



WE DISCOVER THE GEM

FURA GEMS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

(Expressed in Canadian Dollars)

FURA GEMS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

(Expressed in Canadian Dollars)

Contents

Notice	1
Consolidated statements of financial position	2
Consolidated statements of loss and comprehensive loss	3
Consolidated statements of cash flows	4
Consolidated statements of changes in shareholders' equity	5
Notes to the condensed consolidated interim financial statements	6-25

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of 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 condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada (CPA Canada) for a review of interim financial statements by an entity's auditor.

FURA GEMS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	June 30, 2020 \$	December 31, 2019 \$
ASSETS			
Current			
Cash		1,481,262	1,306,694
Restricted cash		348,927	339,257
Receivables		907,417	414,153
Prepaid expenses		784,048	572,569
Inventory		1,675,114	1,778,610
Total current assets		5,196,768	4,411,283
Property and equipment	3	7,729,172	6,019,027
Exploration and evaluation assets	4	45,580,122	35,227,768
TOTAL ASSETS		58,506,062	45,658,078
LIABILITIES			
Current			
Accounts payable and accrued liabilities	5, 10	19,887,716	22,509,397
Loans payable	6	-	3,092,034
Lease liability	14	-	11,188
Total current liabilities		19,887,716	25,612,619
Non-current liabilities			
Loans payable	6	36,658,200	-
Long term liabilities	5	-	3,358,466
TOTAL LIABILITIES		56,545,916	28,971,085
EQUITY			
Share capital	7	73,861,218	66,672,319
Shares to be issued	7	-	7,204,319
Warrants	8	27,586	58,797
Contributed surplus	8	3,641,584	3,809,045
Accumulated deficit		(73,059,857)	(59,921,799)
TOTAL EQUITY ATTRIBUTED TO OWNER OF THE PARENT		4,470,531	17,822,681
Non-controlling interest	15	(2,510,385)	(1,135,688)
TOTAL EQUITY		1,960,146	16,686,993
TOTAL LIABILITIES AND EQUITY		58,506,062	45,658,078
Nature of operations and going concern	1		
Commitments and contingencies	13		
Subsequent events	16		

Approved and authorized by the Board on August 28, 2020.

On behalf of the Board:

“*Stan Bharti*”

 Director

“*Dev Shetty*”

 Director

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

FURA GEMS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND
COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
		\$	\$	\$	\$
EXPENSES					
Management and consulting fees	10	569,480	787,740	1,068,280	1,709,344
Exploration and evaluation expenditures	4	5,678,627	3,059,759	10,800,942	6,843,924
Office and administration		480,051	232,056	683,055	517,142
Professional fees		123,289	119,545	228,612	481,709
Travel		(85,362)	186,648	(24,005)	441,786
Amortization expenses	3	364,984	42,780	587,563	100,499
LOSS BEFORE OTHER ITEMS		(7,131,069)	(4,428,528)	(13,344,447)	(10,094,404)
OTHER ITEMS					
Interest income		(93)	-	(2,796)	(9,216)
Interest expense	4,5,6,11	1,275,324	455,696	1,661,938	689,062
Financing cost		78,541	-	78,541	-
Foreign exchange loss (gain)		(1,569,091)	(210,580)	(370,703)	(545,832)
TOTAL OTHER ITEMS		215,319	(245,116)	(1,366,980)	(134,014)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		(6,915,750)	(4,673,644)	(14,711,427)	(10,228,418)
NET LOSS AND COMPREHENSIVE LOSS ATTRIBUTABLE TO:					
Shareholders of Fura		(6,212,001)	(4,179,623)	(13,336,730)	(9,130,222)
Non-controlling interest		(703,749)	(494,021)	(1,374,697)	(1,098,196)
		(6,915,750)	(4,673,644)	(14,711,427)	(10,228,418)
BASIC AND DILUTED NET LOSS PER SHARE		(0.03)	(0.03)	(0.06)	(0.08)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING					
Basic and diluted		254,339,736	135,058,714	248,809,815	134,760,674

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

FURA GEMS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
((Expressed in Canadian Dollars))

	Note	Six months ended June 30,	
		2020	2019
OPERATING ACTIVITIES			
Net loss for the period		\$ (14,711,427)	\$ (10,228,418)
Items not affecting cash:			
Accretion expenses	5	280,387	445,014
Amortization expenses	3	587,563	100,499
Unrealized loss on foreign exchange		742,320	(247,766)
		\$ (13,101,157)	\$ (9,930,671)
Change in non-cash working capital items			
Receivables and prepaids		(642,290)	(319,563)
Inventory		103,496	45,033
Accounts payable and accrued liabilities		(4,562,852)	2,449,683
Net cash used in operating activities		\$ (18,202,803)	\$ (7,755,518)
FINANCING ACTIVITIES			
Shares issued from warrants exercised	8	\$ -	\$ 133,393
Shares issued from options exercised	8	-	25,000
Shares to be issued	7	-	10,714,400
Loan provided	6	38,230,332	4,168,900
Loan repayment	6	(4,980,484)	(1,391,500)
Payment of principal portion of lease liability	14	(14,713)	(29,617)
Net cash provided by financing activities		\$ 33,235,135	\$ 13,620,576
INVESTING ACTIVITIES			
Acquisition of property and equipment	3,4	\$ (2,297,708)	\$ (677,433)
Coscuez acquisition payment	4	(2,207,703)	(2,677,240)
Acquisition of mining rights	3,4	(10,376,391)	-
Cash received from acquisition of exploration and evaluation assets	4	3,102	-
Net cash used for investing activities		\$ (14,878,700)	\$ (3,354,673)
Effect of exchange rate changes on cash		20,936	35,774
CHANGE IN CASH DURING THE PERIOD		174,568	2,546,159
CASH - BEGINNING OF PERIOD		1,306,694	77,168
CASH - END OF PERIOD		\$ 1,481,262	\$ 2,623,327
SUPPLEMENTAL CASH FLOW INFORMATION			
Right of use asset	3	-	67,396

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

FURA GEMS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of shares #	Share capital \$	Shares to be issued \$	Warrants \$	Contributed surplus \$	Non-controlling interest \$	Accumulated deficiency \$	Total \$
Balance, December 31, 2018	134,417,100	39,601,837	-	440,732	4,237,387	2,096,684	(35,847,433)	10,529,207
Adjustment on initial application of IFRS 16	-	-	-	-	-	-	(4,223)	(4,223)
Adjusted Balance, January 1, 2019	134,417,100	39,601,837	-	440,732	4,237,387	2,096,684	(35,851,656)	10,524,984
Warrants exercised	494,047	133,393	-	-	-	-	-	133,393
Value allocation on warrants exercised	-	35,293	-	(35,293)	-	-	-	-
Options exercise	250,000	25,000	-	-	-	-	-	25,000
Value allocation on options exercised	-	10,000	-	-	(10,000)	-	-	-
Warrants expired	-	-	-	(346,642)	-	-	346,642	-
Options expired	-	-	-	-	(155,854)	-	155,854	-
Shares to be issued	-	10,714,400	-	-	-	-	-	10,714,400
Loss for the period	-	-	-	-	-	(1,098,196)	(9,130,222)	(10,228,418)
Balance, June 30, 2019	135,161,147	50,519,923	-	58,797	4,071,533	998,488	(44,479,382)	11,169,359
Balance, December 31, 2019	243,279,893	66,672,319	7,204,319	58,797	3,809,045	(1,135,688)	(59,921,799)	16,686,993
Private placement	28,755,592	7,188,899	(7,204,319)	-	-	-	-	(15,420)
Options expired	-	-	-	-	(167,461)	-	167,461	-
Warrants expired	-	-	-	(31,211)	-	-	31,211	-
Loss for the period	-	-	-	-	-	(1,374,697)	(13,336,730)	(14,711,427)
Balance, June 30, 2020	272,035,485	73,861,218	-	27,586	3,641,584	(2,510,385)	(73,059,857)	1,960,146

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

FURA GEMS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Fura Gems Inc. (the “Company” or “Fura”) was incorporated under the name Galena Capital Corp. pursuant to the provisions of the *Business Corporations Act* (British Columbia) on September 26, 2006. On September 26, 2012, the Company changed its name to Ferro Iron Ore Corp. At the Annual and Special Meeting of shareholders held on May 30, 2013, the shareholders of the Company approved the continuation of the Company from British Columbia to Ontario and a change in name to Wolf Resource Development Corp. The Company changed its name to Fura Emeralds Inc. on March 9, 2015 and to Fura Gems Inc. on April 11, 2017 to more accurately reflect the core business activities of the Company.

Fura is a natural resource company engaged in the acquisition, exploration and evaluation of properties in Colombia, Mozambique, Madagascar and Australia and is listed on the TSX Venture Exchange (“TSXV”). The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether the properties it currently holds contain economically recoverable ore reserves. Consequently, the Company considers itself to be in the exploration and evaluation stage.

The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities. The recoverability of the amounts shown for exploration and evaluation assets and property and equipment is dependent upon the Company obtaining the necessary financing to complete the exploration and evaluation programs, the discovery of economically recoverable reserves and future profitable operations.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, indigenous claims, and non-compliance with regulatory, environmental and social requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

The condensed consolidated interim financial statements are prepared on a going concern basis which assumes the Company will be able to meet its obligations and continue its operations for the next fiscal year.

At June 30, 2020, the Company had a negative working capital of \$14,690,948 and a cumulative loss since inception of \$73,059,857. The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations. However, there is no assurance that funds will continue to be available on terms acceptable to the Company or at all. These matters represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

These condensed consolidated interim financial statements do not reflect adjustments to the carrying value of the assets and liabilities that would be necessary should the Company be unable to continue operations. Such adjustments could be material.

The Company's registered office address is Suite 800 – 65 Queen Street West, Toronto Ontario, M5H 2M5.

FURA GEMS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

Novel Coronavirus (“COVID-19”)

The Company’s operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed consolidated interim financial statements of the Company and its subsidiary for the three and six months ended June 30, 2020 and 2019 have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. These condensed interim financial statements have been prepared in accordance with the accounting policies the Company adopted in its December 31, 2019 annual consolidated financial statements. Those accounting policies were based on IFRS standards and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations applicable at that time. Those policies have been consistently applied to all the periods presented in these condensed interim financial statements unless otherwise noted below. These condensed interim financial statements should be read in conjunction with the audited financial statements of Company for the year ended December 31, 2019.

These condensed consolidated interim financial statements were reviewed, approved and authorized for issue by the Board of Directors on August 28, 2020.

Basis of consolidation

Subsidiaries consist of entities over which the Company is exposed to or has rights to, variable returns as well as the ability to affect these returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. These condensed consolidated interim financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

These condensed consolidated interim financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries: Fura Emeralds (Barbados) Inc. in Barbados on June 12, 2014, Fura de Colombia S.A.S. in Colombia on January 20, 2015, Fura Services DMCC on June 22, 2017 in Dubai, Fura Coscuez Inc. incorporated on July 19, 2017 in the British Virgin Islands (“BVI”), Fura Gems and Mining Private Limited on August 18, 2017 in India, Lumi Madagascar Resources on August 12, 2019 in Madagascar, Vatomanga Resources on August 12, 2019 in Madagascar, Aria Gems on August 12, 2019 in Madagascar, Zava Resources on August 12, 2019 in Madagascar, Fura Gems FZE on April 28, 2019 in Dubai, and acquired Moon Mining SA, CCFM Minerals SA, Macassar Resources, Mozambique companies, Cobadale Limited, a Dubai Corporation, on November 27, 2017, Coscuez S.A, a Colombian company, acquired on January 22, 2018, Mozambican Ruby Limitada, a Mozambican company acquired on October 17, 2019, Capricorn Sapphire Pty Ltd. (“Capricorn”), an Australian company and Richland Corporate Ltd., a Bermudan company both acquired on December 31, 2019, Vedas International DMCC, a Dubai company acquired on February 4, 2020, Msaiwise Ruby Mining Ltda, a Mozambique company incorporated in 2020, SLR Mining Ltda., a Mozambique company acquired on April 23, 2020, and Rubies Resources SA and IBRA MOZ SA, Mozambique companies acquired on June 23, 2020. All material intercompany transactions and balances between its subsidiaries have been eliminated on consolidation.

FURA GEMS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-controlling interest

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to conform to the Company's accounting policies.

Functional and presentation currency and translation

The functional currency of the Company is the currency of the primary economic environment in which it operates. The Company's condensed consolidated interim financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("Foreign Currencies") are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in Foreign Currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in Foreign Currencies are retranslated at the rates prevailing at the date when the fair value was determined. Foreign exchange gains and losses are recorded in operations in the statement of loss.

New accounting changes

The unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements as at and for the year ended December 31, 2019, except for the adoption of the following new standards and interpretations issued by the IASB that were effective as of January 1, 2020.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. These amendments did not have a significant impact on the condensed consolidated interim financial statements.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

FURA GEMS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)

3. PROPERTY AND EQUIPMENT

Below summarizes the property and equipment as at June 30, 2020 and December 31, 2019:

	Land	Building	Software	Furniture / Fixture	Equipment	Vehicle	Right of use asset	Total
Net book value, December 31, 2018	19,947	45,368	91,557	22,690	849,585	87,206	-	1,116,353
Acquisition	-	2,866,330	17,601	11,728	2,699,532	3,425	-	5,598,616
IFRS 16	-	-	-	-	-	-	67,396	
Amortization expense	-	-	(81,466)	(3,984)	(603,734)	(16,386)	(57,768)	(763,338)
Net book value, December 31, 2019	19,947	2,911,698	27,692	30,434	2,945,383	74,245	9,628	6,019,027
Acquisition	-	1,666,471	-	1,221	290,242	339,774	-	2,297,708
Amortization expense	-	(381,968)	(1,832)	(2,067)	(188,966)	(3,102)	(9,628)	(587,563)
Net book value, June 30, 2020	19,947	4,196,201	25,860	29,588	3,046,659	410,917	-	7,729,172

4. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

Below summarizes the exploration and evaluation assets as at June 30, 2020 and December 31, 2019:

Exploration and evaluation assets	Madagascar Licences	Colombia Emeralds Properties	Mozambique Ruby Properties	Australian Sapphire Properties	Total
Balance - December 31, 2018	\$ -	\$ 20,997,257	\$ 9,181,658	\$ -	\$ 30,178,915
Licence purchase	172,708	-	-	-	172,708
Acquisition - Mozambican Ruby Ltda	-	-	3,128,817	-	3,128,817
Acquisition - Capricorn Sapphire	-	-	-	1,747,328	1,747,328
Balance - December 31, 2019	\$ 172,708	\$ 20,997,257	\$ 12,310,475	\$ 1,747,328	\$ 35,227,768
Acquisition - Capricorn Sapphire	-	-	-	(11,602)	(11,602)
Acquisition - SLR Mining Lda	-	-	8,967,247	-	8,967,247
Acquisition - Mozambique Ruby Assets	-	-	1,396,709	-	1,396,709
Balance - June 30, 2020	\$ 172,708	\$ 20,997,257	\$ 22,674,431	\$ 1,735,726	\$ 45,580,122

Colombia Coscuez Emerald Property

On January 22, 2018, the Company closed its acquisition of 76% of the issued and outstanding shares of Coscuez S.A. (“Coscuez”), which owns a 100% interest in mining licence no. 122 – 95M (the “Coscuez Licence”). The Coscuez Licence is valid until 2020. The Company has applied for a licence extension and is subject to governmental approval.

FURA GEMS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (CONTINUED)

Colombia Coscuez Emerald Property (continued)

Transaction term

As part of the consideration, Fura paid Emporium HS S.A.S. (“Emporium”) US\$2.50 million (approximately \$3.3 million) on closing and issued 363,872 common shares valued at \$312,930 based on the adjusted market value of the common shares. Fura owns a 76% interest in Coscuez and has assumed complete management control of the Coscuez mine effective January 22, 2018. Emporium will continue to hold a 20.10% free carried interest in Coscuez, subject to a shareholders’ agreement containing restrictions on transfer of shares, a right of first refusal, drag along rights and other terms standard for an agreement of this nature. The balance of 3.9% will continue to be held by third parties.

Under the terms of the share purchase agreement relating to the transaction, Fura has agreed to the following additional payments:

- US\$2.0 million (approximately \$2.7 million) on the 12-month anniversary of the closing (paid in full);
- US\$2.5 million (approximately \$3.5 million) on the 24-month anniversary of the closing (US\$1,821,700 (\$2,519,296) paid at June 30, 2020); and,
- US\$3.0 million (approximately \$4.1 million) on the 36-month anniversary of the closing.

In addition, Fura will assume certain expenses of Coscuez not exceeding US\$5 million (approximately \$6.8 million). This amount has been included in accounts payable and accrued liabilities as at June 30, 2020. If Coscuez earns a net profit of US\$17 million (approximately \$23.2 million) or more in a fiscal year, then Fura will pay to Emporium an additional one-off bonus of US\$3 million (approximately \$4.1 million). No value has been recorded related to this contingent condition as no triggering event has taken place.

The Company advanced US\$1,500,000 (\$2,014,985) as deposit to Emporium against the purchase price during the year ended December 31, 2017 and paid an additional US\$1,000,000 (\$1,250,700) on closing during the year ended December 31, 2018.

Purchase price consideration

The acquisition is being treated as an asset acquisition for accounting purposes as Coscuez does not meet the definition of a business, as defined in IFRS 3, Business Combinations. No value has been ascribed to the contingent consideration.

Purchase price	
Cash consideration	\$ 3,265,685
Share consideration (363,872 common shares)	312,930
Future payments - US\$7.5 million discounted at 15%	6,978,078
Legal costs	49,317
Total purchase price	\$ 10,606,010

Fair value of assets acquired and liabilities assumed	
Cash	\$ 62,397
Receivables and prepaids	11,180
Inventory	128,026
Equipment	81,781
Accounts payable and accrued liabilities	(7,325,364)
Exploration and evaluation assets	20,997,257
Less: portion allocated to non controlling interest	(3,349,267)
Total net assets acquired	\$ 10,606,010

FURA GEMS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (CONTINUED)

Mozambican Ruby Limitada (“MRL”) Transaction

Transaction term

On October 17, 2019, the Company completed the acquisition of a 100% interest in ruby prospecting licence number 5572L (the “Licence”) in the Montepuez District of Cabo Delgado province in Mozambique. Pursuant to the share purchase agreement dated July 24, 2018, as amended, one of the Company’s wholly owned subsidiaries acquired 100% of the quotas of Mozambican Ruby Ltda. (which holds a 100% interest in the Licence). The Company issued 1,364,338 common shares of the Company, paid US\$381,000 (\$496,588) in cash to the vendor and paid US\$993,900 (\$1,306,283) to discharge certain trade liabilities and US\$345,000 (\$458,608) to discharge certain tax liabilities of the vendor in consideration for the Licence. The common shares issued were subject to a regulatory hold period of four months and one day, expiring February 18, 2020.

Purchase price consideration

The acquisition is being treated as an asset acquisition for accounting purposes as MRL does not meet the definition of a business, as defined in IFRS 3, Business Combinations.

Purchase price	
Share consideration (1,364,338 common shares)	\$ 238,759
Cash consideration	2,261,479
Total purchase price	\$ 2,500,238
Fair value of assets acquired and liabilities assumed	
Cash	\$ 684
Receivables and prepaids	1,513
Equipment	3,121
Accounts payable and accrued liabilities	(633,897)
Exploration and evaluation assets	3,128,817
Total net assets acquired	\$ 2,500,238

FURA GEMS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (CONTINUED)

Capricorn Sapphire Transaction

On December 31, 2019, the Company completed the acquisition of 100% interests in two mining permits (EPM 25973 and EPM 25978) and three mining licences (ML 70419, ML 70447, and ML 70451). Pursuant to the option agreement, as amended, the Company acquired 100% interest in the licences and permits through its 100% purchase of Capricorn Sapphire Pty Ltd in Australia and Richland Corporate Ltd. in Bermuda. The Company paid US\$1,250,000 (\$1,623,500) in cash to the vendor on completion of the agreement.

Transaction term

As part of the consideration, Fura paid Richland Resources Ltd. (“Richland”) \$1.82 million on closing in December 2019. Fura owns a 100% interest in Richland Corporate Ltd. and Capricorn Sapphire Pty Ltd. which in turn own 100% interests in two mining permits (EPM 25973 and EPM 25978) and three mining licenses (ML 70419, ML 70447, and ML 70451) for a sapphire mining project in Queensland, Australia.

Purchase price consideration

The acquisition is being treated as an asset acquisition for accounting purposes as the companies acquired do not meet the definition of a business, as defined in IFRS 3, Business Combinations.

Purchase price	
Cash consideration	\$ 1,648,500
Legal costs	186,637
Total purchase price	\$ 1,835,137

Fair value of assets acquired and liabilities assumed	
Cash	\$ 11,276
Restricted cash	339,257
Amount receivables and prepaids	62,445
Inventory	59,968
Equipment	174,971
Accounts payable and accrued liabilities	(569,441)
Exploration and evaluation assets	1,756,661
Total net assets acquired	\$ 1,835,137

In connection with the three mining licenses, the Company has a deposit of approximately \$339,000, as required by the Department of Environment and Science in Queensland, for estimated rehabilitation costs of existing disturbance on the properties.

The decommissioning liabilities of \$290,682 as at June 30, 2020, included in accounts payable and accrued liabilities (Note 5), are estimated based on the estimated rehabilitation costs and the estimated timing of the costs to be incurred in the future. The undiscounted cash flows required to settle these obligations is \$339,257. These liabilities have been discounted using a risk-free rate of 6% and an inflation rate of 2% per year over the next four years.

FURA GEMS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (CONTINUED)

SLR Mining Ltda.

On April 23, 2020, the Company completed the acquisition of 100% interests in one mining concession and mining licence (concession 8955C and licence 7414L). Pursuant to the acquisition agreement, as amended, the Company acquired 100% interest in the concession and licence through its 100% purchase of SLR Mining Ltda., a wholly owned subsidiary of GermRock Company Ltd. (“GemRock”) in Mozambique. The Company paid US\$6,600,000 (\$8,928,330) in cash to the vendor on completion of the agreement.

Transaction term

As part of the consideration, Fura paid GemRock US\$6.6 million on closing in April 2020. Fura owns a 100% interest in SLR Mining Ltda. which in turn owns 100% interests in the ruby mining concession 8955C and the ruby mining licence 7414L. in Mozambique.

Purchase price consideration

The acquisition is being treated as an asset acquisition for accounting purposes as the companies acquired do not meet the definition of a business, as defined in IFRS 3, Business Combinations.

Purchase price	
Cash consideration	\$ 8,928,330
Legal costs	39,949
Total purchase price	\$ 8,968,279

Fair value of assets acquired and liabilities assumed	
Cash	\$ 1,132
Accounts payable and accrued liabilities	(100)
Exploration and evaluation assets	8,967,247
Total net assets acquired	\$ 8,968,279

FURA GEMS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (CONTINUED)

Mozambique Ruby Assets Acquisition

On June 23, 2020, the Company completed the acquisition of interests in two mining licences/concessions (5030L and 8921C). Pursuant to the option agreement, as amended, the Company acquired a 70% interest in the licence through the acquisition of 70% of the issued and outstanding shares of Rubies Resources SA, and acquired an 80% interest in the concession through the acquisition of 80% of the issued and outstanding shares of Ibra Moz SA in Mozambique. The Company paid A\$1,400,000 (\$1,290,591) in cash to the vendor on completion of the agreement.

Transaction term

As part of the consideration, Fura paid New Energy Minerals Ltd. A\$1.4 million on closing in December 2019. Fura owns a 70% interest in Rubies Resources SA, and an 80% interest in Ibra Moz SA which in turn own a 70% interest in mining licence 5030L and an 80% interest in mining concession 8921C, respectively, for a in Mozambique.

Purchase price consideration

The acquisition is being treated as an asset acquisition for accounting purposes as the companies acquired do not meet the definition of a business, as defined in IFRS 3, Business Combinations.

Purchase price	
Cash consideration	\$ 1,290,591
Legal costs	101,535
Total purchase price	\$ 1,392,126

Fair value of assets acquired and liabilities assumed	
Cash	\$ 1,970
Amount receivables and prepaids	1,149
Accounts payable and accrued liabilities	(7,702)
Exploration and evaluation assets	1,396,709
Total net assets acquired	\$ 1,392,126

FURA GEMS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (CONTINUED)

Below summarizes the exploration and evaluation expenditures for the six months ended June 30, 2020 and 2019:

	Six months ended June 30,	
	2020	2019
<u>Colombia Coscuez Emerald Property (122 – 95M)</u>		
Consulting and labour	\$ 3,173,693	\$ 2,774,026
Legal, professional and due diligence	20,839	129,260
Field office and administration	173,527	48,682
Field expense, supplies and maintenance	1,322,187	1,046,783
License and land leases	655,609	-
Travel and accommodation	82,214	83,592
Equipment rental	222,915	199,600
Gem sales	-	-
Technical report	-	43,293
	\$ 5,650,984	\$ 4,325,236
<u>Mozambique Ruby</u>		
Consulting and labour	\$ 677,315	\$ 1,406,118
Drilling	24,423	-
Field office, supplies and repairs	2,762,695	400,148
Security	53,927	142,836
Travel and accommodation	368,266	82,712
Equipment rental	64,624	-
Mining license	-	65,435
Legal, professional and due diligence	613,826	225,672
Technical report	-	1,500
	\$ 4,565,076	\$ 2,324,421
<u>Madagascar</u>		
Consulting and labour	\$ 143,640	\$ -
Field office and administration	99,208	-
Travel and accommodation	4,081	-
	\$ 246,929	\$ -
<u>Capricorn</u>		
Consulting and labour	\$ 78,218	\$ -
Field office and administration	33,122	-
Field expense, supplies and maintenance	226,613	-
	\$ 337,953	\$ -
<u>Project Evaluations</u>		
Colombia	\$ -	\$ 76,805
Mozambique	-	77,280
Madagascar	-	40,182
	\$ -	\$ 194,267
Total exploration and evaluation expenses	\$ 10,800,942	\$ 6,843,924

FURA GEMS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019***(Expressed in Canadian Dollars)***5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES AND LONG-TERM LIABILITIES**

Short Term	June 30, 2020	December 31, 2019
Corporate payable	\$ 5,166,023	\$ 5,004,789
Exploration and evaluation expenses payable	2,040,979	4,720,359
Agencia Nacional de Minería liabilities (i)	7,978,026	9,867,144
Coscuez acquisition payment (ii)	4,702,688	2,917,105
	\$ 19,887,716	\$ 22,509,397
Long Term		
Coscuez acquisition payment (ii)	\$ -	\$ 3,358,466

- (i) The liabilities include full provision of the annual remittances for the 25-year mining license for Coscuez based on old mining code inclusive of interest and penalties owed to Agencia Nacional de Minería (“ANM”). This amount is subject to negotiation and the final settlement amount may differ.
- (ii) The outstanding amount of US\$3.7 million (approximately \$5.0 million) owing to Emporium (Note 5) was recognized at its estimated fair value of US\$4.7 million (approximately \$6.4 million) based on expected future payments, discounted at 15%. The interest rate was estimated based on interest rates available in the market on comparable debt issued to similar companies. The accretion of this liability is recorded as interest expense in the consolidated statement of loss.

6. LOANS PAYABLE

On January 9, 2019, the Company entered into a loan agreement with an arm’s length individual for a loan of US\$2,000,000 (\$2,648,600), bearing interest at 10% per annum. Interest accruing on principal is calculated and payable in monthly installments. Repayment of the loan was due on March 15, 2019. In the event of default, the lender had an option to convert the outstanding loan plus a premium of 20%, and accrued interest into equity shares. This loan was repaid in full in October 2019 through the issuance of shares of the Company (Note 7).

On March 19, 2019, the Company entered into a loan agreement with an arm’s length individual for a loan of \$840,000, bearing interest at 10% per annum. The principal and all interest accrued were repaid in full in Q2 2019.

On March 25, 2019, the Company entered into a loan agreement with Sulliden Mining Capital Inc., a corporation which shares one common director with the Company, for a loan of \$160,000, bearing interest of 12% per annum. The principal and all accrued interest were due no later than June 23, 2019. On September 10, 2019, the Company negotiated an extension of the maturity date with the lender to December 31, 2019; the principal amount of the loan was also increased to \$169,734. This loan was repaid in full, including all accrued interest, in March 2020.

On March 29, 2019, the Company entered into a promissory note agreement with an arm’s length individual in the amount of US\$1,000,000 (\$1,336,300), bearing interest at 18% per annum. This note plus all accrued interest was due on May 13, 2019. The note was repaid in full in Q2 2019.

In December 2019, the Company entered into a promissory note agreement with a related corporation, which shares one common director with the Company, in the amount of US\$3,500,000 (\$4,550,550), bearing interest at 10% per annum. This note was repaid in full, including all accrued interest, in March 2020.

In March 2020, the Company into an agreement for a facility to borrow a maximum aggregate amount of US\$28,600,000 (\$38,976,080). At June 30, 2020, the Company had drawn a total of US\$26,899,178 (\$36,658,200) on the facility. Funds advanced under the facility are unsecured, will bear interest at a rate of 10% per annum and have a maturity date of August 31, 2021. Under the terms of the facility, if there are any amounts outstanding and payable by the Company as at May 31, 2020, the Company will grant a security interest to the Lender in all of its current and future property. A director of the Company is a brother of the sole shareholder of the lender, has signing authority, and manages its daily affairs of the lender.

FURA GEMS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)

7. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares with no par value. The holders of common shares are entitled to receive dividends and are entitled to one vote per share at shareholder meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

Issued and Outstanding

	Note	Number of Common shares	Amount
Balance, December 31, 2018, before subscription receivable		134,417,100	\$ 44,353,961
Warrants exercised	8	494,047	133,393
Value allocation on warrants exercised	8	-	35,293
Options exercised	8	250,000	25,000
Value allocation on options exercised	8	-	10,000
Private placement		106,754,408	26,688,602
Share issue costs		-	(60,565)
Shares issued for property acquisition	4	1,364,338	238,759
Balance, December 31, 2019 and June 30, 2020 before subscription receivable		243,279,893	\$ 71,424,443
Private placement		28,755,592	7,188,899
Balance, June 30, 2020, before subscription receivable		272,035,485	\$ 78,613,342
Subscription receivable		-	(4,752,124)
Balance, June 30, 2020			\$ 73,861,218

On October 20, 2019, the Company closed the first tranche of this non-brokered private placement of common shares for proceeds of \$26,688,602. The Company issued 106,754,408 common shares at a price of \$0.25 per common share. Directors and officers of the Company participated and acquired 10,025,000 shares during the first tranche of this private placement for gross proceeds of \$2,506,250. A related corporation in which a director of the Company is a brother of the sole shareholder, has signing authority, and manages its daily affairs, acquired 94,904,408 shares during the first tranche for gross proceeds of \$23,726,102. All common shares issued were subject to a regulatory hold period of four months and one day, which expired on February 11, 2020. The proceeds were received from a corporation in which a director of the Company is a brother of the sole shareholder, has signing authority, and manages its daily affairs.

On May 27, 2020, the Company closed its second and final tranche of a previously announced non-brokered private placement financing of common shares (the "Offering") for gross proceeds of C\$7,188,898 (the "FinalTranche") Pursuant to the Final Tranche, Fura issued 28,755,592 common shares at a price of C\$0.25 per common share. In total, pursuant to the Offering, the Company received total gross proceeds of \$33,877,500 and issued 135,510,000 common shares at a price of C\$0.25 per common share. A director of the Company is a brother of the sole shareholder, has signing authority, and manages its daily affairs.

FURA GEMS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)

8. RESERVES

	Options			Warrants			Total Value
	Number of Options	Weighted Average Exercise Price	Value of Options	Number of Warrants	Weighted Average Exercise Price	Value of Warrants	
December 31, 2018	10,745,881	\$ 0.44	\$4,237,387	5,499,989	\$ 0.28	\$ 440,732	\$4,678,119
Exercised	(250,000)	\$ 0.04	\$ (10,000)	(494,047)	\$ 0.27	\$ (35,293)	\$ (45,293)
Expired	(1,100,000)	\$ 0.43	\$ (418,342)	(4,780,722)	\$ 0.27	\$ (346,642)	\$ (764,984)
December 31, 2019	9,395,881	\$ 0.44	\$3,809,045	225,220	\$ 0.28	\$ 58,797	\$3,867,842
Expired	(325,000)	\$ 0.58	\$ (167,461)	(80,028)	\$ 0.27	\$ (31,211)	\$ (198,672)
June 30, 2020	9,070,881	\$ 0.45	\$3,641,584	145,192	\$ 0.40	\$ 27,586	\$3,669,170

Stock Options

The Company has an incentive stock option plan (the “Plan”) under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company. A maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. The terms of the Plan provide that the directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant, less any discount permitted by the TSXV at terms of up to five years.

The majority of stock options vest immediately on the date of grant unless otherwise required by the TSXV. A four month hold period applies to the underlying common shares.

The weighted average remaining contractual life of the options exercisable at June 30, 2020 was 2.6 years (December 31, 2019 – 3.1 years).

Common shares reserved pursuant to options outstanding and exercisable as at June 30, 2020 are presented below:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Grant date share price	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
1,200,000	1,200,000	16-Feb-17	16-Feb-22	\$ 0.23	\$ 252,000	\$ 0.23	150%	5	0%	1.18%
250,000	250,000	27-Mar-17	27-Mar-22	\$ 0.20	\$ 45,000	\$ 0.20	147%	5	0%	1.09%
726,000	726,000	26-May-17	26-May-22	\$ 0.43	\$ 283,140	\$ 0.43	153%	5	0%	0.96%
1,218,000	1,218,000	20-Sep-17	20-Sep-22	\$ 0.395	\$ 426,300	\$0.395	140%	5	0%	1.80%
2,666,692	2,666,692	21-Mar-18	21-Mar-23	\$ 0.67	\$ 1,573,348	\$ 0.67	137%	5	0%	2.10%
150,000	150,000	16-Apr-18	16-Apr-23	\$ 0.55	\$ 69,000	\$ 0.55	121%	5	0%	2.12%
2,860,189	2,860,189	1-Oct-18	1-Oct-23	\$ 0.38	\$ 992,796	\$ 0.38	151%	5	0%	2.33%
9,070,881	9,070,881				\$3,641,584					

FURA GEMS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)

8. RESERVES (CONTINUED)

Warrants

Common shares reserved pursuant to warrants and finder warrants outstanding and exercisable as at June 30, 2020 are presented below:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Grant date share price	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
145,192	145,192	17-Sep-18	17-Sep-20	\$ 0.40	\$ 27,586	\$ 0.41	84%	2	0%	2.13%

9. GEOGRAPHIC SEGMENTS

IFRS 8 requires operating segments to be determined based on the Company's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Company's Chief Executive Officer as he is primarily responsible for the allocation of resources and the assessment of performance. The CODM uses net income, as reviewed at periodic business review meetings, as the key measure of the Company's results as it reflects the Company's underlying performance for the period under evaluation.

The CODM's primary focus for review and resource allocation is the Company as a whole and not any component part of the business. Having considered these factors, management has judged that the Company's operations comprise one operating segment under IFRS 8.

The Company operates in Canada, Barbados, BVI, Colombia, Dubai, India, Mozambique, Madagascar and Australia. Information about the Company's assets by geographical location at June 30, 2020 and December 31, 2019 are detailed below:

	Canada	Barbados	BVI	Colombia	Dubai	India	Mozambique	Madagascar	Australia	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
June 30, 2020										
Current assets	833,752	5,625	48	2,003,355	166,976	16,456	1,069,126	380,120	721,310	5,196,768
Property and equipment	-	-	-	2,619,021	171,980	-	4,755,963	7,237	174,971	7,729,172
Exploration and evaluation assets	-	-	-	20,997,257	-	-	22,674,431	172,708	1,735,726	45,580,122
Total Assets	833,752	5,625	48	25,619,633	338,956	16,456	28,499,520	560,065	2,632,007	58,506,062
December 31, 2019										
Current assets	873,664	7,443	65	1,784,378	113,952	22,412	829,004	307,419	472,946	4,411,283
Property and equipment	1,192	-	-	2,515,964	166,547	-	3,152,535	7,818	174,971	6,019,027
Exploration and evaluation assets	-	-	-	20,997,257	-	-	12,310,475	172,708	1,747,328	35,227,768
Total Assets	874,856	7,443	65	25,297,599	280,499	22,412	16,292,014	487,945	2,395,245	45,658,078

FURA GEMS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

The condensed consolidated interim financial statements include the financial statements of the Company and its subsidiaries at its respective ownership listed in the following table.

	<u>Country of Incorporation</u>	<u>% equity interest</u>
Fura Emeralds (Barbados) Inc.	Barbados	100%
Fura de Colombia S.A.S.	Colombia	100%
Fura Services DMCC	Dubai	100%
Fura Gems and Mining Private Limited	India	100%
Fura Coscuez Inc.	BVI	100%
Coscuez S.A.	Colombia	76%
Cobadale Limited	Dubai	100%
Moon Mining SA	Mozambique	80%
CCFM Internals SA	Mozambique	80%
Macassar Resources	Mozambique	80%
Sun Mining SA	Mozambique	100%
Fura Mozambique	Mozambique	100%
Lumi Madagascar Resources	Madagascar	100%
Vatomanga Resources	Madagascar	100%
Aria Gems	Madagascar	100%
Zava Resources	Madagascar	100%
Fura Gems FZE	Dubai	100%
Vedas International DMCC	Dubai	100%
Msaiwise Ruby Mining Ltda	Mozambique	70%
Mozambican Ruby Ltda.	Mozambique	100%
Richland Corporate Ltd.	Bermuda	100%
Capricorn Sapphire PTY Ltd.	Australia	100%
SLR Mining Ltda	Mozambique	100%
Rubies Resources SA	Mozambique	70%
IBRA MOZ SA	Mozambique	80%

During the six months ended June 30, 2020 and 2019, related party transactions which are not disclosed elsewhere in the condensed consolidated interim financial statements are as follows:

Summary of key management personnel compensation:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Consulting fees	\$ 311,385	\$ 301,034	\$ 613,960	\$ 600,286

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company directly or indirectly, including directors (executive and non-executive) of the Company.

The Company has a diversified base of investors. To the Company's knowledge, other than Lord of Seven Hills Holdings FZE, no shareholder holds more than 10% of the Company's common shares as at June 30, 2020 and December 31, 2019. Gaurav Gupta, a director of the Corporation, is a brother of the sole shareholder of Lord of Seven Hills Holdings FZE, has signing authority for Lord of Seven Hills Holdings FZE, and manages its daily affairs.

As at June 30, 2020, the Company had \$1,140,562 (December 31, 2019 - \$2,206,057) of consulting fees and travel expenses owing to its key management personnel. Such amounts are unsecured, non-interest bearing, with no fixed terms of payment and are due on demand.

FURA GEMS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The Company's financial instruments consist of cash, restricted cash, receivables, subscription receivables, accounts payable and accrued liabilities, loans payable, and long-term liabilities. The fair value of the cash, restricted cash, receivables, subscription receivables, accounts payable and accrued liabilities, and loans payable financial instruments approximates their carrying values due to the short-term nature of these instruments. The carrying amount and estimated fair value of the amounts owing to ANM are both \$7,978,026 (Note 5). The carrying amount and estimated fair value of the amounts owing to Emporium are \$4,702,688 and the undiscounted expected future cash flows are \$5,012,787. The fair value of the amount has been estimated based on discounted future payments using estimated interest rates.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity, and commodity price risk.

a) Currency risk

The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. The Company does not engage in any hedging activity to mitigate the risk. As at June 30, 2020 and December 31, 2019, the Company had the following financial assets and liabilities denominated in foreign currency presented below in Canadian dollars:

	US Dollars	Great British Pound	Arabian Dirhams	Indian Rupee	Mozambique New Metical	Colombia Peso	Australian Dollar	Malagasy Ariary
	\$	\$	\$	\$	\$	\$	\$	\$
<u>June 30, 2020</u>								
Cash	298,840	-	21,869	8,666	352,104	389,919	21,189	26,423
Receivables	81,787	-	-	7,790	410,348	-	3	353,697
Accounts payable	(8,191,609)	(51,506)	-	(649)	(2,582,785)	(7,171,542)	(522,171)	(3,781)
Loan payable	(36,658,200)	-	-	-	-	-	-	-
Long term liabilities	-	-	-	-	-	-	-	-
	(44,469,181)	(51,506)	21,869	15,807	(1,820,333)	(6,781,623)	(500,979)	376,339
<u>December 31, 2019</u>								
Cash	19,478	-	13,111	30,639	8,181	14,972	-	-
Receivables	87,549	-	-	5,970.00	-	268,113	-	-
Accounts payable	(5,319,335)	(49,244)	-	(6,332)	(226,186)	(9,785,146)	-	-
Long term liabilities	(6,008,234)	-	-	-	-	-	-	-
	(11,220,542)	(49,244)	13,111	30,277	(218,005)	(9,502,061)	-	-

A strengthening (weakening) of the Canadian dollar against the Arabian Dirhams, Colombian Peso, Indian Rupee, Mozambique New Metical, British pound, Australian dollar, Malagasy ariary, and United States dollar of 1% would decrease (increase) net loss by approximately \$532,000.

FURA GEMS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk

Credit risk is risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations. The Company's cash and restricted cash is held in large financial institutions. The Company's financial instruments are not exposed to significant credit risk.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as its current loans are based on fixed interest rates. However, should the Company need to renegotiate these loans, an increase or decrease 1% in interest rates on these loans would result in a corresponding change in interest expense of \$367,000 per annum.

The Company's cash are subject to interest rate cash flow risk as they carry variable rates of interest. Based on cash balances on hand at June 30, 2020, a 1% change in interest rates could result in a corresponding change in annual net loss of approximately \$15,000.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

The undiscounted cash flows of the Company at June 30, 2020 are as follows:

	Carrying Amount	Contractual Cash flow	1-Jul-20 to 30-Jun-21	1-Jul-21 to 30-Jun-22	1-Jul-22 to 30-Jun-23	Thereafter
Corporate payable	\$ 5,166,023	\$ 5,166,023	\$ 5,166,023	\$ -	\$ -	\$ -
Exploration and evaluation costs payable	2,040,979	2,040,979	2,040,979	-	-	-
Loans payable	36,658,200	36,658,200	-	36,658,200	-	-
Agencia Nacional de Minería liabilities	7,978,026	7,978,026	7,978,026	-	-	-
Coscuez acquisition payment	4,702,688	5,012,787	5,012,787	-	-	-
Lease liability	-	11,299	11,299	-	-	-
	\$56,545,916	\$56,867,314	\$ 20,209,114	\$ 36,658,200	\$ -	\$ -

e) Commodity price risk

The ability of the Company to explore and evaluate its exploration and evaluation properties and the future profitability of the Company are directly related to the price of certain minerals. The Company monitors gem prices to determine the appropriate course of action to be taken.

FURA GEMS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)

12. CAPITAL MANAGEMENT

The Company considers its capital structure to include the components of shareholders' equity and loans. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. As the Company's properties are in the exploration and evaluation stage, the Company is currently unable to self-finance its operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favourable. The Company did not change its approach to capital management during the six months ended June 30, 2020 and 2019.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of June 30, 2020, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

13. COMMITMENTS AND CONTINGENCIES

Management Contracts

The Company is party to certain management contracts. These contracts require that additional payments of up to approximately \$5,413,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these condensed consolidated interim financial statements. Minimum commitments remaining under these contracts are approximately \$1,369,000 all due within one year.

Environmental

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Property payments

As part of the Company's purchase of Cobadale Limited, the Company has agreed to issue five million Fura shares if any of the assets becomes a mining concession pursuant to the laws of Mozambique on or before September 19, 2019. As at June 30, 2020, no shares had been issued in relation to this contingency.

See also Note 4

FURA GEMS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019***(Expressed in Canadian Dollars)***14. LEASE LIABILITY**

On March 9, 2018, the Company entered into a lease agreement for office space in Bogota, Colombia. The monthly rent payable under the terms of the lease is COP12,000,000 (\$5,028) plus applicable service charges. The rent payable is subject to an annual increase based on the percentage increase in the Colombian minimum salary over the prior year, assessed annually. The lease is for fixed term of two years commencing March 9, 2018. The Company used a discount rate of 8.25% in determining the present value of the lease payments.

Lease liability at January 1, 2019	\$	71,619
Interest expense	\$	3,525
Lease payments	\$	(63,956)
Lease liability, December 31, 2019	\$	11,188
Interest expense	\$	111
Lease payments	\$	(11,299)
Lease liability, March 31, 2020	\$	-

15. NON-CONTROLLING INTERESTS

The Company's Colombian subsidiary, Coscuez S.A., has material non-controlling interest. The ownership interests held by the non-controlling interests is 24%. The following is a summarized financial for the Coscuez S.A. subgroup, prepared in accordance with IFRS, modified for fair value adjustments and differences in the Groups accounting policies. The information is before inter-company eliminations with other companies in the Group.

	June 30, 2020	June 30, 2019
Net loss and comprehensive loss for the period	\$ (4,962,106)	\$ (4,180,007)
Net loss and comprehensive loss attributed to NCI	(1,364,815)	(1,066,758)
Cash flows from operating activities	(324,181)	1,807,425
Cash flows from investing activities	(112,684)	(640,090)
Cash flows from financing activities	-	1,854,271
Dividends paid to NCI during the period	-	-
	June 30, 2020	December 31, 2019
Current assets	\$ 2,003,356	\$ 2,984,836
Non-current assets	2,619,021	2,506,337
Current liabilities	39,398,600	34,104,833
Non-current liabilities	-	-
Net assets	(34,776,224)	(28,613,661)
Net assets attributed to NCI	(8,958,898)	(7,594,084)

FURA GEMS INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in Canadian Dollars)

16. Subsequent event

Acquisition Agreement for Going Private

On August 14, 2020, the Company announced that it had entered into an acquisition agreement with its majority shareholder, pursuant to which the purchaser has agreed to acquire all of the outstanding common shares of the Company, other than common shares already held by the purchaser and its affiliates, at a price of \$0.15 per common share (the “Transaction”). This transaction is subject to shareholder approval.

Loan Payable

Subsequent to the end of the period, the Company received an additional draw on its loan facility bringing to the total draw on the facility to US\$28,600,000 (\$38,976,080), the maximum aggregate principal available from the facility. The Company has arranged for bridge financing in the amount of US\$8,750,000 pursuant to an amendment made to the existing loan facility of US\$28,600,000. The terms of the bridge loan will be the same as the terms for the original loan facility subject to new events of default that will apply to all indebtedness under the facility, as amended. Such new events of default include the occurrence of the earlier of: (i) the Transaction not having been completed by October 31, 2020; (ii) the termination of the Transaction; (iii) the board making a change in recommendation per the Transaction; (iv) the Company materially breaching the non-solicitation provisions of the Transaction; and (v) the entering into by the Company of a definitive agreement with respect to a superior proposal.