

**SPUR VENTURES INC.  
MANAGEMENT DISCUSSION & ANALYSIS  
FOR THE QUARTER ENDED SEPTEMBER 30, 2008**

Dated: November 14, 2008

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

*This Management's Discussion and Analysis ("MD&A") has been prepared as of November 14, 2008, and should be read in conjunction with the unaudited interim consolidated financial statements with accompanying notes of Spur Ventures Inc. (the "Company") for the quarter ended September 30, 2008 which have been prepared in accordance with Canadian Generally Accepted Accounting Principles.*

*This MD&A contains certain statements that may be deemed to be "forward-looking statements" regarding the timing and content of upcoming programs. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those expressed in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, future prices of nitrogen, phosphate and potash, exploration successes, continued availability of capital and financing, the exchange rates for Canadian, US and Chinese currencies, Chinese policies on fertilizer and agriculture, and general economic, market or business conditions.*

*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).*

**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 mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of the properties, and future profitable production or proceeds from the sale of fertilizer products.

In December 2003, the Company entered into agreements to obtain title to certain mineral properties located in Hubei Province, China by forming a 90% controlled 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. YMC has not yet commenced active operations. The titles to the two primary mining properties remain in the name of YPCC, and are in the process of being formally approved for transfer to YMC. The first approval stage was completed in late December 2006 when Yiling District (Dianziping mine site) and Xinshang County (Shukongping mine site) officially recommended approval of the transfers to the Yichang City level. Yichang City completed its due diligence on the transfers in the first quarter of 2007. Since the two Mining Licenses are considered state assets and are being transferred to a foreign-controlled joint venture, it is necessary to complete an assessment ("Resource Report") of the current value of the mines updated from that made at the time the original joint venture contract was signed in

2003. The Resource Report for the Yichang Maple Leaf Chemicals (YMC) mines has been completed and is being reviewed by officials of the Government of Yichang City prior to formal submission to the Central Ministry of Land and Resources. Having a current mine value is the last formal step in the process of the mining license transfer recommendation from Yichang City to Hubei Province. This Resource Report must be approved by the Central Ministry of Land and Resources and forms an integral part of the file that will be transferred from Yichang City to Hubei Province Land and Resources as part of the Mining License transfer process.

Effective January 01, 2008, new Ministry of Commerce regulations on foreign investment placed phosphate mines in the restricted category. Spur has received expert opinions from the Central Ministry of Land and Resources and legal counsel that Spur's rights based on the 2003 joint venture contract will be "grandfathered" and are not affected by this new restriction. However whereas previously Hubei Province Land and Resources could be the final approval stage for the transfer, these new regulations now require final approval at the Central Land and Resources level.

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.

Management acknowledges that for the Yichang Phosphate Project to be successful it will require significant equity and/or debt financing. The Company has successfully raised financing in the past for the early stages of this project; however, there is no assurance that the Company will be successful in raising this financing in the future. Management considers that the Company has sufficient funding to meet its obligations and maintain administrative and operational expenditures for at least the next 12 months.

## **2. Significant Events**

- **Termination of Zhong Chuan private placement agreement**

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.

The Company did not receive the private placement proceeds before the September 26, 2008 extended deadline announced in the Company's August 28, 2008 press release. On October 30, 2008, the Company terminated the agreement with Zhong Chuan.

Several organizations, both in China and abroad, have expressed interest in investing in either the MAP Project or in Spur to replace Zhong Chuan.

- **Project update**

Management concluded in the third quarter of 2007 that price levels of certain raw materials, especially potash, were too high for the NPK fertilizer facility to be viable, and planned to upgrade the current facility to produce MAP (Mono-ammonium phosphate), which does not rely on potash and has better economic prospects. At the date of this

report, the plant is estimated to cost approximately \$18.25 million (RMB125 million), and the Company currently has \$9.58 million (RMB65.57 million) in signed contracts for the MAP project, of which \$6.24 million (RMB42.73 million) work of contracts has been completed, and \$2.48 million (RMB17 million) has been paid, leaving a maximum liability, based on work completed, of approximately \$3.76 million.

On October 30, 2008, the Company announced the suspension of construction of the MAP plant pending a complete review of the impact of the global financial crisis on the Chinese economy and the fertilizer sector. Upon suspension of the MAP project, management estimated that through negotiations with suppliers and contractors, the final contract obligations might be less than \$3.76 million.

The Company also announced that it decided to use its financial resources to make strategic investments in stressed Canadian natural resource opportunities to maximize value for all shareholders. Consistent with this strategy, the Company converted a total of \$20.37 million into CDN\$24.73 million after September 30, 2008.

- **Shareholder Rights Plan**

The Company has announced the implementation of a Shareholder Rights Plan (the 'Rights Plan') for the Company to ensure the fair treatment of all shareholders in the event of any take-over offer for the Company's common shares. The Rights Plan is not intended to prevent take-over bids that treat shareholders fairly and offer fair value, and permits bids that meet certain requirements intended to protect the interests of all shareholders.

The Company is not adopting the Rights Plan in response to, or in anticipation of, any specific take-over bid or proposal to acquire control of the Company, and is similar to plans adopted by other Canadian companies. The Rights Plan has now been approved by the Toronto Stock Exchange and is subject to ratification by the Company's shareholders at the next meeting of shareholders.

- **Cash and term-deposits** stand at approximately CDN\$25 million at the date of this report. The Company has no asset backed commercial paper.

### **3. Results of Operations – Q3 2008**

#### **Yichang Spur Chemicals (YSC)**

Because the fertilizer plant has been idled since August 2007, sales revenues have decreased substantially. Q3 2008 sales were \$53,000 (Q3 2007: \$2,047,000) and sales for the nine months ended September 30, 2008 (YTD 2008) were \$333,000 (YTD 2007: \$6,428,000). Loss in Q3 2008 was \$345,000 (Q3 2007 loss: \$78,000) and YTD 2008 loss was \$1,008,000 (YTD 2007 loss: \$638,000).

#### **Yichang Maple Leaf Chemicals (YMC)**

YMC has been focusing on the mining license transfer.

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.

After very thorough due diligence the first approval stage was completed in late December 2006 when Yiling District (Dianziping mine site) and Xinshang County (Shukongping mine site) officially approved the transfer to the Yichang City level.

Yichang City completed its due diligence on the transfers in the first quarter of 2007. Since the two Mining Licenses are considered state assets and are being transferred to a foreign-controlled joint venture, it is necessary to complete an assessment ("Resource Report") of the current value of the mines updated from that made at the time the original joint venture contract was signed in 2003.

This Resource Report must be approved by the Central Ministry of Land and Resources and forms an integral part of the file that will be transferred from Yichang City to Hubei Province Land and Resources as part of the Mining License transfer process.

Effective January 01, 2008, new Ministry of Commerce regulations on foreign investment placed phosphate mines in the restricted category. Spur has received expert opinions from the Central Ministry of Land and Resources and legal counsel that Spur's rights based on the 2003 joint venture contract will be "grandfathered." and are not affected by this new restriction. However whereas previously Hubei Province Land and Resources could be the final approval stage for the transfer, these new regulations now require final approval at the Central Land and Resources level.

### **Spur Consolidated Results**

The loss in Q3 2008 was \$469,000 (Q3 2007 loss: \$524,000) and the YTD 2008 loss was \$1,950,000 (YTD 2007 loss: \$2,548,000). The reduction in YTD loss is mainly attributable to a reduction of operating expenses. Q3 2008 loss per share was \$0.008 (Q3 2007: \$0.009) and the YTD 2008 loss per share was \$0.033 (YTD 2007: \$0.043).

The operating expenses in Q3 2008 were \$706,000 (Q3 2007: \$1,163,000) and YTD 2008 operating expenses were \$2,972,000 (YTD 2007: \$3,562,000). The reduction in Q3 2008 operating expenses is attributable to \$327,000 less mineral property costs and \$110,000 recovery of bad debts.

Because YSC was idled in Q3 2007, year end balances of certain accounts impacted directly by sales and production also decreased from December 31, 2007 to September 30, 2008. These include reductions in accounts receivable from \$239,000 to \$45,000, inventory from \$520,000 to \$288,000, prepaid expenses from \$152,000 to \$93,000, payable and accrued liabilities related to operating activities from \$730,000 to \$514,000. Accrued liabilities related to the MAP project construction in progress increased from \$nil to \$3,965,704 due to construction of the MAP project.

The Company's cash and cash equivalents and short-term investments at the end of Q3 2008 amounted to \$22.2 million compared to \$25.0 million at December 31, 2007, reflecting the Company's solid cash position. Q3 2008 interest income was \$144,000 (Q3 2007: \$264,000) and YTD 2008 interest income was \$465,000 (YTD 2007: \$789,000) due to a decline in general interest rate levels. The Company believes that it has sufficient funding to meet its obligations and to maintain administrative and operational expenditures for the next 12 months.

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 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 improve working capital. The Company has no commercial paper exposure.

### **Foreign Exchange Gain or Loss**

The foreign exchange loss was \$58,000 for Q3 2008, compared to a foreign exchange gain of \$328,000 for Q3 2007. The unrealized foreign exchange loss was mainly a result of converting RMB into US Dollar in the translation of the Company's integrated joint ventures YMC and YSC using the temporal method. 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.

The Company conducts business in China, with most costs and revenues in Chinese Renminbi, while the Vancouver head office incurs expenses in Canadian dollars. Foreign exchange losses or gains are dependent upon the exchange rate relationship among the U.S. Dollar, Chinese Renminbi and Canadian Dollar. It is anticipated that exchange rates will be volatile over the coming quarters. This may result in foreign exchange fluctuating between gains or losses on a quarterly basis. The Company does not use derivatives to hedge against exposures to foreign currency arising from the Company's balance sheet liabilities, therefore the Company is exposed to future fluctuations in the three currencies.

### **4. Summary of Quarterly Results (unaudited)**

	Qtr ended Sep. 30, 2008	Qtr ended Jun. 30, 2008	Qtr ended Mar. 31, 2008	Qtr ended Dec. 31, 2007	Qtr ended Sep. 30, 2007	Qtr ended Jun. 30, 2007	Qtr ended Mar. 31, 2007	Qtr ended Dec. 31, 2006
Total revenues (\$) [restated]	52,578	176,182	104,450	615,339	2,046,813	1,513,971	2,866,836	2,171,683
Net loss before accounting change (\$)	(315,619)	(554,469)	(379,888)	(1,936,256)	(43,746)	(910,020)	(376,540)	(4,764,608)
Mineral property costs expensed (See Section 8)	(153,069)	(444,992)	(102,404)	(352,913)	(480,437)	(525,352)	(212,127)	(90,829)
Net loss after accounting change (\$) [restated]	(468,688)	(999,461)	(482,292)	(2,289,169)	(524,183)	(1,435,372)	(588,667)	(4,855,437)
Basic and diluted loss per share (\$)	(0.008)	(0.017)	(0.008)	(0.039)	(0.009)	(0.024)	(0.010)	(0.083)
Weighted average number of common shares outstanding	60,389,796	60,111,949	58,740,520	58,740,520	58,740,520	58,740,520	58,740,520	58,740,520

Results of some quarters include significant charges that do not normally occur quarterly. Q4 2006 results included a one time impairment charge of \$4,328,000 on long-lived assets, and the \$2,289,000 loss in Q4 2007 included a \$446,000 write-off of Tianren acquisition costs and a \$376,000 provision for bad debts.

### **5. Liquidity and Capital Resources**

At the end of Q3 2008, the Company maintained a balance of cash and cash equivalents and short-term investments of \$22.2 million, including \$20.3 million in U.S. Dollar Term Deposits,

\$0.47 million in Canadian Dollar Term Deposits, \$0.16 million in Chinese Renminbi Term Deposits and the rest in cash.

As at September 30, 2008, the Company had \$9.26 million (RMB63.39 million) in signed contracts for the MAP project, of which \$6.24 million (RMB42.73 million) work of contracts has been completed, and \$2.41 million (RMB16.5 million) has been paid.

The Company also has the following office lease commitment:

2008 \$53,135

2009 \$13,467

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

## **6. Transactions with Related Parties**

During the three months ended September 30, 2008, the Company paid consulting fees of \$50,275 to two companies controlled by one officer and one director (2007: \$39,897 to two companies controlled by one director and one officer).

During the nine months ended September 30, 2008, the Company paid consulting fees of \$176,841 to three companies controlled by two officers and one director (2007: \$109,095 to two companies controlled by one director and one officer).

Accounts payable to these companies for expenses incurred were nil at the end of September 30, 2008 (2007: nil). Except for the account receivable of RMB2,321,578 (\$339,073) 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.

## **7. Critical Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Items subject to significant management estimates include the amounts recorded for stock-based compensation and the assessment of recoverable values. Actual results could differ from those reported.

## **8. Changes in Accounting Policies including Initial Adoption**

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 increased by \$3,112,768 from \$15,455,024 to \$18,567,792, and the loss for the nine months ended September 30, 2007 increased by \$1,217,916 from \$1,330,306 to \$2,548,222.

Effective January 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

### *a) Section 1400 - 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 discussed in the last paragraph of "Spur Consolidated Results" in Section 3 of this report.

### *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 three months ended March 31, 2008, except for the required note disclosures.

### **Requirement to adopt International Financial Reporting Standards (IFRS) starting 2011**

In February 2008, the Accounting Standards Board approved a strategic plan which requires public companies to adopt IFRS for fiscal periods beginning on or after January 1, 2011. The Company will need to prepare comparative financial information under IFRS as of January 1, 2010. The Company is planning for the change to IFRS.

## 9. Outstanding Share Data

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

	<b>Number</b>	<b>Exercise Price CAD</b>	<b>Expiry Date</b>
Shares	60,407,187	N/A	N/A
Stock options	200,000	1.50	December 31, 2008
Stock options	1,250,000	1.50	July 23, 2009
Stock options	500,000	1.80	March 1, 2010
Stock options	200,000	1.50	September 16, 2010
Stock options	625,000	1.03	July 4, 2011
Stock options	200,000	0.64	January 4, 2012
Stock options	20,000	0.55	April 4, 2012
Stock options	20,000	0.50	December 3, 2012
Stock options	905,000	0.90	June 26, 2013
Total	64,327,187		

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 Q3 2008 compensation expense of \$83,115 was recognized (2007: \$55,999) for options granted in the current period and prior years. YTD 2008 compensation expense was \$142,692 (2007: \$214,737) for options granted in the current period and prior years.

## 10. Outlook

### The Current Global Economic Situation

While the fundamentals for food and fertilizers remain strong, particularly in the BRCI countries, the Company has decided to temporarily suspend the construction of its MAP project and to reduce costs until stability returns to the market.

The Company continues to seek other partners interested in the project.

### Transforming YSC

Spur is transforming Yichang Spur Chemical (“YSC”) from solely a NPK producer for farmers into a producer of Mono-ammonium Phosphate (11-44-0) (“MAP”) for industrial and export customers as well as specialty NPK’s. This additional product production capacity will leverage off Spur’s current investments in YSC while giving it the manufacturing flexibility required to meet the changing needs of China's emerging market.

Spur’s intention is to provide powdered MAP to the NPK industry thus repositioning itself as an industrial rather than a direct agricultural supplier of compound phosphate fertilizers. Ninety percent of powdered MAP is sold to NPK producers and Spur has received Letters of Intent from NPK producers for 230,000 mt/yr of its intended 200,000 mt/yr of MAP production.”



This new MAP plant will be the first stage of Spur's investment in the Sino-Canadian Integrated Phosphate Project (see below).

YSC's location in the heart of the phosphate mining region and on the Yangtze River provides it with a number of advantages for the manufacture of MAP, including security of supply and distinct transportation advantages.

### **Sino-Canadian Integrated Phosphate Project**

Spur firmly believes only those firms that control their own raw materials, have production facilities with economies of scale and can deliver their products effectively to the market will be successful in China.

The clock started ticking for the mining license transfers in the second quarter of 2005 after the two mining licenses had been formally issued to YPCC and Spur made its first Registered Capital contribution. This is not a long time for the transfer of a natural resource anywhere in the world, and certainly not in China.

The key drivers for the YMC Project remain the increase in the need for food in China due to an ever growing population and less arable land. The Chinese government continues to make reforms to land tenure and to encourage higher agricultural production through increased crop prices, export tariffs on fertilizers to ensure sufficient domestic supply and emphasis on higher application rates of balanced fertilizer products.

The focus of Spur's strategy remains YMC's Yichang Integrated Phosphate Project. Spur plans to be fully integrated from mining through flexible manufacturing of compound phosphate fertilizers to the market place. Flexible manufacturing means that Spur may produce Mono-ammonium Phosphate fertilizer ("MAP"), or NPK's, depending on market demand

## **11. Disclosure Controls and Procedures**

### **Internal controls over financial reporting**

For the quarter ended June 30, 2008, no changes were made in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Other matters**

The Company has a disclosure policy approved by the Board of Directors, and management is reasonably confident that material information relating to the Company, including its consolidated subsidiaries, will be made known to senior management in a timely manner, and that the Company's disclosure controls and procedures will be effective not only with respect to the Company's annual filing requirements but on an ongoing basis.

## **12. Risk Factors**

The Company's business is in China which, despite recent government policy changes, carries risk for foreign owned operations.

**China has an evolving legal structure.** Many laws and regulations dealing with economic matters in general, and foreign investment in particular, have been promulgated, including changes to the Constitution of China to authorize foreign investment and to guarantee "the lawful

rights and interests" of foreign investors in China. Nevertheless, China does not have a comprehensive system of laws, and the legal and judicial systems in China in respect of commercial laws are rudimentary. In addition, enforcement of existing laws may be uncertain and sporadic, and may be subject to domestic politics.

**China is an emerging economy.** Although the Chinese economy has experienced significant growth in the recent past, such growth has been uneven among various sectors of the economy and geographic regions. The central government and even provincial and municipal governments continue to play a significant role in the planning of the economy, not always in a coordinated fashion.

**Investment in China can be affected by significant political, economic and social uncertainties.** Any change in laws and policies by the Chinese government could affect the Company's investment in China. Circumstances such as a change in leadership, social or political disruption may benefit or limit the Chinese government's abilities to pursue such policies. The current global financial crisis is causing serious adverse consequences in China and the world, including sharp declines in commodity prices, global financial turmoil and volatility in foreign exchange markets, which could have a significantly negative impact on the Company's business operations in China.

**Need to Obtain Permits and Licenses.** Although China is progressing towards a market-oriented economy, it is still a centrally planned economy. The operations of the Company require government review, licenses and permits from various government agencies, and there is no guarantee the Company will be granted all required licenses and permits.

**Chinese Costs.** There continues to be "made in China" pricing for raw materials, minerals and fertilizers which differs from international prices. The continued rapid growth in the Chinese economy is affecting both fertilizer input prices and international freight rates for imports. Spur assumes that raw material prices in China will eventually be set based on import parity.

- End -