Spur Ventures Inc.

Consolidated Financial Statements
December 31, 2012 and 2011
(expressed in U.S. dollars)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards. The financial statements contain estimates based on management's judgement. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit of the annual financial statements, and their report follows.

John R. Morgan
Chief Executive Officer

Irfan Shariff
Chief Financial Officer

April 4, 2013

April 4, 2013

Independent Auditor's Report

To the Shareholders of Spur Ventures Inc.

We have audited the accompanying consolidated financial statements of **Spur Ventures Inc.**, which comprise the consolidated balance sheets as at December 31, 2012 and December 31, 2011 and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2012 and December 31, 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Spur Ventures Inc. as at December 31, 2012 and December 31, 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 700, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806, www.pwc.com/ca

Spur Ventures Inc.

Consolidated Balance Sheets

(expressed in U.S. dollars)

	December 31, 2012 $	December 31, 2011 $
ASSETS		
Current assets		
Cash and cash equivalents (Note 4)	**10,924,296**	96,220
Short term investments (Note 5)	**19,324,740**	21,599,524
Prepaid expenses	**40,883**	54,581
Other receivables	**72,353**	75,688
	30,362,272	21,826,013
Assets held for resale (Note 6b)	-	12,055,322
	30,362,272	33,881,335
Office equipment and furniture	**24,553**	31,170
	24,553	31,170
	30,386,825	33,912,505
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**91,784**	171,847
Liabilities directly associated with assets classified as held for resale (Note 6b)	-	6,867,159
	91,784	7,039,006
SHAREHOLDERS' EQUITY		
Share capital (Note 8a)	**41,386,379**	41,386,379
Contributed surplus (Note 8b)	**8,023,614**	7,610,418
Accumulated other comprehensive income	**1,378,980**	855,606
Deficit	**(20,493,932)**	(22,850,460)
	30,295,041	27,001,943
Non-controlling interests (Note 6a)	-	(128,444)
	30,295,041	26,873,499
	30,386,825	33,912,505

Commitments (Note 13)

APPROVED BY THE DIRECTORS

Donald R. Siemens	Robert G. Atkinson
Director	Director

The accompanying notes are an integral part of these consolidated financial statements

Spur Ventures Inc.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(expressed in U.S. dollars)

	Year Ended December 31, 2012 $	Year Ended December 31, 2011 $
Continuing operations		
Operating expenses		
Consulting fees	**415,035**	175,756
Depreciation and amortization	**9,914**	8,926
Office and miscellaneous	**75,525**	76,132
Professional fees	**178,097**	161,391
Rent	**80,790**	98,037
Stock-based compensation (Note 8b)	**413,196**	135,718
Transfer agent, filing and listing fees	**83,292**	41,438
Travel, advertising and promotion	**92,262**	92,045
Wages and benefits	**433,508**	360,557
Loss before the undernoted	**(1,781,619)**	(1,150,000)
Other income (expenses)		
Interest income	**406,895**	300,511
Foreign exchange loss	**(2,150)**	(3,420)
Loss for the year from continuing operations	**(1,376,874)**	(852,909)
Discontinued operations		
Gain from sale of Spur BVI (Note 6a)	**3,873,015**	-
Loss from discontinued operations (Note 6c)	**(139,613)**	(904,038)
Income (Loss) from discontinued operations	**3,733,402**	(904,038)
Net Income (Loss) for the year	**2,356,528**	(1,756,947)
Net Income (Loss) attributable to		
Non-controlling interests	**-**	(62,512)
Equity shareholders of the Company	**2,356,528**	(1,694,435)
Net Income (Loss) for the year	**2,356,528**	(1,756,947)
Other comprehensive income (loss):		
Unrealized gain (loss) on translating financial statements from functional currency to reporting currency	**523,374**	(658,625)
Comprehensive income (loss) for the year	**2,879,902**	(2,415,572)
Comprehensive income (loss) attributable to		
Non-controlling interests	**-**	(62,686)
Equity shareholders of the Company	**2,879,902**	(2,352,886)
Earnings (Loss) per share from continuing and discontinued operations attributable to the equity shareholders of the Company		
Basic weighted average number of shares outstanding	60,407,187	60,407,187
Earnings (Loss) per share, basic	**$0.04**	($0.03)
From continuing operations	**($0.02)**	($0.01)
From discontinued operations	**$0.06**	($0.02)
Diluted weighted average number of shares outstanding	60,707,187	60,407,187
Earnings (Loss) per share, diluted	**$0.04**	($0.03)
From continuing operations	**($0.02)**	($0.01)
From discontinued operations	**$0.06**	($0.02)

The accompanying notes are an integral part of these consolidated financial statements.

Spur Ventures Inc.

Consolidated Statements of Changes in Equity

(expressed in U.S. dollars)

	Number of Shares	Share Capital $	Contributed surplus $	Accumulated other comprehensive income $	Deficit $	Sub-total $	Non-Controlling Interest $	Total Equity $
Balance, January 1, 2012	60,407,187	41,386,379	7,610,418	855,606	(22,850,460)	27,001,943	(128,444)	26,873,499
Stock-based compensation	-	-	413,196	-	-	413,196	-	413,196
Currency translation adjustment	-	-	-	523,374	-	523,374	-	523,374
Effect from sale of Spur BVI						-	128,444	128,444
Net income for the year	-	-	-	-	2,356,528	2,356,528	-	2,356,528
Balance, December 31, 2012	**60,407,187**	**41,386,379**	**8,023,614**	**1,378,980**	**(20,493,932)**	**30,295,041**	**-**	**30,295,041**

	Number of Shares	Share Capital $	Contributed surplus $	Accumulated other comprehensive income $	Deficit $	Sub-total $	Non-Controlling Interest $	Total Equity $
Balance, January 1, 2011	60,407,187	41,386,379	7,474,700	1,514,231	(21,156,025)	29,219,285	(66,106)	29,153,179
Stock-based compensation	-	-	135,718	-	-	135,718	-	135,718
Currency translation adjustment	-	-	-	(658,625)	-	(658,625)	174	(658,451)
Net loss for the year	-	-	-	-	(1,694,435)	(1,694,435)	(62,512)	(1,756,947)
Balance, December 31, 2011	**60,407,187**	**41,386,379**	**7,610,418**	**855,606**	**(22,850,460)**	**27,001,943**	**(128,444)**	**26,873,499**

Spur Ventures Inc.

Consolidated Statements of Cash Flows

(expressed in U.S. dollars)

	Year Ended December 31, 2012 $	Year Ended December 31, 2011 $
Cash provided by (used in) continuing operating activities		
Net loss for the year	**(1,376,874)**	(852,909)
Items not involving cash:		
Depreciation and amortization	**9,914**	8,926
Stock-based compensation (Note 8b)	**413,196**	135,718
	(953,764)	(708,265)
Changes in non-cash working capital:		
Other receivables and prepaids	**17,029**	(125,603)
Accounts payable and accrued liabilities	**(80,062)**	(516,714)
Non-operating activities items:		
Interest income	**(406,895)**	(300,511)
Cash used in operating activities-continuing operations	**(1,423,692)**	(1,651,093)
Cash used in operating activities-discontinued operations (Note 6c)	**(139,613)**	(312,951)
Investing activities		
Capital expenditures	**-**	(36,961)
Interest received	**366,544**	163,421
Proceeds from disposal of short-term investments	**24,160,302**	24,327,842
Purchase of short-term investments	**(21,313,736)**	(22,628,204)
Cash provided by (used in) investing activities-continuing operations	**3,213,110**	1,826,098
Proceeds from disposal of plant assets (Note 6c)	-	37,250
Proceeds from sale of Spur BVI (Note 6a)	**9,253,701**	-
Less: non-cash item included in gain from sale of Spur BVI (Note 6a)	**(128,444)**	-
Cash provided by investing activities-discontinued operations	**9,125,257**	37,250
Effect of exchange rate changes	**53,013**	1,998
Increase (decrease) in cash and cash equivalents	**10,828,076**	(98,698)
Cash and cash equivalents, beginning of the year	**96,220**	194,918
Cash and cash equivalents, end of the year	**10,924,296**	96,220

The accompanying notes are an integral part of these consolidated financial statements

1 Nature of Operations

Spur Ventures Inc. ("Spur" or the "Company") is a company listed on the TSX Venture Exchange with a registered office at Suite 3083, Three Bentall Centre, 595 Burrard Street, Vancouver, B.C. Canada.

Until the completion of the sale of its 100% owned subsidiary, Spur Chemicals (BVI) Inc. ("Spur BVI") on February 13, 2012, the Company held interests in the fertilizer industry in China. Spur BVI held its fertilizer interests through 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 was Hubei Yichang Phosphorus Chemical Co. Ltd ("YPCC"), a state owned enterprise of Yichang City, Hubei Province, China.

Accordingly, the balance sheet of the Company at December 31, 2012 does not include the accounts of any other entity. The statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the year ended December 31, 2012 includes the operations and cash flows of the Company for the full year and its former subsidiary only to February 13, 2012, the date of its disposition (see Note 6). The comparative statements as at and for the year ended December 31, 2011 are fully consolidated.

Following its exit from China, the Company is now focused on acquisitions or other corporate transactions in gold, base metals or other mineral-related assets or businesses.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") under the historical cost convention, as modified by revaluation of certain financial assets.

These financial statements were approved for issue by the Company's board of directors on April 4, 2013.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.1a New and amended standards adopted

There are no IFRSs or IFRIC interpretations that are effective for the first time in 2012 that have a material impact on the Company.

2.1b New standards and interpretations not yet adopted

IFRS 9 – Financial instruments

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on the measurement of financial liabilities and derecognition of financial instruments. In December 2011, the IASB issued an amendment that adjusted the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015. The Company is currently assessing the impact of adopting IFRS 9 on its consolidated financial statements, including the applicability of early adoption.

IFRS 10 – Consolidation Financial Statements

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements to replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power over the investee to direct relevant activities and exposure to variable returns before control is present. IFRS 10 will be applied starting January 1, 2013. The Company is currently finalizing assessment of the impact of adopting IFRS 10 on its consolidated financial statements.

IFRS 11 - Joint Arrangements

In May 2011, the IASB issued IFRS 11 Joint Arrangements to replace IAS 31 Interests in Joint Ventures. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. Focus is on the rights and obligations of the parties to the joint arrangement, thereby requiring parties to recognize the individual assets and liabilities to which they have rights or for which they are responsible, even if the joint arrangement operates in a separate legal entity. IFRS 11 will be applied starting January 1, 2013. The Company is currently finalizing assessment of the impact of adopting IFRS 11 on its consolidated financial statements.

IFRS 12 – Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12 Disclosure of Interest in Other Entities to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associate and the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). IFRS 12 will be applied starting January 1, 2013. The Company has completed its assessment and notes that additional disclosures will be required in its 2013 annual consolidated financial statements.

IFRS 13 - Fair Value Measurement

In May 2011, the IASB issued IFRS 13 Fair Value Measurement as a single source of guidance for all fair value measurement required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. IFRS 13 will be applied starting January 1, 2013. The Company is currently finalizing assessment of the impact of adopting IFRS 13 on its consolidated financial statements.

2.2 Reporting in U.S. dollars and foreign currency translations

(a) Functional and presentation currency

The Company's functional currency for its discontinued Chinese subsidiaries was the Chinese Renminbi ("RMB"), for Spur BVI was the U.S. dollar ("US$") and for its head office in Canada is the Canadian dollar ("CDN"). The Company's presentational currency is the U.S. dollar ("US$"). The Company uses the current rate method to translate from functional currency amounts to the U.S. reporting currency. Under this method, all assets, liabilities, operating activities and cash flows are translated at the period-end rate to the presentational currency and the resulting unrealized gain or loss on translation is recognized as other comprehensive income.

(b) Transactions and balances

Monetary assets and liabilities are translated at period-end exchange rates and items included on the statements of income (loss) and comprehensive income 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.

2.3 Consolidation

The Company's consolidated financial statements are prepared in accordance with IFRS, and include the accounts of the Company, and its subsidiary, Spur BVI prior to its disposal on February 13, 2012 (see Note 6). Prior to the disposal of Spur BVI, the Company's interest in YMC and YSC was held through Spur BVI. All significant inter-company transactions and accounts have been eliminated.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand, term deposits and short term highly liquid investments with the original term to maturity of 90 days or less, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in value. Such financial assets are stated at cost, and therefore are recorded at fair value.

2.5 Short-term deposits

Short term deposits with an original maturity of greater than 90 days and less than 1 year are recorded initially at their respective fair values and subsequently at amortized cost.

2.6 Discontinued Operations

The Company segregates the assets and liabilities on the balance sheet of operations as discontinued operations held for sale when the Board of Directors approves to sell the operations. The results of the discontinued operations are segregated from the continuing operations and presented as a separate line item. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

2.7 Investments in affiliates

Investments over which the Company exercises significant influence and which are neither subsidiaries nor interests in joint ventures, are affiliates. Investments in affiliates are accounted for using the equity method.

The equity method involves the recording of the initial investment at cost and the subsequent adjusting of the carrying value of the investment for the Company's proportionate share of the profit or loss and any other changes in the affiliates' net assets such as dividends.

The Company's proportionate share of the affiliate's profit or loss is based on its most recent financial statements. Where there are differences in the affiliate's reporting period, financial statements are aligned to the Company's reporting date or adjustments are made to reflect any material transactions or events that occur between the different dates. Adjustments are made to align any inconsistencies between the Company's accounting policies and the affiliate's policies before applying the equity method. Adjustments are also made to account for depreciable assets based on their fair values at the acquisition date and for any impairment losses recognized by the affiliate.

If the Company's share of the affiliate's losses equals or exceeds the investment in the affiliate, recognition of further losses is discontinued. After the Company's interest is reduced to zero, additional losses will be provided for and a liability recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the affiliate. If the affiliate subsequently reports profits, the Company resumes recognizing its share of those profits only after the share of the profits equals the share of losses not recognized.

Where applicable, at each balance sheet date, the Company assesses its investments in affiliates for indicators of impairment.

2.8 Share-based payments

The Company grants stock options to certain employees. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

2.9 Loss per common share

The basic earnings (loss) per share is computed by dividing the earning (loss) by the weighted average number of common shares outstanding during the year. The diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the year, if exercised. For this purpose, the "treasury stock method" is used whereby the assumed proceeds upon the exercise of stock options and warrants are used to purchase common shares at the average market price during the year.

For the year ended December 31, 2011, the Company excluded potential common share equivalents from the loss per share calculation as they were anti-dilutive.

2.10 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

The Company follows the asset and liability method for accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred tax assets or liabilities are calculated using the tax rates enacted or substantially enacted for the periods in which the differences are expected to be settled. Deferred tax assets are recognized to the extent that they are considered more likely than not to be realized.

2.11 Financial Instruments

The Company classifies its financial instruments in the following categories: at fair value through profit and loss, loans and receivables, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition. Where the Company expects to realize the asset or discharge the liability within twelve months, it is recorded as a current asset or liability; otherwise, it is recorded as a long-term asset or liability.

Financial assets and liabilities at fair value through profit and loss are considered to be held for trading. A financial asset or liability is classified in this category is acquired principally for the purpose of selling or redeeming in the short-term. Derivatives are included in this category unless they are designated as hedges.

Financial assets and liabilities carried at fair value through profit and loss are initially recognized at fair value and are subsequently re-measured to their fair value at each statement of financial position date. Realized and unrealized gains and losses arising from changes in the fair value of these financial assets or liabilities are included in the statement of income in the period in which they arise.

Available-for-sale financial assets are non-derivatives that are either designated as available for sale or not classified in any of the other categories. Available-for-sale assets are initially recorded at fair value plus transaction costs and are subsequently carried at fair value. Unrealized gains and losses arising from changes in the fair value of non-monetary assets classified as available-for-sale are recognized in other comprehensive income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. The Company classifies its other receivables and cash and cash equivalents in the interim consolidated balance sheets, as loans and receivables. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

(expressed in U.S. dollars)

Other financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received (net of transaction costs) and the redemption value is recognized in the statement of income over the period to maturity using the effective interest method.

3 Critical accounting estimates and judgements

The preparation of the consolidated financial statements in compliance with IFRS requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the periods. While management believes these estimates and assumptions to be reasonable actual results could differ.

In the opinion of management, all adjustments considered necessary for fair presentation of the results for the years presented have been reflected in the consolidated financial statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing these financial statements, the Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities include: no gain is recorded for the CDN $4.75 million Canadian dollars contingent payment from the sale of Spur BVI as there is a significant amount of uncertainty that the conditions required to receive the contingent payment will be met (see Note 6a).

4 Cash and cash equivalents

Details of cash and cash equivalents are as follows:

	December 31, 2012	December 31, 2011
Canadian Dollar deposits in Canada	$10,923,789	$95,780
U.S. Dollar deposits in Canada	507	440
Total	$10,924,296	$96,220
Interest rates per annum	up to 1.35%	up to 1.04%
Maturity Date	n/a	n/a

(expressed in U.S. dollars)

5 Short term investments

Short-term deposits include Canadian Dollar GICs in Canada, with maturities at inception over 90 days but under one year. Details of the term deposits and GICs are as follows:

	December 31, 2012	December 31, 2011
Canadian Dollar GICs in Canada	**$19,324,740**	$21,599,524
Interest rates per annum	**up to 1.6%**	up to 1.55%
Maturity Date	**up to November 2013**	up to August 2012

6 Sale of Spur BVI and Discontinued Operations

At December 31, 2011, the Company held interests in two joint ventures (YMC and YSC) in China through its wholly owned subsidiary Spur BVI. On February 13, 2012, the Company completed the sale of 100% of Spur BVI to Hong Tang Vision Limited ("HTVL"). Under the terms of the agreement, HTVL agreed to acquire and assume all of the assets and liabilities of Spur BVI, including the Company's interests in YMC and YSC (the Company's discontinued China operations) for cash consideration of CDN $9.25 million Canadian dollars. The Company is also entitled to a payment of CDN $4.75 million Canadian dollars contingent upon the relevant Chinese authorities terminating YMC's current obligation to produce phosphate fertilizers and thereby allowing YMC to be solely a phosphate mining company. To date, to the best of the Company's knowledge, no such approvals have been granted by relevant Chinese authorities.

The Company now operates entirely in Canada. Previously it operated in one operating segment, the fertilizer industry, and had two geographic locations, China and Canada. The discontinued operations reflected the Chinese operations and the continuing operations reflected the Canadian operations. Subsequent to the sale of the Chinese operations, the Company is no longer in the Chinese fertilizer industry.

a) A gain of $3,873,015 was recorded for the sale of Spur BVI as follows.

	February 13, 2012 $
Proceeds from sale of Spur BVI	9,253,701
Reduction of non-controlling interest	(128,444)
Net assets held for resale (Note 6b)	(5,252,242)
	3,873,015

Management have assessed the probabilities of the relevant Chinese authorities approving an amended corporate charter of YMC and of such an action being reported to the Company and have placed only a nominal value on the CDN $4.75 million Canadian dollars.

(expressed in U.S. dollars)

b) The net assets disposed are as follows:

		Net Assets Held for Resale
		$
Assets held for resale at December 31, 2011	12,055,322	
Liabilities directly associated with assets held for resale	(6,867,159)	
Net assets balance at December 31, 2011		5,188,163
Transaction costs capitalized		68,444
Foreign exchange translation loss		(4,365)
Balance at February 13, 2012		5,252,242
Net assets disposed of (Note 6a)		(5,252,242)
Balance at February 13, 2012 upon completion of the sale of Spur BVI		-

c) Losses of and cash provided by (used in) the China operations for 2012 (up to February 13, 2012) and 2011 are as follows:

	Period Ended February 13, 2012	Year Ended December 31, 2011
Net Loss Relating to Discontinued Operations	$	$
Depreciation and amortization	-	228,024
Office and miscellaneous	1,777	11,602
Professional fees	2,570	1,546
Rent	-	82,115
Travel, advertising and promotion	16,652	28,183
Wages and benefits	118,614	308,671
Share of loss on investment in YMC	-	312,463
Gain from disposal of obsolete inventories and plant assets	-	(68,566)
Loss from discontinued operations	(139,613)	(904,038)

(expressed in U.S. dollars)

	Period Ended February 13, 2012	Year Ended December 31, 2011
Cash provided by (used in) discontinued operations	**$**	$
Loss from discontinued operations	**(139,613)**	(904,038)
Less: cash received from disposal of plant assets	-	(37,250)
Items not involving cash		
Depreciation and amortization	-	228,024
Share of loss on investment in YMC	-	312,463
	(139,613)	(400,801)
Changes in non-cash working capital		
Prepaid expenses	-	(4,716)
Accounts payable and accrued liabilities	-	92,566
Cash provided by (used in) discontinued operations	**(139,613)**	(312,951)
Cash received from disposal of plant assets	-	37,250

d) The loss and comprehensive loss from continuing and discontinued operations for the year ended December 31, 2012 and 2011 are presented as follows:

	Year Ended December 31, 2012	Year Ended December 31, 2011
	$	$
Loss for the year from continuing operations attributable to		
Non-controlling interest	-	-
Equity shareholders of the Company	**(1,333,877)**	(852,909)
	(1,333,877)	(852,909)
Net Income (Loss) for the year from discontinued operations attributable to		
Non-controlling interest	-	(62,512)
Equity shareholders of the Company	**3,733,402**	(841,526)
	3,733,402	(904,038)
Total Net Income (Loss) for the year from continuing and discontinued operations attributable to		
Non-controlling interest	-	(62,512)
Equity shareholders of the Company	**2,399,525**	(1,694,435)
	2,399,525	(1,756,947)

(expressed in U.S. dollars)

	Year Ended December 31, 2012 $	Year Ended December 31, 2011 $
Comprehensive income (loss) for the year from continuing operations attributable to		
Non-controlling interest	-	-
Equity shareholders of the Company	2,922,899	(1,337,500)
	2,922,899	(1,337,500)
Comprehensive income (loss) for the year from discontinued operations attributable to		
Non-controlling interest	-	(62,686)
Equity shareholders of the Company	-	(1,015,386)
	-	(1,078,072)
Comprehensive income (loss) for the year from continuing and discontinued operations attributable to		
Non-controlling interest	-	(62,686)
Equity shareholders of the Company	2,922,899	(2,352,886)
	2,922,899	(2,415,572)

7 Related party transactions and key management compensation

a) The Company shares office lease and administrative expenditures with three related companies with directors and officers in common (see Note 13). During the year ended December 31, 2012, office lease and administrative expenditures billed to related parties amounted to $209,492 (2011: $158,806).

Amounts due from related parties at December 31, 2012 were $51,668 (2011: $63,106). Amounts due from related parties are unsecured, non-interest bearing and due on demand. There were no unpaid amounts to related parties at December 31, 2012 and 2011.

b) Key Management Compensation

Key management includes the Company's Chairman and Directors, Chief Executive Officer and Chief Financial Officer, and compensation for key management compensation is as follows:

	Year ended December 31, 2012 $	Year ended December 31, 2011 $
Salaries and benefits	**289,658**	290,806
Consulting fees	**299,822**	147,115
Stock-based compensation	**375,302**	126,572
	964,782	564,493

(expressed in U.S. dollars)

8 Equity

a) Authorized share capital

Unlimited common shares without par value

Unlimited number of preferred shares without par value, issuable in series and with special rights and restrictions to be determined on issuance

b) Contributed Surplus

	2012 $	2011 $
Balance - beginning of the year	7,610,418	7,474,700
Stock-based compensation expenses	413,196	135,718
Balance - end of the year	8,023,614	7,610,418

c) Stock options

The Company values the stock options granted using the indirect method because it cannot reliably estimate the value of the services received for the options granted. The Company uses the Black Scholes option pricing model to determine the fair value of options granted and makes assumptions about future volatility based on observed volatility in the past.

Assumptions used for stock options valuation:

	2012	2011
Risk free interest rate	1.33% - 1.45%	2.07% - 2.85%
Expected life of options in years	5 years	5 years
Expected volatility	32% - 48%	64% - 91%
Dividend per share	$0.00	$0.00

	Options outstanding	Weighted average exercise price CDN$
Balance - December 31, 2010	1,975,000	$0.80
Granted - August 12, 2011	1,750,000	$0.37
Expired	(625,000)	$1.03
Balance - December 31, 2011	3,100,000	$0.51
Granted - April 10, 2012	1,000,000	$0.40
Granted - May 10, 2012	100,000	$0.37
Granted - November 1, 2012	1,250,000	$0.40
Expired - January 3, 2012	(200,000)	$0.64
Expired - December 3, 2012	(20,000)	$0.50
Balance - December 31, 2012	5,230,000	$0.46

(expressed in U.S. dollars)

The weighted average exercise price at December 31, 2012 was CDN$0.46 (2011 – CDN$0.51). The weighted average grant date fair value per option for option granted in 2012 was CDN$ 0.09 (2011: CDN$ 0.21).

Options granted prior to 2011 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. The vesting period for options granted after 2011 is 12.5% immediately with 12.5% each quarter over the next two years.

During the year ended December 31, 2012, compensation expense of $413,196 was recognized (2011: $135,718).

The following table summarizes information about the options outstanding at December 31, 2012:

Number of Options	Exercise Price CAD	Expiry Date	Number Exercisable
830,000	0.90	June 26, 2013	830,000
300,000	0.28	July 28, 2014	300,000
1,750,000	0.37	August 12, 2016	1,312,500
1,000,000	0.40	April 10, 2017	375,000
100,000	0.37	May 10, 2017	37,500
1,250,000	0.40	November 1, 2017	156,250
5,230,000			3,011,250

9 Income taxes

A reconciliation of the combined Canadian federal and provincial income taxes at statutory rates and the Company's effective income tax expense is as follows:

(expressed in U.S. dollars)

	For the year ended December 31, 2012	For the year ended December 31, 2011
Income (loss) before income taxes	2,356,528	(1,756,947)
Federal and provincial income tax rates	25.00%	26.50%
Income tax expense (recovery) based on the above rates	589,132	(465,591)
Increase (decrease) due to:		
Non-deductible expenses and other items	103,961	37,029
Non-taxable portion of accounting gain	(484,127)	-
Foreign exchange	(1,285)	8,661
Difference between Canadian and foreign tax rates	-	15,402
Losses and temporary differences not recognized	-	404,499
Benefit of temporary differences for which no benefit was previously recorded	(207,681)	-
Income tax expense (recovery)	-	-

At December 31, 2012 the Company had Canadian tax losses with a tax benefit of $2,692,816 (2011 - $ 2,366,545) which are not recognized as deferred tax assets. The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income that can be reduced by the tax losses. The gross amount of the Canadian tax losses for which a benefit has not been recorded expire as follows:

2014	1,007,872
2015	1,107,269
2026	1,338,154
2027	1,592,348
2028	885,171
2029	1,762,494
2030	1,046,846
2031	935,241
2032	1,095,869
	10,771,264

(expressed in U.S. dollars)

Unrecognized deferred income tax assets

	2012 ($)	2011 ($)
Non capital loss carryforward and other amounts	2,692,816	4,436,132
Capital losses	1,713,293	-
Property, plant and equipment	29,972	1,089,404
Mineral Properties	705,851	690,512
	5,141,932	6,216,048

Deductible temporary differences

At December 31, 2012 the Company had deductible temporary differences for which deferred tax assets of $735,823 (2011 - $2,533,393) have not been recognized because it is not probable that future taxable profits will be available against which the Company can utilize these benefits. Substantially all the deductible temporary differences do not expire.

10 Capital Management

Capital includes all components of shareholders' equity. The Company's objective in managing capital is to safeguard the Company's ability to continue as a going concern, to maintain a flexible capital structure which optimizes cost of capital at acceptable risk, and to provide reasonable returns to shareholders. The Company invests its funds in deposits and GICs with major financial institutions and monitors capital by gauging cash and short-term investments available for use. The Company manages the capital structure and makes adjustments in light of changes in economic conditions, foreign exchange rates and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to improve working capital. The Company has no asset backed commercial paper exposure.

11 Financial risk management

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.

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

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.

(expressed in U.S. dollars)

Interest rate risk

The Company's interest rate risk mainly arises from the interest rate impact on its interest income derived from Canadian Dollar cash and deposits. The Company's policy is to receive interest based on market rates, and, where necessary, to borrow at fixed rates although as at December 31, 2012, the Company had no outstanding debt. Based on the balances of cash and cash equivalent and short-term investments as at December 31, 2012, other things being equal, a 1% increase (decrease) in the interest rate on that day would have resulted in an increase (decrease) of approximately $302,000 in earnings before income taxes.

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due, The Company maintains sufficient cash and short term investments to covers its obligations. 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.

12 Financial instruments

Financial instruments of the Company are summarized as follows:

December 31, 2012	Loans and Receivables $	Other financial liabilities $	Total Carrying Amount $	Total Fair Value $
Financial Assets				
Cash and deposits	10,924,296	-	10,924,296	10,924,296
Guaranteed investment certificates (GICs)	19,324,740	-	19,324,740	19,324,740
Receivables	72,353	-	72,353	72,353
Financial Liabilities				
Accounts payable and accrued liabilities	-	91,784	91,784	91,784

December 31, 2011	Loans and Receivables $	Other financial liabilities $	Total Carrying Amount $	Total Fair Value $
Financial Assets				
Cash and deposits	96,220	-	96,220	96,220
Guaranteed investment certificates (GICs)	21,599,524	-	21,599,524	21,599,524
Receivables	75,688	-	75,688	75,688
Financial Liabilities				
Accounts payable and accrued liabilities	-	171,847	171,847	171,847

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

13 Commitments

The Company had a five-year office lease agreement commencing October 1, 2010 and shared office space and related costs with three related companies. A summary of the Company's commitments is set out below:

		Office lease
2013	**$**	**90,369**
2014	**$**	**90,369**
2015	**$**	**67,777**