Spur Ventures Inc.

Consolidated Financial Statements
December 31, 2008 and 2007
(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 Canadian generally accepted accounting principles. 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.

Robert J. Rennie
Chief Executive Officer & Interim Chief Financial Officer

March 31, 2009

PRICEWATERHOUSECOOPERS

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Auditors' Report

To the Shareholders of Spur Ventures Inc.

We have audited the balance sheets of **Spur Ventures Inc.** (the "Company") as at December 31, 2008 and 2007 and the consolidated statements of earnings (loss) and deficit, comprehensive income (loss) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations, and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, B.C.
March 31, 2009

Spur Ventures Inc.
Consolidated Balance Sheets
(Expressed in U.S. dollars)

		December 31, 2008		December 31, 2007
ASSETS				
Current				
Cash and cash equivalents (Note 4)	$	20,503,438	$	21,124,306
Short-term investments (Note 5)		370,611		3,862,759
Prepaid expenses		62,729		152,182
Accounts and notes receivable		11,442		239,322
Inventory (Note 6)		-		519,992
Due from joint venture partner (Note 10)		310,259		309,728
		21,258,479		26,208,289
Property, plant & equipment (Note 7)		6,706,848		4,380,126
Land use rights (Note 8)		300,041		387,475
	$	28,265,368	$	30,975,890
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	1,791,735	$	730,176
Customer deposits		39,522		37,998
		1,831,257		768,174
Non-controlling interest (Note 9)		-		441,420
Commitments (Note 18)				
SHAREHOLDERS' EQUITY				
Share capital				
Authorized - (Note 11(a))				
Unlimited number of Common and Preferred shares without par value				
Issued - (Note 11(b))				
60,407,187 Common shares (2007: 58,740,520)		41,386,379		39,822,134
Contributed surplus (Note 11(c))		7,160,574		7,536,550
Accumulated other comprehensive income		758,365		5,812,795
Deficit		(22,871,207)		(23,405,183)
		26,434,111		29,766,296
	$	28,265,368	$	30,975,890

APPROVED BY THE DIRECTORS

Robert G. Atkinson	*Robert J. Rennie*
Director	Director

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

Spur Ventures Inc.
Consolidated Statements of Earnings (Loss) and Deficit
(Expressed in U.S. dollars)

	Twelve months ended December 31, 2008	December 31, 2007
Sales	$ 333,210	$ 7,042,959
Expenses		
Cost of product sold	209,127	6,909,786
Consulting fees	319,232	358,369
Depreciation and amortization	477,137	298,423
Interest	-	86,382
Mineral property costs	844,682	1,570,829
Office and miscellaneous	319,837	414,245
Printing and mailing	33,969	35,594
Professional fees	275,640	215,912
Provision for (recovery of) bad debts	(123,602)	378,401
Rent	226,208	254,239
Repairs and maintenance	15,810	19,194
Selling expenses	23,282	375,948
Stock-based compensation expenses (Note 11(c))	227,078	243,227
Transfer agent and filing fees	41,895	44,568
Travel, advertising and promotion	252,192	244,485
Wages and benefits	915,045	1,004,093
	4,057,532	12,453,695
Operating loss	(3,724,322)	(5,410,736)
Other income and expenses		
Interest income	498,693	1,035,831
Write-off of deferred acquisition costs (Note 12)	-	(445,802)
Write-down of obsolete inventory (Note 6)	(288,108)	-
Foreign exchange gain (loss)	3,584,067	(16,684)
	3,794,652	573,345
Earnings (loss) before non-controlling interest	70,330	(4,837,391)
Non-controlling interest (Note 9)	463,646	-
Earnings (loss) for the year	533,976	(4,837,391)
Deficit, Beginning of the year	(23,405,183)	(18,567,792)
Deficit, End of the year	$ (22,871,207)	$ (23,405,183)
Weighted average number of shares outstanding, basic	59,915,019	58,740,520
Weighted average number of shares outstanding, diluted	59,915,019	60,880,520
Basic and diluted earnings (loss) per share	$0.009	($0.082)

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

Spur Ventures Inc.
Consolidated Statements of Comprehensive Income (Loss)
(Expressed in U.S. dollars)

		Twelve months ended		
		December 31, 2008		**December 31, 2007**
Earnings (loss) for the year	$	533,976	$	(4,837,391)
Other comprehensive income, net of tax:				
Unrealized gain (loss) on translating financial statements from functional currency to reporting currency		(5,054,430)		2,100,250
Comprehensive income (loss) for the year	$	(4,520,453)	$	(2,737,141)

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

Spur Ventures Inc.
Consolidated Statements of Cash Flows
(Expressed in U.S. dollars)

	Twelve months ended December 31, 2008	Twelve months ended December 31, 2007
Cash flows from operating activities		
Earnings (loss) for the year	$ 533,976	$ (4,837,391)
Items not affecting cash		
Depreciation and amortization	477,137	609,657
Stock-based compensation	227,078	243,227
Foreign exchange (gain)/loss	(3,584,067)	16,684
Inventory write-down	288,108	-
Provision for bad debts	(123,602)	378,401
Acquisition costs written off	-	447,834
Non-cash mineral property costs	167,475	441,420
Net changes in non-cash working capital		
Accounts receivable	356,894	753,998
Inventory	254,320	2,155,960
Prepaid expenses	98,295	509,657
Accounts payable and accrued liabilities	(165,816)	(1,141,504)
Customers deposits	1,134	(705,261)
Non-controlling interest	(463,646)	-
	(1,932,713)	(1,127,318)
Cash flows from investing activities		
Capital expenditures paid	(3,133,612)	(224,829)
Proceeds from disposal of investments	29,718,886	67,281,411
Purchase of short-term investments	(26,466,889)	(55,376,123)
	118,385	11,680,459
Cash flows from financing activities		
Issuance of shares for cash - net of issue costs	961,191	-
Bank indebtedness repayment	-	(1,377,988)
	961,191	(1,377,988)
Effect of exchange rate changes	232,270	950,587
Increase (decrease) in cash and cash equivalents	(620,868)	10,130,044
Cash and cash equivalents, beginning of the year	21,124,306	10,994,262
Cash and cash equivalents, end of the year	$ 20,503,438	$ 21,124,306
Supplemental cash flow disclosure		
Interest received	$ 530,248	$ 1,165,483
Interest paid	-	(85,757)
Changes in accrued liabilities related to the MAP project construction in progress	$ 1,179,092	$ -

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

1 Nature of operations

Spur Ventures Inc. (the Company) through its 100% owned subsidiary, Spur Chemicals (BVI) Inc. ("Spur BVI") has majority control of two sino-foreign joint ventures (JV) in China, Yichang Maple Leaf Chemicals ("YMC") and Yichang Spur Chemicals ("YSC"). In both JVs, the Chinese partner is Hubei Yichang Phosphorus Chemical Co. Ltd ("YPCC"), a state owned enterprise of Yichang City, Hubei Province, PRC.

Yichang Maple Leaf Chemicals (YMC)

In November of 2003, YMC received its business license with Spur BVI controlling 90% and YPCC 10% of the JV. All government approvals had been received for YMC to develop two phosphate mines and to construct and operate a world-scale compound fertilizer plant. YPCC is contractually obligated to contribute the two mines to the JV while Spur contributes the project financing.

In February and October of 2004 the Central Ministry of Land and Resources issued the mining licenses for the Dianziping and Shukongping mines to YPCC, setting the stage for the transfer of these licenses to YMC once Spur had contributed its first 15% of Registered Capital which it did in March of 2005.

The mines are considered state owned assets and thus the transfer to a foreign controlled JV is both complex and time consuming. YMC has been working with various government departments at the District, County and Yichang City level to meet the regulatory requirements for the formal transfer, but to date has not been successful in securing the transfer of the licenses.

The Company is unwilling to invest further in YMC until such time as it has the security of the mining licenses being formally transferred to YMC. The Company is in the final phase of discussion to allow interested business partner(s) to invest further in YMC and the MAP project described below.

The mining license for the Shukongping deposit will expire at the end of October, 2009 if it has not been transferred to YMC. It can however be renewed. If it is not renewed the license will revert to the Central Ministry of Land and Resources or to MOLAR at the Hubei Province level where it must be auctioned to the highest bidder in an open competition.

The YMC Joint Venture agreement requires that both YPCC and Spur BVI contribute an additional $11.28 million (RMB76.96 million) and $127.21 million (RMB867.85 million) respectively to complete their entire Registered Capital contributions before November 24, 2009 when the YMC Business License will be reviewed. If these contributions are not made, there is a risk that YMC's business license would not be renewed and that YMC may have to be liquidated.

Yichang Spur Chemicals (YSC)

During 2004, the Company acquired Xinyuan Chemicals Ltd. from YPCC and formed a 72.18% owned JV company, Yichang Spur Chemicals Ltd. ("YSC"), which owns an NPK compound fertilizer facility located in Hubei Province, China. The two minority partners are YPCC which owns 16.69%, and YMC which in June, 2008 acquired the 11.13% interest originally held by Yichang Yuanfeng Chemical (Yuanfeng).

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. Management decided to idle the facility and convert it into a mono-ammonium phosphate plant (MAP).

During 2008, the Company commenced the construction activity to convert the fertilizer facility and convert it into a MAP plant. Due to the global financial crisis, the rapid decline in commodity prices in the fourth quarter of 2008, 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. Management will continue to work with its joint venture partner to complete the transfer of the mining licenses to YMC in order to secure a long-term source of phosphate rock for both the MAP plant and the Integrated Phosphate Project.

Management have not recorded a current impairment charge against the existing fertilizer plant and equipment (Note 7) and land use rights (Note 8), as management remains confident that they can obtain the required financing to complete the MAP plant construction and that their plans for the plant will generate profitable operations in the future. There remain additional risks and uncertainties that the transfer of the mining licenses will be approved, that economic ore reserves will be identified and that the significant equity or debt financing for the project will be available to the Company. The phosphate rock project would still face additional risks and uncertainties, including, but not limited to, raw material and construction cost risks, product marketing risks, and political risks.

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

2 Adoption of Recent Accounting Pronouncements

Effective January 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

a) *Section 1400 - General Standards of Financial Statement Presentation-Assessing Going Concern*
This Section requires management to assess the Company's ability to continue as a going concern, the basis on which financial statements are prepared. The adoption of this new accounting standard did not have any impact on the Company's consolidated financial statements.

b) *Section 1535 - Capital Disclosures*

This Section establishes standards for disclosing information about objectives, policies and processes for managing capital. Disclosures required by this standard are included in Note 17.

c) *Section 3031 - Inventories*

This Section prescribes the accounting treatment for inventories and provides guidance on the determination of inventory costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The adoption of this new accounting standard did not have any impact on the Company's consolidated financial statements.

d) *Section 3862 and 3863 - Financial Instrument Disclosures and Presentation*

These Sections requires additional disclosures for financial statements users to evaluate the significance of financial instruments to the Company's financial position and performance. In addition, qualitative and quantitative disclosures are provided to enable users to evaluate the nature and extent of risks arising from the Company's financial instruments. They also establish standards for presentation of financial instruments and non-financial derivatives. These sections detail the presentation of standards described in Section 3861, "Financial Instruments – Disclosure and Presentation". The adoption of these standards did not have a material impact on the Company as at January 1, 2008 or for the year ended December 31, 2008 except for the required note disclosures in Note 16.

3 Significant Accounting Policies

Reporting in U.S. dollars and foreign currency translations

The Company's functional currency is the Canadian dollar ("CAD") and its reporting currency is the U.S. dollar ("USD"). The Company's Chinese subsidiaries are integrated operations as they are dependent on Spur's cash injections for working capital and repayments of loans. Accordingly, the Company uses the temporal method to translate accounts of these subsidiaries into Canadian dollars. Under this method, monetary assets and liabilities are translated at year-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 then uses the current rate method to translate from the Canadian dollar functional currency amounts into the USD reporting currency. Under this method, all assets, liabilities, operating activities and cash flows are translated at the year end rate and the resulting unrealized gain or loss on translation is recognized as other comprehensive income.

Principles of consolidation and preparation of financial statements

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

These consolidated financial statements include the accounts of the Company, its two Sino-foreign Joint Venture companies, YSC and YMC (controlled by the Company), and its wholly owned subsidiary, Spur Chemicals (BVI) Inc. All significant inter-company transactions and accounts have been eliminated. Certain comparative figures have been reclassified to conform to the current period's presentation.

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.

To limit its foreign exchange and credit exposure, the Company deposits its funds with large financial institutions in US dollars, Canadian dollars, or Chinese Renminbi.

Short Term Investments

Short term investments with an original maturity of greater than 90 days and less than 1 year are recorded at their respective fair values, in accordance with the adoption of CICA 3855.

Revenue recognition

The Company recognizes revenues to external customers when the product is shipped and title passes along with the risks and rewards of ownership, provided collection is reasonably assured. The above conditions are met when persuasive evidence of an arrangement exists, delivery has occurred, and the price is fixed or determinable. Transportation costs are recovered from the customer through product pricing.

Mineral property exploration expenditures

The Company expenses mineral property exploration expenditures when incurred.

Property, plant and equipment

Property, plant and equipment assets are recorded at cost less accumulated depreciation and impairment provisions. Construction in progress is not depreciated until put into use. Depreciation is computed using the straight-line method at the following rates calculated to depreciate the cost of the assets less their residual values over their estimated useful lives:

Building	5.00%
Machinery and equipment	8.33% - 10.00%
Motor vehicle	20.00%
Office equipment and furniture	20.00%
Computer equipment	33.33%
Leasehold improvement	20.00%

Land use rights

The land use rights are for 50 years and are recorded at cost less accumulated depreciation and an impairment provision. They are amortized on a straight-line basis over the initial term of the business license of our fertilizer plant operations of 30 years.

Impairment of long-lived assets

Where events or changes in circumstances suggest impairment, management reviews the future net cash flows of each long-lived asset. Estimated future net cash flows are calculated using estimated future prices, selling prices for fertilizer products, and operating, capital and reclamation costs on an undiscounted basis to determine if the carrying amount is not recoverable. If the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposal, reductions in the carrying value of such long-lived asset would be recorded to the extent the net book value of the related asset exceeds its fair value (estimated by the net present value of expected future net cash flows).

Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses if the carrying value can be recovered.

Management's estimates of mineral prices, selling prices for fertilizer products, and operating, capital and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of long-lived assets. Although management has made its best estimate of these factors, it is possible that changes may occur in the near term which could adversely affect management's estimate of the net cash flow to be generated from the Company's assets.

Asset retirement obligations

The accounting for asset retirement obligations encompasses the accounting for the Company's legal and contractual obligations associated with the retirement of a tangible long-lived asset that results from the acquisition, construction or development and/or the normal operation of a long-lived asset. The retirement of a long-lived asset is its other than temporary removal from service, including its sale, abandonment, recycling or disposal in some other manner.

According to current Chinese environmental regulations and contracts of the Company, there is no obligation for the Company to dismantle and remove plant and equipment or to remediate sites upon the cessation of operations. The Company pays an annual environmental fee to the local government as the cost of operating a chemical site. This fee is calculated as a percentage of the annual revenues and is expensed as incurred. Future changes to Chinese environmental regulation may have a material impact on the assessment of asset retirement obligations.

Inventory

Inventory of consumables and parts are valued at the lower of cost or replacement cost. Inventory of raw materials and fertilizers are valued at the lower of cost and net realizable value. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of finished goods is calculated using the weighted average method comprising all costs of purchases, costs of conversion and other costs incurred, including overhead allocation. Management regularly reviews slow moving inventory for obsolescence to ensure carrying value of the inventory exceeds its net realizable value.

Use of estimates

The preparation of the consolidated financial statements in compliance with GAAP 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. The effect of changes in estimates on the financial statements of future periods could be significant for recoverability of due from joint venture partner, property, plant and equipment as well as land use rights, and accrued liabilities. 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 periods presented have been reflected in the consolidated financial statements.

Stock-based compensation

The Company accounts for stock options using the fair value method. Fair value is measured using the Black-Scholes valuation model on the date of grant of stock options, and is recognized as stock-based compensation expense and shareholders' equity over the stock option life assuming no forfeiture. When employee stock options are forfeited or expire unexercised, previously recognized unvested charge is reversed. Consideration paid on exercise of share purchase options is recorded as share capital.

Earnings (loss) per common share

The basic earning (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, 2008, basic and diluted earnings per share are the same as the effect of outstanding stock options is anti-dilutive. For the year ended December 31, 2007, the Company excluded potential common share equivalents from the loss per share calculation as they were considered anti-dilutive.

Income taxes

The Company follows the asset and liability method for accounting for income taxes. Under this method, future 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 future tax assets or liabilities are calculated using the tax rates for the periods in which the differences are expected to be settled. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

Recently Enacted but not yet Effective Accounting Pronouncements

There are three new CICA accounting standards that have been issued but not yet adopted by the Company

CICA Handbook Section 1582, *Business Combinations*, which replaces the former *Business Combinations*, Section 1581, establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3, "Business Combinations" (January 2008). It applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Company is evaluating the impact of these new standards on the Company’s consolidated financial statements.

CICA Handbook Section 1601, *Consolidated Financial Statements*, establishes standards for the preparation of consolidated financial statements. Together with the new CICA Handbook Section 1602, it replaces the former *Consolidated Financial Statements*, Section 1600. It applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is evaluating the impact of these new standards on the Company’s consolidated financial statements.

CICA Handbook Section1602, *Non-controlling interests*, establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, “Consolidated and Separate Financial Statements” (January 2008). It applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is evaluating the impact of these new standards on the Company’s consolidated financial statements.

4 Cash and cash equivalents

Cash and cash equivalents consist of deposits with four major Canadian financial institutions and several Chinese banks. Details of the deposits are as follows:

	December 31, 2008	December 31, 2007
Canadian Dollar deposits in Canada	$20,302,987	$90,149
Canadian Dollar deposits in China	$52,402	$332,788
RMB deposits in China	$140,531	$11,867
U.S. Dollar deposits in Canada	$7,517	$20,689,502
Total	**$20,503,438**	**$21,124,306**
Interest rates per annum	up to 3.33%	4.69% ~ 4.62%
Maturity Date	January 2009	January 2008

5 Short-term investments

Short-term investments include Canadian Dollar term deposits in Canada and Chinese Renminbi (RMB) term deposits in the accounts of the Company's representative office in China, with maturities at inception over 90 days but under one year . Details of the term deposits are as follows:

	December 31, 2008	December 31, 2007
Canadian Dollar term deposit in Canada	$326,637	-
Canadian Dollar term deposits in China	-	$2,606,693
RMB term deposits in China	$43,974	$1,256,066
Total	**$370,611**	**$3,862,759**
Interest rates per annum	3.05% ~ 3.78%	2.1% ~ 3.42%
Maturity Date	Between February and April 2009	Between January and April 2008

6 Inventory

During the year ended December 31, 2008, $135,595 (2007: $5,129,906) in inventories were charged as cost of sales, and $288,108 obsolete inventories were written down to $nil (2007: nil).

The following is a summary of the inventory balance as of December 31, 2008 and 2007.

	December 31, 2008	December 31, 2007
Raw materials	$ -	$ 280,107
Finished goods	-	16,799
Consumables and parts	-	223,086
	$ -	$ 519,992

7 Property, plant and equipment

	December 31, 2008			December 31, 2007		
	Adjusted Cost	Accumulated Amortization	Net Book Value	Adjusted Cost	Accumulated Amortization	Net Book Value
Building	$ 1,487,370	$ 195,878	$ 1,291,492	$ 1,843,370	$ 114,684	$ 1,728,686
Construction in progress	2,288,463	-	2,288,463	210,126	-	210,126
Construction in progress deposits (non-refundable)	1,498,255	-	1,498,255	-	-	-
Machinery and equipment	1,990,623	509,517	1,481,106	2,467,075	293,918	2,173,157
Motor vehicles	131,982	66,831	65,151	163,572	56,080	107,492
Office equipment and furniture	147,326	75,728	71,598	207,486	67,819	139,667
Leasehold improvement	30,806	20,024	10,782	38,179	17,181	20,998
Total	**$ 7,574,825**	**$ 867,978**	**$ 6,706,848**	**$ 4,929,808**	**$ 549,682**	**$ 4,380,126**

The adjusted cost reflects an impairment loss of $3,968,981 recognized in 2006 as the carrying amount of the property, plant and equipment exceeded its fair value estimated by the sum of the discounted cash flows expected to result from their use and eventual disposition.

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. Management decided to idle the facility and convert it into a mono-ammonium phosphate plant (MAP). During 2008, the Company commenced the construction activity to convert the fertilizer facility and convert it into a MAP plant. Due to the global financial crisis, the rapid decline in commodity prices in the fourth quarter of 2008, 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.

8 Land use rights

	December 31, 2008				December 31, 2007		
	Adjusted Cost	**Accumulated Amortization**	**Net Book Value before**	**Net Book Value after Impairment**	**Adjusted Cost**	**Accumulated Amortization**	**Net Book Value after Impairment**
Land Use Rights	$ 324,116	$ 24,075	$ 300,041	$ 300,041	$ 401,691	$ 14,216	$ 387,475

Land use rights refer to the ability of the Company to operate a fertilizer and phosphoric acid facility for a period of 50 years. These land use rights are provided by the municipal government and are being amortized over the initial 30-year term of the related business license as this is currently believed to approximate the estimated useful life. An impairment loss of land use rights, similar to the impairment of property, plant and equipment, was recognized during 2006.

9 Non-controlling interest

In 1996, the Company entered into an agreement with YPCC for the exclusive right to develop the Yichang phosphate deposit, which is located in Hubei Province in China. In 2003, the Company and YPCC formed a Joint Venture company, YMC, to undertake the development of the project, with the Company entitled to 90% ownership and YPCC entitled to 10%. Each of YPCC and Spur were required to make an initial contribution of a minimum of 15% of their relative ownership ratios based on the total registered capital required by the Chinese authorities. In March 2005, the official transfer process from YPCC to YMC began when Spur made its initial capital contribution to the registered capital of YMC. In 2007, YPCC made its initial contribution to the registered capital of YMC. Under the terms of the agreement to form YMC, the balance of YPCC's required capital contribution will be the completion of the transfer of the mining licenses. Upon YPCC making its initial capital contribution a non-controlling interest was created, the value of which was determined to be $441,420 as at December 31, 2007, and $nil as at December 31, 2008.

10 Due from joint venture partner

The amount due from YPCC consists of $92,271 (RMB629,492) receivables, a loan of $199,176 (RMB1,358,819), and $18,812 (RMB128,356) accrued interest. The loan bears interest at a rate of 4.875% per annum. YPCC has agreed to repay $58,632 (RMB400,000) per month from April 2009 until the loan and receivables are fully repaid. A summary of balance at 2008 and 2007 year end is as follows:

	December 31, 2008		December 31, 2007	
	RMB	**$**	**RMB**	**$**
Due from YPCC	2,116,667	310,259	2,261,960	309,728

11 Shareholders' 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) Issued and outstanding common shares

	Number of common shares	$
Balance as at December 31, 2006 and 2007	58,740,520	39,822,134
Issued for cash on exercise of options	1,666,667	961,191
Transfer from contributed surplus on exercise of stock options	-	603,054
Balance as at December 31, 2008	60,407,187	41,386,379

c) Contributed Surplus

	Related to Stock Options $	Related to Warrants $	Total $
Balance as at December 31, 2006	2,736,523	4,556,800	7,293,323
Stock-based compensation expenses	243,227	-	243,227
Balance as at December 31, 2007	2,979,750	4,556,800	7,536,550
Stock-based compensation expenses	227,078	-	227,078
Options exercised	(603,054)	-	(603,054)
Balance as at December 31, 2008	2,603,774	4,556,800	7,160,574

d) Stock options

	2008	2007
Risk free interest rate	2.76% - 2.98%	3.94% - 4.62%
Expected life of options in years	5 years	5 years
Expected volatility	49% - 69%	49% - 79%
Dividend per share	$0.00	$0.00

The following is a summary of stock option transactions:

	Options outstanding
Balance - December 31, 2006	5,110,000
Granted	620,000
Exercised	-
Expired/forfeited	(180,000)
Balance - December 31, 2007	5,550,000
Granted	905,000
Exercised	(1,666,667)
Expired/forfeited	(1,068,333)
Balance - December 31, 2008	3,720,000

The weighted average exercise price at December 31, 2008 was CAD$1.26 (2007 – CAD$1.10) and the weighted average grant date fair value was CAD$0.53 (2007 – CAD$0.48).

A summary of the stock options granted in 2008 is as follows:

Grant Date in 2008	To	Shares	Fair Value CAD	Fair Value Per Option CAD	Compensation Expense CAD	Compensation Expense USD
	Directors	800,000	$420,256			
	Officer	75,000	$39,399			
	Employee	30,000	$15,760			
June 26		905,000	$475,415	$0.53	$92,441	$86,604

Options granted subsequent to December 31, 2006 vest over a three-year period, with one-third of the options vesting one year after the date of grant, one-third two years after the date of grant, and the remaining one-third three years after the date of grant. During the year ended December 31, 2008, compensation expense of $227,078 was recognized (2007: $243,227) for options granted in current and prior years.

The following table summarizes information about the options outstanding at December 31, 2008:

	Options outstanding			Options exercisable	
Range of exercise prices CAD	Number outstanding at December 31, 2008	Weighted average remaining contractual life (years)	Weighted average exercise price CAD	Number exercisable at December 31, 2008	Weighted average exercise price CAD
1.50	1,450,000	0.65	1.50	1,450,000	1.50
1.80	500,000	1.16	1.80	500,000	1.80
1.03	625,000	2.51	1.03	416,667	1.03
0.64	200,000	3.01	0.64	66,666	0.64
0.55	20,000	3.25	0.55	6,667	0.55
0.50	20,000	3.92	0.50	6,667	0.50
0.90	905,000	4.48	0.90	-	0.90
0.50 to 1.80	3,720,000	2.12	1.26	2,446,667	1.45

e) Warrants

There were no warrants issued or exercised during the year ended December 31, 2008.

12 Deferred acquisition costs and Tianren acquisition

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 $445,802.

13 Related party transactions

During the year ended December 31, 2008, the Company paid consulting fees of $215,908 to three companies controlled by two officers and one director (2007: $284,675 to three companies controlled by two directors and two officers).

Accounts payable to these companies for expenses incurred were nil as of December 31, 2008 and 2007. As of December 31, 2008 there was $310,259 (2007: $309,728) due from the YPCC as disclosed in Note 10. There were no other accounts receivable from related parties.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the fair value consideration established and agreed to by the related parties.

14 Segmented information

Management considers developing an integrated fertilizer business, which includes the development of the phosphate project in China, to be the Company's principal activity. All revenues are earned from sales to customers located in China.

	December 31, 2008			December 31, 2007		
Geographic Segments	Canada	China	Consolidated	Canada	China	Consolidated
Current assets	$20,832,985	$425,494	$21,258,479	$21,164,992	$5,043,297	$26,208,289
Property, plant & equipment	14,232	6,692,616	6,706,848	93,923	4,286,203	4,380,126
Land used right	-	300,041	300,041	-	387,475	387,475
Total assets	$20,847,217	$7,418,151	$28,265,368	$21,258,916	$9,716,974	$30,975,890

15 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:

	2008	2007
Earnings (loss) before income taxes	$ 533,976	$ (4,837,391)
Federal income tax rates	31.00%	34.12%
Income tax expense (recovery) based on the above rates	165,533	(1,650,518)
Increase (decrease) due to:		
Non-deductible expenses and other items	119,779	377,770
Minority interest	(115,912)	-
Foreign exchange	(513,577)	(708,660)
Difference between Canadian and foreign tax rates	339,902	56,492
Losses and temporary differences not recognized	465,116	1,924,916
Losses and temporary differences not previously recognized	(460,841)	-
Income tax expense (recovery)	$ -	$ -

Future income taxes reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's future income tax assets as at December 31 are as follows:

	2008	2007
Future income tax assets		
Tax loss carryforwards and other amounts	$ 3,450,835	$ 3,348,795
Property, plant & equipment	954,767	903,417
Mineral Properties	3,816,576	1,408,953
Total future income tax assets	8,222,179	5,661,165
Valuation allowance	(8,222,179)	(5,661,165)
Net future income tax assets	$ -	$ -

At December 31, 2008, the Company has the following unused tax losses available for application against taxable income of future years, and they expire as follows:

2009	966,988
2010	1,466,513
2011	1,942,333
2012	1,620,113
2013	945,443
2014	818,824
2015	899,577
2026	1,087,154
2027	1,293,669
2028	731,892
	11,772,506

A full valuation allowance has been recorded against the potential future income tax assets associated with all the loss carry-forwards as their utilization is not considered more likely than not at this time.

16 Financial instruments and risks

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

Fair value

	Effective Annual Interest Rate	Fair Value $	Carrying Amount $
Financial Assets			
Cash and deposits	up to 3.33%	20,503,438	20,503,438
Term deposits	3.05% ~ 3.78%	370,611	370,611
Due from joint venture partner			
-Loan	4.875%	199,176	199,176
-Receivables	n/a	111,083	111,083
Receivables	n/a	62,729	62,729
Financial Liabilities			
Accounts payable and accrued liabilities	n/a	1,791,735	1,791,735
Customer deposits	n/a	39,522	39,522

All term deposits held at December 31, 2008 have been classified short-term investments held to maturity and accordingly are carried at amortized cost using the effective interest method. The carrying values of cash and deposits, term deposits, receivables, customer deposits and accounts payable and accrued liabilities approximate their fair values due to the short periods to maturity.

Management has determined that there are no embedded derivatives.

Credit risk

The Company maintains a substantial portion of its cash and cash equivalents with major financial institutions in Canada and China. The Company is not currently subject to a concentration of credit risk in relation to its accounts receivable, due to the idling of the fertilizer plant (Note 1).

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Foreign currency risk

A substantial portion of the Company's business is carried out in Chinese Renminbi, and the Company maintains Renminbi denominated bank accounts and term-deposits. During the year ended December 31, 2008, the Company converted $20.4 million from U.S. Dollars into Canadian Dollars. Fluctuations in exchange rates among the Canadian dollar and Chinese Renminbi and US dollar could have a material effect on the business, results of operations and financial condition of the Company. Based on the balances as at December 31, 2008, other things being equal, a 1% increase (decrease) in the exchange rate of converting one U.S. dollar into Canadian dollars on that day would have resulted in an increase (decrease) of approximately $265,000 in earnings before income taxes; a 1% increase (decrease) in the exchange rate of converting one Canadian dollar into Chinese Reminbi on that day would have resulted in a decrease (increase) of approximately $15,000 in earnings before income taxes.

Interest rate risk

The Company's interest rate risk mainly arises from the interest rate impact on its interest income derived from US Dollar, Canadian Dollar and Chinese Renminbi cash and term 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, 2008, the Company had no outstanding debt. Based on the balances of cash and cash equivalent and short-term investments as at December 31, 2008, other things being equal, a 1% increase (decrease) in the interest rate on that day would have resulted in an increase (decrease) of approximately $210,000 in earnings before income taxes.

17 Capital Management

Capital includes all components of shareholders' equity, which includes accumulated comprehensive income, share capital, contributed surplus and deficit. 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 short-term investments (See Notes 4 and Note 5) 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.

18 Commitments

As at December 31, 2008, the Company had $9.73 million (RMB65.63 million) in signed contracts for the MAP project, $3.13 million (RMB20.63 million) has been paid, $1.18 million (RMB8.04 million) has been accrued, and $5.42 million (RMB36.96 million) has been booked as commitment. . A summary of the Company's commitment in the next five years is as follows:

	Office Lease	MAP project contracts	Total
2009	$ 13,516	$5,417,084	$5,430,599
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-