed phosphate rock reserves of:

- 30.23 M mt with average %P<sub>2</sub>O<sub>5</sub> of 25.03% for the Dianziping mine and
- 30.03 M mt with average %P<sub>2</sub>O<sub>5</sub> of 24.05%, for the Shukongping mine.

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

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

As these contributions were not made, there is a risk that YMC's business license may not be renewed and that YMC may have to be liquidated. However, given the process for transferring the mining licenses is progressing through the relevant governmental authorities, Hubei AIC has not yet enforced the formal November 24, 2009 deadline noted above. The Company and YPCC are continuing to negotiate with the Chinese authorities with regards to the November 24, 2009 deadline.

Spur continues to analyze new opportunities in the natural resource sector. During the period Spur received 750,000 shares in a natural resource company which listed on the Toronto Stock Exchange ("TSX") in January 2010, as consideration for a \$326,433 (CDN\$350,000) loan made to a natural resource company listed on the TSX Venture exchange. The loan was extended at an effective interest rate of 24% per annum and remained outstanding for approximately 6 months.

As at December 31, 2009, the value of the 750,000 shares was \$486,620 based on the January 2010 trading value, and subsequent to the year-end, the Company disposed of all of the shares for CDN\$509,296. Taking into account interest earned on the loan of \$48,548, the total proceeds to Spur amounted to \$557,844, an approximately 101% return on an annualized basis. Potential opportunities in both the fertilizer and precious metal sectors continue to be reviewed and pursued where merited.

The Company's cash and cash equivalents and short-term investments at the end of 2009 amounted to \$23.31 million compared to \$20.87 million at December 31, 2008. 2009 interest income was \$148,000 (2008: \$499,000) 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**

YMC was formed to construct a world scale integrated compound fertilizer production facility and develop the Dianziping and Shukongping phosphate deposits to provide a captive source of phosphate for fertilizer production. The licenses for these deposits were issued in the name of YPCC, and the original

YMC JV agreement requires YPCC to transfer these licenses as part of YPCC's "in-kind" Registered Capital contribution in YMC. YPCC has yet to receive the Chinese regulatory approvals necessary for the licenses to be transferred to YMC.

YSC owns a fertilizer complex located in the Zhicheng Township of Yidu City, approximately 45 kilometers southeast of Yichang City consisting of a 100,000 mt/yr NPK plant and a 60,000 mt/yr phosphoric acid plant. The Company's original plan was to eventually increase YSC's compound fertilizer production capacity to 1 million mt/yr with both JVs forming part of a fully integrated fertilizer business from phosphate mining to production of high analysis compound fertilizers.

## **YMC**

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

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

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

The YMC JV agreement required 27 separate approvals from the Yiling District, Xingshan County, Yichang City, Hubei Province and finally in Beijing from 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 positively in 2004 with the issuance to YPCC of the Dianziping mining license in February and the Shukongping mining license in October from MOLAR in Beijing. As required in accordance with the terms of the YMC JV agreement, Spur then completed the first 15% of its Registered Capital contribution in March and August of 2005, which initiated the formal transfer of the mining licenses to YMC.

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

The Shukongping mining license expired on October 9, 2009 and YPCC has met all the requirements and paid all of the fees necessary to extend the mining license. There is no assurance that it will be successful. The Dianziping mining licence is valid until February 2014.

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

During the third quarter of 2009, Yichang City and Hubei Province governments formally approved an updated mining plan allowing mining of up to 2.0 million tonnes of phosphate rock per annum at the two mines and a Resource Report setting the deemed net present value of the two mines at RMB353.2 million (\$52 million) using MOLAR's approved Discount Rate of 8.0%.

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

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

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

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

As these contributions were not made, there is a risk that YMC's business license may not be renewed and that YMC may have to be liquidated. However, given the process for transferring the mining licenses is progressing through the relevant governmental authorities, Hubei AIC has not yet enforced the formal November 24, 2009 deadline noted above. The Company and YPCC are continuing to negotiate with the Chinese authorities with regards to the November 24, 2009 deadline.

## **YSC**

YSC's original plant was built in 1999 for approximately RMB50 million (\$7 million) and was 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 stand alone 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, which does not rely on potash and in management's view had better economic prospects.

During 2008, the Company commenced construction activity to convert the fertilizer facility into a MAP plant. In October 2008, however, the Company announced the suspension of construction of the MAP

plant pending a complete review of the impact of the global financial crisis on the Chinese economy and the fertilizer sector.

The Company is unwilling to make significant further investments in YMC and YSC until such time as it has the security of the mining licenses being formally transferred to YMC.

## **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.

The Shukongping mining license expired on October 9, 2009 and YPCC is working to extend the mining license. There is no assurance that it will be successful.

The YMC Business License was scheduled to be reviewed by Hubei AIC before November 24, 2009. The YMC Joint Venture agreement requires that both YPCC and Spur BVI complete their entire registered capital contributions by November 24, 2009. As these contributions were not made, there is a risk that YMC's business license may not be renewed and that YMC may have to be liquidated.

Raw materials costs and transportation costs are rising

The continued rapid growth in the emerging economies has in the past driven up the prices of international commodities and transportation costs worldwide. 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 like 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 Shukongping mining license expired on October 9, 2009 and YPCC is working to extend the mining license. There is no assurance that it will be successful.

If the mining license is not extended the license will revert 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 Business License was scheduled to be reviewed by Hubei AIC before November 24, 2009. The YMC Joint Venture agreement requires that both YPCC and Spur BVI complete their entire registered capital contributions by November 24, 2009. As these contributions were not made, there is a risk that YMC's business license may not be renewed and that YMC may have to be liquidated.

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.

## Risks Inherent in Acquisitions

The Company may actively pursue the acquisition of exploration, development or production assets as well as to acquire securities or other interests in other companies consistent with its investment and growth strategy. Such acquisitions involve inherent risks including but not limited to (a) unanticipated costs; (b) diversion of management attention from existing business; (c) potential loss of key employees of the Company or the business acquired; (d) unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition; and (d) decline in the value of the acquired business or assets. Any one or more of these factors could cause the Company to not realize the anticipated benefits of the acquisition in question. In addition, the Company may be required to use available cash, incur debt, issue securities, or a combination of these in order to complete an acquisition. This could affect the Company's future flexibility and ability to raise capital, operate or develop its business and could dilute its existing shareholders' holdings as well as decrease the trading price of its common shares. There is no assurance that when evaluating a possible acquisition, the Company will correctly identify and manage the risks and costs inherent in the business or asset to be acquired.

## 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 2,250,000 options outstanding, and the Company has the right to issue options to purchase up to an additional 2,065,000 shares pursuant to the Plan:

Expiry Date	Number	Exercise Price
September 16, 2010	200,000	\$1.50
July 4, 2011	625,000	\$1.03
Jan 3, 2012	200,000	\$0.64
December 3, 2012	20,000	\$0.50
June 26, 2013	905,000	\$0.90
July 28, 2014	300,000	\$0.28
<b>Total</b>	<b>2,250,000</b>	

## 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, 2009 to February 27, 2010, the Company’s shares traded as follows:

Month	Volume (Daily average)	High (Cdn\$)	Low (Cdn\$)
February 2010	55,400	0.35	0.30
January 2010	64,800	0.36	0.28
December 2009	45,700	0.30	0.26
November 2009	55,200	0.32	0.27
October 2009	41,900	0.32	0.28

<b>Month</b>	<b>Volume (Daily average)</b>	<b>High (Cdn\$)</b>	<b>Low (Cdn\$)</b>
September 2009	47,900	0.31	0.25
August 2009	63,900	0.29	0.24
July 2009	112,000	0.28	0.18
June 2009	77,200	0.29	0.23
May 2009	200,300	0.38	0.25
April 2009	27,100	0.32	0.21
March 2009	26,400	0.24	0.21
February 2009	72,800	0.23	0.21
January 2009	39,200	0.29	0.20

## **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:

<b>Name, Province and Country of Residence, and Position with the Company</b>	<b>Principal Occupation within the five preceding years</b>	<b>Period of Service as a Director or Officer</b>	<b>Number of Shares and % of Class <sup>(1)</sup></b>
<b>Steven G. Dean</b> 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	1,414,000 common shares, or 2.340%
<b>Robert J. Rennie</b> 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 0.0496%
<b>Robert G. Atkinson</b> 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%
<b>Ruston Goepel</b> 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	Nil common shares, or nil %
<b>John Van Brunt</b> 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%

<b>Name, Province and Country of Residence, and Position with the Company</b>	<b>Principal Occupation within the five preceding years</b>	<b>Period of Service as a Director or Officer</b>	<b>Number of Shares and % of Class <sup>(1)</sup></b>
<b>David Black</b> 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	131,500 common shares, or 0.217%
<b>Michael Kuta</b> 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 March 12, 2010	3,000 common shares, or 0.005%
<b>Zhai Jidong</b> 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%

(1) As a group, all directors and executive officers beneficially own, directly or indirectly, or exercise control or direction over, a total of 3,910,550 common shares, representing 6.47% of the issued and outstanding common shares of the Corporation as at March 31, 2010.

**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 Australian 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. which is 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 is a director of Alberta Value added Corporation and Agriculture Biotechnology International Conference Foundation. 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 also serves as a director of Tasman Metals Ltd. and Hansa Resources Ltd. 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, Baytex Energy Trust and AutoCanada Inc.

**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

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 a director of Quest Capital Corp. and Zincore Metals Inc. 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. Effective March 12, 2010 Michael Kuta has resigned as General Counsel and Corporate Secretary of Spur Ventures Inc.

**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 is, as at the date of this AIF, or has been, within ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company) that:

- (a) was subject to an Order (as defined below) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

"Order" means a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation and, in each case, that was in effect for a period of more than 30 consecutive days.

None of the Company's directors or executive officers or, to the Company's knowledge, 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 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or 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 10 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 proposed director; or
- (c) has been subject to:
  - (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
  - (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **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 <sup>(1)</sup>	Financially literate <sup>(1)</sup>
David Black	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>
Ruston Goepel	Independent <sup>(1)</sup>	Financially literate <sup>(1)</sup>

(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".

### **Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

### **Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

### **Pre-Approval Policies and Procedures**

The Committee has adopted specific policies and procedures for the engagement of non-audit services as described under the heading "Independent Auditors" in the Audit Committee Charter.

### **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:

<i>Financial Year Ending</i>	<i>Audit Fees</i>	<i>Audit Related Fees</i>	<i>Tax Fees</i>	<i>All Other Fees</i>
2009	\$85,000	\$7,500	\$nil	\$nil

2008	\$95,000	\$7,500	\$nil	\$nil
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## **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, 2<sup>nd</sup> 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 was approved 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**

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.

## **AUDITORS**

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.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://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, 2009.

## 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.