

Spur Ventures Inc.

Consolidated Financial Statements (prepared by management)

For the three months ended March 31, 2006 and 2005

(Expressed in the U.S. dollars)

Spur Ventures Inc.
Consolidated Balance Sheets
As at March 31, 2006 and 2005

| <i>Expressed in U.S. dollars</i> | March 31, 2006 | December 31, 2005 |
|--|---------------------------|------------------------------|
| | | (Restated) |
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 19,107,118 | \$ 24,988,099 |
| Short-term investments | 10,883,557 | 5,767,612 |
| Accounts receivable | 825,331 | 401,787 |
| Inventory | 2,370,089 | 2,604,680 |
| Prepaid expenses | 319,598 | 280,268 |
| Due from YPCC - Note 5 | 302,882 | 316,327 |
| | 33,808,575 | 34,358,773 |
| Fixed assets - net | 8,362,161 | 8,574,372 |
| Land use right - net | 689,977 | 691,583 |
| Mineral properties | 2,703,310 | 2,557,660 |
| Other assets | 424,335 | 420,871 |
| | \$ 45,988,358 | \$ 46,603,259 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 1,717,953 | \$ 2,106,716 |
| Customer deposits | 110,975 | 139,963 |
| Other payables | 225,509 | 273,611 |
| Bank loans - Note 6 | 2,682,203 | 2,664,684 |
| | 4,736,640 | 5,184,974 |
| Minority interest | 458,036 | 506,671 |
| SHAREHOLDERS' EQUITY | | |
| Capital stock - Note 7 | | |
| Authorized - | | |
| Unlimited number of Common shares without par value | | |
| Unlimited number of Preferred shares without par value | | |
| Issued - | | |
| 58,090,520 Common shares (2004: 39,939,328) | 43,666,865 | 43,646,054 |
| Stock options and warrants | 2,744,644 | 2,649,685 |
| Cumulative translation adjustment | 3,606,857 | 3,601,095 |
| Deficit | (9,224,684) | (8,985,220) |
| | 40,793,682 | 40,911,614 |
| | \$ 45,988,358 | \$ 46,603,259 |

APPROVED BY THE DIRECTORS

Robert G. Atkinson

Director

Robert J. Rennie

Director

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

Spur Ventures Inc.

Consolidated Statements of Operations and Deficit For the three months ended March 31, 2006 and 2005

| <i>Expressed in U.S. dollars</i> | Three months ended | |
|---|--------------------|--------------------------------|
| | March 31 2006 | March 31 2005 (Restated) |
| Sales | \$ 2,820,850 | \$ 1,725,674 |
| Cost of sales | 2,624,090 | 1,443,583 |
| Gross profit | 196,760 | 282,091 |
| Expenses | | |
| Consulting fees | 39,746 | 62,755 |
| Depreciation and amortization | 16,873 | 13,838 |
| Interest | 48,230 | 49,704 |
| Office and miscellaneous | 143,481 | 44,526 |
| Printing and mailing | 7,445 | 1,608 |
| Professional fees | 70,462 | 18,550 |
| Rent | 29,446 | 10,969 |
| Repairs and maintenance | 552 | 3,854 |
| Selling expenses | 114,421 | 53,248 |
| Stock-based compensation expenses | 94,346 | 185,659 |
| Transfer agent and filing fees | 11,915 | 2,676 |
| Travel, advertising and promotion | 24,330 | 51,710 |
| Wages and benefits | 152,107 | 97,658 |
| | 753,354 | 596,755 |
| Operating loss | (556,594) | (314,664) |
| Other income and expenses | | |
| Interest income | 214,710 | 47,657 |
| Foreign exchange gain (loss) | 48,489 | (474) |
| | 263,199 | 47,183 |
| Profit/(Loss) before minority interest | (293,395) | (267,481) |
| Minority interest | 53,932 | (28,154) |
| Profit/(Loss) for the period | (239,463) | (295,635) |
| Deficit, Beginning of period, restated | (8,985,221) | (6,166,414) |
| Deficit, End of period | \$ (9,224,684) | \$ (6,462,049) |
| Basic and diluted loss per common share | \$ (0.00412) | \$ (0.0074) |
| Weighted average number of common shares outstanding | 58,090,520 | 39,890,995 |

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

Spur Ventures Inc.
Consolidated Statements of Cash Flows
For the three months ended March 31, 2006 and 2005

| <i>Expressed in U.S. dollars</i> | Three months ended | |
|--|--------------------|--------------------------------|
| | March 31 2006 | March 31 2005 (Restated) |
| Cash flows from operating activities | | |
| Net Earnings (loss) | \$ (239,463) | \$ (295,636) |
| Items not affecting cash | | |
| Depreciation and amortization | 227,396 | 76,336 |
| Stock-based compensation | 94,346 | 185,659 |
| Unrealized foreign exchange (gain)/loss | (47,256) | - |
| Loss on disposal of fixed assets | 41,633 | 942 |
| Net changes in non-cash working capital | | |
| Accounts receivable | (454,885) | (78,994) |
| Inventories | 121,071 | (34,373) |
| Prepaid expenses | (37,628) | 8,143 |
| Accounts payable and accrued liabilities | (398,378) | (399,559) |
| Customers deposits | (29,785) | (241,320) |
| Minority interest | (51,711) | 28,154 |
| Other Operating | 74,061 | - |
| | (700,599) | (750,648) |
| Cash flows from investing activities | | |
| Capital expenditures | (51,337) | (973,923) |
| Acquisition of other assets | (42,889) | - |
| Proceeds from disposal of assets and investments | - | 4,491,398 |
| Purchase of marketable securities/short-term investments | (5,177,774) | - |
| | (5,272,000) | 3,517,475 |
| Cash flows from financing activities | | |
| Issue of shares for cash - net of issue costs | 20,797 | 36,675 |
| Bank indebtedness repayment | - | (604,106) |
| | 20,797 | (567,431) |
| Effect of exchange rate changes | 70,822 | (13,488) |
| Increase (decrease) in cash and cash equivalents | (5,880,980) | 2,185,908 |
| Cash and cash equivalents, beginning of period | 24,988,098 | 7,880,512 |
| Cash and cash equivalents, end of period | 19,107,118 | 10,066,420 |
| Supplemental cash flow disclosure | | |
| Interest received | 175,819 | 100,317 |
| Interest paid | (43,873) | (55,524) |

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

Spur Ventures Inc.

Notes to Consolidated Financial Statements

March 31, 2006 and 2005

1. Basis of Presentation

Change of Functional and Reporting Currency to the U.S. dollar

Effective January 1, 2006, Spur Ventures Inc. (the “Company”) changed its functional and reporting currency to the U.S. dollar (USD). The change in functional and reporting currency is to better reflect the company’s business activities and to improve investors’ ability to compare the Company’s financial results with other publicly traded businesses in the industry. The Company holds most of its cash balances in USD deposits and conducts its operations in Chinese Renminbi (RMB), which is essentially pegged to the USD. Furthermore, the international currency of the agribusiness and mining business is the USD. Prior to January 1, 2006, the Company reported its annual and quarterly consolidated balance sheets and the related consolidated statements of operations and shareholders’ equity and cash flows in the Canadian dollar (CAD). The related financial statements and corresponding notes prior to January 1, 2006 have been restated to USD for comparison to the first quarter 2006 financial results.

These previous consolidated financial statements have been translated to the USD in accordance with EIC 130 “Translation Method when the Reporting Currency Differs from the Measurement Currency or There is a Change in the Reporting Currency” which is consistent with FAS52, the United States generally accepted accounting principles guidance. These guidelines require that the financial statements be translated into the reporting currency using the current rate method. Under this method, the income statement and the cash flow items for each year are translated into the reporting currency using the average rate in effect for the period, and assets and liabilities are translated using the exchange rate at the period end. All resulting exchange differences are reported as a separate component of shareholders’ equity titled Cumulative Translation Adjustment.

Principles of consolidation and preparation of financial statements

The accompanying interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). These interim consolidated financial statements do not include all disclosures required under Canadian generally accepted accounting principles for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company’s audited consolidated financial statements for the year ended December 31, 2005.

The Company has used the same accounting policies as disclosed in the audited financial statements of the latest annual report.

The preparation of the consolidated financial statements compliant with generally accepted accounting principles 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. Actual results could differ from these estimates.

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.

Spur Ventures Inc.

Notes to Consolidated Financial Statements

March 31, 2006 and 2005

The unaudited consolidated financial statements include Spur Ventures Inc. (“the Company”), its 72.18% owned Joint Venture Company, Yichang Spur Chemicals Ltd. (“YSC”), since the date of acquisition, its 78.72% owned Joint Venture company, Yichang Maple Leaf Chemicals Ltd. (“YMC”) (Note 2) and its wholly owned subsidiaries, Spur Chemicals (BVI) Inc. All significant inter-company transactions and accounts have been eliminated.

Certain items have been reclassified to conform to the current period presentation. There is no effect on total results of operations or shareholders’ equity.

Foreign currency translations

The fertilizer joint venture YSC is considered a self-sustaining operation and is translated from RMB into the USD directly using the current rate method. Under this method, assets and liabilities are translated at period-end exchange rates and items included in the statements of operation and retained earnings and cash flows are translated at the rates in effect at the time of the transaction. The gain or loss on translation is charged to cumulative translation adjustment in shareholders' equity.

The mining joint venture YMC is considered an integrated operation and is translated from RMB into the USD using the temporal method. 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 operation.

2. Mineral Properties

Yichang Phosphate Project

| | China | | Canada | | Total |
|--|------------------|----------------|------------------|------------------|------------------|
| | RMB | USD | CAD | USD | USD |
| <u>Exploration and development costs</u> | | | | | |
| Balance, December 31, 2005 (Restated) | 4,727,631 | 591,499 | 2,291,290 | 1,965,574 | 2,557,073 |
| General and administration | 624,091 | 78,083 | 25,773 | 22,109 | 100,192 |
| Consulting | 74,176 | 9,281 | - | - | 9,281 |
| Travel | 177,406 | 22,196 | 16,982 | 14,568 | 36,764 |
| Balance, March 31, 2006 | 5,603,304 | 701,059 | 2,334,045 | 2,002,251 | 2,703,310 |

During the three months ended March 31, 2006, the Company incurred exploration and development costs of US\$146,237 in relation to the YMC joint venture. As of March 31, 2006, the Company has capitalized exploration and development expenses of US\$2,703,310 in relation to the YMC joint venture.

Spur Ventures Inc.
Notes to Consolidated Financial Statements
March 31, 2006 and 2005

3. Fixed Assets

| | March 31, 2006 | | | December 31, 2005 (Restated) | | |
|--------------------------------|-----------------------|-------------------|---------------------|-------------------------------------|-------------------|---------------------|
| | | Accumulated | Net Book | | Accumulated | Net Book |
| | Cost | Amortization | Value | Cost | Amortization | Value |
| Building | \$ 3,404,240 | \$ 231,008 | \$ 3,173,232 | \$ 3,373,561 | \$ 188,963 | \$ 3,184,598 |
| Construction in progress | 492,837 | - | 492,837 | 500,604 | - | 500,604 |
| Machinery and equipment | 5,167,054 | 671,560 | 4,495,494 | 5,262,997 | 548,523 | 4,714,474 |
| Motor vehicle | 137,025 | 30,305 | 106,720 | 103,180 | 23,655 | 79,525 |
| Office equipment and furniture | 95,748 | 30,991 | 64,757 | 90,851 | 26,419 | 64,432 |
| Leasehold improvement | 32,357 | 3,236 | 29,121 | 32,357 | 1,618 | 30,739 |
| Total Fixed Assets | \$ 9,329,261 | \$ 967,100 | \$ 8,362,161 | \$ 9,363,550 | \$ 789,178 | \$ 8,574,372 |

Included in the fixed assets was an incentive tax refund of \$137,381 received in March for purchasing Chinese domestic machinery and equipments for the phosphorus acid plant which was commissioned in April 2005. The amount of the tax refund is required to be recorded as an offset to fixed assets under Chinese regulations and policies.

4. Land Use Rights

| | March 31, 2006 | | | December 31, 2005 (Restated) | | |
|-----------------|-----------------------|--------------|------------|-------------------------------------|--------------|------------|
| | | Accumulated | Net Book | | Accumulated | Net Book |
| | Cost | Amortization | Value | Cost | Amortization | Value |
| Land Use Rights | \$ 727,875 | \$ 37,898 | \$ 689,977 | \$ 723,120 | \$ 31,537 | \$ 691,583 |

5. Amount outstanding with minority shareholders

As of March 31, 2006, the Company has the following amounts outstanding with minority shareholders of YSC, Yichang Phosphorous Chemical Industries Group Co. ("YPCC"):

| | March 31, 2006 | | December 31, 2005 (Restated) | |
|--|-----------------------|----------------|-------------------------------------|----------------|
| | RMB | USD | RMB | USD |
| Bank loan for the benefit of YPCC (Note 10) | 6,900,000 | 860,800 | 6,900,000 | 855,178 |
| Loan from YPCC | (4,475,375) | (558,319) | (4,475,375) | (554,672) |
| Net exposure of YSC on loans | 2,424,625 | 302,481 | 2,424,625 | 300,506 |
| Other amounts due from YPCC and its subsidiaries | 3,216 | 401 | 127,662 | 15,821 |
| Total due from YPCC | 2,427,841 | 302,882 | 2,552,287 | 316,327 |

The company is still in discussion with YPCC and the Agricultural Bank of China regarding the full repayment of the bank loan, RMB6,900,000 (US\$860,800), which was due in December 2004 (Note 6).

Spur Ventures Inc.
Notes to Consolidated Financial Statements
March 31, 2006 and 2005

6. Bank Loans

| Principal Amount | | Annual interest rate | Maturity date |
|-------------------------|------------------|-----------------------------|----------------------|
| RMB | USD | | |
| 11,900,000 | 1,484,568 | 5.84% | October 27, 2005 |
| 2,700,000 | 336,835 | 5.58% | November 3, 2005 |
| 6,900,000 | 860,800 | 6.588% (Note 5) | December 27, 2004 |
| <u>21,500,000</u> | <u>2,682,203</u> | Total | |

As mentioned in note 5, the bank loan of RMB6,900,000 (\$860,800) was incurred in YSC's name for the benefit of YPCC. This loan was not paid in full as of the end of 2005, because YSC, YPCC and the Agricultural Bank of China were still in discussions on repaying the loan in full. The Agricultural Bank of China has verbally advised the company that no penalty will be charged on the loan.

The company has held discussions with ICBC bank on the two loans due in late October and early November. The company and the bank are in discussion on a renewal agreement or a schedule to repay the bank loans over a period of next 12 months.

7. Capital Stock, Warrants and Options

(a) Capital Stock

The following is a summary of capital stock transactions during the three-month period ended March 31, 2006:

(i) Authorized

- Unlimited number of 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

(ii) Issued and outstanding

| | Number of common shares | Amount |
|--|--------------------------------|----------------------|
| Balance, December 31, 2005 | 58,090,520 | \$ 43,646,054 |
| Refund of issuance costs for private placement | - | 20,811 |
| <u>Balance as at March 31, 2006</u> | <u>58,090,520</u> | <u>\$ 43,666,865</u> |

During the three months ended March 31, 2006, the Company received a refund of \$20,811 from Raymond James being overpayment of issuance costs on the private placement in July of 2005.

Spur Ventures Inc.
Notes to Consolidated Financial Statements
March 31, 2006 and 2005

(b) Warrants

There were no warrants granted or exercised during the three-month period ended March 31, 2006.

The following table summarizes information for warrants outstanding as at March 31, 2006:

| <u>Number of warrants</u> | <u>Exercise price (CAD)</u> | <u>Expiry date</u> |
|---------------------------|-----------------------------|--------------------|
| 5,421,666 | 1.50 | June 22, 2006 |
| 8,571,429 | 2.00 | July 28, 2007 |
| <u>13,993,095</u> | Total | |

(c) Stock Options

The following is a summary of stock option transactions during the three-month period ended March 31, 2006:

| | <u>Options outstanding</u> | <u>Weighted average exercise price (CAD)</u> |
|----------------------------|--------------------------------|--|
| Balance, December 31, 2005 | 5,885,000 | 1.12 |
| Granted | 200,000 | 1.50 |
| Balance, March 31, 2006 | <u>6,085,000</u> | 1.13 |

In March, 2006, the Company granted options to an officer to purchase 200,000 common shares of the Company at the exercise price of \$1.50 per share. 50% of the options vest on March 14th, 2007 and the remaining 50% vest on March 14th, 2008.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with assumptions for the grant as follows:

| | |
|-----------------------------------|---------------|
| Risk free interest rate | 3.41% - 3.64% |
| Expected life of options in years | 2 to 5 years |
| Expected volatility | 36 - 57% |
| Dividend per share | \$0.00 |

The following table summarizes information about stock options outstanding at March 31, 2006:

Spur Ventures Inc.

Notes to Consolidated Financial Statements

March 31, 2006 and 2005

| <u>Number of options</u> | <u>Option Exercise Price (CAD)</u> | <u>Expiry Date</u> |
|--------------------------|--|--------------------|
| 700,000 | 0.90 | June 19, 2006 |
| 2,000,000 | 0.60 | May 6, 2008 |
| 635,000 | 1.20 | June 19, 2008 |
| 1,650,000 | 1.50 | July 23, 2009 |
| 200,000 | 1.50 | October 12, 2009 |
| 500,000 | 1.80 | March 1, 2010 |
| 200,000 | 1.50 | September 16, 2010 |
| 200,000 | 1.50 | March 14, 2011 |
| <u>6,085,000</u> | Total | |

During the three months ended March 31, 2006, compensation expense of \$94,346 was recognized for options previously granted and vesting over time using the Black-Scholes option pricing model with the assumptions disclosed in the annual audited consolidated financial statements and the interim financial statements.

8. Related Party Transactions

During the three-month period ended March 31, 2006, the Company paid consulting fees of \$34,458 (2005: \$54,804) to two companies controlled by one officer and an associate of a director (2005: 4).

9. Segmented Information

Management considers developing an integrated fertilizer business including 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.

| | <u>March 31, 2006</u> | | |
|-----------------------|-----------------------|----------------------|----------------------|
| | <u>Canada</u> | <u>China</u> | <u>Consolidated</u> |
| Current assets | \$ 21,290,278 | \$ 12,518,297 | \$ 33,808,575 |
| Other assets | 382,820 | 41,515 | 424,335 |
| Fixed assets - net | 40,861 | 8,321,300 | 8,362,161 |
| Land used right - net | - | 689,977 | 689,977 |
| Mineral properties | - | 2,703,310 | 2,703,310 |
| Total assets | <u>\$ 21,713,959</u> | <u>\$ 24,274,399</u> | <u>\$ 45,988,358</u> |

Spur Ventures Inc.

Notes to Consolidated Financial Statements

March 31, 2006 and 2005

| | December 31, 2005 (Restated) | | |
|-----------------------|-------------------------------------|----------------------|----------------------|
| | Canada | China | Consolidated |
| Current assets | \$ 21,397,256 | \$ 12,961,517 | \$ 34,358,773 |
| Other assets | 339,964 | 80,907 | 420,871 |
| Fixed assets - net | 42,649 | 8,531,723 | 8,574,372 |
| Land used right - net | - | 691,583 | 691,583 |
| Mineral properties | - | 2,557,660 | 2,557,660 |
| Total assets | <u>\$ 21,779,869</u> | <u>\$ 24,823,390</u> | <u>\$ 46,603,259</u> |