Spur Ventures Inc.

Consolidated Financial Statements (Unaudited)
For the three months ended June 30, 2007 and 2006
(Expressed in U.S. dollars)

Spur Ventures Inc.
Consolidated Balance Sheets
(Unaudited)

Expressed in U.S. dollars	**June 30, 2007 (Unaudited)**	**December 31, 2006**
ASSETS		
Current		
Cash and cash equivalents	$ 4,307,357	$ 10,994,262
Restricted cash	65,686	-
Short-term investments	20,971,367	15,503,683
Accounts and notes receivable	854,990	1,247,384
Inventory	2,147,336	2,429,443
Prepaid expenses	243,619	599,116
Due from YPCC	277,288	266,599
	28,867,643	31,040,487
Property, plant & equipment - net (Note 2)	4,305,267	4,056,955
Land use rights - net (Note 3)	366,417	340,608
Mineral properties (Note 4)	3,850,247	3,112,768
Deferred acquisition costs (Note 5)	503,207	447,834
Other assets	47,955	44,019
	$ 37,940,736	$ 39,042,671
LIABILITIES		
Current		
Accounts and notes payable and accrued liabilities	$ 1,499,960	$ 1,526,529
Customer deposits	122,111	682,709
Other payables	-	189,484
Bank loans (Note 6)	512,347	1,270,970
	2,134,418	3,669,692
Minority interest	-	-
SHAREHOLDERS' EQUITY		
Capital stock (Note 7(a))		
Authorized -		
Unlimited number of Common shares without par value		
Unlimited number of Preferred shares without par value		
Issued -		
58,740,520 Common shares (2006: 58,740,520)	39,822,134	39,822,134
Stock options and warrants (Note 7(b) & 7(c))	7,452,061	7,293,323
Accumulated other comprehensive income (Note 8)	5,273,707	3,712,546
Deficit	(16,741,584)	(15,455,024)
	35,806,318	35,372,979
	$ 37,940,736	$ 39,042,671

APPROVED BY THE DIRECTORS

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

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

Spur Ventures Inc.
Consolidated Statements of Operations and Deficit
(Unaudited)

Expressed in U.S. dollars	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
Sales	$ 1,576,992	$ 1,020,136	$ 4,734,185	$ 3,840,986
Cost of sales	1,486,951	1,171,584	4,516,950	3,795,674
Gross Profit	90,041	(151,448)	217,235	45,312
Expenses				
Consulting fees	94,692	42,518	142,729	82,264
Depreciation and amortization	85,042	107,310	102,415	124,183
Interest	18,040	50,438	70,201	98,668
Office and miscellaneous	81,385	106,842	162,639	250,323
Printing and mailing	28,195	25,728	32,019	33,173
Professional fees	73,086	140,040	136,759	210,502
Rent	66,388	64,868	114,336	94,314
Repairs and maintenance	3,508	1,385	4,804	1,937
Selling expenses	104,272	53,308	217,879	167,729
Stock-based compensation expenses	68,900	63,068	158,738	157,414
Transfer agent and filing fees	12,860	17,285	30,277	29,200
Travel, advertising and promotion	29,963	70,223	62,691	94,553
Wages and benefits	250,039	209,833	425,939	361,940
	916,370	952,846	1,661,426	1,706,200
Operating loss	(826,329)	(1,104,294)	(1,444,191)	(1,660,888)
Other income and expenses				
Interest income	248,412	243,557	525,693	458,267
Fair value adjustments of financial instrument	2,820	-	40	-
Foreign exchange gain (loss)	(334,923)	(42,495)	(368,102)	5,994
	(83,691)	201,062	157,631	464,261
Loss before minority interest	(910,020)	(903,232)	(1,286,560)	(1,196,627)
Minority interest	-	85,076	-	139,008
Loss for the period	(910,020)	(818,156)	(1,286,560)	(1,057,619)
Deficit, Beginning of the period	(15,831,564)	(9,224,684)	(15,455,024)	(8,985,221)
Deficit, End of the period	$ (16,741,584)	$ (10,042,840)	$ (16,741,584)	$ (10,042,840)
Basic and diluted loss per common share	$ (0.02)	$ (0.01)	$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding	58,740,520	58,340,520	58,740,520	58,216,211

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

Spur Ventures Inc.
Consolidated Statement of Comprehensive Income/(Loss)
(Unaudited)

Expressed in U.S. dollars	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
Loss for the period	$ (910,020)	$ (818,156)	$ (1,286,560)	$ (1,057,619)
Other comprehensive income, net of tax:				
Unrealized gains and losses on translating financial statements from functional currency to reporting currency	1,383,357	986,949	1,561,161	992,711
Comprehensive income/(loss)	$ 473,337	$ 168,793	$ 274,601	$ (64,908)

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

Spur Ventures Inc.
Consolidated Statements of Cash Flows
(Unaudited)

Expressed in U.S. dollars	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
Cash flows from operating activities				
Net loss	$ (910,020)	$ (818,156)	$ (1,286,560)	$ (1,057,619)
Items not affecting cash				
Depreciation and amortization	139,107	168,449	296,870	395,845
Stock-based compensation	68,900	63,068	158,738	157,414
Foreign exchange (gain)/loss	326,311	42,495	359,453	(4,761)
Loss on disposal of fixed assets	-	-	-	41,633
Inventory adjustment	(74,772)	(123,298)	(218,770)	(49,237)
Net changes in non-cash working capital				
Accounts receivable	328,417	258,990	400,386	(195,895)
Inventory	(170,804)	(429,092)	488,269	(308,021)
Prepaid expenses	436,639	173,321	400,218	135,693
Accounts payable and accrued liabilities	(198,508)	181,488	(254,404)	(216,890)
Customers deposits	(343,734)	(16,883)	(582,050)	(46,668)
Minority interest	-	(85,076)	-	(136,787)
	(398,464)	(584,694)	(237,850)	(1,285,293)
Cash flows from investing activities				
Capital expenditures	(289,497)	(283,756)	(508,337)	(335,093)
Acquisition of other assets	(1,957)	(28,533)	(11,431)	(71,422)
Decrease/(Increase) in restricted cash	52,100	-	(64,294)	-
Proceeds from disposal of investments	-	185,653	3,117,733	-
Purchase of short-term investments	(8,131,853)	-	(8,131,853)	(4,992,121)
	(8,371,207)	(126,636)	(5,598,182)	(5,398,636)
Cash flows from financing activities				
Issuance of shares for cash - net of issue costs	-	440,478	-	461,275
Bank indebtedness repayment	(390,753)	-	(779,947)	-
	(390,753)	440,478	(779,947)	461,275
Effect of exchange rate changes	(112,747)	379,327	(70,926)	450,149
Increase (decrease) in cash and cash equivalents	(9,273,171)	108,475	(6,686,905)	(5,772,505)
Cash and cash equivalents, beginning of period	13,580,528	19,107,118	10,994,262	24,988,098
Cash and cash equivalents, end of period	$ 4,307,357	$ 19,215,593	$ 4,307,357	$ 19,215,593
Supplemental cash flow disclosure				
Interest received	251,330	257,770	603,258	433,589
Interest paid	(50,717)	(33,491)	(73,547)	(77,364)

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

1. Basis of Presentation

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 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, 2006.

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 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 inventories, 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 consolidated financial statements.

The unaudited consolidated financial statements include Spur Ventures Inc., its Joint Venture Company, Yichang Spur Chemicals Ltd. ("YSC"), 72.18% owned since the date of acquisition, its 78.72% owned Joint Venture company, Yichang Maple Leaf Chemicals Ltd. ("YMC") and its wholly owned subsidiary, Spur Chemicals (BVI) Inc. All significant inter-company transactions and accounts have been eliminated. YSC is dependent on Spur's cash injections for working capital and repayments of loans, to which some of YSC's assets are pledged as collateral at June 30, 2007 (Note 6).

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 interim financial statements for the period ended June 30, 2007 are presented in U.S. dollars ("USD"). The consolidated financial statements have been translated from Canadian dollars ("CAD") 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". 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 Accumulated Other Comprehensive Income.

While the Company's fertilizer subsidiary YSC was considered a self-sustaining operation prior to March 31, 2006, it is now considered an integrated operation due to a significant change in the financial condition of YSC. Foreign currency translation of YSC was prospectively changed from the current rate method to the temporal method effective April 1, 2006 for translation from Chinese Renminbi ("RMB") into the CAD. Under the temporal method, monetary assets and liabilities are translated at period-end exchange rates and items included on the statements of operations and cash flows are translated at rates in effect at the time of the transaction. Non-monetary assets and liabilities are translated at historical rates. The gain or loss on translation is charged to the statement of operations.

YMC, the Company's mining subsidiary, is considered an integrated operation and continues to use the temporal method for translation from RMB into the CAD.

Comprehensive income and financial instruments

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

a) Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3861, *Financial Instruments – Disclosure and Presentation*, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. These sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Company is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income respectively. All other financial instruments are subsequently measured at amortized cost.

All derivative financial instruments, including derivative features embedded in financial instruments or other contracts but which are not considered closely related to the host financial instrument or contract, are generally classified as held for trading and, therefore, must be measured at fair value with changes in fair value recorded in net earnings. However, if a derivative financial instrument is designated as a hedging item in a qualifying cash flow hedging relationship, the effective portion of changes in fair value is recorded in other comprehensive income. Any change in fair value relating to the ineffective portion is recorded immediately in net earnings.

The Company has designated its financial instruments as follows:

- Accounts receivable is classified as *"Loans and Receivables"*. These financial assets are recorded at values that approximate their amortized cost using the effective interest method.

- Accounts payable and accrued liabilities, customer deposits, and bank loans are classified as *"Other Financial Liabilities"*. These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

As a result of adopting Section 3855, $2,820 was credited to other income and expenses as fair value adjustment of financial instruments for the three months ended June 30, 2007 and a cumulative $40 was credited during the six-month period ended June 30, 2007.

b) Section 1530, *Comprehensive Income*, introduces a new financial statement "Statement of Comprehensive Income" and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments.

c) Section 3865, *Hedges* specifies the criteria under which hedge accounting may be applied, how hedge accounting should be performed under permitted hedging strategies and the required disclosures. This standard did not have an impact on the Company for the three and six months ended June 30, 2007.

2. Property, Plant & Equipment

	June 30, 2007			December 31, 2006		
	Adjusted Cost	Accumulated Amortization	Net Book Value	Adjusted Cost	Accumulated Amortization	Net Book Value
Building	$ 1,723,556	$ 57,025	$ 1,666,531	$ 1,596,328	$ -	$ 1,596,328
Construction in progress	202,691	-	202,691	156,436	-	156,436
Completed portion of construction in progress	64,286	2,314	61,972	58,664	-	58,664
Machinery and equipment	2,348,614	172,147	2,176,467	2,080,118	-	2,080,118
Motor vehicle	135,565	41,218	94,347	117,853	28,454	89,399
Office equipment and furniture	123,616	43,416	80,200	79,551	27,822	51,729
Leasehold improvement	35,476	12,417	23,059	32,374	8,093	24,281
Total Fixed Assets	$ 4,633,804	$ 328,537	$ 4,305,267	$ 4,121,324	$ 64,369	$ 4,056,955

3. Land Use Rights

	June 30, 2007			**December 31, 2006**		
	Cost	**Accumulated Amortization**	**Net Book Value**	**Cost**	**Accumulated Amortization**	**Net Book Value**
Land Use Rights	$ 373,247	$ 6,830	$ 366,417	$ 340,608	$ -	$ 340,608

4. Mineral Properties

Yichang Phosphate Project

	China		Canada		Total
	RMB	USD	CAD	USD	USD
Exploration and development costs					
Balance, December 31, 2006	8,535,856	1,057,770	2,394,689	2,054,998	3,112,768
Project Costs	3,322,153	458,838	(20,884)	(19,637)	439,201
Exchange difference	-	101,360	-	196,918	298,278
Balance, June 30, 2007	**11,858,009**	**1,617,968**	**2,373,805**	**2,232,279**	**3,850,247**

5. Deferred acquisition costs

The amount of $503,207 in Deferred acquisition costs relates to due diligence, legal opinions, and other costs in connection with the proposed Tianren acquisition. If the acquisition is closed, these costs will be allocated to the identifiable assets acquired and liabilities assumed. If the negotiations indicate the transaction will most likely not close, the Company will expense all the expenditures related to the proposed acquisition at that time.

6. Bank Loans

	As at June 30, 2007				As at December 31, 2006			
	Principal Amount		Annual interest		Principal Amount		Annual interest	
Lender	RMB	USD	rate	Maturity date	RMB	USD	rate	Maturity date
ICBC	3,900,000	512,347	9.64%	September 20, 2007	9,900,000	1,268,408	5.84%	September 20, 2007
Agricultural Bank	-	-			20,000	2,562	5.83%	December 20, 2006
	3,900,000	512,347	Total		9,920,000	1,270,970	Total	

The ICBC bank (Industrial & Commerce Bank of China) loan of RMB 9,900,000 was due in late October 2005. YSC signed an agreement with ICBC bank on August 14, 2006, whereby it agreed to make monthly repayments of RMB 1,000,000 and repay the remaining balance of RMB 9,900,000 ($1,268,408) by September 20, 2007. Collateral for the ICBC loan includes 9 YSC buildings, land use rights for 13,563 square meters of land and 353 machines at the Xinyuan plant acquired in 2004, the principal place of business of YSC. As at the end of June 2007, the balance of the loan was RMB 3,900,000 ($512,347).

7. Capital Stock, Warrants and Options

(a) Capital Stock

The following is a summary of capital stock transactions during the six-month period ended June 30, 2007:

(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, 2006	58,740,520	$ 39,822,134
Balance as at June 30, 2007	58,740,520	$ 39,822,134

(b) Warrants

There were no warrants issued or exercised during the six-month period ended June 30, 2007.

	Number of warrants	Amount	Weighted average exercise price CAD	Expiry date
Balance - December 31, 2006 and June 30, 2007	8,571,429	$ 4,556,800	2.00	July 28, 2007

The Company's 8,571,429 warrants expired on July 28, 2007.

(c) Stock Options

The following is a summary of stock option transactions during the six-month period ended June 30, 2007:

	Options outstanding	Amount	Weighted average exercise price CAD
Balance - December 31, 2006	5,110,000	$ 2,736,523	$ 1.14
Granted	600,000	158,738	0.63
Balance - June 30, 2007	5,710,000	$ 2,895,261	$ 1.09

On January 3, 2007, the Company granted options to an officer to purchase 200,000 common shares of the company, a new employee to purchase 100,000 common shares of the Company, and an employee to purchase 50,000 common shares of the Company at the exercise price of C$0.64 per share. The options become vested 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 fair value of the grant was C$101,500 of which C$15,507 (US$14,363) was charged to stock based compensation during the three months ended June 30, 2007 and C$31,014 (US$27,648) was charged during the six-month period ended June 30, 2007.

On April 4, 2007, the Company granted options to an employee to purchase 30,000 common shares of the company, and an employee to purchase 20,000 common shares of the Company at the exercise price of C$0.55 per share. The options become vested 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 fair value of the grant was C$14,000 of which C$2,139 (US$1,981) was charged to stock based compensation during the three months ended June 30, 2007.

On June 27, 2007, the Company granted options to a director to purchase 200,000 common shares of the company at the exercise price of C$0.63 per share. The options become vested 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 fair value of the grant was C$66,000 none of which was charged to stock based compensation during the three months ended June 30, 2007.

During the three months ended June 30, 2007, compensation expense of $68,900 was recognized for options granted in the current and prior periods and vesting over time using the Black-Scholes option pricing model and $158,738 was recognized during the six months ended June 30, 2007.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models may not necessarily provide a reliable measure of the fair value of the Company's stock options.

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:

	2007
Risk free interest rate	3.94% - 4.62%
Expected life of options in years	5 years
Expected volatility	51 - 57%
Dividend per share	$0.00

The following table summarizes information about the weighted average grant-date fair value of options granted during the six months ended June 30, 2007:

Grant date	Options granted	Fair value per option	Fair value CAD	Weighted average fair value CAD
2007				
3-Jan-07	350,000	0.29	101,500	
4-Apr-07	50,000	0.28	14,000	
27-Jun-07	200,000	0.33	66,000	
	600,000		181,500	0.30

The following table summarizes information about stock options outstanding at June 30, 2007:

Number of options	Option Exercise Price	Expiry Date
1,700,000	CAD 0.60	May 6, 2008
435,000	CAD 1.20	June 19, 2008
200,000	CAD 1.50	December 31, 2008
1,250,000	CAD 1.50	July 23, 2009
500,000	CAD 1.80	March 1, 2010
200,000	CAD 1.50	September 16, 2010
200,000	CAD 1.50	March 14, 2011
625,000	CAD 1.03	July 4,2011
350,000	CAD 0.64	January 2,2012
50,000	CAD 0.55	April 4,2012
200,000	CAD 0.63	June 27,2012
5,710,000	Total	

8. Accumulated other comprehensive income

	As at June 30, 2007	As at December 31, 2006
Balance - beginning of period	$ 3,712,546	$ 3,601,095
Unrealized foreign currency translation gains and losses	1,561,161	111,451
Balance - end of period	$ 5,273,707	$ 3,712,546

9. Related Party Transactions

During the three-month period ended June 30, 2007, the Company paid consulting fees of $35,785 (2006: $36,300) to two companies controlled by one officer and an associate of a director (2006: 2 companies).

During the six-month period ended June 30, 2007, the Company paid consulting fees of $69,198 (2006: $70,903) to two companies controlled by one officer and an associate of a director (2006: 2 companies).

10. 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.

Geographic Segments			**June 30, 2007**
	Canada	China	Consolidated
Current assets	$ 21,080,041	$ 7,787,602	$ 28,867,643
Property, plant & equipment - net	93,980	4,211,287	4,305,267
Land use rights - net	-	366,417	366,417
Mineral properties	-	3,850,247	3,850,247
Deferred acquisition costs	503,207	-	503,207
Other assets	-	47,955	47,955
Total assets	$ 21,677,228	$ 16,263,508	$ 37,940,736

			December 31, 2006
	Canada	China	Consolidated
Current assets	$ 21,185,955	$ 9,854,532	$ 31,040,487
Property, plant & equipment - net	32,953	4,024,002	4,056,955
Land use rights - net	-	340,608	340,608
Mineral properties	-	3,112,768	3,112,768
Deferred acquisition costs	447,834	-	447,834
Other assets	-	44,019	44,019
Total assets	$ 21,666,742	$ 17,375,929	$ 39,042,671

11. Commitments and Obligations

(a) Tianren Acquisition final agreement

The Company signed the final agreement to acquire the fertilizer related business of Hebei Tianren Chemical Corporation ("Tianren") in Beijing on June 18, 2006.

The interests being acquired include a:

1. 95% interest (80% direct and 15% indirect) in Tianren Agriculture Franchise Company ("Ag Franchise"), China's largest marketer of compound NPK fertilizers. Ag Franchise sells over 1.5 Million tonnes per annum ("tpa") of NPK (Nitrogen, Phosphate, Potassium) fertilizer as a commissioned sales agent for Sino Arab Chemical Fertilizer Company (SACF) and Dayukou Chemical Fertilizer Company ("Dayukou").

2. 75% interest in Tianding Chemical Company ("Tianding"), which has a 100,000 tpa NPK plant in Qinhuangdao, Hebei Province. Tianding also has one of the largest fertilizer bag manufacturing facilities in China with current production under contract of in excess of 28 million bags per annum for Tianren, SACF, Dayukou and others. The bagging facility is a key part of the logistics for distribution of 50 kilogram bags of fertilizer within China.

3. 60% interest in Hubei Yichang Tianlong Industry Company ("Tianlong"), a raw materials sourcing and fertilizer trading company based in Yichang, Hubei Province, where Spur's current facilities are located. Tianlong has an import license for sulphuric and phosphoric acid and will be eligible to apply for more import permits in the near future.

Xinjiang Tianren Chemical Company and its 100,000 mt NPK plant in northwest China which was part of the original Tianren agreement will no longer be part of the transaction. As a result the number of Spur shares to be paid to Tianren for these interests has been reduced from 15.5 million to 13.3 million shares.

Formal applications in respect of the merger have now been approved by the Qinhuangdao City and Hebei Province Ministry of Commerce for Tianding and Ag Franchise and by Yichang City and Hubei Province for Tianlong. The Central Ministry of Commerce (MofCom) in Beijing and affiliated departments such as the Chinese Securities and Exchange Commission are currently reviewing the proposed merger.

The above transaction has not been accounted for yet and it will not be accounted for until the necessary approvals are received.

12. Subsequent events

(a) YMC's Business License

Hubei Administration for Industry and Commerce ("AIC") granted another extension of YMC's business license to July 31, 2007 to allow time for Hubei Province to convene a "harmonizing" meeting between various provincial government departments and Hubei AIC. This meeting was held on July 12, 2007. All participants expressed their strong support for the Sino-Canadian Integrated Phosphate Project. However, since the Central Ministry of Commerce ("MofCom") had been involved in the previous two business license extensions, the decision was taken to have MofCom again review this application and Hubei AIC has again extended the YMC Business License while MofCom completes its review.

(b) Contribution of Capital by YPCC

Directors of YSC agreed to YPCC contributing its scientific achievements and previous expenses towards their registered capital contribution. YPCC's scientific achievements are valued at RMB 28.8086 Million ($3.78 million), the previous expenses at RMB 8.2337 Million ($1.08 million). As at the end of June 2007 YPCC's contribution was in the process of verification and registration at the Hubei Administration for Industry and Commerce ("AIC").