



# CEOCFO

## Interviews & News!

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### Spur Ventures Is Focused On Being A Fully Integrated Producer Of Compound Phosphate Fertilizers For The Emerging Chinese Market



Basic Materials  
Phosphate  
(SVU-TSXV)

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**Robert J. Rennie**  
President and CEO

#### BIO:

Dr. Rennie has over 20 years of experience in the fertilizer business first in R&D with Esso Chemical and then with Agrium Inc. and since 1998 leading the successful growth of Agrium's retail and wholesale investments in Argentina. Dr. Rennie retired from Agrium as Vice President, South America and Vice President, Corporate Affairs and as Chairman of the Board of Profertil S.A., Agrium's wholesale joint venture with Spain's Repsol-YPF, and as Chairman of

the Board of Agroservicios Pampeanos, Agrium's wholly-owned retail in Argentina. Prior to working in industry Dr. Rennie worked as a scientist for the United Nation's International Atomic Energy Agency in Vienna, Austria and for the Research Branch of Agriculture Canada.

Dr. Rennie earned a BSA (Honours) from the University of Saskatchewan, a MSc from Universite Laval and a PhD from the University of Minnesota. He serves as a member of the Board of the Alberta Agricultural Research Institute, the Canadian Fertilizer Institute and is Vice Chairman of the Agricultural Committee of the Paris-based International Fertilizer Industry Association.

#### Company Profile:

Spur Ventures Inc. aims to be the premier integrated fertilizer manufacturer in China, with plans to produce up to one million tonnes per year of high-quality compound phosphate fertilizer for domestic consumption in the central province of Hubei, China. These expansion plans include the development of the largest phosphate deposit in China, located near Yichang City.

**Interview conducted by:**  
**Lynn Fosse, Senior Editor**  
**CEOCFOinterviews.com**

**CEOCFO:** Mr. Rennie, what is the vision for Spur Ventures?

**Mr. Rennie:** "The vision for Spur is to be a fully integrated producer of compound phosphate fertilizers for the Chinese market. The components of our vision and strategy are 1) to control our natural resources because in China security and supply is more important than price 2) to

have large scale manufacturing so we can have economy of scale and 3) flexible manufacturing because in China it is an emerging market and it is very difficult to predict the customer needs at this stage. 4) Finally unlike most Chinese companies to be market oriented rather than production oriented to take our experience and deliver a better product for the customer."

**CEOCFO:** Where are you in the process?

**Mr. Rennie:** "We have since 2003 a government approved joint venture with a Chinese partner and based on our joint venture the government has issued mining licenses to our partner. That is critical because phosphate is a rare resource and since January of this year the government has prohibited foreigners from owning such mining rights so that puts us in a very nice position. We are formalizing the transfer of those mining licenses to the joint venture that we control 90%. Once we have the licenses in our hand, we will start mining and building a world scale phosphate fertilizer plant with a total investment in the range of 250 to \$300 million."

**CEOCFO:** What is unique about phosphate that you need to develop?

**Mr. Rennie:** "What is unique about phosphate is that it is one of three key fertilizer ingredients, the other two being nitrogen and potash, that are required for feeding the grain properly to maximize its yield. Without proper fertilization we can't have the crop yields whether it is wheat, corn, or rice to feed the growing populations of the world so unlike other commodities where you as a consumer can decide whether you buy the latest cell phone or not, you are probably more in-

clined to make sure that you can eat a good and balanced diet, so we are a commodity that is critical to human life.”

**CEOCFO:** What is the background of your team?

**Mr. Rennie:** “Between our board and senior management team we have a large amount of international experience in the fertilizer business. Two of our board members are in the immediate and past presidents of the International Fertilizer Industry Association (IFA). One of those IFA board members was the founding president and CEO of Agrium, which is a Calgary based fertilizer company and is one of the three largest fertilizer companies in the world with sales now in the range of 8 to \$10 billion a year. They have significant experience internationally in fertilizers and contacts in the fertilizer business. On the ground in China, I was an international vice president for Agrium and I led their development, the first foreign investment in Argentina over a six-year period to build the world’s largest single train ammonia-urea complex with a total investment of \$700 million plus a very successful retail operation.

In China, I have Chinese people on the ground that are very experienced in the fertilizer business in China. Therefore, we have a very strong management team which as a good understanding of fertilizers.”

**CEOCFO:** Will you tell us more about your facilities?

**Mr. Rennie:** “Right now it is fair to say that we are in project mode, we are building a 250,000 metric tonne monimonium phosphate plant for about \$15 million that we anticipate will come on line in the first quarter of 2009. That is in the early construction phase. The second project is a large 1.2 million tonne phosphate rock mining project that will be upgraded to produce just over a million tonnes of phosphate fertilizers. That project is in the range of \$250 to \$300 million and once we have the mining licenses secured

in our joint venture that should be a full production within three years so realistically our first MAP project comes on the radar screen in the first part of 2009, and our big phosphate project comes on stream in 2011-2012.”

**CEOCFO:** What is the future for specialty fertilizers in China?

**Mr. Rennie:** “There is a growing market for specialty fertilizers. It depends on the definition but mostly that means fertilizers that are destined for professional turf like parks and golf courses or high-cash value crops. For instance, fertilizers are applied on many of the rich agricultural crops in the Pacific Northwest, California

**“To invest in Spur you have to be interested in investing in agriculture. On a global basis, agriculture continues to have a very strong future simply because the world’s population is growing so there are more mouths to feed. There is less arable land so that means to get increased production on land you have to be more productive per unit of land and you can only do that through the application of fertilizers. Thirdly as people’s wealth increases particularly in places like China and India, there are going to have more meat and poultry in their diet, that means growing more corn and soybeans to feed animals and that means more fertilizers. Those three factors together are very strong drivers for increased agriculture productivity driven by fertilizer... In addition, China is the world’s largest and fastest growing fertilizer market.”**

**- Robert J. Rennie**

and Arizona for everything from artichokes to strawberries. There is certainly a ‘greening’ of China so there are more parks and there are more golf courses but it is still very early days in China for the specialty fertilizers.”

**CEOCFO:** What is the financial picture of the company?

**Mr. Rennie:** “We are not generating revenue, we are in project mode so we have a decent cash position, we have \$25 million in the bank. On Monday, we just issued a press release where we have had a significant investment in our company by a private Chinese mining company. They have taken our 23% equity r another \$11 million with options to buy

another nine million shares. We are in a good cash position and our balance sheet is good. We have no bank debt. We have about seven hundred thousand in liabilities and about \$35 million in assets. Spur is a junior company but a strong balance sheet and good cash position.”

**CEOCFO:** Why should potential investors be interested?

**Mr. Rennie:** “To invest in Spur you have to be interested in investing in agriculture. On a global basis, agriculture continues to have a very strong future simply because the world’s population is growing so there are more mouths to feed. There is less arable land so that means to

get increased production on land you have to be more productive per unit of land and you can only do that through the application of fertilizers. Thirdly as people’s wealth increases particularly in places like China and India, there are going to have more meat and poultry in their diet, that means growing more corn and soybeans to feed animals and that means more fertilizers. Those three factors together are very strong drivers for increased agriculture productivity driven by fertilizer.

In addition, China is the world’s largest and fastest growing fertilizer market. It has between 1.3 and 1.6 million people, increasingly wealthy and all those factors as

far as less arable land because the of the strong trend toward urbanization in China, more people have more wealth and there is much stronger demand for agriculture products such as fertilizers. To invest in Spur you have to be prepared for the risk inherent of doing business in China. China is still an emerging economy, it is a planned economy with significant government involvement, it is not a market economy, it is going in that direction, but it is still a planned economy. You have to prepare for that risk. You have to prepare for time frames much longer than in the western world because in China everything is difficult

but it takes a long time particularly as a foreigner to make progress.”

**CEOCFO:** Why should potential investors overlook the longer time frame in working in China?

**Mr. Rennie:** “Because if you are interested in the fertilizer business you need to go into the growing markets and those markets are in China, India, or Brazil. They are all emerging economies with inherent volatility of those economies. If

a person has a long-term vision, clearly the drivers of economic and fertilizer growth are there. If you can tolerate the bumps in the road as a long-term investment it should be very good.”

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