Regulatory Story

Go to market news section

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| Company | Gemstones of Africa Group PLC |
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| Headline | Final Results |
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Gemstones of Africa Group PLC
03 March 2010

3 March 2010

**Gemstones of Africa Group plc**
**("Gemstones" or the "Company")**

**Final Results for the year ended 31 December 2009**

**Chairman's Statement**
I am pleased to report on the Group's accounts for the year ended 31 December 2009.

**Overview:**
On 23 January 2009, the Company changed its name to Gemstones of Africa Group plc to reflect its investing strategy.

**Results and Financial Position:**
The Group's results for the year ended 31 December 2009 show a loss on ordinary activities before taxation of £182,483 (2008: loss £88,940).

Net assets as at 31 December 2009 were £751,191, compared with £489,746 at the end of 2008, of which the Group had cash resources of £241,061 at 31 December 2009.

The Company did not pay or propose a dividend during the year.

**Change of Board and Investing Strategy:**
Since the 2008 year-end report, the Company has made two investments, both of which were reported to shareholders in my statement accompanying the financial statements for the year ended 31 December 2008:

- a collaboration and option agreement with Obtala Resources Plc leading to a joint venture agreement on a group of emerald mining licences and a prospecting licence with ruby potential in Tanzania, Africa.

- an Option Agreement with Javan Investments Company Limited, a private Tanzanian company, for two gemstone prospecting licences in Tanzania. The area is known to host sapphires, green and red garnets, and rubies, with a number of artisanal workings nearby.

We were excited by the prospects for these licences, as they are known to occur in gem-bearing ground in a country which has demonstrated a commercial approach to foreign investment and offers reasonable infrastructure. However despite these investments made by the Company, we were not able to fully satisfy the requirements of the AIM Rules for Companies ("AIM Rules") that it had substantially implemented its investing strategy and therefore pursuant to Rule 15 of the AIM Rules the Company's ordinary shares were suspended from trading on AIM with effect from 30 September 2009. The Company is required to complete a reverse takeover (as defined by the AIM Rules) by 31 March 2010.

As a result of the AIM requirement to effect a substantial acquisition, the directors have been actively pursuing acquisition opportunities for the Company with the intention of identifying and pursuing a suitable acquisition target which would suit the overall strategy of developing the Company into a successful natural resources exploration business. The Company is currently in advanced negotiations to acquire a company with mineral exploration licences in energy commodities such as uranium and coal in Africa and will shortly be announcing this transaction and sending a circular to shareholders for their approval.

The principal reason for the impending acquisition is that it further broadens the Company's strategy as set out above, while providing access to a region displaying very viable prospects in uranium and coal, supported by a Government that actively encourages active uranium and coal exploration. The shift towards uranium and coal exploration and development is based on the steady global growth in demand for energy in the foreseeable future, particularly with increasing demand from China and India, and reflects a move away from the more niche gemstone markets to the broader appeal of energy commodities.

The board structure has been changed during the year. I was appointed as Non-Executive Chairman on 1 June 2009, and in July 2009, David Hargreaves and Nick Eastwood stepped down from the Board in order to pursue other interests. I would like to thank David and Nick for their contribution and commitment since joining the Company. It is the intention of the Board that going forward we maintain a low cost base with the bulk of any funding being used for the projects on the ground.

**Prospects:**
The Directors believe that the natural resource sector is capable of delivering attractive levels of investment return and that there are a number of companies in this sector that would benefit from greater access to capital, quoted company profile and support. The Directors intend to pursue further investment opportunities and intend to fund them by using either cash or the issue by the Company of new securities, or a combination of both, and possibly through debt finance as the Directors consider appropriate. The Company aims to protect and preserve the environment and is committed to energy efficient operations.

**S. Rollason**
Chairman

3 March 2010

**Further enquiries:**

**Gemstones of Africa plc**
Simon Rollason, Non-Executive Chairman Tel: 020 7099 1940

**ZAI Corporate Finance Limited**
Dugald J. Carlean/ David Newton Tel: 020 7060 2220

## Group Income Statement for the year ended 31 December 2009

| | Notes | 2009 | 2008 |
|---|---|---|---|
| | | £ | £ |
| Administration expenses | | (182,481) | (126,356) |
| Other income | 2 | - | 33,526 |
| **Group operating loss** | | (182,481) | (92,830) |
| Finance income | | - | 4,072 |
| Finance costs | | (2) | (182) |
| Finance income - net | | (2) | 3,890 |
| **Loss on operations before taxation** | | (182,483) | (88,940) |
| Corporation tax expense | 3 | - | - |
| **Loss for the year** | | (182,483) | (88,940) |

Comprising:

| | | | |
|---|---|---|---|
| Loss for the year from continuing operations | | (182,483) | (95,233) |
| Profit for the year from discontinued operations | 4 | - | 6,293 |
| **Loss for the year** | | (182,483) | (88,940) |
| **Attributable to:** | | | |
| Equity holders of the Company | | (182,483) | (88,940) |
| **Loss per Share (pence)** | | | |
| Basic and Diluted | 5 | (0.01p) | (0.02p) |

No separate statement of comprehensive income is provided as all income and expenditure is disclosed above.

**Group Balance Sheet as at 31 December 2009**

| | Notes | 2009 £ | 2008 £ |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 6 | 19,082 | - |
| Equity investments - available for sale | 7 | 446,428 | - |
| | | 465,510 | - |
| **Current assets** | | | |
| Trade and other receivables | | 66,134 | 16,390 |
| Cash and cash equivalents | | 241,061 | 491,421 |
| | | 307,195 | 507,811 |
| **Current liabilities** | | | |
| Trade and other payables | | 21,514 | 18,065 |
| **Current assets less current liabilities** | | 285,681 | 489,746 |
| **Total assets less current liabilities and net assets** | | 751,191 | 489,746 |
| **Capital and reserves** | | | |
| Called-up share capital | | 330,133 | 315,847 |
| Share premium account | | 730,969 | 301,327 |
| Share option reserve | | 33,441 | 33,441 |

| | | |
|---|---|---|
| Retained earnings | (343,352) | (160,869) |
| | 751,191 | 489,746 |

**Group Statement of Changes in Equity for the year ended 31 December 2009**

| | Share Capital £ | Share Premium £ | Retained Earnings Account £ | Share Option Reserve £ | Merger Reserve £ | Total £ |
|---|---|---|---|---|---|---|
| **At 1 January 2008** | 641,796 | 624,066 | (940,059) | - | 66,351 | 392,154 |
| Cancellation of deferred shares | (177,713) | - | 177,713 | - | - | - |
| Cancellation of share premium | - | (624,066) | 624,066 | - | - | - |
| Capital reduction | (399,903) | - | - | - | - | (399,903) |
| Proceed from shares issued | 251,667 | 348,333 | - | - | - | 600,000 |
| Cost of shares issued | - | (47,006) | - | - | - | (47,006) |
| On closure of subsidiary | - | - | 66,351 | - | (66,351) | - |
| Share option reserve | - | - | - | 33,441 | - | 33,441 |
| Loss for the year | - | - | (88,940) | - | - | (88,940) |
| **At 1 January 2009** | 315,847 | 301,327 | (160,869) | 33,441 | - | 489,746 |
| Issue of share capital | 14,286 | 432,142 | - | - | - | 446,428 |
| Cost of shares issued | - | (2,500) | - | - | - | (2,500) |
| Loss for the year | - | - | (182,483) | - | - | (182,483) |
| **At 31 December 2009** | 330,133 | 730,969 | (343,352) | 33,441 | - | 751,191 |

**Group Cash Flow Statement for the year ended 31 December 2009**

| | Year ended 31 December 2009 £ | Year ended 31 December 2008 £ |
|---|---|---|
| **Cash flows from operating activities** | | |

| | | |
|---|---|---|
| Operating loss | (182,481) | (92,830) |
| Profit on disposal of subsidiary | - | 11,974 |
| Share based payments | - | 33,441 |
| Increase in trade and other receivables | (49,744) | (10,439) |
| Decrease / (Increase) in trade and other payables | 3,449 | (45,954) |
| Cash utilised in operations | (228,776) | (103,808) |
| Finance income | - | 4,072 |
| Finance costs | (2) | (182) |
| **Net cash outflow from operating activities** | (228,778) | (99,918) |
| **Cash flows from financing activities** | | |
| Proceeds from issue of shares | - | 600,000 |
| Capital reduction | - | (399,903) |
| Share issue costs | (2,500) | (47,006) |
| **Net cash (outflow)/inflow from financing activities** | (2,500) | 153,091 |
| **Cash flows from investing activities** | | |
| Purchase of licences | (19,082) | - |
| Proceeds from disposal group classified as held-for-sale | - | 1 |
| **Net cash (outflow)/inflow from investing activities** | (19,082) | 1 |
| **Net (decrease)/increase in cash and cash equivalents** | (250,360) | 53,174 |
| **Cash and cash equivalents at beginning of year** | 491,421 | 438,247 |
| **Cash and cash equivalents at end of year** | 241,061 | 491,421 |

**Major non cash transactions**

During the year the Company issued share capital to the value of £446,428 to acquire its shareholding in Gemstones of Africa Limited.

**Notes to the Group Financial Statements for the year ended 31 December 2009**

## 1. Group Accounting Policies

**Basis of preparation of group financial statements**
The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC Interpretations and the parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Group's financial statements have also been prepared under the historical cost convention.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2009 and 31 December 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the Company's Annual General Meeting. The Auditors have reported on those accounts; their reports were unqualified and did not contain statements under the Companies Act 1985, sections 237(2) or (3).

## 2. Other income

| | 2009 £ | 2008 £ |
|---|---|---|
| Profit on disposal of subsidiary | - | 11,974 |
| Loan waiver | - | 21,552 |
| | - | 33,526 |

## 3. Taxation

No UK corporation tax charge arises in respect of the year due to the trading losses incurred. The Group has UK Corporation Tax losses available to be carried forward and used against trading profits arising in future periods of £574,571 (2008: £435,040).

A deferred tax asset has not been recognised in respect of the tax losses carried forward due to the uncertainty that profits will arise against which the losses can be offset.

The tax assessed for the year differs from the standard rate of corporation tax in the UK as follows:

| | 2009 £ | 2008 £ |
|---|---|---|
| Loss on ordinary activities before tax | (182,483) | (88,940) |
| Expected tax charge/(credit) at effective rate/(standard rate) of UK Corporation Tax 21% (2008: 20.75%) | (38,321) | (18,455) |

| | | |
|---|---|---|
| Tax losses carried forward | 38,321 | 18,455 |
| Tax charge for the year | - | - |

## 4. Analysis of the result of discontinued operations, and the result recognised

| | 2009 £ | 2008 £ |
|---|---|---|
| Administration expenses | - | (39,758) |
| Other income | - | 46,135 |
| **Discontinued operating profit** | - | 6,377 |
| Finance income | - | - |
| Finance costs | - | (84) |
| Finance income - net | - | (84) |
| **Profit on discontinued operations before taxation** | - | 6,293 |
| Corporation tax expense | - | - |
| Profit for the year from discontinued operations | - | 6,293 |

## 5. Earnings per share

The basic loss per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of shares in issue. As the Group is loss making, there was no dilutive effect from the share options outstanding during the year.

| | 2009 £ | 2008 £ |
|---|---|---|
| Net loss for the year attributable to ordinary shareholders | (182,483) | (88,940) |
| The weighted average number of shares in the period were: | | |
| Basic and dilutive ordinary shares | 1,380,047,211 | 367,353,448 |
| Basic and diluted loss per share | (0.01p) | (0.02p) |

## 6. Intangible exploration and evaluation assets

| | Javan licenses 2009 £ | Total 2009 £ |
|---|---|---|
| Cost at 1 January 2009 | - | - |
| Purchase of mining licences | 19,082 | 19,082 |
| Cost at 31 December 2009 | 19,082 | 19,082 |

**Javan licences**
On 27 May 2009, the Company signed an option agreement with Javan Investments Company Limited, a private Tanzanian registered company for two prospecting licences in Tanzania. Under the terms of the option agreement Gemstones of Africa acquired an initial 25% interest in both licences for a consideration of US$15,000 per licence.

The above values of intangible exploration assets acquired represent the cash consideration paid by the Group at the time of their acquisition.

There were no triggers for carrying out an impairment review in the period. The Directors have considered the following factors:

(a) Geology and lithology on each licence as outlined in the most recent CPR's (Independent Competent Person's Reports from the mining and earth resources consultancy company, Wardell Armstrong International Limited);

(b) The expected useful lives of the licences and the ability to retain the licence interests when they come up for renewal;

(c) Comparable information for large mining and exploration companies in the vicinity of each of the licences;

(d) History of exploration success in the regions being explored;

(e) Local infrastructure;

(f) Climatic and logistical issues; and

(g) Geopolitical environment;

## 7. Equity investments - available for sale

| | £ |
|---|---|
| **Fair value** | |
| At 1 January 2009 | - |

| | |
|---|---|
| Additions | 446,428 |
| Disposal | - |
| At 31 December 2009 | 446,428 |

On 13 March 2009, the Company entered into a collaboration and option agreement on a group of emerald mining licences in Tanzania, Africa, with Obtala and Obtala's subsidiary Mindex Invest Limited ("Mindex").

Under the terms of this agreement, Mindex agreed to transfer its 75 per cent interest in certain specified licences to Gemstones of Africa Limited. The Company then acquired an initial 16.96 per cent of the share capital of Gemstones of Africa Limited in exchange for issuing ordinary shares the equivalent of five per cent of the Company's share capital to Obtala, totalling 71,428,571 shares. This equity, which equated to a fair value of £446,428 (based on the closing price on 12 March 2009 of 0.625p per Ordinary Share), has been placed in Obtala treasury. If within 24 months of acquiring the initial interest, the Company has incurred exploration costs of not less than US$75,000, then the Company has a right to a acquire a further 16.96 per cent of Gemstones of Africa Limited for $1.

As at the year end Mindex had not yet transferred its 75 per cent interest in these licences to Gemstones of Africa Limited. The Directors expect this transfer to be completed in the near future.

**8. Related party transactions**

During the year ended 31 December 2009, the Group paid £35,000 (2008 £5,833) to Adler Shine LLP for the services of Rakesh Patel, director. Rakesh Patel is a partner in Adler Shine LLP. The Group also paid £8,250 (2008 £nil) to Adler Shine LLP for accounting services provided in the year.

During the year ended 31 December 2009, the Company disposed of its subsidiary undertaking, Gemstones of Africa Limited to Obtala Resources Plc for a consideration of £100. No gain or loss arose on the disposal. Simon Rollason, director, is also a director of Obtala Resources Plc.

As disclosed in note 14, the Company then acquired a 16.96 per cent shareholding in Gemstones of Africa Limited from Obtala. The consideration for the acquisition was shares in the Company with a fair value of £446,428.

During the year ended 31 December 2008 Mr. V. A. Stanzione, a former director and shareholder, signed a loan waiver agreement for £35,000 against an amount of £21,552 due to him at 31 December 2008 which was waived.

**9. Dividend**

The directors have not recommended a dividend.

**10. Copies of report and accounts**

Copies of the report and accounts will be posted to shareholders shortly, will be available from the Company's registered office, Aston House, Cornwall Avenue, London N3 1LF and will be available from the Company's website www.gemstonesofafrica.net.

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