



WE DISCOVER THE GEM

FURA GEMS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

(Expressed in Canadian Dollars)

FURA GEMS INC.

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(Expressed in Canadian Dollars)

(Unaudited)

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**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 INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION***(Expressed In Canadian Dollars- unaudited)*

	Note	June 30, 2018	December 31, 2017
		\$	\$
ASSETS			
Current			
Cash		528,236	298,566
Receivables	4	2,162,954	157,818
Prepaid expenses	5	440,970	262,099
Inventory		327,472	-
Total current assets		3,459,632	718,483
Property and equipment	6	585,820	65,731
Deposit	7	-	2,014,985
Exploration and evaluation assets	7	30,178,915	9,181,658
TOTAL ASSETS		34,224,367	11,980,857
LIABILITIES			
Current			
Accounts payable and accrued liabilities	8	14,030,853	2,702,559
Non-current liabilities			
Long term liabilities	8	5,404,932	-
TOTAL LIABILITIES		19,435,785	2,702,559
EQUITY			
Share capital	9	29,130,291	17,214,085
Warrants	10	413,146	487,980
Contributed surplus	10	3,747,038	1,592,940
Accumulated deficit		(22,619,878)	(11,804,052)
TOTAL EQUITY ATTRIBUTED TO OWNER OF THE PARENT		10,670,597	7,490,953
Non-controlling interest		4,117,985	1,787,345
TOTAL EQUITY		14,788,582	9,278,298
TOTAL LIABILITIES AND EQUITY		34,224,367	11,980,857
Nature of operations and going concern	1		
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Approved and authorized by the Board on August 29, 2018.

On behalf of the Board:

“Jaime Lalinde”
Director

“Dev Shetty”
Director

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

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

(Expressed In Canadian Dollars - unaudited)

	Note	Three months ended June 30,		Six months ended June 30,	
		2018	2017	2018	2017
		\$	\$	\$	\$
EXPENSES					
Management and consulting fees	12	650,593	365,601	1,303,871	726,841
Share-based compensation	10,12	69,000	283,140	2,247,098	580,140
Exploration and evaluation expenditures	7	3,387,096	1,042,282	5,616,459	1,067,939
Office and administration		312,713	103,847	1,099,521	136,185
Professional fees		61,249	55,938	198,976	68,108
Travel		137,721	35,239	282,816	40,776
Amortization expenses	6	16,489	2,280	24,500	4,560
LOSS BEFORE OTHER ITEMS		(4,634,861)	(1,888,327)	(10,773,241)	(2,624,549)
OTHER ITEMS					
Interest income		(3,526)	-	(7,674)	-
Accretion and interest expense	8	467,204	12,896	470,656	18,932
Foreign exchange (gain) loss		(95,383)	94,003	598,230	94,727
TOTAL OTHER ITEMS		(368,295)	(106,899)	(1,061,212)	(113,659)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		(5,003,156)	(1,995,226)	(11,834,453)	(2,738,208)
NET LOSS AND COMPREHENSIVE LOSS ATTRIBUTABLE TO:					
Shareholders of Fura		(4,452,293)	(1,995,226)	(10,815,826)	(2,738,208)
Non-controlling Interest		(550,863)	-	(1,018,627)	-
		(5,003,156)	(1,995,226)	(11,834,453)	(2,738,208)
BASIC AND DILUTED NET LOSS PER SHARE					
		(0.05)	(0.04)	(0.13)	(0.07)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING					
Basic and Diluted		94,549,159	45,879,702	90,287,409	40,889,622

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

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

	Note	Six months ended June 30, 2018	2017
		\$	\$
CASH (USED FOR) PROVIDED BY:			
OPERATING ACTIVITIES			
Net loss for the peirod		(11,834,453)	(2,738,208)
Items not affecting cash:			
Share-based compensation	10	2,247,098	580,140
Write-off of exploration and evaluation assets	7	-	18,932
Accretion expenses	8	463,008	-
Amortization expenses	6	24,500	4,560
Unrealized loss on foreign exchange		585,989	100,895
		(8,513,858)	(2,033,681)
Change in non-cash working capital items			
Receivables and prepaids		(2,147,794)	(1,627,210)
Inventory		(199,446)	-
Accounts payable and accrued liabilities		1,325,560	471,370
Net cash used for operating activities		(9,535,538)	(3,189,521)
FINANCING ACTIVITIES			
Private placement	9	11,137,187	3,045,000
Shares issued from warrants exercised	10	400,128	380,512
Shares issued from options exercised	10	109,000	-
Share and warrant issue costs	9,10	(210,873)	(78,470)
Debt Financing		-	434,656
Net cash provided from financing activities		11,435,442	3,781,698
INVESTING ACTIVITIES			
Acquisiton of property and equipment	6	(544,590)	-
Acquisition of mining rights	7	(3,315,002)	(197,010)
Prepaid deposit	7	2,014,985	-
Cash received from acquisition of exploration and evaluation assets	7	62,397	-
Property and equipment received on acquisition of exploration and evaluation assets	7	81,781	-
Net cash used for investing activities		(1,700,429)	(197,010)
Effect of exchange rate changes on cash		30,195	(10,576)
INCREASE IN CASH DURING THE PERIOD		229,670	384,591
CASH - BEGINNING OF PERIOD		298,566	415
CASH - END OF PERIOD		528,236	385,006
SUPPLEMENTAL CASH FLOW INFORMATION			
Shares issued for acquisition of exploration and evaluation assets		312,930	-
Finder warrants issued		31,212	-

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

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

	Number of shares #	Share capital \$	Warrants \$	Contributed surplus \$	Non-controlling interest \$	Accumulated deficiency \$	Total \$
Balance at December 31, 2016	34,759,751	2,308,341	255,006	205,300	-	(2,406,797)	361,850
Private placement	14,500,000	3,045,000	-	-	-	-	3,045,000
Warrants issued	-	(517,910)	517,910	-	-	-	-
Finder warrants issued	-	-	47,734	-	-	-	47,734
Share and warrant issue costs	-	(104,738)	(21,466)	-	-	-	(126,204)
Warrants exercised	2,238,305	380,512	-	-	-	-	380,512
Value allocation on warrants exercised	-	132,593	(132,593)	-	-	-	-
Warrants expired	-	-	(122,412)	-	-	122,412	-
Share-based compensation	-	-	-	580,140	-	-	580,140
Loss for the period	-	-	-	-	-	(2,738,208)	(2,738,208)
						-	
Balance at March 31, 2017	51,498,056	5,243,798	544,179	785,440	-	(5,022,593)	1,550,824
Balance at December 31, 2017	74,819,225	17,214,085	487,980	1,592,940	1,787,345	(11,804,052)	9,278,298
Private placement	18,561,978	11,137,187	-	-	-	-	11,137,187
Share issued for acquisition of exploration and evaluation assets	363,872	312,930	-	-	3,349,267	-	3,662,197
Share issue costs	-	(242,085)	-	-	-	-	(242,085)
Finder warrants issued	-	-	31,212	-	-	-	31,212
Warrants exercised	1,481,956	400,128	-	-	-	-	400,128
Value allocation on warrants exercised	-	106,046	(106,046)	-	-	-	-
Options exercised	500,000	109,000	-	-	-	-	109,000
Value allocation on options exercised	-	93,000	-	(93,000)	-	-	-
Share-based compensation	-	-	-	2,247,098	-	-	2,247,098
Loss for the period	-	-	-	-	(1,018,627)	(10,815,826)	(11,834,453)
Balance at June 30, 2018	95,727,031	29,130,291	413,146	3,747,038	4,117,985	(22,619,878)	14,788,582

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

FURA GEMS INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(Expressed In Canadian Dollars - unaudited)

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 and Mozambique 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 properties, 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 interim consolidated 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, 2018, the Company had a negative working capital of \$10,571,221 and a cumulative loss since inception of \$22,619,887. The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of 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 and was able to close private placement financings during and subsequent to the six months ended June 30, 2018 (see Note 9). 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 interim consolidated 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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(Expressed In Canadian Dollars - unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company and its subsidiary for the three and six months ended June 30, 2018 and 2017 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, 2017 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, 2017.

These condensed interim consolidated financial statements were reviewed, approved and authorized for issue by the Board of Directors on August 29, 2018.

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 interim consolidated 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 interim consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries Fura Emeralds (Barbados) Inc. incorporated on June 12, 2014, Fura de Colombia S.A.S. incorporated on January 20, 2015, Fura Services DMCC on June 22, 2017 in Dubai, Fura Coscuez Inc. incorporated on July 19, 2017 in British Virgin Island ("BVI"), Fura Gems and Mining Private Limited incorporated on August 18, 2017 in India, Moon Mining SA, CCFM Minerals SA and Macassar Resources, all incorporated in Mozambique, Cobadale Limited, incorporated in Dubai and acquired by the Company on November 27, 2017 and Coscuez S.A. (formerly Esmeraldas Y Minas de Colombia S.A.) acquired on January 22, 2018. All material intercompany transactions and balances between its subsidiaries have been eliminated on consolidation.

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 consolidated 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.

FURA GEMS INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(Expressed In Canadian Dollars - unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting changes

During 2018, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 2 and IFRS 9. These new standards and changes did not have any material impact on the Company's condensed interim consolidated financial statements.

Future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on January 1, 2019 or later. Updates that are not applicable or are not consequential to the Company have been excluded. The Company has not yet considered the impact of the adoption of these standards.

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019.

3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTIES

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities, profits and expenses. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim consolidated financial statements are discussed below:

FURA GEMS INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(Expressed In Canadian Dollars - unaudited)

3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTIES (CONTINUED)

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees and applicable non-employees by reference to the fair value of the equity instruments at the date at which they are vested. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, risk-free interest rates, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.

Title to exploration and evaluation property interests

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Allowance for other receivable

The fair value of the Company's other receivable is considered to be the fair value of the amount expected to be received. Subsequent provisions for impairment are considered when amounts become past due or when other objective evidence is received that a specific counterparty will default.

Estimated useful life of property and equipment

Management estimates the useful lives of property and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at each reporting date and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property and equipment in the future.

Rehabilitation provisions

The Company records management's best estimate of the present value of the future cash requirements of any rehabilitation obligation as a long-term liability in the period in which the related environmental disturbance occurs based on the net present value of the estimated future costs. This obligation is adjusted at each period end to reflect the passage of time and any changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and discount rate to be used. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

FURA GEMS INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017***(Expressed In Canadian Dollars - unaudited)***3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTIES (CONTINUED)*****Impairment of exploration and evaluation assets***

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

Contingencies

Refer to Note 15.

4. RECEIVABLES

	June 30, 2018	December 31, 2017
HST receivable	\$ 152,521	\$ 87,167
Subscription receivable	906,124	-
Other receivable	1,104,309	70,651
	<u>\$ 2,162,954</u>	<u>\$ 157,818</u>

5. PREPAID EXPENSES

	June 30, 2018	December 31, 2017
Deposit	\$ 43,723	\$ 38,592
Insurance	13,982	2,983
Prepaid expenses	383,265	220,524
	<u>\$ 440,970</u>	<u>\$ 262,099</u>

6. PROPERTY AND EQUIPMENT

Below summarizes the property and equipment as at June 30, 2018 and December 31, 2017.

	Land	Building	Intangible	Furniture / Fixture	Equipment	Vehicle	Total
Net book value - December 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,440	\$ 33,440
Acquisition	-	-	-	-	43,500	-	43,500
Accumulated amortization	-	-	-	-	(2,089)	(9,120)	(11,209)
Net book value - December 31, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,411</u>	<u>\$ 24,320</u>	<u>\$ 65,731</u>
Acquisition	19,947	45,368	95,207	20,008	284,375	79,684	544,589
Accumulated amortization	-	(1,553)	(1,803)	(695)	(14,556)	(5,893)	(24,500)
Net book value - June 30, 2018	<u>\$ 19,947</u>	<u>\$ 43,815</u>	<u>\$ 93,404</u>	<u>\$ 19,313</u>	<u>\$ 311,230</u>	<u>\$ 98,111</u>	<u>\$ 585,820</u>

FURA GEMS INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(Expressed In Canadian Dollars - unaudited)

7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

Below summarizes the exploration and evaluation assets as at June 30, 2018 and December 31, 2017:

Exploration and evaluation assets	Colombia		Mozambique	Total
	Emeralds Properties		Ruby Properties	
Balance - December 31, 2015 and 2016	\$	594,912	\$ -	\$ 594,912
Acquisition - Mozambique		642,310	9,181,658	9,823,968
Write-off		(1,237,222)	-	(1,237,222)
Balance - December 31, 2017	\$	-	\$ 9,181,658	\$ 9,181,658
Acquisition - Coscuez		20,997,257	-	20,997,257
Balance - June 30, 2018	\$	20,997,257	\$ 9,181,658	\$ 30,178,915

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”).

Transaction term

As part of the consideration, Fura paid Emporium HS S.A.S. (“Emporium”) US\$2.50 million (approximately \$3.14 million) on closing and issued 363,872 common shares. Fura owns a 76% interest in Coscuez and has assumed the 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\$2.00 million (approximately \$2.6 million) on the 12-month anniversary of the closing;
- US\$2.50 million (approximately \$3.3 million) on the 24-month anniversary of the closing; and,
- US\$3.00 million (approximately \$4.0 million) on the 36-month anniversary of the closing.

In addition, Fura will assume certain expenses of Coscuez not exceeding US\$5 million (approximately \$6.6 million). This amount has been included in accounts payable and accrued liabilities. If Coscuez earns a net profit of US\$17 million (approximately \$22.4 million) or more in a fiscal year, then Fura will pay to Emporium an additional one-off bonus of US\$3 million (approximately \$4.0 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.

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.

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7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (CONTINUED)

Colombia Coscuez Emerald Property (continued)

Purchase price:

Cash consideration	\$ 3,265,685
Share consideration	312,930
Future payments - US\$7.5m discounted at 15%	6,978,078
Legal costs	49,317
Total purchase price	<u>\$ 10,606,010</u>

Fair Value of assets acquired and liabilities assumed:

Cash	\$ 62,397
Amount 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	<u>(3,349,267)</u>
Total net assets acquired	<u>\$ 10,606,010</u>

Below summarizes the exploration and evaluation expenditures for the six months ended June 30, 2018 and 2017:

	Six months ended June 30,	
	2018	2017
<u>Colombia Emeralds Property (ECH-121)</u>		
Consulting (geologist, labour, mapping and assaying)	\$ -	\$ 152,402
Field office, supplies and repairs	1,257	5,139
Legal, professional and due diligence	-	9,760
License and land leases	-	2,537
Travel and accommodation	-	22,181
Business development	-	13,573
Technical report	-	16,650
	<u>\$ 1,257</u>	<u>\$ 222,242</u>
<u>Colombia Coscuez Emerald Property (122 – 95M)</u>		
Consulting (geologist, labour, mapping and assaying)	\$ 1,937,732	\$ -
Legal, professional and due diligence	297,608	-
Field office and administration	122,226	-
Field expense, supplies and maintenance	925,814	-
(Recovery) of license and land leases	(9,068)	-
Travel and accommodation	87,533	-
Equipment rental	107,393	-
Gem sales	(118,847)	-
Technical report	74,425	-
	<u>\$ 3,424,816</u>	<u>\$ -</u>

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7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (CONTINUED)

	Six months ended June 30,	
	2018	2017
<u>Mozambique Ruby</u>		
Consulting and labour	\$ 766,090	\$ -
Drilling	181,931	-
Field office, supplies and repairs	224,147	-
Security	141,308	-
Travel and accommodation	161,849	-
Mining License	178,876	-
Legal, professional and due diligence	106,171	-
Technical report	8,100	-
Project Evaluations	-	402,256
	\$ 1,768,472	\$ 402,256
<u>Project Evaluations</u>		
Colombia	\$ 267,349	\$ 443,441
Ethiopia	154,565	-
	\$ 421,914	\$ 443,441
Total exploration and evaluation expenses	\$ 5,616,459	\$ 1,067,939

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Short Term	June 30, 2018	December 31, 2017
Corporate payable	\$ 1,575,697	\$ 2,108,760
Exploration and evaluation expenses payable	2,786,930	593,799
Agencia Nacional de Minería liabilities (i)	7,234,381	-
Coscuez acquisition payment (ii)	2,433,845	-
	\$ 14,030,853	\$ 2,702,559
Long Term		
Coscuez acquisition payment (ii)	\$ 5,404,932	\$ -

- (i) The liabilities include full provision of the annual remittances for the 25-year mining license 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 amount of US\$7.5 million (approximately \$9.9 million) owing to Emporium was recognized at its estimated fair value of US\$6.0 million (approximately \$7.9 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.

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9. 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

	Number of Common shares	Amount
Balance, December 31, 2016	34,759,751	\$ 2,308,341
Private placement	24,500,000	7,045,000
Share issued for property acquisition	10,000,000	6,400,000
Value allocation on warrants issued	-	(517,910)
Share issue costs	-	(134,540)
Warrants exercised	3,025,008	592,922
Value allocation on warrants exercised	-	188,792
Options exercised	440,000	44,000
Value allocation on options exercised	-	30,800
Private Placement - shares to be issued	2,094,466	1,256,680
Balance, December 31, 2017	74,819,225	\$ 17,214,085
Private placement	18,561,978	11,137,187
Share issued for property acquisition	363,872	312,930
Share issue costs	-	(242,085)
Warrants exercised	1,481,956	400,128
Value allocation on warrants exercised	-	106,046
Options exercised	500,000	109,000
Value allocation on options exercised	-	93,000
Balance, June 30, 2018	95,727,031	\$ 29,130,291

On January 18, 2018, the Company closed the first tranche of its non-brokered private placement. The Company issued 7,500,000 common shares at a price of \$0.60 per share for aggregate gross proceeds of \$4,500,000. All Fura common shares issued pursuant to the first tranche will be subject to a regulatory hold period of four months and one day expiring on May 19, 2018. The Company paid Hannam & Partners a cash commission of \$116,260 and issued to Hannam & Partners 61,175 finder warrants which entitle the holder to acquire common share of Fura at a price of \$0.60 for a period of 24 months following the closing date of the offering. Included in the first tranche were proceeds of \$1,256,680 received during 2017. As at December 31, 2017, the amount and the related 2,094,466 common shares, were presented as shares to be issued with share capital.

On February 26, 2018, the Company closed the second tranche of its non-brokered private placement of common shares. The Company issued 13,156,445 common shares pursuant to the second tranche at a price of \$0.60 per share for aggregate gross proceeds of \$7,893,867. The Company paid an additional finder fees of \$9,000.

In connection with the private placement financing, directors and officers of the Company participated and acquired an aggregate of 126,180 shares for gross proceeds of \$75,708. In addition, a related company which has common officer acquired an aggregate of 1,666,666 shares for gross proceeds of \$1,000,000.

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10. 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, 2016	1,990,000	\$ 0.13	\$ 205,300	4,638,306	\$ 0.13	\$ 255,006	\$ 460,306
Granted / vested	4,414,000	\$ 0.29	\$ 1,418,440	7,543,428	\$ 0.27	\$ 565,644	\$ 1,984,084
Exercised	(440,000)	\$ 0.10	\$ (30,800)	(3,025,008)	\$ 0.20	\$ (188,792)	\$ (219,592)
Expired	-	\$ -	\$ -	(2,400,001)	\$ 0.20	\$ (122,413)	\$ (122,413)
Warrant issue costs	-	\$ -	\$ -	-	\$ -	\$ (21,465)	\$ (21,465)
December 31, 2017	5,964,000	\$ 0.30	\$ 1,592,940	6,756,725	\$ 0.27	\$ 487,980	\$ 2,080,920
Granted / vested	3,841,692	\$ 0.58	\$ 2,247,098	80,028	\$ 0.60	\$ 31,211	\$ 2,278,309
Exercised	(400,000)	\$ 0.22	\$ (86,000)	(1,481,956)	\$ 0.27	\$ (106,046)	\$ (192,046)
Expired	(20,000)	\$ 0.35	\$ (7,000)	-	\$ -	\$ -	\$ (7,000)
December 31, 2017	9,385,692	\$ 0.45	\$ 3,747,038	5,354,797	\$ 0.27	\$ 413,145	\$ 4,160,183

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.

On March 21, 2018, the Company granted 3,691,692 stock options to directors, officers and consultants of the Company. The options vested immediately, have an exercise price of \$0.67 and expire on March 21, 2023. The fair value of the options was estimated to be \$2,178,098 using the Black-Scholes option pricing model with estimated expected volatility at 137%; risk-free interest rate at 2.1%; expected life at 5 years; and expected dividend yield at 0%. In connection with the option grants, directors and officers of the Company were granted a total of 1,901,692 options.

On April 16, 2018, the Company granted 150,000 stock options to a consultant of the Company. The options vested immediately, have an exercise price of \$0.55 and expire on April 16, 2023. The fair value of the options was estimated to be \$69,000 using the Black-Scholes option pricing model with estimated expected volatility at 121%; risk-free interest rate at 2.12%; expected life at 5 years; and expected dividend yield at 0%.

The weighted average remaining contractual life of the options exercisable at June 30, 2018 was 3.83 years (December 31, 2017 – 3.55 years).

Common shares reserved pursuant to options outstanding and exercisable as at June 30, 2018 are presented below:

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10. RESERVES (CONTINUED)

Stock Options (Continued)

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
450,000	450,000	26-Sep-13	26-Sep-18	\$ 0.10	\$ 31,500	\$ 0.10	100%	5	0%	1.91%
250,000	250,000	09-Apr-14	09-Apr-19	\$ 0.10	\$ 10,000	\$ 0.065	100%	5	0%	1.71%
400,000	400,000	28-Jul-15	28-Jul-19	\$ 0.19	\$ 68,000	\$ 0.19	95%	5	0%	0.62%
150,000	150,000	04-Mar-16	04-Mar-21	\$ 0.175	\$ 24,000	\$ 0.175	143%	5	0%	0.69%
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%
1,668,000	1,668,000	20-Sep-17	20-Sep-22	\$ 0.395	\$ 583,800	\$ 0.395	140%	5	0%	1.80%
450,000	450,000	06-Nov-17	06-Nov-22	\$ 0.51	\$ 202,500	\$ 0.51	136%	5	0%	1.63%
3,691,692	3,691,692	21-Mar-18	21-Mar-23	\$ 0.67	\$ 2,178,098	\$ 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%
9,385,692	9,385,692				\$ 3,747,038					

Warrants

Common shares reserved pursuant to warrants and finder warrants outstanding and exercisable as at June 30, 2018 are presented below:

outstanding	exercisable	Grant date	Expiry date	price	grant date	share	volatility	life	dividend	interest
4,983,321	4,983,321	05-May-17	05-May-19	\$ 0.27	\$ 355,988	\$ 0.30	98%	2	0%	0.68%
291,448	291,448	05-May-17	05-May-19	\$ 0.27	\$ 47,412	\$ 0.30	98%	2	0%	0.68%
80,028	80,028	16-Feb-18	16-Feb-20	\$ 0.60	\$ 31,211	\$ 0.30	98%	2	0%	0.68%
5,354,797	5,354,797				\$ 434,611					

11. OPERATING SEGMENTS

The Company operates in Canada, Barbados, BVI, Colombia, Dubai, India and Mozambique. Information about the Company's assets by geographical location at June 30, 2018 are detailed below:

	Canada	Barbados	BVI	Colombia	Dubai	India	Mozambique	Total
	\$	\$	\$	\$	\$	\$	\$	\$
June 30, 2018								
Current assets	1,068,025	3,781	68	1,831,596	186,781	44,388	324,992	3,459,631
Property and equipment	-	-	-	478,908	24,345	-	82,567	585,820
Exploration and evaluation assets	-	-	-	20,997,258	-	-	9,181,658	30,178,916
Total Assets	1,068,025	3,781	68	23,307,762	211,126	44,388	9,589,217	34,224,367

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12. RELATED PARTY TRANSACTIONS

The condensed interim consolidated 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. (Formerly Esmeraldas Y Minas de Colombia S.A.)	Colombia	76%
Cobadale Limited	Dubai	100%
Moon Mining SA	Mozambique	80%
CCFM Internals SA	Mozambique	80%
Macassar Resources	Mozambique	80%

During the three and six months ended June 30, 2018 and 2017, related party transactions which are not disclosed elsewhere in the condensed interim consolidated financial statements are as follows:

The Company shares office space with other companies who may have common officers and directors. The costs associated with the use of this space, including the provision of office equipment and supplies, are administered by 2227929 Ontario Inc. to whom the Company pays a fee. During the six months ended June 30, 2018, the Company incurred \$35,281 (2017 - \$30,181) of expenses for its proportionate share of shared office costs. As at June 30, 2018, the Company had a balance in payables of \$101,933 for travel expenses (December 31, 2017 – \$95,966) and a balance in prepaid expenses of \$5,000 for shared costs (December 31, 2017 - \$35,000). The balance owing is unsecured, and non-interest bearing and has no fixed terms of repayment. Fred Leigh, a former director of Company, is also a director of 2227929 Ontario Inc.

Summary of key management personnel compensation:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Consulting fees	\$ 244,496	\$ 239,132	\$ 606,267	\$ 499,050
Share-based compensation	-	283,140	1,121,998	527,640
	\$ 244,496	\$ 522,272	\$ 1,728,265	\$ 1,026,690

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 Aberdeen, no shareholder holds more than 10% of the Company's common shares as at June 30, 2018 and 2017. Ryan Ptolemy, an officer of the Company, is also an officer of Aberdeen.

As at June 30, 2018, the Company had \$656,124 (December 31, 2017 - \$244,500) consulting fees and travel expenses owing to its key management personnel. Such amounts are unsecured, non-interest bearing, with no fixed terms of payment or due on demand.

See Notes 9 and 10.

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13. 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, other receivables, accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments and based on allowances recorded against the other receivables. The carrying amount and estimated fair value of the amounts owing to ANM are both \$7,234,381. The carrying amount and estimated fair value of the amounts owing to Emporium are \$9,876,000 and \$7,838,777 respectively. 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, 2018, the Company had the following financial assets and liabilities denominated in foreign currency presented below in Canadian dollars:

	Arabian Dirhams	Colombia Peso	Indian Rupee	Mozambique New Metical	US Dollars
	\$	\$	\$	\$	\$
<u>30-Jun-18</u>					
Cash	46,577	311,342	41,259	49,375	49,912
Receivables	-	1,143,076	3,129	827.00	70,392
Accounts payable	(8,974)	(9,592,063)	(20,333)	(112,338)	(3,711,843)
Long term liabilities	-	-	-	-	(5,404,932)
	<u>37,603</u>	<u>(8,137,645)</u>	<u>24,055</u>	<u>(62,136)</u>	<u>(8,996,471)</u>

A strengthening (weakening) of the Canadian dollar against the Arabian Dirhams, Colombian Peso, Indian Rupee, Mozambique New Metical and United States dollar of 1% would decrease (increase) net loss by approximately (\$171,350).

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 is held in large Canadian 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 it has no interest-bearing debt at June 30, 2018 (June 30, 2017 - 12% on interest bearing debts).

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, 2018, a 1% change in interest rates could result in a corresponding change in annual net loss of approximately \$5,300.

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13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

	Carrying	Contractual	1-Jul-18	1-Jul-19	1-Jul-20
	Amount	Cash flow	to	to	to
			30-Jun-19	30-Jun-20	30-Jun-21
Corporate payable	\$ 1,575,697	\$ 1,575,697	\$ 1,575,697	\$ -	\$ -
Exploration and evaluation expenses payable	2,786,930	2,786,930	2,786,930	-	-
Agencia Nacional de Minería liabilities	7,234,381	7,234,381	7,234,381	-	-
Coscuez acquisition payment	7,838,777	9,876,000	2,633,600	3,292,000	3,950,400
	<u>\$ 19,435,785</u>	<u>\$ 21,473,008</u>	<u>\$ 14,230,608</u>	<u>\$ 3,292,000</u>	<u>\$ 3,950,400</u>

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 emerald prices to determine the appropriate course of action to be taken.

14. 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, 2018.

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, 2018, 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.

15. COMMITMENTS AND CONTINGENCIES

Management Contracts

The Company is party to certain management contracts. These contracts require that additional payments of up to approximately \$882,000 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 consolidated financial statements. Minimum commitments remaining under these contracts are approximately \$711,000 all due within one year.

In addition, the Company signed a fixed two-year term management consulting contract for US\$500,000 (approximately \$658,000) per annum. The remaining term on the fixed two-year management consulting contract is US\$273,973 (approximately \$360,767). In the event these contracts are cancelled by the Company, the amount owing for the remaining term becomes due.

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15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

See Note 7.

16. SUBSEQUENT EVENTS

Fura to Merge Ruby Assets with Mustang and Regius

Fura and a wholly owned subsidiary of the Company have entered into a merger of ruby assets agreement (the "Merger of Assets Agreement") dated July 16, 2018 with Mustang, a publicly traded company on the Australian stock exchange, Montepuez Minerals Pty Ltd., a subsidiary of Mustang, and Regius. Pursuant to this agreement, Fura will acquire the controlling ownership in various entities owned by both Mustang and Regius, that together own nine mineral exploration licenses (license numbers 9307C, 7083L, 6106, 8188L, 6064L, 7251L, 5030L, 8955C and 8921C) in Mozambique. The aggregate purchase price pursuant to the Merger of Assets Agreement is A\$15,000,000 and shall be payable as outlined below.

- Cash consideration of A\$3 million payable at closing of the Acquisition (the "Closing");
- Common shares in the capital of the Company (the "Fura Shares") with a value equal to A\$4 million with such Fura Shares to be issued at C\$0.50 per share, to be issued at Closing;
- Fura Shares with a value equal to A\$4 million, with such Fura Shares to be issued at C\$1.40 per share to be issued on the day that is twelve months following Closing; and
- Fura Shares with a value equal to A\$4 million, with such Fura Shares to be issued at \$1.80 per share, to be issued on the day that is twenty months following Closing.

Upon closing of the Acquisition, Fura will hold effective interests in the Assets of between 65% and 80% with the remaining interests, non-dilutive and free carried, being held by the respective local partners. The Assets cover approximately 711sq. km (71,100 hectares).

Fura intends to invest up to C\$25 million (subject to operational success) over a period of three years, in a programme of drilling, bulk sampling and production mining on the properties comprising the Assets. Other initiatives that Fura intends to launch include: the reconfiguration of the existing wash plant to increase efficiencies; extension and/or consolidation, where appropriate, of certain of the ruby licences; and the implementation of grading and marketing systems via Fura's existing marketing platform.

All of the Fura Shares issued by the Company pursuant to the Acquisition will be subject to lock-up agreements pursuant to which the vendors shall be restricted from selling or transferring such securities during the twelve months following the date of the issuance of the Fura Shares to the vendors.

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16. SUBSEQUENT EVENTS (continued)

Fura to Merge Ruby Assets with Mustang and Regius (continued)

The Acquisition is an arm's length transaction for the purposes of the policies of the TSX Venture Exchange ("TSXV") and is subject to the approval of the TSXV. Fura is not paying any finder's fees in connection with the Acquisition. The closing of the Acquisition is subject to the satisfaction of customary conditions precedent, including, inter alia, receipt of ministry and joint venture authorizations, approval of the TSXV and the provision of applicable legal opinions concerning the title to the Assets.

Fura to Acquire Additional Ruby Licence in Mozambique

Fura and a wholly owned subsidiary of the Company have entered into a share purchase agreement dated July 24, 2018 with Azores Overseas Inc. ("Azores"). Pursuant to the Agreement, Fura will acquire a 100% interest in the Licence through its acquisition of 100% of the quotas of Mozambican Ruby Ltda. ("MRL").

The aggregate purchase price pursuant to the Agreement is as follows:

- USD\$381,000 in cash to be paid to Azores on the closing of the Acquisition; and
- 2,500,000 common shares in the capital of Fura ("Fura Shares") to be issued to Azores on the closing of the Acquisition.

In addition to above Fura will also pay USD\$993,900 to discharge certain of MRL's liabilities on the closing of the Acquisition. The Fura Shares will be subject to a regulatory hold period of four months and one day from the closing of the Acquisition. The Acquisition is expected to be completed by September 30, 2018.

The Acquisition is an arm's length transaction for the purposes of the policies of the TSX Venture Exchange ("TSXV") and is subject to the approval of the TSXV. Fura is not paying any finder's fees in connection with the Acquisition. The closing of the Acquisition is subject to the satisfaction of customary conditions precedent, including, inter alia, receipt of ministry authorizations, completion of the acquisition of the Licence by MRL, Fura being satisfied with the results of its due diligence, approval of the TSXV and the provision of applicable legal opinions concerning the title to the Licence.

Private Placement

Subsequent to June 30, 2018, the Company announced its intention to complete a private placement offering of up to 25 million common shares of the Company at a price of \$0.40 per share for gross proceeds of up to \$10 million.