

# **Spur Ventures Inc.**

Interim Consolidated Financial Statements

**March 31, 2010**

Unaudited

(expressed in U.S. dollars)

## **NOTICE**

The accompanying unaudited interim consolidated financial statements of Spur Ventures Inc. (“the Company”) have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

# Spur Ventures Inc.

Interim Consolidated Balance Sheets (Unaudited)

(Expressed in U.S. dollars)

	March 31, 2010	December 31, 2009
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 4)	\$ 423,069	\$ 18,018,972
Short-term deposits (Note 5)	23,212,230	4,805,662
Marketable securities (Note 6)	-	486,620
Prepaid expenses	89,839	79,004
Accounts receivable	10,158	8,418
	23,735,296	23,398,676
Property, plant & equipment (Note 7)	7,335,917	7,224,505
Land use rights (Note 8)	341,485	335,027
<b>TOTAL ASSETS</b>	<b>\$ 31,412,698</b>	<b>\$ 30,958,208</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,661,690	\$ 1,708,011
	1,661,690	1,708,011
<b>Commitments (Note 12)</b>		
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b>		
Authorized - (Note 9(a))		
Unlimited number of Common and Preferred shares without par value		
Issued - (Note 9(b))		
60,407,187 Common shares (2009: 60,407,187)	\$ 41,386,379	\$ 41,386,379
Contributed surplus (Note 9(c))	7,410,435	7,369,895
Accumulated other comprehensive income	5,783,623	4,908,340
Deficit	(24,829,429)	(24,414,417)
Total equity attributable to equity shareholders of the Company	29,751,008	29,250,197
Non-controlling interests	-	-
Total equity	29,751,008	29,250,197
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 31,412,698</b>	<b>\$ 30,958,208</b>

## APPROVED BY THE DIRECTORS

*Robert G. Atkinson*

Director

*Robert J. Rennie*

Director

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

# Spur Ventures Inc.

## Interim Consolidated Statements of Operations and Deficit (Unaudited)

(Expressed in U.S. dollars)

	<b>Three months ended</b>	
	<b>March 31, 2010</b>	<b>March 31, 2009</b>
<b>Sales</b>	\$ 11,424	\$ 15,145
<b>Expenses</b>		
Consulting fees	64,243	46,300
Depreciation and amortization	104,537	120,405
Mineral property costs	46,847	78,736
Office and miscellaneous	17,226	22,169
Printing and mailing	96	1,758
Professional fees	34,384	35,418
Rent	46,812	48,140
Repairs and maintenance	1,042	144
Selling expenses	1,105	515
Stock-based compensation expenses (Note 9(c))	40,540	67,184
Transfer agent and filing fees	16,520	15,427
Travel, advertising and promotion	22,400	35,468
Wages and benefits	119,609	307,121
	<u>515,360</u>	<u>778,784</u>
<b>Operating loss</b>	(503,936)	(763,639)
<b>Other income and expenses</b>		
Interest income	40,100	48,667
Foreign exchange gain (loss)	48,824	(21,067)
	<u>88,924</u>	<u>27,600</u>
<b>Net loss before income taxes</b>	(415,012)	(736,039)
<b>Income taxes</b>	-	-
<b>Net loss for the period</b>	(415,012)	(736,039)
<b>Attributable to</b>		
<b>Non-controlling interests</b>	-	-
<b>Equity shareholders of the Company</b>	(415,012)	(736,039)
<b>Deficit, Beginning of the period</b>	(24,414,417)	(22,871,207)
<b>Deficit, End of the period</b>	<u>\$ (24,829,429)</u>	<u>\$ (23,607,246)</u>
<b>Weighted average number of shares outstanding, basic and diluted</b>	60,407,187	60,329,196
<b>Net loss per share, basic and diluted</b>	(\$0.007)	(\$0.012)

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

# Spur Ventures Inc.

Interim Consolidated Statements of Comprehensive Income (Loss) (Unaudited)  
(Expressed in U.S. dollars)

	<b>Three months ended</b>	
	<b>March 31, 2010</b>	<b>March 31, 2009</b>
<b>Net loss for the period</b>	\$ (415,012)	\$ (736,039)
Other comprehensive income (loss), net of tax:		
Unrealized gain (loss) on translating financial statements from functional currency to reporting currency	875,283	(845,712)
<b>Comprehensive income (loss) for the period</b>	<b>\$ 460,271</b>	<b>\$ (1,581,751)</b>
Attributable to		
Non-controlling interests	-	-
<b>Equity shareholders of the Company</b>	<b>460,271</b>	<b>(1,581,751)</b>

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

# Spur Ventures Inc.

## Interim Consolidated Statements of Cash Flows (Unaudited)

(Expressed in U.S. dollars)

	Three months ended	
	March 31, 2010	March 31, 2009
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (415,012)	\$ (736,039)
Items not affecting cash		
Depreciation and amortization	104,537	120,405
Stock-based compensation	40,540	67,184
Foreign exchange gain	(48,824)	21,067
Net changes in non-cash working capital		
Accounts receivable	3,540	(2,088)
Prepaid expenses	(39,960)	22,514
Accounts payable and accrued liabilities	(53,327)	(9,316)
<b>Net cash provided by (used in) operating activities</b>	<b>(408,505)</b>	<b>(516,273)</b>
<b>Cash flows from investing activities</b>		
Capital expenditures paid	-	(175,536)
Proceeds from disposal of investments	486,620	43,884
Purchase of short-term investments	(17,277,733)	-
<b>Net cash (used in) investing activities</b>	<b>(16,791,113)</b>	<b>(131,652)</b>
<b>Cash flows from financing activities</b>		
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>-</b>
<b>Effect of exchange rate changes</b>	<b>(396,285)</b>	<b>(569,771)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(17,595,903)</b>	<b>(1,217,696)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>18,018,972</b>	<b>20,503,438</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 423,069</b>	<b>\$ 19,285,742</b>
<b>Supplemental cash flow disclosure</b>		
Interest received	\$ 8,937	\$ 48,667
Interest paid	\$ -	\$ -
Changes in accrued liabilities related to the MAP project construction in progress	\$ -	\$ (175,536)

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

# Spur Ventures Inc.

Notes to Interim Consolidated Financial Statements (Unaudited)

March 31, 2010

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(Expressed in U.S. dollars)

## 1 Company Profile

Spur Ventures Inc. ("Spur"; Spur collectively with its subsidiaries is referred to as the "Company") is a company listed on the Toronto Stock Exchange with interests in the fertilizer industry in China. Through its 100% owned subsidiary Spur Chemicals (BVI) Inc. ("Spur BVI"), Spur has indirect interests in two sino-foreign joint ventures ("JV") in China, Yichang Maple Leaf Chemicals Ltd. ("YMC") and Yichang Spur Chemicals Ltd. ("YSC"). Spur's Chinese partner in both JVs is Hubei Yichang Phosphorus Chemical Co. Ltd ("YPCC"), a state owned enterprise of Yichang City, Hubei Province, China.

### *Y M C*

YMC was formed to construct an integrated compound fertilizer production facility and develop the Dianziping and Shukongping phosphate deposits to provide a captive source of phosphate for fertilizer production.

Spur holds a 90% interest in YMC and YPCC holds the remaining 10% interest. The JV interests of each partner reflects the initial expected contributions to the registered capital of the JV, with YPCC contributing the mining licenses in respect of the deposits and Spur contributing project capital.

In November of 2003, YMC received its business license and in February and October of 2004 the Central Ministry of Land and Resources ("MOLAR") issued the mining licenses for the Dianziping and Shukongping deposits to YPCC.

The official transfer of the licenses to YPCC, together with Spur's initial contribution of 15% of its registered capital in March and August of 2005 as required under the terms of the YMC JV Agreement, set the stage for YPCC to transfer the licenses to YMC. However, YPCC has yet to receive the regulatory approvals necessary to initiate the transfer.

The deposits are considered state owned assets and thus the transfer to a foreign controlled JV has proven to be complex and time consuming. YMC continues to work with various government departments at the District, County, Yichang City and Hubei Province level to meet the regulatory requirements for the formal transfer, and is seeking final review and sign-off by the Ministry of Commerce ("MofCom"), which is responsible for foreign JV's, the National Development Reform Commission ("NDRC"), which is responsible for projects and MOLAR in Beijing.

The Shukongping mining license expired on October 9, 2009 and YPCC is working to extend the mining license. There is no assurance that it will be successful. The Dianziping mining licence is valid until February 2014.

An updated mining plan and current valuation of the deposits, in accordance with new requirements of China Mining Law, has been completed and indicates that the deemed value of the two deposits has increased substantially. This increase in the deemed value of the deposits automatically translates into an increase in YPCC's "in-kind" registered capital contribution and equity ownership position in YMC, once the licenses are transferred to YMC.

In April 2010, the YMC Business License expiry date was extended by Hubei Administration for Industry and Commerce ("Hubei AIC") from November 24, 2009 to October 31, 2010.

# Spur Ventures Inc.

Notes to Interim Consolidated Financial Statements (Unaudited)

March 31, 2010

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(Expressed in U.S. dollars)

## Y S C

YSC owns a fertilizer complex located in the Zhicheng Township of Yidu City.

During 2003, the Company acquired Xinyuan Chemicals Ltd. from YPCC and formed the YSC JV, which owns an NPK compound fertilizer facility located in the Hubei Province, China. Spur BVI owns a 72.18% interest in YSC and the two minority partners are YPCC, which owns 16.69%, and YMC which owns 11.13%.

During the third quarter of 2007, management concluded that prices of raw materials, especially potash and sulphuric acid, were too high for the YSC fertilizer facility to be viable, and as a result shutdown the facility temporarily in order to convert the facility into a mono-ammonium phosphate plant (MAP).

During 2008, the Company commenced construction activity to convert the fertilizer facility into a MAP plant. In the fourth quarter of 2008, due to the global financial crisis, the rapid decline in commodity prices, the Chinese government extension of export tariffs and the uncertainty in the near term fertilizer markets both in China and globally, the Company decided to suspend its MAP plant construction.

Management has 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 the Company will obtain the required financing to complete the MAP plant construction and that the plant will generate profitable operations in the future.

There remain risks and uncertainties with respect to the approval of the transfer of the mining licenses as described above, that economic ore reserves will be identified and that significant equity or debt financing for the project will be available to the Company. The Company also faces additional risks and uncertainties, including, but not limited to, raw material and construction cost risks, product marketing risks, and political risks.

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

## 2 Adoption of Recent Accounting Pronouncements

There are three CICA accounting standards issued in January 2009 and adopted by the Company on January 1, 2010, as follows: the CICA Handbook Sections 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*, which replace CICA Handbook Sections 1581, *Business Combinations*, and Section 1600, *Consolidated Financial Statements*. Section 1582 establishes accounting standards equivalent to International Financial Reporting Standards IFRS 3, "*Business Combinations*", and is applicable for business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for interim and annual consolidated financial statements for fiscal year beginning January 1, 2011. Early adoption of Section 1582, 1601 and 1602 is permitted. Adoption of this standard had no material impact on the Company's consolidated financial statements.

# Spur Ventures Inc.

Notes to Interim Consolidated Financial Statements (Unaudited)

March 31, 2010

(Expressed in U.S. dollars)

## 3 Significant Accounting Policies

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 GAAP 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, 2009.

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

The preparation of the interim 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 property, plant and equipment as well as land use rights, as a result of challenges facing the Company at its Chinese subsidiaries. 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 interim consolidated financial statements.

## 4 Cash and cash equivalents

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

	<b>March 31, 2010</b>	<b>December 31, 2009</b>
<b>Canadian Dollar deposits in Canada</b>	\$350,210	\$17,949,002
<b>Canadian Dollar deposits in China</b>	-	\$263
<b>RMB deposits in China</b>	\$63,640	\$59,548
<b>U.S. Dollar deposits in Canada</b>	\$9,219	\$10,159
<b>Total</b>	<b>\$423,069</b>	<b>\$18,018,972</b>
<b>Interest rates per annum</b>	up to 0.29%	up to 0.46%
<b>Maturity Date</b>	n/a	n/a

## 5 Short-term deposits

Short-term deposits consist of Canadian Dollar Guaranteed Investment Certificates (GICs) in Canada with maturities at inception over 90 days but under one year. Details of the GICs are as follows:

# Spur Ventures Inc.

Notes to Interim Consolidated Financial Statements (Unaudited)

March 31, 2010

(Expressed in U.S. dollars)

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Canadian Dollar GICs in Canada	\$23,212,230	\$4,805,662
Interest rates per annum	up to 1.00%	1.00%
Maturity Date	up to Feb 2011	May 2010

## 6 Marketable securities

During 2009, the Company received 750,000 shares of a natural resource company, the shares of which commenced trading on the Toronto Stock Exchange on January 4, 2010. These shares were received as consideration in respect of a \$326,433 (CDN\$350,000) loan provided to a junior mining company listed on the TSX Venture exchange. The loan was outstanding for a period from April 6, 2009 to November 4, 2009. These shares were sold for \$486,620 (CDN\$509,296) in January 2010.

## 7 Property, plant and equipment

	<u>March 31, 2010</u>			<u>December 31, 2009</u>		
	Adjusted Cost	Accumulated Amortization	Net Book Value	Adjusted Cost	Accumulated Amortization	Net Book Value
Building	\$ 1,793,456	\$ 403,233	\$ 1,390,223	\$ 1,740,334	\$ 361,194	\$ 1,379,140
Construction in progress	2,925,932	-	2,925,932	2,794,091	-	2,794,091
Construction in progress deposits (non-refundable)	1,525,171	-	1,525,171	1,525,171	-	1,525,171
Machinery and equipment	2,400,272	1,017,172	1,383,100	2,329,177	921,420	1,407,757
Motor vehicles	159,142	110,394	48,748	154,428	102,240	52,188
Office equipment and furniture	177,644	118,615	59,030	172,382	111,631	60,751
Leasehold improvement	37,145	33,431	3,714	36,045	30,638	5,407
<b>Total</b>	<b>\$ 9,018,762</b>	<b>\$ 1,682,845</b>	<b>\$ 7,335,917</b>	<b>\$ 8,751,628</b>	<b>\$ 1,527,123</b>	<b>\$ 7,224,505</b>

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 construction activity to convert the fertilizer facility 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.

# Spur Ventures Inc.

Notes to Interim Consolidated Financial Statements (Unaudited)

March 31, 2010

(Expressed in U.S. dollars)

## 8 Land use rights

	March 31, 2010			December 31, 2009		
	Adjusted Cost	Accumulated Amortization	Net Book Value	Adjusted Cost	Accumulated Amortization	Net Book Value
Land Use Rights	\$ 390,814	\$ 49,330	\$ 341,485	\$ 379,238	\$ 44,211	\$ 335,027

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 \$359,641 in land use rights, similar to the impairment of property, plant and equipment, was recognized during 2006.

## 9 Shareholders' equity

### a) Authorized capital stock

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 capital stock

	Number of common shares	\$
Balance as at December 31, 2009	60,407,187	41,386,379
Change	-	-
Balance as at March 31, 2010	60,407,187	41,386,379

### c) Contributed Surplus

	Related to Stock Options \$	Related to Warrants \$	Total \$
Balance as at December 31, 2009	2,813,095	4,556,800	7,369,895
Stock-based compensation expenses	40,540	-	40,540
Balance as at March 31, 2010	2,853,635	4,556,800	7,410,435

# Spur Ventures Inc.

Notes to Interim Consolidated Financial Statements (Unaudited)

March 31, 2010

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(Expressed in U.S. dollars)

d) Stock options

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 three-month period ended March 31, 2010, compensation expense of \$40,540 was recognized (2009: \$67,184 ) for options outstanding.

The following table summarizes options granted, exercised, forfeited or expired during the three-month period ended March 31, 2010:

	<b>Options outstanding</b>
<b>Balance - December 31, 2009</b>	2,770,000
<b>Granted</b>	-
<b>Exercised</b>	-
<b>Forfeited</b>	(20,000)
<b>Expired</b>	(500,000)
<b>Balance - March 31, 2010</b>	2,250,000

The following table summarizes information about the options outstanding at March 31, 2010:

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

e) Warrants

There were no warrants issued or exercised during the three-month period ended March 31, 2010.

# Spur Ventures Inc.

Notes to Interim Consolidated Financial Statements (Unaudited)

March 31, 2010

(Expressed in U.S. dollars)

## 10 Related party transactions

During the three months ended March 31, 2010, the Company paid consulting fees of \$44,572 to two companies controlled by one officer and one director (2009: \$33,610 to two companies controlled by one director and one officer).

Accounts payable to these companies for expenses incurred were \$nil at the end of March 31, 2010 and 2009.

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.

## 11 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.

Geographic Segments	March 31, 2010			December 31, 2009		
	Canada	China	Consolidated	Canada	China	Consolidated
Current assets	\$ 23,685,408	\$ 49,888	\$ 23,735,296	\$ 23,321,789	\$ 76,887	\$ 23,398,676
Property, plant & equipment	4,662	7,331,255	7,335,917	6,810	7,217,695	7,224,505
Land use right	-	341,485	341,485	-	335,027	335,027
Total assets	\$ 23,690,070	\$ 7,722,628	\$ 31,412,698	\$ 23,328,599	\$ 7,629,609	\$ 30,958,208

## 12 Commitments

As at March 31, 2010, YMC had \$9.61 million (RMB65.63 million) in signed contracts related to the MAP project, of which \$3.20 million (RMB21.83 million) has been paid, \$1.00 million (RMB6.84 million) has been accrued, and \$5.41 million (RMB36.96 million) remains as a commitment. In October 2009, the Company entered into a five-year office lease agreement commencing October 1, 2010 to share office space and related costs with another company. A summary of the Company's commitment in the next five years is as follows:

	MAP project contracts	Office lease	Total
2010	\$5,414,184	\$51,913	\$5,466,098
2011	-	\$103,467	103,467
2012	-	\$96,396	96,396
2013	-	\$107,099	107,099
2014 & beyond	-	\$189,808	189,808

# **Spur Ventures Inc.**

Notes to Interim Consolidated Financial Statements (Unaudited)

**March 31, 2010**

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(Expressed in U.S. dollars)

## **13 Subsequent events**

In April 2010, the YMC Business License expiry date was extended by Hubei Administration for Industry and Commerce from November 24, 2009 to October 31, 2010.