# SPUR VENTURES INC.
# MANAGEMENT DISCUSSION & ANALYSIS
# FOR THE QUARTER ENDED JUNE 30, 2012

Dated: August 24, 2012

## ***T A B L E  of  C O N T E N T S***

This Management Discussion & Analysis (“MD&A”) is comprised of the following sections:

## *INTRODUCTION*

*This MD&A has been prepared as of August 24, 2012, and should be read in conjunction with the Company's unaudited consolidated financial statements with accompanying notes for the quarter ended June 30, 2012, which have been prepared in accordance with International Financial Reporting Standards (IFRS).*

*The objective of this MD&A is to help the reader understand the factors affecting the Company's past and future financial performance. All amounts are reported in U.S. dollars and rounded to the nearest thousand where appropriate, unless otherwise stated. Additional information on the Company can be found in the filings with Canadian security commissions on SEDAR at [www.sedar.com](http://www.sedar.com).*

### *Cautionary Statement Regarding Forward-Looking Statements*

*This MD&A contains "forward-looking statements". Forward-looking statements include, but are not limited to, statements with respect to the estimation of mineral resources, the timing and content of upcoming programs, the realization of mineral resource estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to international operations; actual results of planned expansion activities; changes in project parameters as plans continue to be refined; future prices of resources; exchange rates for Canadian and U.S. currencies; possible variations in grade or recovery rates, accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; general economic, market or business conditions as well as those factors discussed under "Description of the Business – Risk Factors" in the latest Annual Information Form. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. In making the forward-looking statements in this MD&A, the Company has made certain key assumptions, including, but not limited to, the assumptions that merited mineral assets or projects can be acquired and financings are available. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statements or information made in this MD&A, except as required under applicable securities legislation.*

## *C O M P A N Y   P R O F I L E*

Spur Ventures Inc. ("Spur" or the "Company") is a company listed on the TSX Venture Exchange ("TSX-V") 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 the sale of Spur BVI, the Company is now focused on making potential acquisitions or other business arrangements in gold, base metals or other mineral-related assets or businesses.

As disclosed in Note 4 of the condensed interim consolidated financial statements for the period ended June 30, 2012, the Company now operates entirely in Canada but may consider future business opportunities in other countries. Previously it operated in one operating segment, the fertilizer industry, and had two geographic locations, China and Canada. The discontinued operations reflect the Chinese operations and the continuing operations reflect the Canadian operations. Subsequent to the sale of the Chinese operations, the Company is no longer in the Chinese fertilizer industry.

## *C O M P A N Y   U P D A T E*

### Sale of Spur BVI

On January 10, 2012 the Company announced that it had entered into a share purchase agreement ("Share Purchase Agreement") to sell Spur BVI to Hong Tang Vision Ltd ("HTVL"), a limited liability company registered in the Cayman Islands, for cash consideration of CDN $9.25 million. The Share Purchase Agreement also provided that, if at any time in the future the relevant Chinese authorities remove YMC's current obligation to produce phosphate fertilizers thus licensing YMC to simply be a phosphate mining company, the Company will receive an additional payment of CDN $4.75 million from Hong Tang.

On February 7, 2012 shareholders of the Company approved the sale of Spur BVI to Hong Tang and on February 13, 2012 the Company closed the transaction and received CDN $9.25 million. An accounting gain of approximately $3.8 million from the sale of Spur BVI was recorded. 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.

The sale of Spur BVI reflected the Company's strategic decision to exit its operations in China and represented a key milestone in implementing the Company's strategy announced in October 2008 to focus on acquiring interests in mineral projects in lower risk jurisdictions and in businesses where the Company's skills and knowledge could enhance the success of the venture.

### Company Strategy

With the completion of the sale of Spur BVI on February 13, 2012, the Company has approximately $30 million (approximately $0.50 cash per share) to pursue its previously announced strategy to focus on the acquisition of mineral assets in lower risk jurisdictions.

Until the sale of its Chinese interests the Company needed to maintain significant cash reserves to protect the value of its joint venture rights in China. The sale of the Company's Chinese interests eliminates the related contingent liabilities, removes the need to allocate capital in China to protect the Company's rights there and clears the path to fully embrace the Company's current business plan. The Company believes that the current volatile capital markets combined with the strong underlying fundamentals of certain mineral commodities will provide the Company with the capacity to generate positive returns to its shareholders.

The Company has reviewed opportunities in gold and base metal projects in North American and Latin American countries where the focus has been on the acquisition of privately held projects for cash, public companies where the Company could add value through financing and management support, as well as the acquisition of or participation in existing and new royalty opportunities. The Company has also been using its extensive contact base in the resource community to identify non-core gold, base metal and silver projects of mid and large sized listed mining companies which could be targets for acquisition.

At the Annual General Meeting on June 21, 2012, the Company received shareholder approval allowing the Company to purchase securities of other reporting issuers for cash either in the secondary market or as a private placement from treasury. This change will provide additional flexibility for the Company to meet its business objectives.

The Company continues to examine potential opportunities, primarily in the precious metal sector and has signed confidentiality agreements with several entities in order to better evaluate and review these potential investment opportunities.

**Appointment of President and CEO**

On April 10, 2012, the Company appointed Mr. John Morgan to succeed Dr. Rob Rennie, who retired as President and CEO following the completion of the Company's sale of its phosphate business in China. Dr. Rennie remains with the Company as a Director and a Company advisor.

Mr. Morgan is a geologist with a 35 year career as a mining executive. He has been involved in all phases of mine exploration, planning and development, primarily in gold and coal in a variety of jurisdictions including Central and South America and Canada. He has participated in a diverse range of corporate activities, including technical reports and feasibility studies, corporate mergers and acquisitions and major corporate financings. Mr. Morgan is also a competent Spanish speaker.

Mr. Morgan will be responsible for executing the Company's strategy to pursue potential acquisitions in gold, base metals or other mineral assets or businesses.

## ***F I N A N C I A L   R E S U L T S***

**Spur Consolidated Results**

Q2 2012 loss of $376,000 (Q2 2011 loss: $500,000) comprised of $370,000 loss (Q2 2011 loss: $248,000) attributable to continuing operations and $6,000 loss (Q2 2011 loss: $252,000) attributable to the discontinued operations in China.

Year-to-date (YTD) Q2 2012 earnings of $2,939,000 (YTD Q2 2011 loss: $790,000) comprised of $794,000 loss related to continuing operations (YTD Q2 2011 loss: $435,000) and $3,733,000 earnings related to the disposition of the discontinued operations in China (YTD Q2 2011 loss: $355,000).

Q2 2012 loss per share was $0.01 (Q2 2011 loss per share $0.01), and YTD Q2 2012 earnings per share was $0.05 (Q2 2011 YTD loss per share $0.01). Further details in regards to Q2 2012 results are set out below.

Continuing operations

Interest income increased $21,000 from $76,000 in Q2 2011 to $97,000 in Q2 2012 mainly due to an increase in general interest rate levels.

Total operating expenses increased approximately $146,000 as follows:

- An increase in non-cash stock-based compensation expenses of $73,000;

- An increase in consulting fees of $65,000 related primarily to former CEO, Robert J. Rennie, which provides for his retention as an advisor to the Company for a period of 12 months following his retirement as CEO;

- An increase in professional fees, including legal fees, of $57,000 relating to the Company's transition from a TSX to TSX-V listing as well as in relation to the Company's corporate development activities in identifying potential new investment opportunities;

- These increases were partially offset by a reduction in salaries ($20,000) and travel expenses ($18,000).

Discontinued operations in China

The YTD $3,733,000 earnings in respect of discontinued operations in China comprised of $3,873,000 gain recognized from the sale of Spur BVI, partially offset by $140,000 (YTD Q2 2011: $355,000) in operating expenses including severance payable to employees in the China operations primarily incurred during the three months ended March 31, 2012.

Balance sheet

Net current assets of $29.96 million have increased approximately $3.11 million over the net current assets balance at December 31, 2011 largely attributable to the Company's gain from the sale of Spur BVI in Q1 2012.

The Company continues to maintain a solid cash position with cash and cash equivalents and short-term investments in GICs at the end of June 30, 2012 amounting to $30 million compared to $21.6 million at the end of 2011.

**Capital Management**

Capital includes all components of shareholders' equity. 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. The Company invests its funds in deposits and GICs 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, foreign exchange rates 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 improve working capital. The Company has no asset backed commercial paper exposure.

**Foreign Exchange Gain or Loss**

The Company has determined that the functional currency for entities in China which were sold in Q1, 2012 was the RMB, and for Spur BVI was the U.S. dollar and for Spur Ventures Inc. is the Canadian dollar.

No material foreign exchange gain or loss has been realized in Q2 2012 and 2011 given there were no significant transactions denominated during these periods in currencies other than the functional currencies. Any unrealized foreign exchange gain or loss from translation of functional currencies to U.S. dollar presentational currency is recorded as accumulated other comprehensive income ("AOCI") in the equity section of the balance sheet. As the U.S. dollar appreciated against the Canadian dollar, the AOCI at June 30, 2012 decreased to $0.65 million from $0.86 million at December 31, 2011.

The Company does not use derivatives to hedge against exposures to foreign currency arising from the Company's balance sheet liabilities; therefore the AOCI is expected to increase or decrease depending on the strength of U.S. currency.

**Summary of Quarterly Results (unaudited)**

| | Qtr ended Jun. 30, 2012 | Qtr ended Mar. 31, 2012 | Qtr ended Dec. 31, 2011 | Qtr ended Sep. 30, 2011 | Qtr ended Jun. 30, 2011 | Qtr ended Mar. 31, 2011 | Qtr ended Dec. 31, 2010 | Qtr ended Sep. 30, 2010 |
|---|---|---|---|---|---|---|---|---|
| **Earnings (Loss) ($)** | (376,080) | 3,315,077 | (490,523) | (476,495) | (499,905) | (290,024) | (365,164) | (379,494) |
| **-from continuing operations ($)** | (370,586) | (423,819) | (223,532) | (217,409) | (247,647) | (186,994) | (165,824) | (155,628) |
| **-from discontinued operations ($)** | (5,494) | 3,738,896 | (266,991) | (259,086) | (252,258) | (103,030) | (199,340) | (223,866) |
| **Earnings (Loss) per share ($) *** | (0.01) | 0.05 | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) |
| **-from continuing operations ($)** | (0.01) | (0.01) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) |
| **-from discontinued operations ($)** | (0.00) | 0.06 | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) |
| **Dividends per share ($)** | - | - | - | - | - | - | - | - |
| **Weighted average number of shares outstanding *** | 60,607,187 | 61,263,437 | 60,407,187 | 60,407,187 | 60,407,187 | 60,407,187 | 60,407,187 | 60,407,187 |

* on a fully diluted basis where applicable

For continuing operations, the loss in Q1 and Q2 2012 was higher than prior periods primarily due to non-cash stock-based compensation charges ($170,000 and $85,000 respectively). The loss in Q3 and Q4 2010 was lower than other periods because of low stock-based compensation charges ($16,000 each quarter ).

For discontinued operations, the loss in Q2 2012 was close to nil following the sale of the Company's Chinese operations in Q1 2012 where a $3.87 million gain was recognized on the sale. The loss in Q1 2011 was lower than other periods mainly due to sales of obsolete inventories and parts ($67,000).

## ***LIQUIDITY and CAPITAL RESOURCES***

At the end of June 30, 2012, the Company maintained a balance of $30 million in cash deposits and short-term GICs with major Canadian financial institutions.

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:

| | Office lease |
|---|---|
| **2012** | **$ 31,325** |
| **2013** | **$ 75,941** |
| **2014** | **$ 75,941** |
| **2015** | **$ 56,956** |

The Company does not have any off-balance sheet arrangements.

The Company believes that it has sufficient funding to meet its obligations and to maintain administrative and operational expenditures for the next 12 months**.**

## O U T L O O K

With the completion of the sale of Spur BVI on February 13, 2012, the Company has approximately $30 million with which to pursue its previously announced strategy to acquire mineral assets or related businesses in lower risk jurisdictions.

The Company is focused on potential acquisitions in gold, base metals or other mineral-related assets or businesses.

## O T H E R  M D & A  R E Q U I R E M E N T S

### 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).

### Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

Note 3 to the audited annual consolidated financial statements for the year ended December 31, 2011 includes a summary of the Company's significant accounting policies.

### Outstanding Share Data

As of the date of this report, the Company had the following shares and options outstanding:

| | Number | Exercise Price CAD | Expiry Date |
|---|---|---|---|
| Shares | 60,407,187 | N/A | N/A |
| Stock options | 20,000 | 0.50 | December 3, 2012 |
| Stock options | 830,000 | 0.90 | June 26, 2013 |
| Stock options | 300,000 | 0.28 | July 28, 2014 |
| Stock options | 1,750,000 | 0.37 | August 12, 2016 |
| Stock options | 1,000,000 | 0.40 | April 10, 2017 |
| Stock options | 100,000 | 0.37 | May 10, 2017 |
| Total | 64,407,187 | | |

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. The weighted average exercise price at June 30, 2012 was CDN$0.47 (2011 – CDN$0.80). The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with assumptions as follows:

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

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).

**Financial instruments and risks**

The Company classifies its financial instruments in the following categories: at fair value through profit and loss, loans and receivables, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition. Where the Company expects to realize the asset or discharge the liability within twelve months, it is recorded as a current asset or liability; otherwise, it is recorded as a long-term asset or liability.

Financial assets and liabilities at fair value through profit and loss are considered to be held for trading. A financial asset or liability is classified in this category is acquired principally for the purpose of selling or redeeming in the short-term. Derivatives are included in this category unless they are designated as hedges.

Financial assets and liabilities carried at fair value through profit and loss are initially recognized at fair value and are subsequently re-measured to their fair value at each statement of financial position date. Realized and unrealized gains and losses arising from changes in the fair value of these financial assets or liabilities are included in the statement of income in the period in which they arise.

Available-for-sale financial assets are non-derivatives that are either designated as available for sale or not classified in any of the other categories. Available-for-sale assets are initially recorded at fair value plus transaction costs and are subsequently carried at fair value. Unrealized gains and losses arising from changes in the fair value of non-monetary assets classified as available-for-sale are recognized in other comprehensive income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. The Company classifies its other receivables and cash and cash equivalents in the interim consolidated balance sheets, as loans and receivables. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Other financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received (net of transaction costs) and the redemption value is recognized in the statement of income over the period to maturity using the effective interest method.

Three levels of the fair value hierarchy are classified as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly;

Level 3 – Inputs that are not based on observable market data.

**Information of the Company's financial instruments is summarized as follows:**

| June 30, 2012 | Loans and Receivables $ | Other financial liabilities $ | Total Carrying Amount $ | Total Fair Value $ | Fair value hierachy level |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| Cash and deposits | 72,257 | - | 72,257 | 72,257 | ( * ) |
| Guaranteed investment certificates (GICs) | 29,927,799 | - | 29,927,799 | 29,927,799 | ( * ) |
| Receivables | 99,723 | - | 99,723 | 99,723 | ( * ) |
| **Financial Liabilities** | | | | | |
| Accounts payable and accrued liabilities | - | 170,476 | 170,476 | 170,476 | ( * ) |

| December 31, 2011 | Loans and Receivables $ | Other financial liabilities $ | Total Carrying Amount $ | Total Fair Value $ | Fair value hierachy level |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| Cash and deposits | 96,220 | - | 96,220 | 96,220 | ( * ) |
| Guaranteed investment certificates (GICs) | 21,599,524 | - | 21,599,524 | 21,599,524 | ( * ) |
| Receivables | 75,688 | - | 75,688 | 75,688 | ( * ) |
| **Financial Liabilities** | | | | | |
| Accounts payable and accrued liabilities | - | 171,847 | 171,847 | 171,847 | ( * ) |

( * ) The carrying amount of accounts receivable, accounts payable and accrued liabilities approximates fair value due to their short term nature.

Management has determined that there are no embedded derivatives.

### Credit risk

The Company maintains a substantial portion of its cash and cash equivalents and short term fixed interest investments with major financial institutions in Canada.

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 assets are Canadian dollar short-term money market instruments. Fluctuations in exchange rates among the Canadian dollar and U.S. dollar could have a material effect on the business and financial condition of the Company. Based on the balances as at June 30, 2012, other things being equal, a foreseeable 1% increase (decrease) in the exchange rate of converting one U.S. dollar into Canadian dollars on that day would have resulted in an decrease (increase) of approximately $297,000 in accumulated other comprehensive income on the balance sheet. The Company does not anticipate significant impact of foreign currency translation on earnings unless significant transactions denominated in currencies other than functional currencies take place.

**Interest rate risk**

The Company's interest rate risk mainly arises from the interest rate impact on its interest income derived from Canadian Dollar cash and deposits. The Company's policy is to receive interest based on market rates, and, where necessary, to borrow at fixed rates although as at June 30, 2012, the Company had no outstanding debt. Based on the balances of cash and cash equivalent and short-term investments as at June 30, 2012, other things being equal, a 1% increase (decrease) in the interest rate on that day would have resulted in an increase (decrease) of approximately $75,000 in earnings before income taxes.

**Liquidity Risk**

The Company has been keeping its cash resources in highly liquid short term investment such as guarantee investment certificates offered by major Canadian financial institutions and monitors its cash spending not to exceed available cash resources.

**Other Risk Factors**

Please refer to the Company's 2011 Annual Information Form which is available on the SEDAR database at www.sedar.com.

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