

# **Spur Ventures Inc.**

## **Interim Consolidated Financial Statements**

**June 30, 2011**

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 and expressed in U.S. dollars )

	June 30, 2011 \$	December 31, 2010 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	230,516	194,918
Short term investments (Note 6)	23,189,902	23,154,604
Prepaid expenses	57,846	56,254
Other receivables	82,549	21,370
	23,560,813	23,427,146
<b>Investment in affiliate (Note 4d)</b>	10,404,997	10,558,327
<b>Property, plant &amp; equipment (Note 7)</b>	1,253,812	1,336,548
	11,658,809	11,894,875
	35,219,622	35,322,021
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 4e)	650,352	688,561
<b>Due to affiliate (Note 4e)</b>	6,166,791	6,046,200
	6,817,143	6,734,761
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9a)	41,386,379	41,386,379
<b>Contributed surplus (Note 9b)</b>	7,503,005	7,474,700
<b>Accumulated other comprehensive income</b>	2,411,405	1,834,736
<b>Deficit</b>	(22,807,809)	(22,042,449)
	28,492,980	28,653,366
<b>Non-controlling interests</b>	(90,501)	(66,106)
	28,402,479	28,587,260
	35,219,622	35,322,021
<b>Commitments (Note 13)</b>		
<b>Subsequent Events (Note 15)</b>		
<b>APPROVED BY THE DIRECTORS</b>		
<i>Donald R. Siemens</i> Director	<i>Robert G. Atkinson</i> Director	

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

# Spur Ventures Inc.

## Interim Consolidated Statements of Loss and Comprehensive Loss

(unaudited and expressed in U.S. dollars )

	<b>Three months ended June 30, 2011 \$</b>	<b>Three months ended June 30, 2010 \$</b>	<b>Six months ended June 30, 2011 \$</b>	<b>Six months ended June 30, 2010 \$</b>
<b>Operating expenses</b>				
Consulting fees	36,303	54,706	73,549	118,949
Depreciation and amortization	65,431	76,326	129,326	175,083
Mineral property costs	614	15,144	614	61,991
Office and miscellaneous	22,552	17,190	43,601	36,659
Professional fees	50,632	33,925	89,365	68,309
Rent	43,845	37,948	90,447	84,760
Stock-based compensation	12,134	32,490	28,305	73,031
Transfer agent and filing fees	7,703	5,412	25,940	21,932
Travel, advertising and promotion	33,036	36,192	61,678	58,592
Wages and benefits	188,662	172,327	313,226	291,936
<b>Loss before the undernoted</b>	<b>(460,913)</b>	<b>(481,660)</b>	<b>(856,051)</b>	<b>(991,242)</b>
<b>Other income (expenses)</b>				
Interest income	75,816	50,900	152,587	91,000
Share of loss on investment in affiliate (Note 4d)	(113,391)	(108,700)	(153,330)	(108,700)
Sales of obsolete inventories and parts	-	-	67,353	11,424
Foreign exchange gain (loss)	(1,417)	(869)	(487)	(2,043)
<b>Loss for the period</b>	<b>(499,905)</b>	<b>(540,329)</b>	<b>(789,928)</b>	<b>(999,561)</b>
<b>Loss attributable to</b>				
<b>Non-controlling interests</b>	<b>(19,650)</b>	<b>(20,440)</b>	<b>(24,568)</b>	<b>(44,166)</b>
<b>Equity shareholders of the Company</b>	<b>(480,255)</b>	<b>(519,889)</b>	<b>(765,361)</b>	<b>(955,395)</b>
<b>Loss for the period</b>	<b>(499,905)</b>	<b>(540,329)</b>	<b>(789,928)</b>	<b>(999,561)</b>
<b>Other comprehensive income (loss), net of tax:</b>				
Unrealized gain (loss) on translating financial statements from functional currency to reporting currency	99,021	(117,356)	576,669	582,185
<b>Comprehensive loss for the period</b>	<b>(400,884)</b>	<b>(657,685)</b>	<b>(213,259)</b>	<b>(417,376)</b>
<b>Comprehensive loss attributable to</b>				
<b>Non-controlling interests</b>	<b>(19,650)</b>	<b>(20,440)</b>	<b>(24,568)</b>	<b>(44,166)</b>
<b>Equity shareholders of the Company</b>	<b>(381,234)</b>	<b>(637,245)</b>	<b>(188,692)</b>	<b>(373,210)</b>
<b>Basic weighted average number of shares outstanding</b>	<b>60,407,187</b>	<b>60,407,187</b>	<b>60,407,187</b>	<b>60,407,187</b>
<b>Diluted weighted average number of shares outstanding</b>	<b>60,507,187</b>	<b>60,407,187</b>	<b>60,507,187</b>	<b>60,407,187</b>
<b>Loss per share, basic and diluted</b>	<b>(\$0.008)</b>	<b>(\$0.009)</b>	<b>(\$0.013)</b>	<b>(\$0.016)</b>

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

# Spur Ventures Inc.

## Interim Consolidated Statements of Cash Flows

(unaudited and expressed in U.S. dollars)

	Three months ended June 30, 2011 \$	Three months ended June 30, 2010 \$	Six months ended June 30, 2011 \$	Six months ended June 30, 2010 \$
<b>Cash provided by (used in) operating activities</b>				
Loss for the period	(499,905)	(540,329)	(789,928)	(999,561)
Items not involving cash:				
Depreciation and amortization	65,431	76,326	129,326	175,083
Stock-based compensation	12,134	32,490	28,305	73,031
Share of loss on investment in affiliate	113,391	108,700	153,330	108,700
	(308,949)	(322,813)	(478,967)	(642,747)
Changes in non-cash working capital:				
Other receivables and prepaids	(27,452)	45,351	(62,771)	8,931
Accounts payable and accrued liabilities	5,709	(1,102,778)	(38,209)	(1,156,105)
<b>Cash used in operating activities</b>	(330,692)	(1,380,240)	(579,947)	(1,789,921)
<b>Investing activities</b>				
Capital expenditures	(5,274)	-	(36,961)	-
Interest received	9,542	51,222	18,040	60,159
Proceeds from disposal of investments	9,409,749	5,789,858	10,826,043	6,276,478
Purchase of short-term investments	(8,884,835)	(5,739,302)	(10,011,191)	(23,017,035)
<b>Cash provided by (used in) investing activities</b>	529,182	101,778	795,931	(16,680,398)
<b>Effect of exchange rate changes</b>	(64,134)	1,059,598	(180,386)	655,552
<b>Increase (decrease) in cash and cash equivalents</b>	134,356	(218,864)	35,598	(17,814,767)
<b>Cash and cash equivalents, beginning of the period</b>	96,160	423,069	194,918	18,018,972
<b>Cash and cash equivalents, end of the period</b>	230,517	204,205	230,516	204,205

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

# Spur Ventures Inc.

## 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, January 1, 2010</b>	60,407,187	41,386,379	7,369,895	-	(20,362,893)	28,393,381	-	28,393,381
Stock-based compensation	-	-	104,806	-	-	104,806	-	104,806
Currency translation adjustment	-	-	-	1,834,736	-	1,834,736	(1,443)	1,833,293
Loss for the year	-	-	-	-	(1,679,555)	(1,679,555)	(64,663)	(1,744,218)
<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
Loss for the period	-	-	-	-	(765,361)	(765,361)	(24,568)	(789,928)
<b>Balance, June 30, 2011</b>	60,407,187	41,386,379	7,503,005	2,411,405	(22,807,809)	28,492,980	(90,501)	28,402,479

	Number of Shares	Share Capital \$	Contributed Surplus \$	Accumulated Other Comprehensive Income \$	Deficit \$	Sub-total \$	Non- Controlling Interest \$	Total Equity \$
<b>Balance, January 1, 2010</b>	60,407,187	41,386,379	7,369,895	-	(20,362,893)	28,393,381	-	28,393,381
Stock-based compensation	-	-	73,031	-	-	73,031	-	73,031
Currency translation adjustment	-	-	-	582,185	-	582,185	(344)	581,841
Loss for the period	-	-	-	-	(955,395)	(955,395)	(44,166)	(999,561)
<b>Balance, June 30, 2010</b>	60,407,187	41,386,379	7,442,926	582,185	(21,318,288)	28,093,202	(44,510)	28,048,692

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

# Spur Ventures Inc.

## Notes to Interim Consolidated Financial Statements

June 30, 2011

---

(unaudited and expressed in in U.S. dollars )

### 1. Nature of Operations and Measurement Uncertainty

Spur Ventures Inc. ("Spur" or the "Company") is a company listed on the Toronto Stock Exchange with interests in the fertilizer industry in China. Through its 100% owned subsidiary Spur Chemicals (BVI) Inc. ("Spur BVI"), Spur has indirect interests in 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 is Hubei Yichang Phosphorus Chemical Co. Ltd ("YPCC"), a state owned enterprise of Yichang City, Hubei Province, China.

Management has not recorded a current impairment charge against the existing property, plant and equipment (Note 7) or the investment in affiliate (Note 4), as fertilizer market fundamentals have improved and management remains confident that the Company will obtain the required financing to complete the mono-ammonium phosphate ("MAP") plant construction at YSC and that the plant will generate profitable operations in the future. However, the success of these initiatives cannot be assured. Risks and uncertainties remain that economic ore reserves will be identified and that significant equity or debt financing for the project will be available to the Company. The Company also faces additional risks and uncertainties, including, but not limited to, raw material and construction costs, market conditions and political issues.

The recoverability of the Company's investment in property rights, plant and equipment in China is dependent upon the plans outlined in the previous paragraph or the ability of the Company to dispose of the assets and recover its investment. The extent of the adjustments that could be necessary resulting from these measurement uncertainties could be material.

### 2. Adoption of IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, commencing January 1, 2011, the Company has been preparing these condensed interim consolidated financial statements under IFRS. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

The IFRS accounting policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of August 5, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS, that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

These interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standard Board ("IASB"). Please refer to Note 3 of the Company's financial statements for the quarter ended March 31, 2011 for principal accounting policies applied in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years and quarters presented, unless otherwise stated.

# Spur Ventures Inc.

## Notes to Interim Consolidated Financial Statements

June 30, 2011

---

(unaudited and expressed in in U.S. dollars )

The Company applied IFRS1 *First-time Adoption of International Financial Reporting Standards* in preparing these first IFRS consolidated financial statements. The effects of the transition to IFRS on equity, total comprehensive income and reported cash flows is presented in Note 15.

These interim consolidated financial statements do not contain all of the information and disclosures required in annual financial statements and should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010.

### **First-time adoption exemptions applied**

IFRS1 *First-time adoption of International Financial Reporting Standards*, which governs the first time adoption of IFRS, in general requires accounting policies to be applied retrospectively to determine the opening statement of financial position at the Company's transition date of January 1, 2010, and allows certain exemptions from retrospective application on the transition to IFRS. The Company has elected:

- to reset to nil the unrealized foreign currency translation amount from previous functional currency to reporting currency translations. Consequently the accumulated other comprehensive income ("AOCI") was reset to zero at January 1, 2010 and the balance was recorded as an adjustment to deficit;
- that IFRS 3(R), *Business Combinations*, has not been applied to business combinations that occurred before the transition date; and
- that IFRS 2, *Share-based Payments*, has only been applied to all share based payments which had not vested at January 1, 2010.

### **3. Critical accounting estimates and judgements**

The preparation of the 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 property, plant and equipment as well as land use rights, and accrued liabilities. 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 years presented have been reflected in the consolidated financial statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing these financial statements, the Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include fair value of investment in affiliate and impairment of long-lived assets.

# Spur Ventures Inc.

## Notes to Interim Consolidated Financial Statements

June 30, 2011

---

(unaudited and expressed in in U.S. dollars )

### 4. YMC Joint Venture Agreement

#### a) Initial YMC JV Agreement

YMC is governed by the November 9, 2003 YMC Joint Venture Agreement (“YMC JV”), between Spur BVI and YPCC and subsequent amendments.

The initial YMC JV interests were established with Spur BVI at 90% interest and YPCC at a 10% interest.

The parties have made the first 15% portion of their respective Registered Capital contributions with Spur BVI contributing \$24.2 million (RMB 159.6 million) and YPCC their portion through contributing assets as agreed to by the parties.

#### b) May 2010 Amendments

On May 6, 2010 a modified JV Agreement (the “May 6 Agreement”) was approved by the Chinese government granting YPCC the right to earn a 51% equity ownership in YMC (taking into account previous contributions to YMC) and Spur BVI a 49% equity ownership in YMC. On May 7, 2010 YMC’s new business license was issued with the new YMC Board consisting of 7 members, 4 from YPCC and 3 from Spur BVI with the Chair nominated by YPCC and the Vice Chair by Spur BVI.

In order to earn the 51% interest YPCC was required before August 31, 2010 to:

- Transfer the Dianziping and Shukongping mining licenses to YMC; and
- Contribute approximately \$2.6 million (RMB 17 million) in cash.

The new required Registered Capital amount was established at \$123 million (RMB 798 million) instead of the previous \$176 million (RMB 1.14 billion). Spur BVI could maintain a 49% equity ownership in YMC, taking into account previous contributions to YMC of \$24.7 million (RMB 159.6 million), and was required to contribute \$35.8 million (RMB 231.4 million) in order to maintain this equity interest.

The above contributions were not made by either YPCC or Spur by the August 31, 2010 deadline and as a result of the contributions not being made, YMC’s business license lapsed on October 31, 2010.

In February 2011, Hubei Administration for Industry and Commerce (“Hubei AIC”) served notice to YMC that the Registered Capital contributions from both JV partners were long overdue and that if the situation was not rectified YMC could be subject to substantial penalties.

#### c) March 2011 Amendments

In March 2011, the Hubei Province Department of Commerce extended the business license of YMC from October 31, 2010 to December 31, 2011. It also extended the deadline of Registered Capital contribution from August 31, 2010 to December 31, 2011. YPCC has until December 31, 2011 to complete the required Registered Capital contributions to YMC by way of the completion of the transfer of the mining licenses (Note 15) and cash contributions of approximately \$38.4 million (RMB 248 million) in order to fix its ownership percentage in YMC at 79.978%

# Spur Ventures Inc.

## Notes to Interim Consolidated Financial Statements

June 30, 2011

(unaudited and expressed in in U.S. dollars )

Subject to government approval, YPCC and Spur BVI have agreed in March 2011 to further modifications as follows:

- Spur BVI has opted to fix its ownership percentage in YMC at 20.022%, reflecting the Company's historic Registered Capital contributions to YMC. As a result, the Company is not required to make any additional cash contributions to YMC;
  - YMC's Board will be comprised of two representatives from Spur BVI and five from YPCC. YPCC will nominate the Chairman and Spur BVI will nominate the Vice Chairman; and
  - The Company has sought and received additional minority shareholder protections, including unanimous Board approval required for financings, corporate transactions, material asset disposals and deviations from annual profit distributions of less than 80% of profits.
- d) Upon Chinese regulatory approval of the May 6, 2010 modified JV agreement, Spur BVI lost Board control of YMC. Accordingly, under IFRS, the Company's investment in YMC is no longer consolidated and instead the investment in YMC is accounted for under the equity method. As YPCC has yet to make its required registered capital contributions to YMC and to date Spur BVI has contributed most of the cash registered capital contributions to the project, the Company will recognize its initial equity position at 90% of the net assets and net losses of YMC until such time as YPCC makes its required contributions.

	<u>Equity Investment in YMC \$</u>
Balance May 6, 2010	10,708,268
Increase in investment	47,889
Share of loss from May 7 to December 31, 2010	<u>(197,830)</u>
Balance December 31, 2010	10,558,327
Share of loss from January 1 to June 30, 2011	<u>(153,330)</u>
Balance June 30, 2011	<u>10,404,997</u>

- e) Prior to the deemed change of Board control on May 6, 2010, the balance sheet and income statement of YMC were consolidated and inter-company balances were eliminated. Upon applying the equity method, a disputed payable of approximately \$6.2 million owing from YSC to YMC, which had previously been eliminated on consolidation is required to be recognized on consolidation of YSC. This amount is in dispute and is not guaranteed by Spur. The Company has also de-recognized accounts payable of approximately \$1.1 million and property, plant and equipment of approximately \$5.4 million upon loss of Board control of YMC. The Company has estimated the fair value of the equity investment in YMC at May 6, 2010, the date of the change of control, as \$10,708,268.

### 5. YSC Joint Venture Agreement

During 2003, the Company acquired Xinyuan Chemicals Ltd. from YPCC and formed the YSC Joint Venture, ("YSC JV"), which owns a fertilizer facility located in Hubei Province, China. Spur BVI holds a 72.18% interest in YSC through the YSC JV and the two minority partners are YPCC, which holds 16.69%, and YMC, which holds 11.13%.

# Spur Ventures Inc.

## Notes to Interim Consolidated Financial Statements

June 30, 2011

(unaudited and expressed in in U.S. dollars )

### 6. Short term investments

Short-term deposits include Canadian Dollar GICs in Canada, with maturities at inception over 90 days but less than one year. Details of the term deposits and GICs are as follows:

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
<b>Canadian Dollar GICs in Canada</b>	\$23,189,902	\$23,154,604
<b>Interest rates per annum</b>	up to 1.55%	up to 1.40%
<b>Maturity Date</b>	up to April 2012	up to December 2011

### 7. Property, plant and equipment

	<u>June 30, 2011</u>			<u>December 31, 2010</u>		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Building	\$ 765,938	\$ 285,264	\$ 480,674	\$ 765,938	\$ 256,828	\$ 509,110
Construction in progress	55,707	-	55,707	55,707	-	55,707
Machinery and equipment	1,192,755	818,033	374,722	1,192,755	735,585	457,170
Motor vehicles	29,284	29,284	-	29,284	26,555	2,729
Office equipment and furniture	153,584	75,410	78,174	106,994	67,375	39,619
Leasehold improvement	37,930	37,930	-	37,930	37,930	-
Land use rights	327,975	63,440	264,535	327,975	55,762	272,213
<b>Total</b>	<b>\$ 2,563,173</b>	<b>\$ 1,309,361</b>	<b>\$ 1,253,812</b>	<b>\$ 2,516,583</b>	<b>\$ 1,180,035</b>	<b>\$ 1,336,548</b>

### 8. Related party transactions and key management compensation

During the three-month period ended June 30, 2011, the Company incurred \$153,848 salaries and benefits and \$36,303 consulting fees to key management and the directors of the Company for services (three-month period ended June 30, 2010: \$152,890 salaries and benefits and \$46,006 consulting fees).

During the six-month period ended June 30, 2011, the Company incurred \$251,142 salaries and benefits and \$70,649 consulting fees to key management and the directors of the Company for services (three-month period ended June 30, 2010: \$253,062 salaries and benefits and \$101,549 consulting fees).

Key management includes the Chairman, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Corporate Secretary.

There are no unpaid amounts to the parties.

# Spur Ventures Inc.

## Notes to Interim Consolidated Financial Statements

June 30, 2011

(unaudited and expressed in in U.S. dollars )

### 9. Share capital

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, 2010</b>	2,917,901	4,556,800	7,474,700
<b>Stock-based compensation expenses</b>	28,305	-	28,305
<b>Balance as at June 30, 2011</b>	2,946,206	4,556,800	7,503,005

c) Stock options

Assumptions for stock options valuation using the Black-Scholes Option Pricing Model:

	<b>2010</b>
<b>Risk free interest rate</b>	1.52% - 2.12%
<b>Expected life of options in years</b>	5 years
<b>Expected volatility</b>	49% - 69%
<b>Dividend per share</b>	\$0.00

Options granted 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 three-month period ended June 30, 2011, stock-based compensation expense of \$12,134 was recognized (2010: \$32,490) for options.

During the six-month period ended June 30, 2011, stock-based compensation expense of \$28,305 was recognized (2010: \$73,031) for options.

	<b>Options outstanding</b>	<b>Weighted average exercise price CDN\$</b>
<b>Balance - December 31, 2010</b>	1,975,000	\$0.80
<b>Granted</b>	-	
<b>Exercised</b>	-	
<b>Forfeited</b>	-	
<b>Expired</b>	-	
<b>Balance - June 30, 2011</b>	1,975,000	\$0.80

# Spur Ventures Inc.

## Notes to Interim Consolidated Financial Statements

June 30, 2011

(unaudited and expressed in in U.S. dollars )

The following table summarizes information about the options outstanding at June 30, 2011:

<b>Number of Options</b>	<b>Exercise Price CAD</b>	<b>Expiry Date</b>	<b>Number Exercisable</b>
625,000	1.03	July 4, 2011	625,000
200,000	0.64	January 3, 2012	200,000
20,000	0.50	December 3, 2012	20,000
830,000	0.90	June 26, 2013	553,333
300,000	0.28	July 28, 2014	100,000
<u>1,975,000</u>			<u>1,498,332</u>

### 10. Segment 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.

<b>Geographic Segments</b>	<b>June 30, 2011</b>			<b>December 31, 2010</b>		
	<b>Canada</b>	<b>China</b>	<b>Consolidated</b>	<b>Canada</b>	<b>China</b>	<b>Consolidated</b>
Current assets (\$)	23,542,653	18,160	23,560,813	23,406,918	20,228	23,427,146
Investment in affiliate (\$)	-	10,404,997	10,404,997	-	10,558,327	10,558,327
Property, plant & equipment (\$)	36,586	1,217,226	1,253,812	4,190	1,332,358	1,336,548
Total assets (\$)	<u>23,579,239</u>	<u>11,640,383</u>	<u>35,219,622</u>	<u>23,411,108</u>	<u>11,910,913</u>	<u>35,322,021</u>

### 11. Financial risk management

The Company's activities expose it to a variety of financial risks, which include foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk.

#### 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 and China.

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 deposits. During the year ended December 31, 2008, the Company

# Spur Ventures Inc.

## Notes to Interim Consolidated Financial Statements

June 30, 2011

---

(unaudited and expressed in in U.S. dollars )

converted \$20.4 million from U.S. Dollars into Canadian Dollars and has continued to hold the majority of its cash and short-term deposits in Canadian Dollars. Fluctuations in exchange rates among the Canadian dollar and Chinese Renminbi and U.S. dollar could have a material effect on the business, results of operations and financial condition of the Company. Based on the balances as at June 30, 2011, other things being equal, a 1% increase (decrease) in the exchange rate of converting one U.S. dollar into Canadian dollars on that day would have resulted in an increase (decrease) of approximately \$237,000 in accumulated other comprehensive income; a 1% increase (decrease) in the exchange rate of converting one U.S. dollar into Chinese Renminbi on that day would have resulted in a decrease (increase) of approximately \$66,000 in accumulated other comprehensive income. 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 U.S. Dollar, Canadian Dollar and Chinese Renminbi 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, 2011, the Company had no outstanding debt. Based on the balances of cash and cash equivalent and short-term investments as at June 30, 2011, other things being equal, a 1% increase (decrease) in the interest rate on that day would have resulted in an increase (decrease) of approximately \$231,000 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.

### **Commodity price risk**

The phosphate rock mining and integrated fertilizer projects in China are exposed to fluctuations in commodity prices like MAP fertilizer, P-rock, sulphuric acid, ammonia, etc. Management has recognized these risks and monitor closely the impact of the commodity price fluctuations on the recoverability of project investment.

## **12. Financial instruments by category**

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.

# Spur Ventures Inc.

## Notes to Interim Consolidated Financial Statements

June 30, 2011

(unaudited and expressed in in U.S. dollars )

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.

Financial instruments of the Company are summarized as follows:

<b>June 30, 2011</b>	<b>Loans and Receivables</b>	<b>Other financial liabilities</b>	<b>Total Carrying Amount</b>	<b>Total Fair Value</b>	<b>Fair value hierachy level</b>
<b><u>Financial Assets</u></b>					
Cash and deposits	\$ 230,516	\$ -	\$ 230,516	\$ 230,516	(*)
Guaranteed investment certificates (GICs)	\$ 23,189,902	\$ -	\$ 23,189,902	\$ 23,189,902	(*)
Receivables	\$ 82,549	\$ -	\$ 82,549	\$ 82,549	(*)
<b><u>Financial Liabilities</u></b>					
Accounts payable and accrued liabilities	\$ -	\$ 650,352	\$ 650,352	\$ 650,352	(*)
Due to affiliate	\$ -	\$ 6,166,791	\$ 6,166,791	\$ 1,809,098	n/a

# Spur Ventures Inc.

## Notes to Interim Consolidated Financial Statements

June 30, 2011

(unaudited and expressed in in U.S. dollars )

<b>December 31, 2010</b>	<b>Loans and Receivables</b>	<b>Other financial liabilities</b>	<b>Total Carrying Amount</b>	<b>Total Fair Value</b>	<b>Fair value hierachy level</b>
<b><u>Financial Assets</u></b>					
Cash and deposits	\$ 194,918	\$ -	\$ 194,918	\$ 194,918	(*)
Guaranteed investment certificates (GICs)	\$ 23,154,604	\$ -	\$ 23,154,604	\$ 23,154,604	(*)
Receivables	\$ 21,370	\$ -	\$ 21,370	\$ 21,370	(*)
<b><u>Financial Liabilities</u></b>					
Accounts payable and accrued liabilities	\$ -	\$ 688,561	\$ 688,561	\$ 688,561	(*)
Due to affiliate	\$ -	\$ 6,046,200	\$ 6,046,200	\$ 1,898,255	n/a

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

### 13. Commitments

In October 2009, the Company entered into a five-year office lease agreement commencing October 1, 2010 to share office space and related costs with another company. A summary of the Company's commitment in the next five years is as follows:

	<b><u>Office lease</u></b>
2011	\$ 54,333
2012	\$ 100,805
2013	\$ 112,013
2014	\$ 113,447
2015	\$ 85,086

### 14. First-time adoption of IFRS

IFRS1 *First-time adoption of International Financial Reporting Standards*, which governs the first time adoption of IFRS, in general requires accounting policies to be applied retrospectively to determine the opening statement of financial position at the Company's transition date of January 1, 2010, and allows certain exemptions from retrospective application on the transition to IFRS.

# Spur Ventures Inc.

## Notes to Interim Consolidated Financial Statements

June 30, 2011

---

(unaudited and expressed in in U.S. dollars )

A reconciliation of assets, liabilities, equity and comprehensive loss of the Company from those reported under Canadian GAAP to IFRS at January 1, 2010, December 31, 2010 and March 31, 2010 were disclosed in Note 17 of the condensed interim consolidated financial statements for the period ended March 31, 2011.

The adoption of IFRS has had no impact on the net cash flows of the Company. The changes made to the consolidated statements of loss and comprehensive loss and deficit and to the consolidated balance sheets have resulted in reclassification of various amounts on the statements of cash flows, however as there have been no changes to the net cash flows no reconciliations have been prepared.

The main differences between Canadian GAAP and IFRS are identified as follows:

### **[a] *Functional currency and foreign currency translation***

Under Canadian GAAP, the functional currency or the currency used for daily transactions was the Canadian dollar. Under IFRS, the functional currency of YMC and YSC is designated as Chinese RMB.

Consequently, as at January 1, 2010, the balance of property, plant and equipment under IFRS was \$854,734 less than the balance under Canadian GAAP. The balance of accounts payable and accrued liabilities was \$2,082 more under IFRS than the balance under Canadian GAAP.

The Company has elected to reset the unrealized foreign currency translation amount from previous functional currency to reporting currency to nil at January 1, 2010. Consequently the accumulated other comprehensive income ("AOCI") was set to zero at January 1, 2010 and the AOCI balance of \$4,908,340 was recorded as a credit to deficit. Subsequent AOCI balance reflects the unrealized foreign exchange gain (loss) from translation of functional currencies to the US\$ presentational currency cumulative from January 1, 2010.

### **[b] *Investment in affiliate***

Under Canadian GAAP, the Company accounted for the investment in YMC as a variable interest entity and the Company consolidated the accounts of YMC to December 31, 2010. Under IFRS, the investment in the Company's affiliate YMC is accounted for using the equity method from May 7, 2010 when Spur lost Board control of YMC. At the date Board control was lost; Spur derecognized the assets and liabilities of YMC and recorded the investment in YMC at its fair value. The fair value of the Company's investment in YMC has been estimated by management taking into account the estimated fair value of the property, plant and equipment and other assets of YMC less the fair value of its liabilities. Accordingly, YMC assets such as cash, prepaid expenses, property, plant & equipment, accounts payable and accrued liabilities, and expenses such as depreciation and mineral property costs were no longer consolidated with the Company's accounts (see Note 4).

In addition, certain inter-company balances and transactions such as the disputed \$6,166,791 payable to YMC by YSC which is not guaranteed by Spur (see Note 4e), that were previously eliminated on consolidation, have been recorded as a separate line item in the accounts of the Company.

### **[c] *Non-controlling interest***

Under Canadian GAAP, losses were no longer attributed to the non-controlling interest once the equity interest was reduced to nil, unless the non-controlling interest had guaranteed the losses. Under IFRS, the non-controlling interest's share of losses continue to be allocated to the non-controlling interest regardless of whether the non-controlling interest has guaranteed the losses of the entity or not .

# Spur Ventures Inc.

## Notes to Interim Consolidated Financial Statements

June 30, 2011

(unaudited and expressed in in U.S. dollars )

### 14.1 Reconciliation between the Canadian generally GAAP and IFRS consolidated statements of changes in equity at June 30, 2010

June 30, 2010	Note	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Sub-total	Non- Controlling Interest	Total Equity
<b>Balance as reported under Canadian GAAP</b>		<b>\$41,386,379</b>	<b>\$7,442,926</b>	<b>\$4,530,737</b>	<b>\$ (25,399,016)</b>	<b>\$27,961,026</b>	<b>\$ -</b>	<b>\$27,961,026</b>
Currency translation adjustment	[a]	-	-	959,788	29,204	988,992	(344)	988,648
First time IFRS adoption adjustment	[a]	-	-	(4,908,340)	4,051,524	(856,816)	-	(856,816)
Difference in loss for the period	[b]	-	-	-	-	-	(44,166)	(44,166)
<b>Balance as reported under IFRS</b>		<b>\$41,386,379</b>	<b>\$7,442,926</b>	<b>\$582,185</b>	<b>(21,318,288)</b>	<b>\$ 28,093,202</b>	<b>(44,510)</b>	<b>\$28,048,692</b>

# Spur Ventures Inc.

## Notes to Interim Consolidated Financial Statements

June 30, 2011

(unaudited and expressed in in U.S. dollars )

### 14.2 Reconciliation of loss and comprehensive loss

	Note	<b>Three months ended</b>		
		<b>Canadian</b>	<b>Effect of</b>	<b>IFRS \$</b>
		<b>June 30,</b>		
		<b>2010</b>		
		<b>GAAP \$</b>	<b>transition to</b>	<b>IFRS \$</b>
		<b>IFRS \$</b>		
<b>Operating expenses</b>				
Consulting fees		54,706	-	54,706
Depreciation and amortization	[b]	102,285	(25,959)	76,326
Mineral property costs	[b]	53,410	(38,266)	15,144
Office and miscellaneous		17,191	-	17,191
Professional fees		33,925	-	33,925
Rent		37,948	-	37,948
Stock-based compensation		32,491	-	32,491
Transfer agent and filing fees		5,412	-	5,412
Travel, advertising and promotion		36,192	-	36,192
Wages and benefits		172,327	-	172,327
<b>Loss before the undernoted</b>		<b>(545,887)</b>	<b>64,225</b>	<b>(481,662)</b>
<b>Other income (expenses)</b>				
Interest income		50,900	-	50,900
Share of loss on investment in affiliate	[b]	-	(108,700)	(108,700)
Foreign exchange gain (loss)	[a]	(74,599)	73,731	(868)
<b>Loss for the period</b>		<b>(569,586)</b>		<b>(540,330)</b>
<b>Attributable to</b>				
<b>Non-controlling interests</b>	[c]	-	(20,441)	(20,441)
<b>Equity shareholders of the Company</b>		<b>(569,586)</b>	<b>29,256</b>	<b>(540,330)</b>
<b>Loss for the period</b>		<b>(569,586)</b>	<b>29,256</b>	<b>(540,330)</b>
<b>Other comprehensive loss, net of tax:</b>				
<b>Unrealized gain (loss) on translating financial statements</b>				
<b>from functional currency to reporting currency</b>	[a]	<b>(1,253,504)</b>	<b>1,136,148</b>	<b>(117,356)</b>
<b>Comprehensive loss for the period</b>		<b>(1,823,090)</b>	<b>1,165,404</b>	<b>(657,686)</b>
<b>Comprehensive loss attributable to</b>				
<b>Non-controlling interests</b>	[c]	-	(20,440)	(20,440)
<b>Equity shareholders of the Company</b>		<b>(1,823,090)</b>	<b>1,185,844</b>	<b>(637,246)</b>

# Spur Ventures Inc.

## Notes to Interim Consolidated Financial Statements

June 30, 2011

(unaudited and expressed in in U.S. dollars )

		<b>Six months ended</b>		
		<b>June 30,</b>		
		<b>2010</b>		
		<b>Canadian</b>	<b>Effect of</b>	
	<b>Note</b>	<b>GAAP \$</b>	<b>transition to</b>	<b>IFRS \$</b>
			<b>IFRS \$</b>	
<b>Operating expenses</b>				
Consulting fees		118,949	-	118,949
Depreciation and amortization	[b]	206,822	(31,739)	175,083
Mineral property costs	[b]	100,257	(38,266)	61,991
Office and miscellaneous		36,659	-	36,659
Professional fees		68,309	-	68,309
Rent		84,760	-	84,760
Stock-based compensation		73,031	-	73,031
Transfer agent and filing fees		21,932	-	21,932
Travel, advertising and promotion		58,592	-	58,592
Wages and benefits		291,936	-	291,936
<b>Loss before the undernoted</b>		<b>(1,061,248)</b>	<b>(70,006)</b>	<b>(991,242)</b>
<b>Other income (expenses)</b>				
Interest income		91,000	-	91,000
Share of loss on investment in affiliate	[b]	-	(108,700)	(108,700)
Sales of obsolete inventories and parts		11,424	-	11,424
Foreign exchange gain (loss)	[a]	(25,775)	23,732	(2,043)
<b>Loss for the period</b>		<b>(984,599)</b>	<b>(14,962)</b>	<b>(999,561)</b>
<b>Attributable to</b>				
<b>Non-controlling interests</b>	[c]	-	(44,166)	(44,166)
<b>Equity shareholders of the Company</b>		<b>(984,599)</b>	<b>29,204</b>	<b>(955,395)</b>
<b>Loss for the period</b>		<b>(984,599)</b>	<b>(14,962)</b>	<b>(999,561)</b>
<b>Other comprehensive loss, net of tax:</b>				
Unrealized gain (loss) on translating financial statements from functional currency to reporting currency	[a]	(377,603)	959,788	582,185
<b>Comprehensive loss for the period</b>		<b>(1,362,202)</b>	<b>944,826</b>	<b>(417,376)</b>
<b>Comprehensive loss attributable to</b>				
<b>Non-controlling interests</b>	[c]	-	(44,166)	(44,166)
<b>Equity shareholders of the Company</b>		<b>(1,362,202)</b>	<b>988,992</b>	<b>(373,210)</b>

# **Spur Ventures Inc.**

Notes to Interim Consolidated Financial Statements

June 30, 2011

---

(unaudited and expressed in in U.S. dollars )

## **15. Subsequent events**

The Company announced on August 3, 2011 that the Central Ministry of Land and Resources (“MOLAR”) in Beijing has formally approved the transfer of the mining licenses for the Shukongping and Dianziping phosphate deposits from Spur’s joint venture partner, Hubei Yichang Phosphate Chemical Company (“YPCC”) to Yichang Maple Leaf Chemicals (“YMC”).