Spur Ventures Inc.

Interim Consolidated Financial Statements
June 30, 2008
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)

	June 30, 2008	December 31, 2007
ASSETS		
Current		
Cash and cash equivalents (Note 4)	$ 9,270,693	$ 21,124,306
Short-term investments (Note 5)	15,012,885	3,862,759
Accounts and notes receivable	62,495	239,322
Inventory (Note 6)	409,749	519,992
Prepaid expenses	74,734	152,182
Due from joint venture partner (Note 10)	335,787	309,728
	25,166,343	26,208,289
Property, plant & equipment (Note 7)	4,450,756	4,380,126
Land use rights (Note 8)	368,841	387,475
	$ 29,985,940	$ 30,975,890
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 644,261	$ 730,176
Customer deposits	42,909	37,998
	687,170	768,174
Non-controlling interest (Note 9)	286,549	441,420
Commitments (Note 16)		
Subsequent events (Note 17)		
SHAREHOLDERS' EQUITY		
Share capital		
Authorized - (Note 11(a))		
Unlimited number of Common and Preferred shares without par value		
Issued - (Note 11(b))		
60,340,520 Common shares (2007: 58,740,520)	41,322,523	39,822,134
Contributed surplus (Note 11(c))	7,020,934	7,536,550
Accumulated other comprehensive income	5,555,700	5,812,795
Deficit	(24,886,936)	(23,405,183)
	29,012,221	29,766,296
	$ 29,985,940	$ 30,975,890

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)

	Three months ended		Six months ended	
	Jun 30, 2008	Jun 30, 2007 (Restated - see Note 2)	Jun 30, 2008	Jun 30, 2007 (Restated - see Note 2)
Sales	$ 176,182	$ 1,160,593	$ 280,632	$ 4,380,807
Cost of sales	68,707	1,070,552	157,056	4,163,572
Gross Profit	107,475	90,041	123,576	217,235
Expenses				
Consulting fees	78,327	94,692	213,767	142,729
Depreciation and amortization	116,818	85,042	240,613	102,415
Interest	-	18,040	-	70,201
Mineral property costs (Note 2)	444,992	525,352	547,396	737,479
Office and miscellaneous	67,954	77,561	165,172	162,639
Printing and mailing	33,903	32,019	33,903	32,019
Professional fees	126,679	73,086	194,288	136,759
Rent	56,979	66,388	113,589	114,336
Repairs and maintenance	2,209	3,508	5,005	4,804
Selling expenses	4,201	104,272	19,812	217,879
Stock-based compensation expenses (Note 11(c))	16,043	68,900	59,577	158,738
Transfer agent and filing fees	7,753	12,860	24,747	30,277
Travel, advertising and promotion	78,529	29,963	148,839	62,691
Wages and benefits	248,935	250,039	493,027	425,939
	1,289,473	1,441,722	2,265,886	2,398,905
Operating loss	(1,181,998)	(1,351,681)	(2,142,310)	(2,181,670)
Other income and expenses				
Interest income	140,753	248,412	320,475	525,693
Foreign exchange gain (loss)	105,029	(332,103)	185,121	(368,062)
	245,782	(83,691)	505,596	157,631
Loss before non-controlling interest	(936,216)	(1,435,372)	(1,636,714)	(2,024,039)
Non-controlling interest	(63,245)	-	154,961	-
Loss for the period	(999,461)	(1,435,372)	(1,481,753)	(2,024,039)
Deficit, Beginning of the period (Note 2)	(23,887,475)	(19,156,459)	(23,405,183)	(18,567,792)
Deficit, End of the period	$ (24,886,936)	$ (20,591,831)	$ (24,886,936)	$ (20,591,831)
Basic and diluted income/(loss) per common share	$ (0.017)	$ (0.024)	$ (0.025)	$ (0.034)
Weighted average number of common shares outstanding	60,111,949	58,740,520	59,426,234	58,740,520

accompanying notes are an integral part of these

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

	Three months ended		Six months ended	
	June 30, 2008	**June 30, 2007 (Restated - see Note 2)**	**June 30, 2008**	**June 30, 2007 (Restated - see Note 2)**
Loss for the period	$ (999,461)	$ (1,435,372)	$ (1,481,753)	$ (2,024,039)
Other comprehensive income, net of tax:				
Unrealized gain (loss) on translating financial statements from functional currency to reporting currency	(25,726)	1,383,357	(257,095)	1,561,161
Comprehensive income (loss) for the period	$ (1,025,187)	$ (52,015)	$ (1,738,848)	$ (462,878)

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		Six months ended	
	June 30, 2008	June 30, 2007 (Restated - see Note 2)	June 30, 2008	June 30, 2007 (Restated - see Note 2)
Cash flows from operating activities				
Net loss for the period	$ (999,461)	$ (1,435,372)	$ (1,481,753)	$ (2,024,039)
Items not affecting cash				
Depreciation and amortization	116,818	139,107	240,613	296,870
Stock-based compensation	16,043	68,900	59,577	158,738
Foreign exchange (gain)/loss	(106,361)	326,311	(186,453)	359,453
Inventory adjustment	(88,136)	(74,772)	(88,136)	(218,770)
Non-cash mineral property costs	167,475	525,352	167,475	737,479
Net changes in non-cash working capital				
Accounts receivable	121,473	328,416	168,050	400,386
Inventory	96,108	(170,804)	226,181	488,269
Prepaid expenses	12,774	436,639	50,984	400,218
Accounts payable and accrued liabilities	2,157	(198,508)	(158,875)	(254,404)
Customers deposits	(30,839)	(343,734)	6,716	(582,050)
Non-controlling interest	63,245	-	(154,961)	-
	(628,703)	(398,465)	(1,150,581)	(237,850)
Cash flows from investing activities				
Capital expenditures	(429,347)	(289,497)	(473,140)	(508,337)
Acquisition of other assets	-	(1,957)	-	(11,431)
Decrease/(Increase) in restricted cash	-	52,100	-	(64,294)
Proceeds from disposal of investments	6,479,721	-	6,660,880	3,117,733
Purchase of short-term investments	(12,634,243)	(8,131,853)	(17,743,900)	(8,131,853)
	(6,583,869)	(8,371,207)	(11,556,160)	(5,598,182)
Cash flows from financing activities				
Issuance of shares for cash - net of issue costs	925,176	-	925,176	-
Bank indebtedness repayment	-	(390,753)	-	(779,947)
	925,176	(390,753)	925,176	(779,947)
Effect of exchange rate changes	(131,176)	2,473,520	(72,048)	(70,926)
Increase (decrease) in cash and cash equivalents	(6,418,572)	(6,686,905)	(11,853,613)	(6,686,905)
Cash and cash equivalents, beginning of the period	15,689,265	10,994,262	21,124,306	10,994,262
Cash and cash equivalents, end of the period	$ 9,270,693	$ 4,307,357	$ 9,270,693	$ 4,307,357
Supplemental cash flow disclosure				
Interest received	$ 121,298	$ 251,330	$ 358,425	$ 603,258
Interest paid	-	(50,717)	-	(73,547)

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

1 Nature of operations

Spur Ventures Inc. (the "Company") is developing a fully integrated fertilizer business in the People's Republic of China ("China"). The recoverability of the amounts shown as property, plant and equipment ("the fertilizer facility") is dependent upon the ability of the Company to complete the expansion and the construction of new facilities on the site of the existing fertilizer plant to allow for additional product mix and future profitable production or proceeds from the sale of the fertilizer facility.

In December 2003, the Company entered into agreements to obtain title to certain mineral properties located in Hubei Province, China by forming a 90% owned Joint Venture company, Yichang Maple Leaf Chemicals Ltd. ("YMC"), with Hubei Yichang Phosphorous Chemical Co. Ltd. ("YPCC"). The Company plans for YMC to undertake the development of the phosphate mines and to build compound phosphate fertilizer production facilities.

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

During the third quarter of 2007, management concluded that prices of raw materials, especially potash, were too high for the fertilizer facility to be viable. In response to the losses and sustained cash outflows, the fertilizer plant was idled and remains idled to date. Management have initiated plans to convert and expand the plant to be able to produce an intermediary fertilizer product in addition to the existing product or a combination of these two products. The Company has completed the technical feasibility analysis and commenced the tendering process. There are significant risks and measurement uncertainties that are not within the Company's control, including, but not limited risks relating to construction cost, raw material sourcing, product marketing, raw material costs, financing and political risks,. The economic model for the production of the intermediary fertilizer product is highly sensitive to changes in the selling price of the new product and to the price of sulphuric acid and phosphate rock. Due to the lead times and the construction period, operations are not expected to re-commence until the 2009 fiscal year and accordingly the assumptions used in the model could vary significantly.

Management have not recorded a current impairment charge against the existing land use rights (Note 8), fertilizer plant and equipment (Note 7) or the associated spare parts as management believes the conversion and expansion plans for the plant will generate profitable operations in the future. Management believes that the mining licenses will be transferred to YMC (Note 9), thereby securing a long-term source of phosphate rock and in the short-term the Company will be able to secure sufficient quota for phosphate rock for the new fertilizer plant. There remain additional risks and uncertainties that the transfer of the mining licenses will be approved, economic ore reserves will be identified and the significant equity or debt financing for the project will be available to the Company. The phosphate rock project also faces additional risks and uncertainties, including, but not limited to, raw material and construction costs, product marketing and political risks.

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 Change in Accounting Policy and Adoption of Recent Accounting Pronouncements

During the year ended December 31, 2007, the Company retrospectively changed its accounting policy for exploration expenditures to more appropriately align itself with policies practiced in the United States and those applied by other companies in the fertilizer industry. Prior to the year ended December 31, 2007, the Company capitalized all such costs to mineral properties and only wrote down capitalized costs when either the property was abandoned or if the capitalized costs were not considered to be economically recoverable. Exploration expenditures are now charged to earnings as they are incurred. Accordingly, the deficit at January 1, 2007 was increased by $3,112,768 from $15,455,024 to $18,567,792, and the loss for the six months ended June 30, 2007 was increased by $737,479 from $1,286,560 to $2,024,039.

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.

b) *Section 1535 - Capital Disclosures*

This Section establishes standards for disclosing information about objectives, policies and processes for managing capital as disclosed in Note 15.

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.

d) *Section 3862 - Financial Instrument Disclosures*

This Section 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.

e) *Section 3863 - Financial Instruments Presentation*

This section establishes 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 the standards did not have a material impact on the Company as at January 1, 2008 or for the six months ended June 30, 2008 except for the required note disclosures (Notes 14 and 15).

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, 2007.

The Company has used the same accounting policies as disclosed in the audited financial statements included in the Company's latest annual report, except as disclosed in Note 2.

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 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 interim consolidated financial statements.

4 Cash and cash equivalents

Cash and cash equivalents of $9,270,693 includes $8,852,511 U.S. Dollar Term Deposits with major Canadian financial institutions. The term deposits bear interest at rates of 2.34% per annum and mature in July and August 2008 and with maturities at inception under 90 days.

5 Short-term investments

Short-term investments of $15,012,885 consist of $11,543,652 U. S.Dollar Term Deposits, $3,288,568 Canadian Dollar Term Deposits and $180,665 Chinese Renminbi Term Deposits, with maturities at inception over 90 days but under one year and held in the accounts of the Canadian head office, the Chinese subsidiaries and the representative office. The repatriation of these investments from China to Canada is subject to the approval of the State Administration of Foreign Exchange. The term deposits bear interest rates from 1.71% to 3.42% per annum up to one year and mature between July 2008 and April 2009.

6 Inventory

	June 30, 2008	December 31, 2007
Raw materials	$ 289,488	$ 280,107
Finished goods	-	16,799
Consumables and parts	116,863	223,086
	$ 409,749	$ 519,992

7 Property, plant and equipment

	June 30, 2008			December 31, 2007		
	Adjusted Cost	Accumulated Amortization	Net Book Value	Adjusted Cost	Accumulated Amortization	Net Book Value
Building	$ 1,788,174	$ 169,115	$ 1,619,059	$ 1,843,370	$ 114,684	$ 1,728,686
Construction in progress	686,846	-	686,846	210,126	-	210,126
Machinery and equipment	2,393,203	437,065	1,956,138	2,467,075	293,918	2,173,157
Motor vehicles	158,674	66,459	92,215	163,572	56,080	107,492
Office equipment and furniture	177,118	97,286	79,832	207,486	67,819	139,667
Leasehold improvement	37,036	20,370	16,666	38,179	17,181	20,998
Total	**$ 5,241,051**	**$ 790,295**	**$ 4,450,756**	**$ 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 the sum of the undiscounted cash flows expected to result from their use and eventual disposition. The impairment was recorded by comparing the excess of the carrying value of these assets over the fair value of the estimated future cash flows and included expectations about possible variations in the amount or timing of those cash flows, the time value of money, represented by the risk-free rate of interest, and the price for bearing the uncertainty inherent in the asset.

8 Land use rights

	June 30, 2008			**December 31, 2007**		
	Adjusted Cost	**Accumulated Amortization**	**Net Book Value before**	**Adjusted Cost**	**Accumulated Amortization**	**Net Book Value after Impairment**
Land Use Rights	$ 389,663	$ 20,822	$ 368,841	$ 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 Mineral properties

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. To date, the company has not yet secured title to any mineral claims. Under this agreement, the Company could earn a 90% interest in the property by taking the property through mining and into fertilizer production. The Chinese government will earn a 10% interest by contributing land and the mineral rights.

In 1999, the Company completed the preliminary feasibility study report conducted jointly by the Northern China Chemical Mine Planning and Design Institute and China Wuhuan Chemical Engineering Corp. Final project approval was also received from the Chinese government. In November 2000, a feasibility study and an environmental impact assessment study were completed. During 2001, the China Environment Protection Bureau approved the environmental study of the Yichang project. In April 2002, a feasibility study was updated by Jacobs Engineering Corporation. In early 2002, the Company commenced its application for a mining permit through YPCC. The mining licenses for the Dianziping and Shukongping mines were issued by Central Land and Resources Department to Spur's JV partner YPCC in February and October of 2004 respectively.

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 $286,549 as at June 30, 2008 after consolidating YMC's 11.13% interest in YSC acquired in June, 2008 for $218,828 (RMB1.5 million).

Since inception, all activities at YMC have been centered on the mining license transfer, with costs incurred in engineering studies, coordination of government relations and public relations activities. During the year ended December 31, 2007, the Company changed its accounting policy relating to mineral property exploration expenditures and it now expenses exploration expenditures when incurred (See Note 2).

10 Due from joint venture partner

The Company has the following amounts due from the non-controlling interest shareholder:

	June 30, 2008		**December 31, 2007**	
	RMB	**$**	**RMB**	**$**
Total due from YPCC	2,301,706	335,787	2,261,960	309,728

The amount due from YPCC bears interest at an effective rate of 3.5% per annum and is repayable on demand.

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, 2007	58,740,520	39,822,154
Issued for cash on exercise of options	1,600,000	925,176
Stock based compensation	-	575,193
Balance as at June 30, 2008	60,340,520	41,322,523

c) Contributed Surplus

	Related to Stock Options $	**Related to Warrants $**	**Total $**
Balance as at December 31, 2007	2,979,750	4,556,800	7,536,550
Stock-based compensation expenses	59,577	-	59,577
Option exercised	(575,193)	-	(575,193)
Balance as at June 30, 2008	2,464,134	4,556,800	7,020,934

d) Stock options

The following is a summary of stock option transactions during the six-month period ended June 30, 2008:

	Options outstanding	**Weighted average exercise price CAD**
Balance - December 31, 2007	5,550,000	$1.10
Granted	905,000	$0.90
Exercised	(1,600,000)	$0.60
Forfeited/expired	(735,000)	$1.20
Balance - June 30, 2008	4,120,000	$1.23

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 six-month period ended June30, 2008, compensation expense of $59,577 was recognized (2007: $158,738) for options granted in current period and prior years.

In January, 2008, the Company engaged a consulting firm to assist in obtaining government approval for the transfer of the mining license to the Company and other related permits and/or licenses. Compensation for the consulting firm includes a Success Fee in the form of an option to acquire shares of the Company at CAD$0.55 cents based on the following target dates:
- 250, 000 shares if the mining license transfer takes place before July 15, 2008;
- 200,000 shares if the mining license transfer takes place between July 15, 2008 and December 31, 2008;
- 50,000 shares if the mining license transfer takes place after 2008.

Management of the Company has discretion to extend the offer beyond the target dates before the agreement expires on July 15, 2009.

The following table summarizes information about the options outstanding at June 30, 2008:

Number of Options	**Exercise Price CAD**	**Expiry Date**	**Number Exercisable**
200,000	1.50	December 31, 2008	200,000
1,250,000	1.50	July 23, 2009	1,250,000
500,000	1.80	March 1, 2010	500,000
200,000	1.50	September 16, 2010	200,000
625,000	1.03	July 4, 2011	208,333
200,000	0.64	January 3, 2012	66,666
20,000	0.55	April 4, 2012	6,667
200,000	0.63	June 27, 2012	66,667
20,000	0.50	December 3, 2012	-
905,000	0.90	June 26, 2013	-
4,120,000			2,498,333

e) Warrants

There were no warrants issued or exercised during the six-month period ended June 30, 2008.

f) Zhongchuan private placement

On April 14, 2008, the Company signed a binding Memorandum of Understanding with Zhong Chuan International Mining Company Ltd. ("Zhong Chuan") to complete an equity private placement (the "Private Placement") and to pursue strategic investments in China and elsewhere in the Company's fertilizer business.

Pursuant to the terms of the Private Placement, Zhong Chuan will initially invest $ 11.34 million to acquire eighteen (18) million units ("Units") of the Company at $0.63 per Unit, which is expected to make Zhong Chuan the Company's largest shareholder. Each Unit will consist of one common share, plus one-half of a warrant ("Warrant") and one-half of a special warrant ("Special Warrant"). Each full Warrant is exercisable to purchase an additional common share at an exercise price of $0.90/share until May 31, 2010, and each full Special Warrant is exchangeable for an additional common share for an aggregate of 9,000,000 common shares at no additional cost to Zhong Chuan, subject to the conditions set out below.

The 9,000,000 Special Warrants are immediately exchangeable for 9,000,000 common shares at no additional cost to Zhong Chuan on the completion of the formal transfer of the mining licences for the Shukongping mine & Dianziping mines (the "Mines") to the Company's majority controlled Chinese joint venture, Yichang Maple Leaf Chemicals Ltd. on or before April 14, 2009, but if issued these shares will effectively be held in escrow and cannot be transferred until the completion of the following milestones (collectively, the "Milestones") to the satisfaction of the Company: settlement of compensation arrangements for displaced miners, the acquisition of required lands in the area surrounding the Mines for the required beneficiation plant, storage and transportation facilities, and the receipt of required permits and approvals for the commencement of mining operations at the Mines. In addition, each Warrant will only be exercisable upon the completion of all of the Milestones.

All transactions were subject to all necessary regulatory approvals (including the acceptance of the Toronto Stock Exchange) and required shareholder approval. All such approvals have been received and the Company anticipates closing the Private Placement on or before August 27, 2008.

12 Related party transactions

During the three months ended June 30, 2008, the Company paid consulting fees of $41,455 to two companies controlled by one officer and one director (2007: $35,785 to two companies controlled by one director and one officer).

During the six months ended June 30, 2008, the Company paid consulting fees of $126,566 to three companies controlled by two officers and one director (2007: $69,198 to two companies controlled by one director and one officer).

Accounts payable to these companies for expenses incurred were $8,251 at the end of June 30, 2008 (2007: nil). Except for the account receivable of RMB2,301,706 ($335,787) from YPCC related to the YSC loan (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.

13 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	June 30, 2008 Canada	China	Consolidated	December 31, 2007 Canada	China	Consolidated
Current assets	$21,469,062	$ 3,697,281	$25,166,343	$21,164,992	$5,043,297	$26,208,289
Property, plant & equipment	23,210	4,427,546	4,450,756	93,923	4,286,203	4,380,126
Land used right	-	368,841	368,841	-	387,475	387,475
Total assets	$21,492,272	$ 8,493,668	$29,985,940	$21,258,916	$9,716,974	$30,975,890

14 Financial instruments and risks

Fair values

The Company's financial instruments include cash and cash equivalents, short term investments, accounts receivable, customer deposits, accounts payable and accrued liabilities, and amount due from joint venture partner. The carrying values of cash and cash equivalents, short-term investments, accounts receivable, customer deposits and accounts payable and accrued liabilities approximate their fair values due to the short periods to maturity. The amount due from joint venture partner is recorded at a value that approximates its amortized cost using the effective interest method. 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. The Company also has short-term investments in US 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.

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 rate although as at June 30, 2008, the Company had no outstanding debt.

15 Capital Management

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 by developing the integrated fertilizer and phosphate mining project in China. The Company invests its funds in term 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 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 reduce debt. The Company has no asset backed commercial paper exposure.

16 Commitments

As at June 30, 2008, the Company had a commitment to pay for long lead capital equipment related to the MAP project for a value of $1.70 million (RMB 11.66 million) and for construction work for a value of $3.61 million (RMB 24.71 million).

The Company also has the following office lease commitment:

2008	$72,848
2009	$13,452

17 Subsequent events

MAP project procurement
Subsequent to June 30, 2008, the Company committed to procure equipment and construction work related to the MAP project for approximately $0.87 million .