

# **Spur Ventures Inc.**

**Condensed Interim Consolidated Financial Statements**

**June 30, 2012**

**Unaudited**

(Expressed in U.S. dollars)

## **NOTICE**

The accompanying unaudited condensed 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.

## Condensed Interim Consolidated Balance Sheets

(unaudited and expressed in U.S. dollars)

	June 30, 2012 \$	December 31, 2011 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	72,257	96,220
Short term investments (Note 3)	29,927,799	21,599,524
Prepaid expenses	29,568	54,581
Other receivables	99,723	75,688
	<b>30,129,347</b>	<b>21,826,013</b>
<b>Assets held for resale (Note 4b)</b>	-	12,055,322
	<b>30,129,347</b>	<b>33,881,335</b>
<b>Property, plant &amp; equipment</b>		
	<b>28,897</b>	<b>31,170</b>
	<b>28,897</b>	<b>31,170</b>
	<b>30,158,244</b>	<b>33,912,505</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	170,476	171,847
<b>Liabilities directly associated with assets classified as held for resale (Note 4b)</b>		
	-	6,867,159
	<b>170,476</b>	<b>7,039,006</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 5a)	41,386,379	41,386,379
Contributed surplus (Note 5b)	7,865,455	7,610,418
Accumulated other comprehensive income	647,397	855,606
Deficit	(19,911,463)	(22,850,460)
	<b>29,987,768</b>	<b>27,001,943</b>
<b>Non-controlling interests (Note 4a)</b>	-	(128,444)
	<b>29,987,768</b>	<b>26,873,499</b>
	<b>30,158,244</b>	<b>33,912,505</b>
<b>Commitments (Note 8)</b>		

APPROVED BY THE DIRECTORS

Donald R. Siemens  
Director

Robert G. Atkinson  
Director

# Spur Ventures Inc.

## Condensed Interim Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)

(unaudited and expressed in U.S. dollars)

	Three months ended Jun-30 2012 \$	Three months ended Jun-30 2011 \$	Six months ended Jun-30 2012 \$	Six months ended Jun-30 2011 \$
<b>Continuing operations</b>				
<b>Operating expenses</b>				
Consulting fees	100,859	36,303	150,275	73,549
Depreciation and amortization	2,485	2,398	4,861	4,036
Office and miscellaneous	17,664	22,378	43,073	41,599
Professional fees	108,381	50,632	156,061	89,365
Rent	20,051	23,316	40,898	49,389
Stock-based compensation (Note 5c)	85,039	12,134	255,037	28,305
Transfer agent, filing and listing fees	4,666	7,703	81,216	25,940
Travel, advertising and promotion	10,621	29,232	31,491	47,934
Wages and benefits	118,048	137,950	217,450	226,623
<b>Loss before the undermoted</b>	<b>467,814</b>	<b>322,046</b>	<b>980,362</b>	<b>586,740</b>
<b>Other income (expenses)</b>				
Interest income	97,379	75,816	188,062	152,587
Foreign exchange loss	(151)	(1,417)	(2,105)	(487)
<b>Loss for the period from continuing operations</b>	<b>(370,586)</b>	<b>(247,647)</b>	<b>(794,405)</b>	<b>(434,640)</b>
<b>Discontinued operations</b>				
Gain from sale of Spur BVI (Note 4a)	-	-	3,873,015	-
Loss from discontinued operations (Note 4c)	(5,494)	(252,258)	(139,613)	(355,288)
<b>Income (Loss) from discontinued operations</b>	<b>(5,494)</b>	<b>(252,258)</b>	<b>3,733,402</b>	<b>(355,288)</b>
<b>Net Income (Loss) for the period</b>	<b>(376,080)</b>	<b>(499,905)</b>	<b>2,938,997</b>	<b>(789,928)</b>
<b>Net Income (Loss) attributable to</b>				
Non-controlling interests	-	(19,650)	-	(24,568)
Equity shareholders of the Company	(376,080)	(480,255)	2,938,997	(765,360)
<b>Net Income (Loss) for the period</b>	<b>(376,080)</b>	<b>(499,905)</b>	<b>2,938,997</b>	<b>(789,928)</b>
<b>Other comprehensive income (loss):</b>				
Unrealized gain (loss) on translating financial statements from functional currency to reporting currency	(604,004)	99,021	(208,209)	576,669
<b>Comprehensive income (loss) for the period</b>	<b>(980,084)</b>	<b>(400,884)</b>	<b>2,730,788</b>	<b>(213,259)</b>
<b>Comprehensive income (loss) attributable to</b>				
Non-controlling interests	-	(19,650)	-	(24,568)
Equity shareholders of the Company	(980,084)	(381,234)	2,730,788	(188,691)
<b>Earnings (Loss) per share from continuing and discontinued operations attributable to the equity shareholders of the Company during the year</b>				
Basic weighted average number of shares outstanding	60,407,187	60,407,187	60,407,187	60,407,187
Diluted weighted average number of shares outstanding	60,607,187	60,507,187	60,607,187	60,507,187
<b>Earnings (Loss) per share, basic</b>	<b>(\$0.01)</b>	<b>(\$0.01)</b>	<b>\$0.05</b>	<b>(\$0.01)</b>
From continuing operations	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.01)
From discontinued operations	\$0.00	(\$0.00)	\$0.06	(\$0.01)
<b>Earnings (Loss) per share, diluted</b>	<b>(\$0.01)</b>	<b>(\$0.01)</b>	<b>\$0.05</b>	<b>(\$0.01)</b>
From continuing operations	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.01)
From discontinued operations	\$0.00	(\$0.00)	\$0.06	(\$0.01)

# Spur Ventures Inc.

## Condensed Interim Consolidated Statements of Changes in Equity

(unaudited and expressed in U.S. dollars)

	Number of Shares	Share Capital \$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Sub-total \$	Non- Controlling Interest \$	Total Equity \$
<b>Balance, December 31, 2011</b>	60,407,187	41,386,379	7,610,418	855,606	(22,850,460)	27,001,943	(128,444)	26,873,499
Stock-based compensation	-	-	255,037	-	-	255,037	-	255,037
Currency translation adjustment	-	-	-	(208,209)	-	(208,209)	-	(208,209)
Effect from sale of Spur BVI	-	-	-	-	-	-	128,444	128,444
Net income for the period	-	-	-	-	2,938,997	2,938,997	-	2,938,997
<b>Balance, June 30, 2012</b>	<b>60,407,187</b>	<b>41,386,379</b>	<b>7,865,455</b>	<b>647,397</b>	<b>(19,911,463)</b>	<b>29,987,768</b>	<b>-</b>	<b>29,987,768</b>

	Number of Shares	Share Capital \$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Sub-total \$	Non- Controlling Interest \$	Total Equity \$
<b>Balance, December 31, 2010</b>	60,407,187	41,386,379	7,474,700	1,834,736	(22,042,449)	28,653,366	(66,106)	28,587,260
Stock-based compensation	-	-	28,305	-	-	28,305	-	28,305
Currency translation adjustment	-	-	-	576,669	-	576,669	173	576,842
Net loss for the period	-	-	-	-	(765,360)	(765,360)	(24,568)	(789,928)
<b>Balance, June 30, 2011</b>	<b>60,407,187</b>	<b>41,386,379</b>	<b>7,503,005</b>	<b>2,411,405</b>	<b>(22,807,809)</b>	<b>28,492,980</b>	<b>(90,501)</b>	<b>28,402,479</b>

# Spur Ventures Inc.

## Condensed Interim Consolidated Statements of Cash Flows

(unaudited and expressed in U.S. dollars)

	Three months ended Jun-30 2012 \$	Three months ended Jun-30 2011 \$	Six months ended Jun-30 2012 \$	Six months ended Jun-30 2011 \$
<b>Cash provided by (used in) continuing operating activities</b>				
Net loss for the period	(370,586)	(247,647)	(794,405)	(434,640)
Items not involving cash:				
Depreciation and amortization	2,485	2,398	4,861	4,036
Stock-based compensation	85,039	12,134	255,037	28,305
	(283,062)	(233,115)	(534,507)	(402,299)
Changes in non-cash working capital:				
Other receivables and prepaids	7,417	124,887	976	59,019
Accounts payable and accrued liabilities	(42,518)	(25,062)	(1,370)	(85,300)
Non-operating activities items:				
Interest income	(97,379)	(75,816)	(188,062)	(152,587)
<b>Cash used in operating activities-continuing operations</b>	<b>(415,542)</b>	<b>(209,106)</b>	<b>(722,963)</b>	<b>(581,167)</b>
<b>Cash used in operating activities-discontinued operations (Note 4c)</b>	<b>(5,494)</b>	<b>(75,834)</b>	<b>(71,938)</b>	<b>(63,733)</b>
<b>Investing activities</b>				
Capital expenditures	-	(5,274)	-	(36,961)
Interest received	1,657	9,542	19,681	18,040
Proceeds from disposal of short-term investments	306,779	9,409,749	2,004,911	10,826,043
Purchase of short-term investments	(9,896)	(8,997,425)	(10,378,343)	(10,123,781)
<b>Cash provided by (used in) investing activities-continuing operations</b>	<b>298,540</b>	<b>416,592</b>	<b>(8,353,751)</b>	<b>683,341</b>
Proceeds from sale of Spur BVI	-	-	9,253,701	-
Less: non-cash item included in gain from sale of Spur BVI	-	-	(128,444)	-
<b>Cash provided by investing activities-discontinued operations (Note 4c)</b>	<b>-</b>	<b>-</b>	<b>9,125,257</b>	<b>-</b>
<b>Effect of exchange rate changes</b>	<b>(870)</b>	<b>2,704</b>	<b>(568)</b>	<b>(2,843)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(123,366)</b>	<b>134,356</b>	<b>(23,963)</b>	<b>35,598</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>195,623</b>	<b>96,160</b>	<b>96,220</b>	<b>194,918</b>
<b>Cash and cash equivalents, end of the period</b>	<b>72,257</b>	<b>230,516</b>	<b>72,257</b>	<b>230,516</b>

# Spur Ventures Inc.

## Notes to Condensed Interim Consolidated Financial Statements

June 30, 2012

(unaudited and expressed in U.S. dollars )

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### 1 Nature of Operations

Spur Ventures Inc. ("Spur" or the "Company") is a company listed on the TSX Venture Exchange with a registered office at Suite 3083, Three Bentall Centre, 595 Burrard Street, Vancouver, B.C. Canada.

Until the completion of the sale of its 100% owned subsidiary, Spur Chemicals (BVI) Inc. ("Spur BVI") on February 13, 2012, the Company held interests in the fertilizer industry in China. Spur BVI held its fertilizer interests through 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 was Hubei Yichang Phosphorus Chemical Co. Ltd ("YPCC"), a state owned enterprise of Yichang City, Hubei Province, China.

Following its exit from China, the Company is now focused on making acquisitions or other business arrangements in gold, base metals or other mineral-related assets or businesses.

### 2 Significant Accounting Policies

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including, International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). These condensed interim consolidated financial statements do not include all disclosures required 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, 2011. The Company has used the same accounting policies as disclosed in the audited financial statements for the year ended December 31, 2011, with certain items being reclassified to discontinued operations.

The preparation of the condensed interim consolidated financial statements in compliance with IAS 34 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 condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the periods. The effect of changes in certain estimates such as accruals on the financial statements of future periods could be significant. While management believes these estimates and assumptions to be reasonable actual results could differ.

These condensed interim financial statements were approved for issue by the Company's Board of Directors on August 24, 2012.

#### **New and revised International Financial Reporting Standards**

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 9, Financial instruments - Classification and Measurement, IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities, IAS 27, Separate Financial Statements, IFRS 13, Fair Value Measurement and amended IAS 28, Investments in Associates and Joint Ventures. Each of the new standards is

# Spur Ventures Inc.

## Notes to Condensed Interim Consolidated Financial Statements

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effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, except IFRS 9, which is effective on or after January 1, 2015. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

### 3 Short term investments

Short-term deposits include 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:

	<b>June 30, 2012</b>	<b>December 31, 2011</b>
<b>Canadian Dollar GICs in Canada</b>	<b>\$29,927,799</b>	<b>\$21,599,524</b>
<b>Interest rates per annum</b>	<b>up to 1.6%</b>	<b>up to 1.55%</b>
<b>Maturity Date</b>	<b>up to May 2013</b>	<b>up to August 2012</b>

### 4 Sale of Spur BVI and Discontinued Operations

At December 31, 2011, the Company held interests in two joint ventures (YMC and YSC) in China through its wholly owned subsidiary Spur BVI. On February 13, 2012, the Company completed the sale of 100% of Spur BVI to Hong Tang Vision Limited ("HTVL"). Under the terms of the agreement, HTVL agreed to acquire 100 % of the shares of Spur BVI, including the Company's interests in YMC and YSC (the Company's discontinued China operations) for cash consideration of CDN \$9.25 million Canadian dollars plus a contingent payment of CDN \$4.75 million Canadian dollars if in the future the relevant Chinese authorities removed YMC's current obligation to produce phosphate fertilizers and allowed YMC to simply be a phosphate mining company.

Until the sale of Spur BVI, the Company operated in one operating segment, the fertilizer industry, and had two geographic locations, China and Canada. Subsequent to the sale of Spur BVI, the Company operates entirely in Canada. The discontinued operations reflected the Chinese operations and the continuing operations reflected the Canadian operations. Subsequent to the sale of the Chinese operations, the Company is no longer in the Chinese fertilizer industry.

- a) A gain of \$3,873,015 was recorded for the sale of Spur BVI as follows.

	<b>February 13, 2012</b>
	<b>\$</b>
<b>Proceeds from sale of Spur BVI</b>	<b>9,253,701</b>
<b>Reduction of non-controlling interest</b>	<b>(128,444)</b>
<b>Net assets held for resale (Note 4b)</b>	<b>(5,252,242)</b>
	<b>3,873,015</b>

# Spur Ventures Inc.

## Notes to Condensed Interim Consolidated Financial Statements

June 30, 2012

(unaudited and expressed in U.S. dollars )

No gain is recorded for the CDN \$4.75 million Canadian dollars contingent payment as it is uncertain that the contingent payment will be received.

b) The net assets disposed are as follows:

	Net Assets Held for Resale
	\$
Balance at December 31, 2012	5,188,163
Transaction costs capitalized	68,444
Foreign exchange translation loss	(4,365)
Balance at February 13, 2012	5,252,242
Net assets disposed of (Note 4a)	(5,252,242)
Balance at February 13, 2012 upon completion of the sale of Spur BVI	-

c) Losses of and cash provided by (used in) the discontinued China operations for the three and six months ended June 30, 2012 and 2011 are as follows:

	Threes months ended Jun-30 2012 (\$)	Threes months ended Jun-30 2011 (\$)	Six months ended Jun-30 2012 (\$)	Six months ended Jun-30 2011 (\$)
<b>Loss Relating to Discontinued Operations</b>				
Depreciation and amortization	-	63,033	-	125,290
Office and miscellaneous	-	788	1,777	2,616
Professional fees	-	-	2,570	-
Rent	-	20,529	-	41,058
Travel, advertising and promotion	4,868	3,805	16,652	13,744
Wages and severance	626	50,712	118,614	86,603
Share of loss on investment in YMC	-	113,391	-	153,330
Gain from disposal of obsolete inventories and plant assets	-	-	-	(67,353)
<b>Loss for the period from discontinued operations</b>	<b>5,494</b>	<b>252,258</b>	<b>139,613</b>	<b>355,288</b>
<b>Cash provided by (used in) operating activities-discontinued operations</b>				
Loss for the period from discontinued operations	(5,494)	(252,258)	(139,613)	(355,288)
Depreciation and amortization	-	63,033	-	125,290
Share of loss on investment in YMC	-	113,391	-	153,330
	(5,494)	(75,834)	(139,613)	(76,668)
<b>Changes in non-cash working capital</b>				
Prepaid expenses	-	-	-	(3,385)
Accounts payable and accrued liabilities	-	-	67,675	16,320
<b>Cash used in operating activities- discontinued operations</b>	<b>(5,494)</b>	<b>(75,834)</b>	<b>(71,938)</b>	<b>(63,733)</b>
<b>Cash provided by investing activities-discontinued operations</b>				
Proceeds from sale of Spur BVI	-	-	9,253,701	-
Less: non-cash item included in gain from sale of Spur BVI	-	-	(128,444)	-
<b>Cash provided by investing activities-discontinued operations</b>	<b>-</b>	<b>-</b>	<b>9,125,257</b>	<b>-</b>

# Spur Ventures Inc.

## Notes to Condensed Interim Consolidated Financial Statements

June 30, 2012

(unaudited and expressed in U.S. dollars )

### 5 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) Contributed surplus

	<b>Related to Stock Options \$</b>	<b>Related to Warrants \$</b>	<b>Total \$</b>
<b>Balance as at December 31, 2011</b>	3,053,619	4,556,800	7,610,418
<b>Stock-based compensation</b>	255,037	-	255,037
<b>Balance as at June 30, 2012</b>	3,308,656	4,556,800	7,865,455

#### c) Stock options

The Company values the stock options granted using the indirect method because it cannot reliably estimate the value of the services received for the options granted. The Company uses the Black Scholes option pricing model to determine the fair value of options granted and makes assumptions about future volatility based on observed volatility in the past.

Assumptions used for stock options valuation:

	<b>2012</b>
<b>Risk free interest rate</b>	1.37% - 1.45%
<b>Expected life of options in years</b>	5 years
<b>Expected volatility</b>	48% - 64%
<b>Dividend per share</b>	\$0.00

	<b>Options outstanding</b>	<b>Weighted average exercise price CDN\$</b>
<b>Balance - December 31, 2011</b>	3,100,000	\$0.51
<b>Granted</b>	1,000,000	\$0.40
	100,000	\$0.37
<b>Exercised</b>	-	
<b>Forfeited</b>	-	
<b>Expired</b>	(200,000)	\$0.64
<b>Balance - June 30, 2012</b>	4,000,000	\$0.47

# Spur Ventures Inc.

## Notes to Condensed Interim Consolidated Financial Statements

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The weighted average exercise price at June 30, 2012 was CDN\$0.47 (2011 – CDN\$0.80). The weighted average grant date fair value per option for options granted during the three and six months ended June 30, 2012 was CDN\$0.165 (2011: nil as no option was granted in the comparative period).

Options granted prior to 2011 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. The vesting period for options granted after 2011 is 12.5% immediately with 12.5% each quarter over the next two years.

During the three months ended June 30, 2012, stock-based compensation expense of \$85,039 was recognized (2011: \$12,134).

During the six months ended June 30, 2012, stock-based compensation expense of \$255,037 was recognized (2011: \$28,305).

The following table summarizes information about the options outstanding at June 30, 2012:

<b>Number of Options</b>	<b>Exercise Price CAD</b>	<b>Expiry Date</b>	<b>Number Exercisable</b>
20,000	0.50	December 3, 2012	20,000
830,000	0.90	June 26, 2013	830,000
300,000	0.28	July 28, 2014	200,000
1,750,000	0.37	August 12, 2016	875,000
1,000,000	0.40	April 10, 2017	125,000
100,000	0.37	May 10, 2017	12,500
<b>4,000,000</b>			<b>2,062,500</b>

### 6 Related party transactions and key management compensation

During the three months ended June 30, 2012, the Company incurred \$153,746 in salaries, severance and benefits and \$85,985 in consulting fees to key management and the directors of the Company for services (2011: \$153,848 in salaries and benefits and \$36,303 in consulting fees).

During the six months ended June 30, 2012, the Company incurred \$269,582 in salaries, severance and benefits and \$120,167 in consulting fees to key management and the directors of the Company for services (2011: \$259,348 in salaries and benefits and \$70,649 in consulting fees).

Key management includes the Chairman and Directors of the Company, the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Corporate Controller and Corporate Secretary.

As at June 30, 2012, there were \$79,520 in receivables from three related companies for sharing of office overhead (2011: \$44,015 from one company).

# Spur Ventures Inc.

## Notes to Condensed Interim Consolidated Financial Statements

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(unaudited and expressed in U.S. dollars )

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### 7 Income taxes

The sale of Spur BVI resulted in a capital loss of approximately CDN\$13.4 million for tax purposes. The Company may be able to carry forward and utilize CDN\$13.6 million of capital losses and CDN\$10.9 million of non-capital losses to apply against future capital gains or taxable income. The Company recognizes deferred tax assets for all deductible temporary differences and tax losses only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets have not been recognized because it is not probable that future taxable profits will be available against which the Company can utilize deductible temporary differences.

### 8 Commitments

The Company has a long-term office lease and shares office space and related costs with three other companies. A summary of the Company's commitments is set out below:

	<u>Office lease</u>	
2012	\$	31,325
2013	\$	75,941
2014	\$	75,941
2015	\$	56,956