FURA GEMS INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Expressed in Canadian Dollars)

FURA GEMS INC.
(FORMERLY FURA EMERALDS INC.)

CONSOLIDATED FINANCIAL STATEMENTS

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Contents

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fura Gems Inc. (formerly Fura Emeralds Inc.)

We have audited the accompanying consolidated financial statements of Fura Gems Inc. (formerly Fura Emeralds Inc.) and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Fura Gems Inc. (formerly Fura Emeralds Inc.) and its subsidiaries as at December 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
April 27, 2018

FURA GEMS INC.
(FORMERLY FURA EMERALDS INC.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed In Canadian Dollars)

	Note	December 31, 2017	December 31, 2016
		$	$
ASSETS			
Current			
Cash		298,566	415
Receivables	4	157,818	6,970
Prepaid expenses	5	262,099	12,551
Total current assets		718,483	19,936
Property and equipment	6	65,731	33,440
Deposit	7	2,014,985	-
Exploration and evaluation assets	7	9,181,658	594,912
TOTAL ASSETS		11,980,857	648,288
LIABILITIES			
Current			
Accounts payable and accrued liabilities	8	2,702,559	286,438
TOTAL LIABILITIES		2,702,559	286,438
EQUITY			
Share capital	10	17,214,085	2,308,341
Warrants	11	487,980	255,006
Contributed surplus	11	1,592,940	205,300
Accumulated deficit		(11,804,052)	(2,406,797)
TOTAL EQUITY ATTRIBUTED TO OWNER OF THE PARENT		7,490,953	361,850
Non-controlling interest		1,787,345	-
TOTAL EQUITY		9,278,298	361,850
TOTAL LIABILITIES AND EQUITY		11,980,857	648,288

Nature of operations and going concern	1
Commitments and contingencies	16
Subsequent events	7,10,18

Approved and authorized by the Board on April 27, 2018.

On behalf of the Board:

"Jaime Lalinde"
Director

"Dev Shetty"
Director

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

FURA GEMS INC.
(FORMERLY FURA EMERALDS INC.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed In Canadian Dollars)

		Years ended December 31,	
	Note	2017	2016
		$	$
EXPENSES			
Management and consulting fees	13	3,116,763	382,935
Share-based compensation	11,13	1,418,440	24,000
Exploration and evaluation expenditures	7	2,462,870	154,336
Investor relations		532,829	40,657
Office and administration		359,751	47,767
Professional fees		146,467	43,116
Travel		234,352	9,426
Amortization expenses	6	11,209	9,120
LOSS BEFORE OTHER ITEMS		(8,282,681)	(711,357)
OTHER ITEMS			
Interest expense	9	26,927	-
Interest income		(2,072)	-
Foreign exchange loss		12,842	2,139
Write-off of exploration and evaluation assets	7	1,237,222	-
TOTAL OTHER ITEMS		(1,274,919)	(2,139)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		(9,557,600)	(713,496)
NET LOSS AND COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Shareholders of Fura		(9,519,668)	(713,496)
Non-controlling Interest		(37,932)	-
		(9,557,600)	(713,496)
BASIC AND DILUTED NET LOSS PER SHARE		(0.18)	(0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic and Diluted		52,000,373	34,747,456

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

FURA GEMS INC.
(FORMERLY FURA EMERALDS INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed In Canadian Dollars)

	Note	Years ended December 31, 2017	2016
		$	$
CASH (USED FOR) PROVIDED BY:			
OPERATING ACTIVITIES			
Net loss for the peirod		(9,557,600)	(713,496)
Items not affecting cash:			
Share-based compensation	11	1,418,440	24,000
Write-off of exploration and evaluation assets	7	1,237,222	-
Amortization expenses	6	11,209	9,120
Unrealized loss (gain) on foreign exchange		17,803	(702)
		(6,872,926)	(681,078)
Change in non-cash working capital items			
Receivables and prepaids		(282,424)	4,846
Accounts payable and accrued liabilities		2,290,954	219,822
Net cash used for operating activities		(4,864,396)	(456,410)
FINANCING ACTIVITIES			
Private placement	10	8,301,680	-
Shares issued from warrants exercised	10	592,922	160,000
Shares issued from options exercised	10	44,000	-
Share and warrant issue costs	10,11	(108,271)	-
Loan provided	9	1,198,696	-
Loan repaid	9	(1,202,092)	-
Realized foreign exchange loss on loan repayment		3,396	-
Net cash provided from financing activities		8,830,331	160,000
INVESTING ACTIVITIES			
Acquisiton of property and equipment	6	(43,500)	-
Acquisition of mining rights	7	(1,680,035)	-
Prepaid deposit	7	(2,014,985)	-
Cash received from acquisition of exploration and evaluation assets	7	71,614	-
Change in investing accounts payable		15,235	-
Net cash used for investing activities		(3,651,671)	-
Effect of exchange rate changes on cash		(16,113)	378
INCREASE (DECREASE) IN CASH DURING THE YEAR		298,151	(296,032)
CASH - BEGINNING OF YEAR		415	296,447
CASH - END OF YEAR		298,566	415
SUPPLEMENTAL CASH FLOW INFORMATION			
Shares issued for acquisition of exploration and evaluation assets		6,400,000	-
Shares issued for loan and interest payable		773,318	-
Finder warrants issued		47,734	-

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

FURA GEMS INC.
(FORMERLY FURA EMERALDS INC.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed In Canadian Dollars)

	Number of shares #	Share capital $	Warrants $	Contributed surplus $	Non-controlling interest $	Accumulated deficiency $	Total $
Balance at December 31, 2015	**33,759,751**	**2,105,650**	**381,357**	**241,800**	**-**	**(1,837,461)**	**891,346**
Warrants exercised	1,000,000	160,000	-	-	-	-	160,000
Value allocation on warrants exercised	-	42,691	(42,691)	-	-	-	-
Expiry of warrants	-	-	(83,660)	-	-	83,660	-
Share-based compensation	-	-	-	24,000	-	-	24,000
Expiry of stock options	-	-	-	(60,500)	-	60,500	-
Loss for the year	-	-	-	-	-	(713,496)	(713,496)
Balance at December 31, 2016	**34,759,751**	**2,308,341**	**255,006**	**205,300**	**-**	**(2,406,797)**	**361,850**
Private placement	24,500,000	7,045,000	-	-	-	-	7,045,000
Share issued for acquisition of exploration and evaluation asset	10,000,000	6,400,000	-	-	1,825,277	-	8,225,277
Shares to be issued	2,094,466	1,256,680	-	-	-	-	1,256,680
Warrants issued	-	(517,910)	517,910	-	-	-	-
Finder warrants issued	-		47,734	-	-	-	47,734
Share and warrant issue costs	-	(134,540)	(21,465)	-	-	-	(156,005)
Warrants exercised	3,025,008	592,922	-	-	-	-	592,922
Value allocation on warrants exercised	-	188,792	(188,792)	-	-	-	-
Warrants expired	-	-	(122,413)	-	-	122,413	-
Options exercised	440,000	44,000	-	-	-	-	44,000
Value allocation on options exercised	-	30,800	-	(30,800)	-	-	-
Share-based compensation	-	-	-	1,418,440	-	-	1,418,440
Loss for the year	-	-	-	-	(37,932)	(9,519,668)	(9,557,600)
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**

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

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 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 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 December 31, 2017, the Company had a negative working capital of $1,984,076 and a cumulative loss since inception of $11,804,052. 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 the year ended December 31, 2017 (see Note 10) and subsequent to December 31, 2017 (see Note 18). However, there is no assurance that these funds will be available on terms acceptable to the Company or at all.

These 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements of the Company and its subsidiaries for the years ended December 31, 2017 and 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were reviewed, approved and authorized for issue by the Board of Directors on April 27, 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 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 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, and Cobadale Limited, incorporated in Dubai and acquired by the Company on November 27, 2017. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. The Company reviews the recoverability of assets annually or more frequently, if events or circumstances indicate that the carrying amount may not be recoverable. Recoverability is measured by comparing the carrying amounts of a group of assets to future undiscounted cash flows expected to be generated by that group of assets. When an asset is considered not to be recoverable, the impairment loss recognized is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount.

Equipment is recorded at cost and is being amortized over its estimated useful life on a straight line basis as follows: Vehicle – 5 years; Equipment – ranged from 3 to 4 years.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is recognized in the statement of loss along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in amount and timing of the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

As at December 31, 2017 and 2016, the Company estimated that there were no material restoration and environmental obligations.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The Company operates an employee stock option plan. The corresponding amount is recorded to the stock option reserve. The fair value of options is determined using the Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On exercise of a stock option, any amount related to the initial value of the stock option, along with the proceeds from exercise are recorded to share capital. On expiry of a stock option, any amount related to the initial value of the stock option is recorded to deficit.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company has no financial instrument classified at fair value through the profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies its cash and other receivables as loans and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment. The Company has no financial instruments classified as held-to-maturity investments.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive (loss) and recognized through profit or loss. The Company has no financial instruments classified as available-for-sale.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company has no financial instrument classified at fair value through profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method. The Company classifies its accounts payable and accrued liabilities as other financial liabilities.

As at December 31, 2017 and 2016, the Company did not have any derivative financial assets or liabilities.

Income taxes

Current income tax:

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive loss or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(Loss) per share

Basic (loss) per share is computed by dividing net (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted (loss) per share is computed similar to basic (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. The Company's options and warrants were anti-dilutive for the years ended December 31, 2017 and 2016.

Exploration and evaluation expenditures

The costs of exploration properties and leases, including the cost of acquiring prospective properties and exploration rights are capitalized to exploration and evaluation assets. Pre-license costs are expensed in the period in which they are incurred. Exploration costs incurred, subsequent to acquisition, in exploration and evaluation activities, are expensed as incurred and included in the consolidated statement of loss and comprehensive loss until technical feasibility and commercial viability of extraction of reserves are demonstrable. Once a mine development decision has been made by the Company, subsequent expenditures incurred to develop the mine are capitalized to mineral properties.

Provisions

Provisions are recognized when: (i) the Company has a present obligation (legal or constructive) as a result of a past event, and (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting changes

During 2017, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS7 and IAS12. These new standards and changes did not have any material impact on the Company's 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, 2018 or later. Updates that are not applicable or are not consequential to the Company have been excluded. The Compnay has not yet considered the impact of the adoption of these standards.

IFRS 2 – Share-based Payment ("IFRS 2") was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

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. Earlier adoption is permitted if IFRS 15 has also been applied.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognised in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future accounting changes (Continued)

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. Earlier adoption is permitted.

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 consolidated financial statements are discussed below:

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 11.

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.

(Expressed In Canadian Dollars)

3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTIES (CONTINUED)

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.

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 16.

4. RECEIVABLES

	December 31, 2017	December 31, 2016
HST receivable	$ 87,167	$ 6,970
Other receivable	70,651	-
	$ 157,818	$ 6,970

(Expressed In Canadian Dollars)

5. PREPAID EXPENSES

	December 31, 2017	December 31, 2016
Deposit	$ 38,592	$ -
Insurance	2,983	2,983
Prepaid expenses	220,524	9,568
	$ 262,099	$ 12,551

6. PROPERTY AND EQUIPMENT

Below summarizes the property and equipment as at December 31, 2017 and 2016.

	Equipment	Vehicle	Total
Net book value - December 31, 2015	$ -	$ 42,560	$ 42,560
Accumulated amortization		(9,120)	(9,120)
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	$ 41,411	$ 24,320	$ 65,731 #

#

7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

Below summarizes the exploration and evaluation assets as at December 31, 2017 and 2016:

Exploration and evaluation assets	Colombia Emeralds Properties	Mozambique Ruby Properties	Total
Balance - December 31, 2015 and 2016	$ 594,912	$ -	$ 594,912
Acquisition	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

<u>Colombia Emeralds Property</u>

On February 12, 2015, the Company signed a definitive agreement to acquire a 100% interest in an emerald exploration concession in Colombia through its wholly owned subsidiary Fura de Colombia S.A.S. On June 23, 2015, Fura announced that its wholly owned subsidiary, Fura de Colombia S.A.S., closed the transaction to acquire a 100% interest in a Colombian emerald exploration concession pursuant to an agreement signed in February 2015 and amended on June 3, 2015, June 26, 2015 and February 15, 2017. The agreement has been recorded as an option arrangement. Pursuant to the amended agreement, the Company paid the vendor US$400,000 on the closing date and has installment payments outstanding as follows:

- US$25,000 deposit on signing (paid $30,731),
- US$400,000 due on closing (paid $490,752),
- US$150,000 due on February 15, 2017 (paid $197,010)
- US$350,000 due on June 23, 2017 (paid $445,300), and
- US$500,000 (approximately $649,000) due on June 23, 2018.

7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (CONTINUED)

The February 15, 2017 amendment rescheduled a US$500,000 payment originally due on December 23, 2016 to US$150,000 due on February 15, 2017 (paid) and US$350,000 due on June 23, 2017 (paid) and a 2% interest charge from the original December 23, 2016 payment date to the rescheduled payment date.

During the year ended December 31, 2017, the Company has decided to focus its development on other properties in resulting in a write down of the property. Subsequent to December 31, 2017, the Company terminated the agreement with the vendor.

Colombia Coscuez Emerald Property

On January 22, 2018, the Company closed its acquisition of 76% of the issued and outstanding shares of Esmeracol S.A. ("Esmeracol"), 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 Esmeracol 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 Esmeracol, 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 $2.5 million) on the 12-month anniversary of the closing;
- US$2.50 million (approximately $3.14 million) on the 24-month anniversary of the closing; and,
- US$3.00 million (approximately $3.76 million) on the 36-month anniversary of the closing.

In addition, Fura will assume certain expenses of Esmeracol not exceeding US$5 million (approximately $6.27 million). If Esmeracol earns a net profit of US$17 million (approximately $21.33 million) or more in a fiscal year, then Fura will pay to Emporium an additional one-off bonus of US$3 million (approximately $3.76 million).

During the year ended December 31, 2017, the Company advanced US$1,500,000 ($2,014,985) to Esmeracol against the purchase price. This amount has been presented as a prepaid deposit on the consolidated statement of financial position as at December 31, 2017.

Mozambique Ruby Properties

On November 27, 2017, the Company closed its acquisition of all of the issued and outstanding shares of Cobadale Ltd. ("Cobadale"), which, owns an 80% effective interest in four ruby licenses and has applied for an additional ruby license in the Montepuez district of Cabo Delgado province in Mozambique. The licenses expire at certain dates from 2017 to 2020, with renewals available, subject to application and negotiation with government ministries. There can be no assurance that renewal applications will be accepted and approved. If renewals are not received, the property carrying value may be impaired. As at December 31, 2017, Fura holds an 80% effective interest in the assets with the remaining 20% interest, non-dilutive and free carry, being held by the respective local partners.

Fura purchased all of the issued and outstanding shares of Cobadale from the shareholders of Cobadale ("Vendors") in consideration for Fura paying to the vendors US$800,000 ($993,240) in cash and issuing 15 million common shares of Fura on the following schedule:

(Expressed In Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (CONTINUED)

Mozambique Ruby Properties (Continued)

- Ten million Fura shares on the closing of the transaction (issued);
- 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.

All of the Fura shares issued by the Company pursuant to the transaction will be subject to a lockup agreement pursuant to which the vendors shall be restricted from selling or transferring such securities during the 12 months following the date of closing of the transaction.

Purchase price consideration

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

Purchase price:		
Share consideration	$	6,400,000
Cash consideration		993,240
Closing costs		44,485
	$	7,437,725

Fair value of assets acquired and liabilities assumed:		Fair Value
Cash	$	49,526
Receivables and prepaids		129,785
Equipment		22,088
Accounts payable and accrued liabilities		(120,055)
Exploration and evaluation assets		9,181,658
Less: portion allocated to non controlling interest		(1,825,277)
Total net assets acquired	$	7,437,725

Below summarizes the exploration and evaluation expenditures for the years ended December 31, 2017 and 2016:

	Years ended December 31,			
		2017		2016
Colombia Emeralds Property (ECH-121)				
Consulting (geologist, labour, mapping and assaying)	$	101,973	$	76,438
Field office, supplies and repairs		16,942		11,753
Legal, professional and due diligence		52,731		18,811
License and land leases		2,537		22,335
Travel and accommodation		28,227		14,277
Business development		57,593		10,722
	$	260,003	$	154,336

(Expressed In Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (CONTINUED)

Mozambique Ruby Properties (Continued)

	Years ended December 31, 2017	2016
Mozambique Ruby		
Consulting and labour	$ 256,264	$ -
Drilling	115,819	-
Field office, supplies and repairs	38,079	-
Legal, professional and due diligence	33,418	-
License and land leases	193,287	-
Technical report	9,000	-
Travel and accommodation	82,703	-
Vehicles and fuel	6,574	-
	$ 735,144	$ -
Project Evaluations		
Colombia - Coscuez Emeralds	$ 530,541	$ -
Colombia - Others	937,182	-
	$ 1,467,723	$ -
Total expenses	$ 2,462,870	$ 154,336

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017	December 31, 2016
Corporate payable	$ 2,108,760	$ 261,660
Exploration and evaluation expenses payable	593,799	24,778
	$ 2,702,559	$ 286,438

9. LOANS PAYABLE

Aberdeen International Inc.

On February 15, 2017, the Company entered into a loan agreement with Aberdeen International Inc. (“Aberdeen”) for a loan of $408,000. Interest of 12% per annum was accrued on the loan principal and interest accrued and unpaid when due. The loan principal and accrued interest were due and payable to Aberdeen: (i) in cash six months from the date of the agreement, or (ii) by the issue of 2,400,000 common shares of the Company on the date mutually agreed upon by the Company and Aberdeen, provided that the issue will not result in Aberdeen holding more than 19.5% of the outstanding common shares of the Company. On July 25, 2017, the Company repaid the loan principal plus accrued interest totaled $429,730 in full.

On November 27, 2017, Aberdeen provided a loan of US$600,000 ($764,040) to the Company. The principal plus accrued interest at 12% per annum were due and payable to Aberdeen on or before December 31, 2018. On December 13, 2017, the Company applied the loan principle plus accrued interest totaling US$603,353 ($773,318) against the Company’s private placement financing and issued Aberdeen shares in 2018 (see Note 18). Ryan Ptolemy, an officer of the Company, is also an officer of Aberdeen.

(Expressed In Canadian Dollars)

9. LOANS PAYABLE (CONTINUED)

Sulliden Mining Capital Inc.

On April 13, 2017, the Company entered into a loan agreement with Sulliden Mining Capital Inc. ("Sulliden") for a US$20,000 loan which is repayable on or before May 31, 2019. Interest of 12% per annum is calculated and payable on June 30 and December 31 of each year where the loans remained outstanding. On July 23, 2017, the Company repaid the loan principal plus interest totaled US$20,677 ($25,921) in full.

10. 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, 2015	33,759,751	$	2,105,650
Warrants exercised	1,000,000		160,000
Value allocation on warrants exercised	-		42,691
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
Balance, shares issued, December 31, 2017	72,724,759	$	15,957,405
Private Placement - shares to be issued (Note 18)	2,094,466		1,256,680
Balance, December 31, 2017	74,819,225	$	17,214,085

On May 5, 2017, the Company closed a non-brokered private placement and issued 14,500,000 units at a price of $0.21 per unit for gross proceeds of $3,045,000. Each unit is comprised of one common share of the Company and one half of one common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one common share at a price of $0.27 at any time prior to May 5, 2019. In connection with the offering, Fura paid finder's fees of $61,620 in cash and issued 293,428 non-transferable finder's warrants. Each finder's warrant will entitle the holder thereof to acquire one common share at a price of $0.27 at any time prior to May 5, 2019. The issue date fair value of the warrants and finder's warrants were estimated at $517,910 and $47,734 respectively using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 98%; risk-free interest rate of 0.68% and an expected life of 2 years. The Company incurred total share and warrant issue costs of $126,203.

(Expressed In Canadian Dollars)

10. SHARE CAPITAL (CONTINUED)

On July 18, 2017, the Company closed a non-brokered private placement and issued 10,000,000 common shares at a price of $0.40 per shares for gross proceeds of $4,000,000. In connection with the offering, Fura paid finder's fees of $7,600 in cash and incurred share issue costs of $28,987.

On November 27, 2017, the Company issued 10,000,000 Fura shares to Cobadale as part of the consideration of acquiring four ruby licenses in Mozambique. See Note 7 for details. The shares were valued at $6,400,000 based on the quoted market value of the Compnay's shares at the issue date.

In December 2017, the Company announced a private placement financing which closed in January 2018. See Note 18 for details. During the year ended December 31, 2017, the Company received proceeds of $1,256,680 and incurred share issue costs of $772 in connection with this financing. These shares have been presented as to be issued within share capital at December 31, 2017.

11. RESERVES

	Options			Warrants			
	Number of Options	Weighted Average Exercise Price	Value of Options	Number of Warrants	Weighted Average Exercise Price	Value of Warrants	Total Value
December 31, 2015	2,490,000	$ 0.13	$ 241,800	8,838,306	$ 0.16	$ 381,357	$ 623,157
Granted / vested	150,000	$ 0.18	$ 24,000	-	$ -	$ -	$ 24,000
Exercised	-	$ -	$ -	(1,000,000)	$ 0.16	$ (42,691)	$ (42,691)
Expired	(650,000)	$ (0.12)	$ (60,500)	(3,200,000)	$ 0.15	$ (83,660)	$ (144,160)
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	$ 0.300	$ 1,592,940	6,756,725	$ 0.27	$ 487,980	$ 2,080,920

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.

11. RESERVES (CONTINUED)

Stock Options (Continued)

Other terms and conditions are as follows: no more than 5% of the issued shares may be granted to any one individual in any 12 month period; no more than 2% of the issued shares may be granted to a consultant, or an employee performing investor relations activities, in any 12 month period; disinterested shareholder approval must be obtained for (i) any reduction in the exercise price of an outstanding option, if the holder is an insider, (ii) any grant of stock options to insiders, within a 12 month period, exceeding 5% of the Company's issued shares; and stock options will be reclassified in the event of any consolidation, subdivision, conversion or exchange of the Company's common shares. No amounts are paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria.

On November 6, 2017, the Company granted 550,000 stock options to directors and consultants of Fura. The options vested immediately, have an exercise price of $0.51 and expire on November 6, 2022. The fair value of the options was estimated to be $247,500 using the Black-Scholes option pricing model with estimated expected volatility at 136%; risk-free interest rate at 1.63%; expected life at 5 years; and expected dividend yield at 0%.

On September 20, 2017, the Company granted 1,688,000 stock options to directors, officers and consultants of Fura. The options vested immediately, have an exercise price of $0.395 and expire on September 20, 2022. The fair value of the options was estimated to be $590,800 using the Black-Scholes option pricing model with estimated expected volatility at 140%; risk-free interest rate at 1.8%; expected life at 5 years; and expected dividend yield at 0%.

On May 26, 2017, the Company granted 726,000 stock options to officers of Fura. The options vested immediately, have an exercise price of $0.43 and expire on May 26, 2022. The fair value of the options was estimated to be $283,140 using the Black-Scholes option pricing model with estimated expected volatility at 153%; risk-free interest rate at 0.96%; expected life at 5 years; and expected dividend yield at 0%.

On March 27, 2017, the Company granted 250,000 stock options to an officer of Fura. The options vested immediately, have an exercise price of $0.20 and expire on March 27, 2022. The fair value of the options was estimated to be $45,000 using the Black-Scholes option pricing model with estimated expected volatility at 147%; risk-free interest rate at 1.09%; expected life at 5 years; and expected dividend yield at 0%.

On February 16, 2017, the Company granted 1,200,000 stock options to certain officers and consultant of Fura. The options vested immediately, have an exercise price of $0.23 and expire on February 16, 2022. The fair value of the options was estimated to be $252,000 using the Black-Scholes option pricing model with estimated expected volatility at 150%; risk-free interest rate at 1.18%; expected life at 5 years; and expected dividend yield at 0%.

On March 4, 2016, the Company granted 150,000 stock options to a director of Fura. The options vested immediately, have an exercise price of $0.175 and expire on March 4, 2021. The fair value of the options was estimated to be $24,000 using the Black-Scholes option pricing model with estimated expected volatility at 143%; risk-free interest rate at 0.69%; expected life at 5 years; and expected dividend yield at 0%.

The weighted average remaining contractual life of the options exercisable at December 31, 2017 was 3.55 years (December 31, 2016 – 2.24 years).

Common shares reserved pursuant to options outstanding and exercisable as at December 31, 2017 are presented below:

(Expressed In Canadian Dollars)

11. 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
550,000	550,000	26-Sep-13	26-Sep-18	$ 0.10	$ 38,500	$ 0.10	100%	5	0%	1.91%
250,000	250,000	9-Apr-14	9-Apr-19	$ 0.10	$ 10,000	$ 0.065	100%	5	0%	1.71%
600,000	600,000	28-Jul-15	28-Jul-19	$ 0.19	$ 102,000	$ 0.19	95%	5	0%	0.62%
150,000	150,000	4-Mar-16	4-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%
1,688,000	1,688,000	20-Sep-17	20-Sep-22	$ 0.395	$ 590,800	$ 0.395	140%	5	0%	1.80%
550,000	550,000	6-Nov-17	6-Nov-22	$ 0.510	$ 247,500	$ 0.51	136%	5	0%	1.63%
5,964,000	5,964,000				$ 1,592,940					

Warrants

Common shares reserved pursuant to warrants and finder warrants outstanding and exercisable as at December 31, 2017 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
6,463,297	6,463,297	5-May-17	5-May-19	$ 0.27	$ 459,926	$ 0.30	98%	2	0%	0.68%
293,428	293,428	5-May-17	5-May-19	$ 0.27	$ 47,734	$ 0.30	98%	2	0%	0.68%
6,756,725	6,756,725				$ 507,660					

12. OPERATING SEGMENTS

The Company operates in Canada, Barbados, BVI, Colombia, Dubai, India and Mozambique. Information about the Company's assets by geographical location at December 31, 2017 and 2016 are detailed below.

	Canada	Barbados	Colombia	Dubai	India	Mozambique	Total
	$	$	$	$	$	$	$
December 31, 2017							
Current assets	275,015	7,203	4,783	226,781	64,174	140,527	718,483
Property and equipment	-	-	30,278	30,080	-	5,373	65,731
Exploration and evaluation assets	-	-	-	-	-	9,181,658	9,181,658
Prepaid deposit	-	-	2,014,985	-	-	-	2,014,985
Total Assets	**275,015**	**7,203**	**2,050,046**	**256,861**	**64,174**	**9,327,558**	**11,980,857**

(Expressed In Canadian Dollars)

12. OPERATING SEGMENTS (CONTINUED)

	Canada	Barbados	Colombia	Dubai	India	Mozambique	Total
	$	$	$	$	$	$	$
December 31, 2016							
Current assets	11,579	7,211	1,146	-	-	-	19,936
Property and equipment	-	-	33,440	-	-	-	33,440
Exploration and evaluation assets	-	-	594,912	-	-	-	594,912
Total Assets	**11,579**	**7,211**	**629,498**	**-**	**-**	**-**	**648,288**

13. RELATED PARTY TRANSACTIONS

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

	Country of Incorporation	% equity interest
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%
Cobadale Limited	Dubai	100%
Moon Mining SA	Mozambique	80%
CCFM Interals SA	Mozambique	80%
Macassar Resources	Mozambique	80%

During the years ended December 31, 2017 and 2016, related party transactions which are not disclosed elsewhere in the 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 year ended December 31, 2017, the Company incurred $149,832 (2016 - $69,461) of expenses for its proportionate share of shared office costs. As at December 31, 2017, the Company had a balance in payables of $95,966 for travel expenses (December 31, 2016 – $55,891) and a balance in prepaid expenses of $35,000 for shared costs (2016 - $Nil). 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:

	Years ended December 31,	
	2017	2016
	$	$
Consulting fees	1,174,028	272,000
Share-based compensation	927,190	24,000
	2,101,218	296,000

See also Note 16.

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.

13. RELATED PARTY TRANSACTIONS (CONTINUED)

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 December 31, 2017. Ryan Ptolemy, an officer of the Company, is also an officer of Aberdeen.

As at December 31, 2017, the Company had $244,500 (December 31, 2016 - $109,325) owing to its key management personnel. Such amounts are unsecured, non-interest bearing, with no fixed terms of payment or due on demand.

During 2017, the Company borrowed $408,000 and US$600,000 from Aberdeen. These loans had been repaid in July and November 2017, respectively. See Notes 9 and 10.

On February 16, 2017, a director and officers of the Company were granted 950,000 stock options to purchase the Company's shares at $0.23 per common shares until February 16, 2022.

On March 27, 2017, an officer of the Company was granted 250,000 stock options to purchase the Company's shares at $0.20 per common shares until March 27, 2022.

On May 26, 2017, officers of the Company were granted 726,000 stock options to purchase the Company's shares at $0.43 per common shares until May 26, 2022.

On September 20, 2017, directors and officers were granted 1,103,000 stock options to purchase the Company's shares at $0.395 per common shares until September 20, 2022.

On November 6, 2017, a director was granted 300,000 stock options to purchase shares of the Company at $0.51 per common shares until November 6, 2022.

During the May 5, 2017 private placement financing, directors and officers of the Company acquired an aggregate of 1,432,908 units for gross proceeds of $300,911. In addition, two related companies which has common directors and officers acquired an aggregate of 4,284,559 units for gross proceeds of $899,757.

During the July 18, 2017 private placement financing, directors and officers of the Company participated and acquired an aggregate of 325,000 shares for gross proceeds of $130,000. In addition, two related companies which has common directors and officers acquired an aggregate of 2,696,975 shares for gross proceeds of $1,078,790.

In December 2017, a related Company with a common officer participated in the Company's private placement financing and paid to the Company gross proceeds of $1,000,000 for 1,666,666 commons shares. These shares were issued subsequent to December 31, 2017.

14. 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 Company has no financial instruments carried at fair value.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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 December 31, 2017 and 2016, the Company had the following financial assets and liabilities denominated in foreign currency presented below in Canadian dollars:

	Arabian Dirhams	**Colombia Peso**	**European Euro**	**Indian Rupee**	**Mozambique New Metical**	**US Dollars**
	$	$	$	$	$	$
December 31, 2017						
Cash	20,791	400	-	64,174	3,910	149,723
Receivables	-	-	-	-	-	70,651
Accounts payable	(12,681)	(118,796)	(394,513)	(12,073)	(186,105)	(616,207)
	8,110	(118,396)	(394,513)	52,101	(182,195)	(395,833)
December 31, 2016						
Cash	-	26	-	-	-	18
Accounts payable	-	(10,378)	-	-	-	(5,706)
	-	(10,352)	-	-	-	(5,688)

A strengthening (weakening) of the Canadian dollar against the Arabian Dirhams, British Pound, Colombia Peso, Indian Rupee, Mozambique New Metical and United States dollar of 1% would decrease (increase) net loss by approximately ($10,500) (2016 – ($160)).

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 December 31, 2017 and 2016.

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 December 31, 2017, a 1% change in interest rates could result in a corresponding change in annual net loss of approximately $3,000 (2016 - $Nil).

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.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

15. 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 year ended December 31, 2017.

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 December 31, 2017, 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.

16. COMMITMENTS AND CONTINGENCIES

Management Contracts

The Company is party to certain management contracts. These contracts require that additional payments of up to approximately $1,447,000 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 $700,000 all due within one year.

In addition, the Company signed a fixed two-year term consulting contract for US$500,000 (approximately $627,300) per annum, and three fixed one year term consulting contracts for an aggregate total of US$101,600 (approximately $127,500). In the event these contracts are cancelled by the Company, the amount owing for the remaining term becomes due.

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 Notes 7 and 18 for details.

(Expressed In Canadian Dollars)

17. INCOME TAX

a) Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2016 -26.5%) were as follows:

	December 31, 2017 $	December 31, 2016 $
(Loss) before income taxes	(9,557,600)	(713,496)
Expected income tax recovery based on statutory rate	(2,533,000)	(189,000)
Adjustment to expected income tax benefit:		
Share based compensation	376,000	6,000
Non-deductible expenses and other	123,000	(7,000)
Change in benefit of tax assets not recognized	2,034,000	190,000
Deferred income tax (recovery)	-	-

b) Deferred income taxes#

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2017 $	December 31, 2016 $
Non-capital loss carryforwards	14,033,000	7,626,000
Share issuance costs	93,000	11,000
Mineral property costs	2,171,000	2,171,000
Capital loss carry-forwards	4,744,000	4,744,000

c) Deferred income taxes#

As at December 31, 2017, the Company had estimated non-capital losses for Canadian income tax purposes of approximately $12,362,000 (2016 - $6,728,000) available to use against future taxable income. The non-capital losses expire between 2027 and 2037.

The Company's Barbados subsidiary have non-capital losses of approximately $198,000 (2016 - $161,000) available to use against future taxable income. The non-capital losses expire between 2023 and 2024.

The Company's Colombian subsidiary have non-capital losses of approximately $1,274,000 (2016 - $737,000) available to use against future taxable income. The non-capital losses expire starting from 2029 to indefinitely.

The Company's Mozambique subsidiaries have non-capital losses of approximately $188,000 (2016 - $nil) available to use against future taxable income. The non-capital losses expire in 2020.

The Company's Indian subsidiary have non-capital losses of approximately $12,000 (2016 - $nil) available to use against future taxable income. The non-capital losses expire in 2025.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

18. SUBSEQUENT EVENTS

Colombia Coscuez Emerald Property

See Note 7 for details.

Private Placement Financing

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.

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.

Shares issuance

The Company has raised aggregate proceeds of $12,393,868 pursuant to the Offering, including the $4,500,000 raised in the first tranche. All Fura common shares issued pursuant to the second tranche will be subject to a regulatory hold period of four months and one day expiring on June 17, 2018. The Company paid finder's fees of $37,708 in cash and issued 18,853 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 second tranche.

Subsequent to December 31, 2017, 291,480 warrants were exercised for gross proceeds of $78,700.

Subsequent to December 31, 2017, 500,000 stock options were exercised for gross proceeds of $109,000.

Stock option grants

Subsequent to December 31, 2017, the Company granted 3,691,692 stock options to director, officers and consultants of the Company to purchase shares of the Company at $0.67 per share until March 21, 2023.

Subsequent to December 31, 2017, the Company granted 150,000 stock options to a consultant of the Company to purchase shares of the Company at $0.55 per share until April 16, 2023.

Subsequent to December 31, 2017, 20,000 stock options with exercise price of $0.395 expired unexercised.