Spur Ventures Inc.

Interim Consolidated Financial Statements
September 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)

	September 30, 2008	December 31, 2007
ASSETS		
Current		
Cash and cash equivalents (Note 4)	$ 13,155,007	$ 21,124,306
Short-term investments (Note 5)	9,136,123	3,862,759
Accounts and notes receivable	45,353	239,322
Inventory (Note 6)	287,854	519,992
Prepaid expenses	93,467	152,182
Due from joint venture partner (Note 10)	339,073	309,728
	23,056,877	26,208,289
Property, plant & equipment (Note 7)	9,584,398	4,380,126
Land use rights (Note 8)	350,863	387,475
	$ 32,992,138	$ 30,975,890
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 4,479,460	$ 730,176
Customer deposits	47,130	37,998
	4,526,590	768,174
Non-controlling interest (Note 9)	135,436	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))		
60,407,187 Common shares (2007: 58,740,520)	41,386,379	39,822,134
Contributed surplus (Note 11(c))	7,081,659	7,536,550
Accumulated other comprehensive income	5,217,698	5,812,795
Deficit	(25,355,624)	(23,405,183)
	28,330,112	29,766,296
	$ 32,992,138	$ 30,975,890

APPROVED BY THE DIRECTORS

Robert G. Atkinson	*Robert J. Rennie*
Director	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		Nine months ended	
	September 30, 2008	September 30, 2007 (Restated - see Note 2)	September 30, 2008	September 30, 2007 (Restated - see Note 2)
Sales	$ 52,578	$ 2,046,813	$ 333,210	$ 6,427,620
Cost of sales	52,071	1,999,176	209,127	6,162,748
Gross Profit	507	47,637	124,083	264,872
Expenses				
Consulting fees	59,296	57,701	273,063	200,430
Depreciation and amortization	119,774	80,256	360,387	182,671
Interest	-	16,181	-	86,382
Mineral property costs (Note 2)	153,069	480,437	700,465	1,217,916
Office and miscellaneous	67,973	93,837	233,145	256,476
Printing and mailing	66	(3,338)	33,969	28,681
Professional fees	15,511	13,857	209,799	150,616
Provision for (recovery of) bad debts	(109,957)	-	(103,806)	-
Rent	53,482	56,500	167,071	170,836
Repairs and maintenance	9,188	2,059	14,193	6,863
Selling expenses	1,755	74,292	21,567	292,171
Stock-based compensation expenses (Note 11(c))	83,115	55,999	142,692	214,737
Transfer agent and filing fees	5,590	8,491	30,337	38,768
Travel, advertising and promotion	55,576	71,516	204,415	134,207
Wages and benefits	191,714	155,328	684,741	581,267
	706,152	1,163,116	2,972,038	3,562,021
Operating loss	(705,645)	(1,115,479)	(2,847,955)	(3,297,149)
Other income and expenses				
Interest income	144,067	263,522	464,542	789,215
Foreign exchange gain (loss)	(58,174)	327,774	126,947	(40,288)
	85,893	591,296	591,489	748,927
Loss before non-controlling interest	(619,752)	(524,183)	(2,256,466)	(2,548,222)
Non-controlling interest	151,064	-	306,025	-
Loss for the period	(468,688)	(524,183)	(1,950,441)	(2,548,222)
Deficit, Beginning of the period (Note 2)	(24,886,936)	(20,591,831)	(23,405,183)	(18,567,792)
Deficit, End of the period	$ (25,355,624)	$ (21,116,014)	$ (25,355,624)	$ (21,116,014)
Basic and diluted income/(loss) per common share	$ (0.008)	$ (0.009)	$ (0.033)	$ (0.043)
Weighted average number of common shares outstanding	60,389,796	58,740,520	59,749,766	58,740,520

The 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		Nine months ended	
	September 30, 2008	**September 30, 2007 (Restated - see Note 2)**	**September 30, 2008**	**September 30, 2007 (Restated - see Note 2)**
Loss for the period	$ (468,688)	$ (524,183)	$ (1,950,441)	$ (2,548,222)
Other comprehensive income, net of tax:				
Unrealized gain (loss) on translating financial statements from functional currency to reporting currency	(338,002)	1,147,445	(595,096)	2,708,606
Comprehensive income (loss) for the period	$ (806,689)	$ 623,262	$ (2,545,537)	$ 160,384

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		Nine months ended	
	September 30, 2008	September 30, 2007 (Restated - see Note 2)	September 30, 2008	September 30, 2007 (Restated - see Note 2)
Cash flows from operating activities				
Net loss for the period	$ (468,688)	$ (524,183)	$ (1,950,441)	$ (2,548,222)
Items not affecting cash				
Depreciation and amortization	119,774	139,721	360,387	436,591
Stock-based compensation	83,115	55,999	142,692	214,737
Foreign exchange (gain)/loss	57,388	(328,311)	(129,065)	31,142
Inventory adjustment	915	(24,224)	(87,221)	(242,994)
Provision for (recovery of) bad debts	(109,957)	-	(103,806)	-
Non-cash mineral property costs	-	480,437	167,475	1,217,916
Net changes in non-cash working capital				
Accounts receivable	17,365	29,898	185,415	430,284
Inventory	121,493	914,252	347,674	1,402,521
Prepaid expenses	(16,150)	114,850	34,834	515,068
Accounts payable and accrued liabilities	(124,285)	(658,248)	(283,160)	(912,652)
Customers deposits	8,380	104,456	15,096	(477,594)
Non-controlling interest	(151,112)	-	(306,073)	-
	(461,762)	304,647	(1,606,193)	66,797
Cash flows from investing activities				
Capital expenditures paid	(1,536,480)	(299,963)	(2,009,620)	(808,300)
Acquisition of other assets	-	(6,148)	-	(17,579)
Decrease/(Increase) in restricted cash	-	(132,046)	-	(196,340)
Proceeds from disposal of investments	14,411,407	15,760,428	21,072,287	18,878,161
Purchase of short-term investments	(8,664,249)	(4,654,335)	(26,408,149)	(12,786,188)
	4,210,678	10,667,936	(7,345,482)	5,069,754
Cash flows from financing activities				
Issuance of shares for cash - net of issue costs	41,473	-	966,650	-
Bank indebtedness repayment	-	(516,716)	-	(1,296,663)
	41,473	(516,716)	966,650	(1,296,663)
Effect of exchange rate changes	93,924	716,907	15,725	645,981
Increase (decrease) in cash and cash equivalents	3,884,314	11,172,774	(7,969,300)	4,485,869
Cash and cash equivalents, beginning of the period	9,270,693	4,307,357	21,124,306	10,994,262
Cash and cash equivalents, end of the period	$ 13,155,007	$ 15,480,131	$ 13,155,007	$ 15,480,131
Supplemental cash flow disclosure				
Interest received	$ 147,294	$ 315,752	$ 505,719	$ 919,010
Interest paid	-	(12,210)	-	(85,757)
Changes in accrued liabilities related to the MAP project construction in progress	$ 3,965,704	-	$ 3,965,704	-

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 been discussing with other interested partners 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. There are significant risks and measurement uncertainties that are not within the Company's control, including, but not limited to construction cost, raw material sourcing, product marketing, raw material costs, financing, political risks and global economic conditions.

Management have not recorded a current impairment charge against the existing land use rights (Note 8) or fertilizer plant and equipment (Note 7) as management believes the conversion and expansion plans for the plant will lead to an economically viable operation in the future. Several investors, both in China and abroad have expressed an interest in investing. Management continues to work towards the transfer of the mining licenses to YMC (Note 9), which will secure 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 required 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.

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

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 nine months ended September 30, 2007 was 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 - 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 nine months ended September 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 $13,155,007 includes $11,814,319 U.S. Dollar Term Deposits with major Canadian financial institutions. The term deposits bear interest at rates of 3.50% per annum and mature in October and November 2008 and with maturities at inception under 90 days.

5 Short-term investments

Short-term investments of $9,136,123 consist of $8,503,724 U. S.Dollar Term Deposits, $471,742 Canadian Dollar Term Deposits, and $160,657 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 and the Chinese 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 2.80% to 3.80% per annum up to one year and mature between October 2008 and April 2009.

6 Inventory

	Sep 30, 2008	December 31, 2007
Raw materials	$ 225,548	$ 280,107
Finished goods	-	16,799
Consumables and parts	62,306	223,086
	$ 287,854	$ 519,992

7 Property, plant and equipment

	September 30, 2008			December 31, 2007		
	Adjusted Cost	Accumulated Amortization	Net Book Value	Adjusted Cost	Accumulated Amortization	Net Book Value
Building	$ 1,718,496	$ 192,201	$ 1,526,295	$ 1,843,370	$ 114,684	$ 1,728,686
Construction in progress	6,068,812	-	6,068,812	210,126	-	210,126
Machinery and equipment	2,299,950	497,960	1,801,990	2,467,075	293,918	2,173,157
Motor vehicles	152,491	70,036	82,455	163,572	56,080	107,492
Office equipment and furniture	170,218	79,609	90,609	207,486	67,819	139,667
Leasehold improvement	35,593	21,356	14,237	38,179	17,181	20,998
Total	**$ 10,445,560**	**$ 861,162**	**$ 9,584,398**	**$ 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

	September 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	$ 374,480	$ 23,617	$ 350,863	$ 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 $135,436 as at September 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:

	September 30, 2008		**December 31, 2007**	
	RMB	**$**	**RMB**	**$**
Total due from YPCC	2,321,578	339,073	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	39,822,134
Issued for cash on exercise of options	1,666,667	966,662
Stock based compensation	-	597,583
Balance as at September 30, 2008	60,407,187	41,386,379

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	142,692	-	142,692
Option exercised	(597,583)	-	(597,583)
Balance as at September 30, 2008	2,524,859	4,556,800	7,081,659

d) Stock options

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

	Options outstanding	Weighted average exercise price CAD
Balance - December 31, 2007	5,550,000	$1.10
Granted	905,000	$0.90
Exercised	(1,666,667)	$0.60
Forfeited/expired	(868,333)	$1.11
Balance - September 30, 2008	3,920,000	$1.26

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 nine-month period ended September 30, 2008, compensation expense of $142,692 was recognized (2007: $214,737) for options granted in current period and prior years.

The following table summarizes information about the options outstanding at September 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	416,667
200,000	0.64	January 3, 2012	66,666
20,000	0.55	April 4, 2012	6,667
20,000	0.50	December 3, 2012	-
905,000	0.90	June 26, 2013	-
3,920,000			2,640,000

e) Warrants

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

12 Related party transactions

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.

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.

	September 30, 2008			December 31, 2007		
Geographic Segments	Canada	China	Consolidated	Canada	China	Consolidated
Current assets	$21,113,550	$ 1,943,327	$23,056,877	$21,164,992	$5,043,297	$26,208,289
Property, plant & equipment	22,981	9,561,417	9,584,398	93,923	4,286,203	4,380,126
Land used right	-	350,863	350,863	-	387,475	387,475
Total assets	$21,136,531	$ 11,855,607	$32,992,138	$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 September 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. 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 improve working capital. The Company has no asset backed commercial paper exposure.

16 Commitments

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

17 Subsequent events

a) <u>Termination of Zhongchuan private placement agreement</u>

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 International Mining Holding Company Limited originally announced in the Company's press release of April 14, 2008.

b) <u>Project investment</u>

In the press release of 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. 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.

In the press release of October 30, 2008, 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. Subsequent to September 30, 2008, the Company converted a total of US$20.37 million into C$24.73 million.

c) Adoption of 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.