

Letter from the Non-Executive Chairman of Richland Resources Ltd



(Incorporated in Bermuda with Exempt Company No. EC33385)

Registered Office:

Clarendon House, 2 Church Street
Hamilton HM 11
Bermuda

Directors:

Edward Nealon *(Non-Executive Chairman)*
Anthony Brooke *(Chief Executive Officer)*
Nicholas Sibley *(Non-Executive Director)*

26 July 2019

Dear Fellow Shareholder,

Proposed Disposal of Capricorn Sapphire Project and Notice of Annual General Meeting

As Chairman of Richland Resources Ltd ("**Richland**" or the "**Company**"), I am writing to provide further information on the background and reasons for Resolutions 3 and 4 set out in the accompanying formal Notice in relation to the Company's Annual General Meeting ("**AGM**") to be held at 10.00 a.m. (Bermuda time) at Clarendon House, 2 Church Street, Hamilton, Bermuda on 19 August 2019 and to explain why the Board is unanimously recommending that shareholders vote in favour of these items of Special Business as well as the other resolutions (save for Resolution 1 which is recommended by the remaining Directors other than myself as it involves my re-appointment as a director of the Company). You are recommended to read the Explanatory Memorandum, which forms part of the Notice of AGM and describes the various matters to be considered and voted upon at the meeting, in its entirety. Unless otherwise stated, defined terms used in this letter have the meanings given to them in the Glossary of Terms contained in the Explanatory Memorandum.

The more routine items of business at the AGM can be briefly summarised as follows:

Resolution 1 is to re-elect me as a director of the Company, as it is a requirement under the Company's Bye-laws that I retire by rotation; Resolution 2 relates to the proposed re-appointment of the Company's Auditor; and Resolution 5 relates to a consequential amendment to the Bye-laws of the Company if Resolution 4 is passed.

The key items of Special Business are described in more detail below:

1. Resolution 3: Approval of the Fura Transaction

On 27 June 2019, the Company announced the proposed disposal of its wholly owned Capricorn Sapphire Project to Fura Gems Inc. ("**Fura**"), which is listed on the TSX Venture Exchange ("**TSX-V**"), and subsequently announced certain updates in relation to the proposed disposal on 18 July 2019 and 22 July 2019. It is important that Shareholders are aware of the details of this proposed transaction, which are provided below, and the reasons why your Board is unanimously recommending that Shareholders approve Resolution 3.

1.1. **Background to the Proposed Disposal:** As announced previously, the Company has, for some time, been engaged in discussions with potential strategic investors to procure sufficient funding to enable the recommencement of production at the Capricorn Sapphire mine or, alternatively, conclude negotiations in respect of the sale of all or part of Capricorn Sapphire. Accordingly, the granting of the Option to Fura and successful consummation of the Proposed Disposal in due course will result in the sale of the entire Capricorn Sapphire Project.

1.2. Current Status of the Proposed Disposal

1.2.1. **Option Exercise:** As announced on 22 July 2019, Fura has now exercised the Option and it has been agreed that the non-refundable Option Fee of CAD25,000 received by the Company is deemed to include payment of the notional exercise price of CAD100.

1.2.2. **Conditions precedent:** Certain of the conditions precedent to completion of the Proposed Disposal have been satisfied as follows:

- a) The Company has received the requisite “no-objection” letter from the Bermuda Monetary Authority in respect of the transfer of the shares in Richland Corporate from the Company to Fura; and
- b) The two main licences in respect of the Capricorn Sapphire Project, namely ML 70419 and ML 70447, have been duly renewed to 31 March 2024 by the requisite authorities in Australia.

The principal Conditions Precedent to completion of the proposed transaction are set out in section 1.3.3 below.

1.3. Key terms of the Proposed Disposal as restated by the Deed of Amendment entered into on 19 July 2019 in respect of the Option Agreement

1.3.1. **Option Fee:** The total fee receivable by Richland for granting the Option is CAD25,000 (the “**Option Fee**”), which has been paid by Fura and is non-refundable.

1.3.2. **Interim Funding of Capricorn Sapphire:** The Company has made a CAD125,000 interest free loan to Capricorn Sapphire (the “**Capricorn Sapphire Facility**”) to cover the anticipated costs of the project through to Completion. The Capricorn Sapphire Facility will not be repaid to the Company at Completion.

1.3.3. **Conditions Precedent to the Proposed Disposal:** Following exercise of the Option, completion of the Proposed Disposal (“**Completion**”) is conditional upon: TSX-V and AIM approval (as applicable); the approval of the Company’s shareholders at a duly convened general meeting; receipt of a “no-objection” letter from the Bermuda Monetary Authority; the renewal of two of the project’s mining licences, ML 70419 and ML 70447; and other customary closing conditions for a transaction of this nature (the “**Conditions**”). The Conditions are required to be satisfied or waived by the longstop date of 31 October 2019 or such later date as agreed by the parties (the “**Longstop Date**”).

1.3.4. **Purchase Price:** The price payable by Fura for the Option Assets at Completion is US\$185,000 and CAD125,000 (the “**Cash Consideration**”) and the issue of 4,859,825 new common shares in Fura (the “**Consideration Shares**”) (together, the “**Purchase Price**”).

1.3.5. **Additional Consideration:** In addition to the Purchase Price, further payments in respect of the Proposed Disposal will be due from Fura as follows:

- a) on Completion, Fura is to: (i) pay the Company US\$90,000 by way of a contribution towards the expenses incurred by the Company in respect of Capricorn Sapphire during 2019 to date (the “**Additional Cash Payment On Completion**”); and (ii) issue to Richland such number of additional new Fura shares as is equivalent to AUD150,000 by way of a partial refund of the financial assurance deposits of AUD371,911 (the “**Financial Assurance Deposits**”) lodged by the Company on behalf of Capricorn Sapphire (the “**Additional Share Consideration On Completion**”); and
- b) 18 months after Completion, Fura is to pay the Company a further AUD221,911 in cash (less any environmental liability claims made against the Financial Assurance Deposits by the relevant government authorities) being the refund of the balance of the abovementioned Financial Assurance Deposits.

1.3.6. **Proposed repayment of Convertible Loan from Purchase Price:** Conditional upon Completion, it has been agreed that the outstanding principal amounts due under the Company’s pre-existing secured Convertible Loan facility comprising GBP409,200 (which includes the Lender’s expenses of GBP9,200), USD150,000 and CAD125,000 (approximately GBP605,796 in aggregate) will be repaid from the Purchase Price. In the meantime, the Lender has agreed to extend the maturity date of the Loan to the Longstop Date. The amount of the Convertible Loan outstanding at Completion will be repaid by the issue by Fura to the Lender of such number of the Consideration Shares as is equivalent to the Convertible Loan converted into Canadian Dollars using the CAD:GBP and CAD:USD exchange rates on the day immediately prior to Completion divided by the lower of: (i) the 30 day volume weighted average price per Fura share; and (ii) the closing price of Fura shares on the day prior to the issue of Fura shares to the Lender. In the event that the Loan Amount at Completion is greater than the value of the Consideration Shares, the shortfall shall be satisfied firstly from the Cash Consideration and secondly from the Additional Cash Payment On Completion. In the meantime, the Company remains liable to pay interest on the Loan as it falls due on a quarterly basis in arrears.

1.3.7. Annex I to this letter contains a more detailed summary of the terms of the Amended Option Agreement.

1.4. Regulatory Consequences of the Proposed Disposal

1.4.1. **Shareholder approval:** In accordance with AIM Rule 15, the Proposed Disposal constitutes a fundamental change of business for the Company and therefore requires the approval of shareholders at a duly convened general meeting which is being sought by way of Resolution 3.

1.4.2. **AIM Rule 15 cash shell status:** Following successful Completion, Richland will have sold its sole project to become an AIM Rule 15 cash shell and, as such, will be required to make an acquisition, or acquisitions, which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission under the AIM Rules for Companies) within six months from the Completion Date. Alternatively, within such time period, the Company could seek to become an investing company pursuant to AIM Rule 8, which requires, *inter alia*, the raising of at least £6 million and publication of an admission document. The Company currently intends to seek to identify a suitable reverse takeover transaction in the mining sector.

1.5. Background on Fura

Fura is a gemstone mining and marketing company listed on the TSX-V, which is engaged in the mining, exploration and acquisition of gemstone licences. Fura has projects in Colombia, where it owns a 76 per cent. interest in the Coscuez emerald mine in Boyacá, and in Mozambique where it has an 80 per cent. effective interest in four ruby licences. Further information is available on its website: www.furagems.com.

1.6. Financial effect of the transaction on Richland

Table One below shows the Disposal Group's assets and liabilities and those of the Richland group as at 31 December 2018, being the last available published balance sheet, and the loss attributable to the Disposal Group and the Richland group for the year ended 31 December 2018, being the Company's last available published annual results.

Table One: Financial Information

	Disposal Group	Richland Resources Ltd
	US\$	US\$
Total Assets as at 31 December 2018	1,007,000	1,065,000
Total Liabilities as at 31 December 2018	263,000	963,000
Net Assets as at 31 December 2018	744,000	102,000
Loss for the year ended 31 December 2018	941,000	1,024,000

For its latest financial year ended 31 December 2018, Fura reported a comprehensive loss attributable to shareholders of CAD27,589,809 and as at 31 March 2019 it had unaudited gross assets of CAD34,791,715 and net assets of CAD5,003,960.

- 1.6.1. **Use of proceeds:** the net proceeds of the Proposed Disposal will be utilised to repay the pre-existing secured Convertible Loan (as set out above) and certain other outstanding creditors, with the balance providing additional working capital for the group. In this regard, subject to the terms of a 6 month lock-up and subsequent 6 month orderly market agreement, the Company will hold the Fura Shares retained by it at Completion as investments held for resale.
- 1.6.2. **Pro Forma Balance sheet:** an illustrative unaudited pro forma statement of the group's net assets as at 31 December 2018 showing the impact of the Proposed Disposal and Proposed Repayment of the Convertible Loan is set out in Annex II to this letter.
- 1.6.3. **Interim funding of the Company pending Completion of the Proposed Disposal:** On 4 July 2019, the Company announced that i) it had raised approximately GBP100,000 (before expenses) through a placing of 158,730,159 new common shares (the "**Placing Shares**") at an issue price of 0.063 pence per Placing Share (the "**Placing**") and ii) the net proceeds from the Placing would be used to provide the Company with additional working capital for the period through to Completion.
- 1.6.4. **Interim funding of Capricorn Sapphire pending Completion:** Further to the Company's announcement of 22 July 2019: i) the pre-existing secured Convertible Loan Facility was increased by CAD125,000 (the "**CAD125,000 Facility**"), ii) the CAD125,000 Facility has been used to provide the Capricorn Sapphire Facility referred to in section 1.3.2 above; and iii) Fura is to pay the Lender's interest costs on the CAD125,000 Facility in an amount of up to CAD3,000.

1.6.5. **Current FX rates and prevailing Fura share price:** The following price and currency exchange rates, as at noon (U.K. time) on 25 July 2019, being the latest practicable time and date prior to the publication of this letter and Notice of AGM (the “**Applicable Date**”), have been utilised for all relevant conversions within this letter, the Notice of AGM and the Explanatory Memorandum:

- a) the price of Fura’s shares on the TSX-V was CAD0.155,
 - b) United States Dollar to GBP exchange rate was USD1 = GBP0.80189
 - c) Canadian Dollar to GBP exchange rate was CAD1 = GBP0.61032,
 - d) Canadian Dollar to USD exchange rate was CAD1 = USD0.76121,
 - e) Australian Dollar to GBP exchange rate was AUD1 = GBP0.55969,
- (collectively, the “**Applicable Rates**”).

1.6.6. Table Two below, which is for illustrative purposes only, summarises the maximum cash and share consideration receivable by the Company further to successful Completion of the Proposed Disposal and the value of the Consideration Shares to be issued to the Lender, applying the Applicable Rates and assuming that no claims arise against the Financial Assurance Deposits.

Table Two: Summary of maximum cash and share consideration

	GBP equivalent	Type of consideration
Cash Consideration	224,662	Cash
Share Consideration - 4,859,825 new Fura Shares	<u>459,738</u>	Shares
Consideration payable on Completion	684,400	
Less: estimated value of Loan at Completion to be repaid in the first instance from the Share Consideration and then from the Cash Consideration	<u>(605,796)</u>	
Net Consideration after Lender repaid	78,604	
Fura’s contribution towards Capricorn Sapphire’s 2019 expenses	72,170	Cash
Reimbursement of Financial Assurance Deposits by way of new Fura Shares at Completion	<u>83,954</u>	Shares
Consideration retained by Richland at Completion	234,727	
Reimbursement of remainder of Financial Assurance Deposits 18 months after Completion	<u>124,201</u>	Cash
Maximum total Consideration receivable	<u>358,928</u>	

1.7. **Consequences of Fura Transaction being approved and successfully completed:** The Proposed Disposal will generate sufficient proceeds to repay the Convertible Loan, with the surplus net proceeds providing working capital for the Company as an AIM Rule 15 cash shell seeking to identify and consummate a suitable reverse takeover transaction under AIM Rule 14 or otherwise become an investing company pursuant to AIM Rule 8 within six months of the Completion date.

1.8. **Consequences of Fura Transaction not being approved:** The Capricorn Sapphire Project is the Company’s sole project and principal asset. If the Fura Transaction is not approved the Board considers it most likely that, absent an alternative acquirer or funding transaction, the Company would have to close the project in light of the Company’s inability to date to raise sufficient funding to enable the recommencement of production at the Capricorn Sapphire Mine. Closure of the Capricorn Sapphire Project would trigger a default under the terms of the Secured Convertible Loan Facility and as at the date of this letter the Company has insufficient cash reserves to

repay the Convertible Loan such that it is deemed likely that the Lender would, amongst other potential collection actions, enforce its security and appoint a receiver over the Secured Assets which include Capricorn Sapphire and the Company's shareholding in Richland Corporate. Should the Lender enforce its security, the Company would no longer have any interest in the Capricorn Sapphire Mine and in the event alternative sources of potential funding to provide additional working capital are not available when required, it is highly likely that the Company would be forced into administration. Shareholders should note that if Resolution 3 to approve the Proposed Disposal is not passed, there can be no guarantee that a suitable alternative disposal or funding transaction on similar commercial terms can be obtained on a timely basis or at all.

1.9. **Unanimous recommendation:** The Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

2. Resolution 4: Increase in authorised share capital

2.1. The Company is seeking shareholder approval to increase the Company's authorised share capital to US\$3,000,000 comprising 10,000,000,000 common shares of par value US\$0.0003 each. This proposed increase in the Company's authorised share capital will enable the Board to issue up to an additional 9,241,831,467 Common Shares.

2.2. As announced on 27 June 2019, conditional upon completion of the Proposed Disposal the Company will become an AIM Rule 15 cash shell as the Proposed Disposal will constitute a fundamental change of business for the Company. As an AIM Rule 15 cash shell the Company will be required to make an acquisition, or acquisitions, which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission under the AIM Rules for Companies) within six months from the Completion Date (a "**Reverse Takeover Transaction**"). Alternatively, within such time period, the Company could seek to become an investing company pursuant to AIM Rule 8, which requires, *inter alia*, the raising of at least GBP6 million and publication of an admission document (an "**Investing Company Transaction**").

2.3. The Company experiences delays and incurs significant costs when obtaining shareholder approvals (including approval to increase the Company's authorised share capital). Accordingly, the Company has chosen this opportunity to seek shareholder approval to increase its authorised share capital, to enable the Company to issue shares in relation to a potential Reverse Takeover Transaction or Investing Company Transaction and to provide the Company with flexibility to raise money in the capital markets and/or acquire additional assets via the issue of shares were the Board to determine it to be in the best interests of the Company to do so.

2.4. **Unanimous recommendation:** The Directors unanimously recommend that Shareholders vote in favour of Resolution 4.

3. Risk Factors

Shareholders' attention is drawn to the Risk Factors set out in Annex III to this Letter.

4. Annual General Meeting

The Company's AGM is to be held at 10.00 a.m. (Bermuda time) at Clarendon House, 2 Church Street, Hamilton, Bermuda on 19 August 2019. The accompanying Notice of AGM provides instructions on how Shareholders can vote at the meeting and the Explanatory Memorandum which forms part of the notice describes the various matters to be considered and contains a glossary of terms.

5. Recommendation

The Directors consider the Proposed Disposal (Resolution 3) and all other resolutions to be proposed at the AGM, as set out in the accompanying Notice of AGM, to be in the best interests of the Company and its Shareholders and (save for Resolution 1 which is recommended by the remaining Directors other than myself as it involves my re-appointment as a director of the Company) unanimously recommend that you vote in favour of all the Resolutions as they intend so to do in respect of their own beneficial shareholdings which, in aggregate, amount to 110,673,571 common shares representing approximately 14.74 per cent. of the Company's current issued share capital outside treasury.

Yours faithfully,

Edward Nealon
Non-Executive Chairman

Annex I: Summary of the Amended Option Agreement

The principal terms of the Amended Option Agreement are summarised below:

- 1. The Option:**
- (i) Fura has paid a non-refundable Option Fee of CAD25,000.
 - (ii) As Fura has exercised the Option, the parties will now proceed to Completion which is subject to the Conditions Precedent summarised in section 7 below.
 - (iii) The Purchase Price due on Completion is USD185,000 and CAD125,000 in cash and the issue of 4,859,825 Consideration Shares. Based on the prevailing Fura share price of CAD0.155 at noon (UK time) on 25 July 2019 (being the latest practicable date prior to this letter) and a CAD:GBP exchange rate of CAD1 = GBP0.61032, the total Consideration Payable on Completion currently equates to approximately GBP684,400.

2. Secured Convertible Loan facility extension and repayment arrangements:

The Lender has agreed to (i) extend the maturity date of the Loan to the Long Stop Date; and (ii), conditional on Completion, to receive settlement of the outstanding Loan Amount at Completion by way of the direct issue to it of such number of the Consideration Shares as is equivalent to the Loan Amount converted into Canadian Dollars using the CAD:GBP and CAD:USD exchange rates prevailing on the day immediately prior to Completion divided by the lower of: (i) the 30 day volume weighted average price per Fura share; and (ii) the closing price of Fura shares on the day prior to the issue of such Fura shares to the Lender. At the Applicable Rates, the Lender would be issued all of the Consideration Shares and cash of GBP146,058 from the Cash Consideration. If the Consideration Shares remain insufficient to repay the Loan Amount, any shortfall due to the Lender is to be settled firstly from the Cash Consideration and secondly from the Additional Cash Payment On Completion. In the meantime, the Company remains liable to pay interest on the Loan as it falls due on a quarterly basis in arrears. Fura is to pay the Lender's interest costs on the CAD125,000 Facility in an amount of up to CAD3,000.

3. Interim Funding of Capricorn Sapphire:

The Capricorn Sapphire Facility is intended to be utilised to cover the operating costs of Capricorn Sapphire through to Completion and will not be repaid to the Company at Completion.

4. Additional payment and Fura shares due at Completion:	<p>At Completion, Fura is also required to:</p> <ul style="list-style-type: none"> • pay Richland USD90,000 by way of a contribution towards the expenses incurred by the Company in respect of Capricorn Sapphire during 2019 to date; and • issue new Fura shares equivalent to AUD150,000 by way of a partial refund of the Financial Assurance Deposits lodged by the Company on behalf of Capricorn Sapphire. The number of such Fura shares to be issued for the AUD150,000 is to be based on the CAD:AUD exchange rate prevailing on the day immediately prior to Completion divided by the lower of: (i) the 30 day volume weighted average price per Fura share on the TSX-V on the date prior to Completion; and (ii) the closing price of Fura shares on the TSX-V on the day prior to the issue of the new shares to the Company.
5. Further payment due 18 months after Completion:	<p>18 months after Completion, Fura is required to pay a further AUD221,911 to the Company (less any environmental liability claims made against the Financial Assurance Deposits by the relevant government authorities) being a refund of the balance of the abovementioned Financial Assurance Deposits.</p>
6. Lock-Up and Orderly Market Agreement:	<p>The Consideration Shares will be subject to a lock-up arrangement, to be entered into by the Lender and any other party that receives more than 10 per cent. of the Consideration Shares, such that they cannot, save in certain limited circumstances, be sold until 6 months after the date of the lock-up agreement and in the subsequent 6 month period can only be sold under the terms of a customary orderly market arrangement.</p>
7. Conditions Precedent for Completion:	<p>Completion of the Proposed Disposal is conditional upon;</p> <ul style="list-style-type: none"> (i) TSX-V approval, as applicable; (ii) Richland's shareholders approving the Proposed Disposal at a duly convened general meeting; (iii) AIM approval, as applicable (<i>no approval is required from AIM</i>); (iv) Receipt from the Bermuda Monetary Authority of a "no-objection" letter in respect of the transfer of the shares in Richland Corporate from the Company to Fura (<i>this condition has now been met</i>); (v) Renewals of the project's two main licences, namely ML 70419 and ML 70447, by the requisite authorities (<i>this condition has now been met</i>); (vi) No material adverse change in the financial condition of Richland Corporate; and (vii) Other customary closing conditions for a transaction of this nature (together, the "Conditions Precedent"). <p>The Conditions Precedent are required to be satisfied or waived by the longstop date of 31 October 2019 or such later date as may be agreed between the parties.</p>
8. Break Fee of CAD400,000:	<p>The Company is liable to pay a termination fee of CAD400,000 in the event that: (i) the Richland Board does not unanimously recommend the Proposed Disposal to Richland's shareholders or withdraws its unanimous recommendation and the Company's shareholders do not approve the Proposed Disposal; or (ii) the Company breaches the exclusivity provisions as summarised in section 9 below.</p>

Fura is liable to pay a termination fee of CAD400,000 if it breaches its covenant not to enter into any potential alternative transaction involving sapphire mining in Australia or any other transaction or action that could prevent the parties from consummating the Proposed Disposal.

9. Exclusivity provisions:

From the Option Date until the later of: (a) expiry of the exercise period; and (b) if an exercise notice has been issued (i) the Completion Date, (ii) the Longstop Date and (iii) the termination of the Amended Option Agreement, the Company has covenanted that it will not, directly or indirectly, through any representative or otherwise, solicit or entertain offers from, negotiate with, or in any manner encourage, discuss, accept or consider any proposal from any other person relating to the acquisition of the Shares, shares in Capricorn Sapphire or either company's assets or properties in whole or in part, whether through direct purchase, merger, consolidation or other business combination and whether through disposing, optioning or transferring the rights to Richland Corporate's or Capricorn Sapphire's properties or assets to a third party, including without limitation any single or multi-step transaction or series of related transactions.

10. Termination Provisions:

The Amended Option Agreement may be terminated at any time after the issue of an exercise notice but prior to the Completion Date as follows:

- (i) by the Company, provided it is not then in material breach of the Amended Option Agreement, if the Option Fee has not been paid;
- (ii) by Fura provided it is not then in material breach of the Amended Option Agreement and the Company has not provided the Capricorn Sapphire Facility in accordance with the terms of the Amended Option Facility or certain customary legal opinions within three business days of the Option Date;
- (iii) if, as a result of non-fulfilment of the Conditions Precedent:
 - a. by the Company: if Fura has not received TSX-V approval (as applicable) on or before the Longstop Date;
 - b. by the Company: if shareholder approval is not received for the transaction;
 - c. by Fura: if the Company has not received AIM approval (as applicable) on or before the Longstop Date;
 - d. by Fura: if the no-objection letter has not been granted by the Bermuda Monetary Authority on or before the Longstop Date; and
 - e. by Fura: if the renewals of the abovementioned project licences have not been granted on or before the Longstop Date;
- (iv) by the party entitled to the termination fee if there is a termination fee event as set out to in section 8 above; and
- (v) automatically in the event that either an exercise notice has not been issued during the exercise period or the Proposed Disposal has not been completed by the Longstop Date, unless such date has been extended by mutual agreement of the parties in writing.

The Amended Option Agreement also contains certain commercial and other representations and warranties (including with respect to tax) customary for a transaction of this nature.

**Annex II: Illustrative Pro Forma Statement of
the Group's Net Assets as at 31 December 2018**

\$'000s	As at 31-Dec- 2018 <u>(audited)</u>	Loan adjustments <u>(unaudited)</u>	Pro forma effect of Proposed Disposal <u>(unaudited)</u>	Pro forma revised balance sheet <u>(unaudited)</u>
Current assets				
Marketable Investments held for sale (Fura shares)	-	-	105	105
Trade and other receivables	30	-	155	185
Cash and cash equivalents	28	222	112	362
Total current assets	58	222	372	652
Non-current assets and disposal groups	1,007	-	(1,007)	-
Total assets	1,065	222	(635)	652
Equity				
Share capital	173	-	-	173
Share premium	54,644	-	-	54,644
Share option reserve	47	-	-	47
Foreign currency translation reserve	54	-	(54)	-
Accumulated loss	(54,816)	(284)	437	(54,663)
Total equity	102	(284)	383	201
Current liabilities				
Trade and other payables	451	-	-	451
Interest-bearing borrowings	249	506	(755)	-
Total current liabilities	700	506	(755)	451
Liabilities associated with disposal groups	263	-	(263)	-
Total liabilities	963	506	(1,018)	451
Total equity and liabilities	1,065	222	(635)	652

Notes:

- 1 The pro forma statement of the Group's net assets set out above has been prepared to illustrate the effect on the Group's net assets that the proposed disposal of the Capricorn Sapphire project and repayment of the secured convertible loan facility would have had if they had occurred on 31 December 2018 based on the prevailing Fura share price as set out in paragraph 1.6.5 of the Chairman's Letter. The pro forma statement is unaudited and for illustrative purposes only and, because of its nature, may not give a true picture of the Group's net assets after the successful completion of the Proposed Disposal.
- 2 The Group's net assets as at 31 December 2018 have been extracted from the consolidated statement of financial position contained in the published audited annual report and financial statements for the year ended 31 December 2018.
- 3 The pro forma effect of the Proposed Disposal shows the adjustments in respect of the gross proceeds of the Proposed Disposal of US\$1,203,064, the reduction in the Company's creditors pursuant to the transaction and estimated associated costs of the transaction of USD96,000.
- 4 The pro forma effect of the Proposed Disposal also eliminates the Company's investment in Richland Corporate Ltd and its subsidiary as reported in the published audited annual report and financial statements for the year ended 31 December 2018.
- 5 Following completion of the Proposed Disposal and the planned closure of Richland Gemstones Ltd, the Company will no longer have any subsidiary undertakings.
- 6 The Fura share price and currency exchange rates used in the preparation of the illustrative pro forma statement are the Applicable Rates set out in section 1.6.5 of the Chairman's Letter.
- 7 The fair value adjustment on embedded derivative of US\$284k in respect of the Convertible Loan has been reversed as the pro forma has been prepared on the basis that the Convertible Loan was repaid on 31 December 2018 in cash and Fura shares.
- 8 The illustrative pro forma statement takes no account of the Group's operating expenditure or trading since 31 December 2018 or the net proceeds of the Placing announced on 4 July 2019.

Annex III: Risk Factors

Shareholders should carefully consider all of the information in the Chairman's Letter and the accompanying Notice of Annual General Meeting, which incorporates an Explanatory Memorandum, including the risks set out below. The Board has identified these risks as material risks, but additional risks and uncertainties not presently known to the Board, or that the Board considers immaterial, may also adversely affect the Company. If any or a combination of the following risks materialise, the Company's business, financial condition and/or performance could be materially adversely affected. In any such case the market price of the Common Shares could decline.

The following risk factors should not be considered to be in any order of priority. The Company's future performance might be affected by changes in market conditions and legal, regulatory and tax requirements.

AIM Rule Deadlines

In accordance with AIM Rule 15, the Proposed Disposal constitutes a fundamental change of business for the Company since, *inter alia*, on Completion the Company will cease to own, control or conduct all or substantially all, of its existing trading business, activities or assets.

Accordingly, on Completion of the Proposed Disposal, the Company will become an AIM Rule 15 cash shell and, as such, will be required to make an acquisition, or acquisitions, which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission under the AIM Rules) within six months from the Completion Date or, alternatively, seek to become an investing company pursuant to AIM Rule 8 (which requires, *inter alia*, the raising of at least £6 million and publication of an admission document) failing which, the Company's common shares would be suspended from trading on AIM pursuant to AIM Rule 40. Admission to trading on AIM would then be cancelled six months from the date of such suspension should the Company fail to complete a suitable reverse takeover transaction or become an investing company within such time period.

Identification of a suitable acquisition target(s)

The Company will be dependent upon the ability of the Board to identify, evaluate and fund a suitable acquisition target(s). As at the date hereof, the Directors have not identified any investment opportunities which they have resolved to pursue. There can be no guarantee that the Company will be able to identify and secure a suitable acquisition opportunity at an appropriate price, or at all, as a consequence of which significant resources may be expended fruitlessly on investigative work and due diligence.

Limited funds following Completion

As an AIM Rule 15 cash shell, the Company will have no operating cash flow or projects and will be dependent on the net proceeds of the Placing and Proposed Disposal for its working capital requirements.

Market conditions

Market conditions may have a negative impact on the Company's ability to make an acquisition or acquisitions which constitutes a reverse takeover under AIM Rule 14 and there can be no guarantee that the Company will be successful in satisfying the AIM Rule 15 requirements described above.

Costs associated with potential acquisitions

The Company expects to incur certain third party costs associated with the sourcing and evaluation of a suitable acquisition(s). The Company can give no assurance as to the level of such costs, and given that there can be no guarantee that negotiations to acquire any given target will be successful, the greater the number of potential transactions that do not reach completion, for whatever reason, the greater the likely impact of such costs on the Company's performance, financial condition and business prospects.

Proposed Disposal

Completion of the Proposed Disposal is subject to the Conditions Precedent being satisfied or waived on or before the longstop date of 31 October 2019 and if the Conditions Precedent are not met or waived by this date then the Proposed Disposal may not happen and/or may occur on different commercial terms than currently anticipated.

Net Proceeds of the Proposed Disposal

The Purchase Price includes the Consideration Shares and the Additional Consideration includes a further AUD150,000 of Fura Shares. The market value of the Fura Shares received may decrease from the prevailing Fura share price and consequently reduce the net proceeds of the Proposed Disposal and the value that the Company is able to achieve from the potential future sale of the Fura shares once the lockup provisions referred to in section 6 of Annex I of the Chairman's Letter expire.

Future Financing

The Company is currently dependent on the proceeds of the Placing and net proceeds from the Proposed Disposal to satisfy its working capital requirements. The Company's ability to raise further funds when required via potential future issues of equity capital and/or loan, will depend, *inter alia*, on the success of any potential acquisition(s) and its financial condition. The Company may not be successful in procuring the requisite funds on terms which are acceptable to it (or at all) and Shareholders' may be materially diluted in due course by any subsequent equity issued.