GEMSTONES OF AFRICA

Gemstones of Africa Group Plc

Annual Report & Accounts

For the year ended 31 December 2009

Annual Report and Financial Statements

for the year ended 31 December 2009

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Company Information

Directors	**Simon Rollason** (Non Executive Chairman) **Rakesh Ramesh Patel** (Executive Director)
Company Secretary	**David Venus and Company LLP**
Registered Office	Aston House Cornwall Avenue London N3 1LF
Company Number	05292528
Nominated Adviser	**Daniel Stewart & Company** Becket House 36 Old Jewry London EC2R 8DD
Broker	**Daniel Stewart & Company** Becket House 36 Old Jewry London EC2R 8DD
Bankers	**Barclays Bank Plc** 9 High Street Stony Stratford Milton Keynes MK11 1HR
Auditors	**HW Fisher & Company** Acre House 11-15 William Road London NW1 3ER
Solicitors	**Harbottle & Lewis** Hanover House 14 Hanover Square London W1S 1HP
Registrars	**Capita Registrars Limited** Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA

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 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

2 March 2010

Report of the Directors

The Directors present their report and financial statements for the year ended 31 December 2009.

Principal activities and business review

As outlined in the Chairman's statement, the Group's strategy is currently that of investing in or, participating in joint ventures, with companies or businesses in, the natural resources sector in Africa with particular emphasis on the exploration and mining of gemstones. However, the Group is currently in advanced negotiations to acquire a company with exploration and mining licences in energy commodities such as uranium and coal allowing the Company to broaden its strategy of investing in the natural resources sector in Africa.

Principal risks and uncertainties

As announced to the market on 30 September 2009, the Company was unable to satisfy AIM that it had implemented its investing policy pursuant to AIM Rule 15. Consequently, the Company was required to complete a reverse takeover (as defined by the AIM Rules) by 31st March 2010. The directors have identified what they consider a suitable acquisition target in the energy commodities sector focusing initially on uranium and coal exploration licences and are in the process of completing the acquisition subject to shareholder approval. Details of the acquisition will be included in a Circular to shareholders to be issued shortly.

The principal risk is that the Company does not secure sufficient funds to finance the acquisition and provide sufficient working capital for the enlarged group for at least twelve months. A further risk is that existing and future investments do not yield material returns.

Key performance indicators appropriate to the business of exploration and mining of energy commodities will be introduced following completion of the acquisition of the target. These indicators will monitor and communicate the progress being made on the exploration licences and will reflect the exploration milestones typically included in the licence agreements and are therefore tailored specifically to each exploration project.

Results

The Group's loss for the year is £182,483 (2008: £88,940).

Directors

R.R. Patel
S. Rollason (Non-Executive Chairman) (appointed 1 June 2009)
N.J. Eastwood (resigned 21 July 2009)
J. D. Hargreaves (resigned 21 July 2009)

Environmental matters

The Group aims to protect and preserve the environment and is committed to energy efficient operations. Wherever possible, waste materials are recycled and re-used. Paper and cardboard waste is separated for recycling and processes are continually examined to look for efficient, but environmentally-friendly, alternatives.

Policy and practice on payment of creditors

The Group's policy for all suppliers is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment. The creditor payment days outstanding for the Group at 31 December 2009 were 51 days (2008: 39 days).

Financial risk management

Financial instruments are not material for assessing the Group and Company's assets, liabilities, financial position or performance.

Provision of information to auditors

So far as each of the Directors is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

H.W. Fisher & Company has expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the next Annual General meeting.

This report was approved by the board on 2 March 2010 and signed on its behalf.

R. R. Patel
Director

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with international financial reporting standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the Company and the Group and of the profit or loss of the Group for that year. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Remuneration Report

The remuneration committee comprises the Company's Directors, Simon Rollason and Rakesh Patel. The committee is, within agreed terms of reference, responsible for making recommendations to the Directors on matters relating to the Group's remuneration structure, including pension rights, the policy on compensation of Executive Directors and their terms of employment, with the objective of attracting, motivating and retaining high quality individuals who will contribute fully to the success of the Group's businesses.

Remuneration policy

Salaries are reviewed annually on the basis of market comparisons with positions of similar responsibility and scope in comparable industries. The committee takes into account both Group and personal performance in reviewing Directors' salaries.

Non-executive directors' remuneration

Fees for Non-Executive Directors are determined by the board on the basis of market comparisons with positions of similar responsibility and scope in companies of a similar size in comparable industries. Non-Executive Directors do not have service contracts, are not eligible for pension scheme membership and do not participate in any of the Group's bonus schemes.

Directors' remuneration

Details of remuneration of the Directors of the Company who served in the year ended 31 December 2009 are set out below:

Name	Fees and other remuneration £	Taxable benefits £	Pension contributions £	2009 Total £	2008 Total £
Executive					
David Hargreaves (resigned 21 July 2009)	27,500	–	–	27,500	6,250
Rakesh Patel	35,000	–	–	35,000	5,833
Nick Eastwood (resigned 21 July 2009)	10,833	–	–	10,833	1,667
Non-Executive					
Andrew Mintern (resigned 3 November 2008)	–	–	–	–	2,000
Simon Rollason	–	–	–	–	–
	73,333	–	–	73,333	15,750

Service agreements

The Committee has adopted current best practice in respect of service agreements issued on all new appointments. Executive Directors are employed under six month rolling service contracts.

Share options

None of the Directors or employees of the Company have any share options.

Corporate Governance

Compliance with the FRC Code

Under the AIM Rules, the Company is not required to comply with the FRC Code. Nevertheless the Company has taken steps to comply with the Code in so far as it can be applied practically, given the size of the Company and the nature of its operations.

The Company has complied with the provisions set out in Section 1 of the FRC code as annexed to the listing rules of the Financial Services Authority since its admission to the Alternative Investment Market of the London Stock Exchange in August 2003, to the extent that they are practical for a Group of its size and resources. The Directors consider that the Group is not of a size to warrant the need for a separate nominations committee or internal audit function.

Board of directors

The Board consists of one Executive and one Non-Executive Director. The Non-Executive Director is considered to be independent according to the requirements of the code.

The Board meets not less than four times a year and has formally adopted a schedule of matters which are required to be brought to it for decision, which ensures that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. Directors receive an information pack in the week before each Board meeting, which contains background information on the agenda items.

Board committees

There are two board committees, namely the Audit and Remuneration committees consisting of the Non-Executive Director and the Executive Director.

The Audit Committee meets at least once a year and is chaired by Simon Rollason. The Company's external auditors normally attend part of these meetings. The committee is responsible for reviewing the accounting policies, internal control assessment and the financial information contained in the Annual and Interim Reports. It provides an opportunity for the Non-Executive Director to make independent judgements and contributions thus furthering the effectiveness of the Group's internal financial controls.

The remuneration committee is chaired by Simon Rollason and sets the remuneration of the Company's Executive Directors. It also considers grants under the executive share option schemes and reviews the Company's employment strategy generally. The Executive Director attends committee meetings but is excluded from decisions about his own pay arrangements.

Relations with shareholders

Investors are encouraged to participate in the Annual General Meeting and are regularly advised of any significant developments in the Company. The Company expects to widen its investor base and then meet regularly with any significant institutional shareholders, fund managers and analysts as part of an active investor relations programme to discuss long term issues and obtain feedback.

Internal control

The board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness.

A comprehensive budgetary process is completed once a year and is reviewed and approved by the Board. The Group's results as compared to the budget and prior year are reported to the Board on a monthly basis.

Independent Auditors' Report – Group

to the members of Gemstones of Africa Group Plc

We have audited the group financial statements of Gemstones of Africa plc for the year ended 31 December 2009 which comprise the Group Balance Sheet, the Group Income Statement, the Group Statement of Changes in Equity, the Group Cash Flow Statement, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Group's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the Directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors' and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' Report – Group

to the members of Gemstones of Africa Group Plc

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Gary Miller (Senior Statutory Auditor)
For and on behalf of HW Fisher & Company
Chartered Accountants
Statutory Auditor
Acre House
11-15 William Road
London NW1 3ER
United Kingdom

2 March 2010

Group Income Statement

for the year ended 31 December 2009

	Note	2009 £	2008 £
Administration expenses	4	(182,481)	(126,356)
Other income	8	–	33,526
Group operating loss		(182,481)	(92,830)
Finance income	9	–	4,072
Finance costs	9	(2)	(182)
Finance income – net	9	(2)	3,890
Loss on operations before taxation		(182,483)	(88,940)
Corporation tax expense	10	–	–
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	11	–	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	12	(0.01p)	(0.02p)

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

The notes on pages 16 to 26 form part of these Group Financial Statements

Group Balance Sheet

at 31 December 2009

	Note	2009 £	2008 £
Non-current assets			
Intangible assets	13	19,082	–
Equity investments – available for sale	14	446,428	–
		465,510	–
Current assets			
Trade and other receivables	15	66,134	16,390
Cash and cash equivalents	16	241,061	491,421
		307,195	507,811
Current liabilities			
Trade and other payables	17	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	18	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

The financial statements were approved by the board of directors and authorised for issue on 2 March 2010 and signed on its behalf by:

S. Rollason
Director

Company registration number: 05292528

The notes on pages 16 to 26 form part of these Group Financial Statements

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

The notes on pages 16 to 26 form part of these Group Financial Statements

Group Cash Flow Statement

for the year ended 31 December 2009

	Note	2009 £	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 cast (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	15	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.

The notes on pages 16 to 26 form part of these Group Financial Statements

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 preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's financial statements are disclosed in Note 3.

The Company's financial statements continue to be prepared under IFRS. Therefore the Company's financial statements and the associated notes, together with the auditors' report on these financial statements, are presented separately form the Group, starting on page 27.

Standards and interpretations in issue but not yet effective or not yet relevant

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 1	First-time Adoption of International Financial Reporting Standards (revised)
IFRS 3	Business Combinations (revised)
IAS 27	Consolidated and Separate Financial Statements (revised)
Amendment to IAS 39	Eligible Hedged Items
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
Amendment to IFRS 1	Additional Exemptions for First-time Adopters
Amendment to IFRS 2	Group Cash-settled Share-based Payment Transactions
Amendment to IAS 32	Classification of Rights Issues
IAS 24	Related Party Transactions (revised)
Amendment to IFRIC 14	Prepayments of a Minimum Funding Requirement
Amendment to IFRS 5	Non-current assets held for sale & discontinued operations
Amendment to IFRS 8	Operating segments
IFRS 9	Financial Instruments – Classification & Measurement
Amendment to IAS 1	Presentation of Financial Statements
Amendment to IAS 7	Statement & Cash Flows
Amendment to IAS 31	Interests in Joint Ventures
Amendment to IAS 36	Impairment of Assets
Amendment to IAS 38	Intangible Assets

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the Group's financial statements.

Share based payments

IFRS2 "Share-based payments" requires that the fair value of options awarded to employees is charged to the income statement over the period during which the employees become unconditionally entitled to the options.

1 Group accounting policies continued

Basis of consolidation

The Group's financial statements consolidate the financial statements of Gemstones of Africa Group Plc (formerly TV Commerce Holdings Plc) and all its subsidiary undertakings made up to 31 December 2009. Profits and losses on intra-group transactions are eliminated on consolidation. A separate profit and loss for the parent company, Gemstones of Africa Group Plc, has been omitted under the provisions of s408 of the Companies Act 2006.

Segmental reporting

The Group does not have separately identifiable business or geographical segments which are material to disclose.

Presentational and functional currency

This financial information is presented in pounds sterling, which is the Group's functional currency.

Financial assets

Financial assets comprise investments, cash and cash equivalents and receivables.

Equity investments available for sale

Equity investments available for sale are non-derivatives that are either designated in this category or not classified in any of the other categories. Equity investments available for sale do not have a quoted market price in an active market. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are initially classified at fair value. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss, is removed from equity and recognised in the income statement.

Trade and other receivables

Provision for impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is the difference between the receivables carrying amount and the present value of the estimated future cash flows.

An assessment for impairment is undertaken at least annually.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

Disposal group held for sale

A disposal group is a group of assets and liabilities whose carrying amount will be recovered principally through a sale transaction, not through continuing use. A disposal group held-for-sale is measured at the lower of its carrying amount immediately prior to its classification as held-for-sale and its fair value less costs to sell.

1 Group accounting policies continued

Discontinued operations

A discontinued operation is a cash-generating unit, or a group of cash-generating units, that has either been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale

A detailed breakdown of assets, liabilities, turnover and expenses relating to discontinued operations is shown in note 11 to the accounts.

Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities comprise only trade and other payables.

All financial liabilities are recorded at amortised cost, using the effective interest method, with interest-related charges being recognised as an expense under finance costs in the Income Statement.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged, is cancelled, or expires.

Finance costs

Finance costs of debt, including premiums payable on settlement and direct issue costs are charged to the income statement on an accruals basis over the term of the instrument, using the effective interest method.

Income taxation

The taxation charge represents the sum of current tax and deferred tax.

The tax currently payable is based on the taxable profit for the period using the tax rates that have been enacted or substantially enacted by the balance sheet date. Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred taxation

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of the Group's assets and liabilities and their tax base. Deferred tax liabilities are offset against deferred tax assets within the same taxable entity or qualifying local tax group. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised. Deferred tax is determined using tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is recognised in the income statement, except when the tax relates to items charged or credited directly in equity, in which case the tax is also recognised in equity.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from the proceeds.

1 Group Accounting Policies continued

Exploration and evaluation assets

Capitalisation

Certain costs (other than payments to acquire the legal right to explore and costs which are directly attributable to those payments) incurred prior to acquiring the rights to explore are charged directly to the income statement. All costs incurred after the rights to explore an area have been obtained, such as geological and geophysical costs and other direct costs of exploration and appraisal are accumulated and capitalised as intangible exploration and evaluation ("E&E") assets.
These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the areas or where activities in the areas have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

E&E costs are not amortised prior to the conclusion of appraisal activities.

At completion of appraisal activities, if technical feasibility is demonstrated and commercial reserves are discovered, then, following development sanction, the carrying value of the relevant E&E asset will be reclassified as a development and production ("D&P") asset, but only after the carrying value of the relevant E&E asset has been assessed for impairment, and where appropriate, its carrying value adjusted. If after completion of appraisal activities in the area, it is not possible to determine technical feasibility and commercial viability or if the legal right to explore expires of if the Company decides not to continue exploration and evaluation activity, then the costs of such unsuccessful exploration and evaluation is written off to the income statement in the period the relevant events occur.

Impairment

If and when facts and circumstances indicate that the carrying value of an E&E asset may exceed its recoverable amount an impairment review is performed.

For E&E assets when there are such indications, an impairment test is carried out by grouping the E&E assets with the D&P assets belonging to the same geographic segment to form the Cash Generating Unit ("CGU") for impairment testing. The equivalent combined carrying value of the CGU is compared against the CGU's recoverable amount and any resulting impairment loss is written off to the income statement. The recoverable amount of the CGU is determined as the higher of its fair value less costs to sell and its value in use.

2 Financial risk management

Fair value estimation

The carrying value less impairment provision of trade receivables and payables is assumed to approximate their fair values, due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

3 Critical accounting estimates and areas judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions that have the most significant effects on the carrying amounts of the assets and liabilities in the financial statements are those in relation to the impairment of intangible exploration and evaluation assets.

The Group is required to perform an impairment review, for each CGU to which the asset relates, when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. The recoverable amount is based upon the Directors' judgements and are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production or proceeds from the disposal until the technical feasibility and commercial viability of extracting a mineral resource becomes demonstrable, at which point the value is estimated based upon the present value of the discounted future cash flows.

The valuation of investments is based originally on Directors' valuations supported by a third party valuation. The Company's investment holds the rights to certain exploration licences in Tanzania; these licences have been valued by an independent expert based upon the viability of the sites for future development, the current market price of gemstones and expected quantities of gemstones on each site. The assumptions used in these valuations are inherently uncertain.

4 Expenses by nature

	2009 £	2008 £
Staff costs	73,333	15,750
Other expenses	109,148	70,848
Total administrative expenses on continuing operations	182,481	86,598
Total administrative expenses of discontinued operations	–	39,758
	182,481	126,356

5 Auditors' remuneration

	2009 £	2008 £
Fees payable to the Company's auditor for the audit of the parent company and consolidated accounts	9,000	5,500
Fees payable to the Company's auditor and its associates for other services provided to the Company and is subsidiaries:		
Tax services	1,500	1,500

6 Employees

The Company had no employees during the year (2008: nil).

7 Directors' remuneration

	2009 £	2008 £
Emoluments	73,333	15,750

8 Other income

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

9 Finance income and costs

	2009 £	2008 £
Interest income on short-term bank deposits	–	4,072
Interest expense	(2)	(182)
	(2)	3,890

10 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	–	–

11 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

12 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)

13 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.

14 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.

The valuation of investments is based originally on Directors' valuations supported by a third party valuation. The Company's investment holds the rights to certain exploration licences in Tanzania; these licences have been valued by an independent expert based upon the viability of the sites for future development, the current market price of gemstones and expected quantities of gemstones on each site. The assumptions used in these valuations are inherently uncertain.

15 Debtors

	2009 £	2008 £
Other receivables	11,199	16,390
Prepayments	54,935	–
	66,134	16,390

There was no provision for impairment of receivables at 31 December 2009 (31 December 2008: £nil).

16 Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2009 £	2008 £
Cash at bank and in hand	241,061	491,421

17 Trade and other payables

	2009 £	2008 £
Trade payables	12,514	9,963
Accruals and deferred income	9,000	8,102
	21,514	18,065

18 Called-up share capital

	2009 No	2008 No
Authorised share capital		
Ordinary shares of 0.02p each	2,743,281,472	2,743,281,472
Deferred shares of 0.08p each	64,179,932	64,179,932
	2,807,461,404	2,807,461,404

	2009 £	2008 £
Ordinary shares of 0.02p each	548,656	548,656
Deferred shares of 0.08p each	51,344	51,344
	600,000	600,000

	2009 No	2008 No
Allotted, called up and fully paid		
Ordinary shares of 0.02p each	1,393,941,536	1,322,512,965
Deferred shares of 0.08p each	64,179,932	64,179,932
	1,458,121,468	1,386,692,897

	2009 £	2008 £
Ordinary shares of 0.02p each	278,789	264,503
Deferred shares of 0.08p each	51,344	51,344
	330,133	315,847

The rights attaching to the deferred shares are as follows:

(a) no dividend or other distribution shall be paid or made in respect of the deferred shares;

(b) the holders of deferred shares shall not be entitled to receive notice of, or to attend and vote at any general meeting of the Company;

(c) on a return of capital, whether on a winding-up or otherwise, the holders of deferred shares shall be entitled to receive only the amount credited as paid up on each share, but only after the holders of each ordinary share have received the amount paid up or credited as paid up on each share, together with a payment of £10,000 per share;

(d) the Company may transfer the shares without making any payment to the holders thereof, to such persons as the Company may determine, and acquire the same in accordance with the provisions of the Companies Acts at a price of 0.08p each.

On 13 March 2009 the Company issued 71,428,571 ordinary shares of 0.02p each at a price of 0.625p per share as consideration for the acquisition of a 16.96% shareholding in Gemstones of Africa Limited.

19 Capital management policy

The Group is 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.

20 Financial instruments

The Group manages its capital to ensure its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Group comprises equity attributable to equity holders of the Company consisting of issued ordinary share capital, reserves and retained earnings as disclosed in the Group statement of changes in equity and cash and cash equivalents as disclosed in Note 16.

The Group maintains or adjusts its capital structure through the payment of dividends to shareholders, issue of new shares and buy-back of existing shares.

Categories of financial instruments	**2009 £**	**2008 £**
Financial assets		
Investments available for sale	446,428	–
Receivables at amortised cost including cash and cash equivalents:		
Cash and cash equivalents	241,061	491,421
Other receivables	66,134	16,390
Total	753,623	507,811
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	21,514	18,065
Net	732,109	489,746

Cash and cash equivalents

This comprises cash held by the Group and short-term deposits. The carrying amount of these assets approximates their fair value.

General risk management principles

The Directors have an overall responsibility for the establishment of the Group's risk management framework. A formal risk assessment and management framework for assessing, monitoring and managing the strategic operational and financial risks of the Group is in place to ensure appropriate risk management of its operations.

The following represent the key financial risks that the Group faces:

Interest rate risk

The Group is not exposed to significant interest rate risks as it does not have any interest bearing liabilities and its only interest-bearing asset is cash invested on a short-term basis. A 50 basis point increase/decrease in the interest rate of interest bearing financial assets would lead to a £2,000 increase/decrease in the Group's retained losses.

Credit risk

Credit risk is the risk that the counterparty will default on its contractual obligations, resulting in financial loss. Credit risk arises from cash and cash equivalents and credit exposures on outstanding receivables and committed transactions.

There were no amounts past due at the balance sheet date.

The maximum exposure to credit risk in respect of the above at 31 December 2009 is the carrying value of financial assets recorded in the financial statements.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due.

Liquidity risk is managed through an assessment of short, medium and long-term cash flow forecasts to ensure the adequacy of working capital.

Fair value of financial assets and liabilities

The directors consider that there is no significant difference between the book value and fair value of the Group's financial assets and liabilities.

21 Equity-settled share-based payments

The following options over ordinary shares have been granted by the Company:

Date	Exercise price	Exercise period	Number of options
30 September 2008	0.02p	5 years	500,000,000

At the date of grant, the options were valued using the Black-Scholes option pricing model. The fair value per option granted and the assumptions used in the calculation were as follows:

Date of grant	30 September 2008
Expected volatility	54%
Expected life	1 year
Risk-free interest rate	2.88%
Expected dividend yield	–
Possibility of ceasing employment before vesting	–
Fair value per option	0.012p

The charge to the income statement for share based payments during the year ended 31 December 2008 was £33,441 and £nil for the year ended 31 December 2009.

22 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.

23 Ultimate controlling party

The Group considers its ultimate controlling party to be Christopher Potts and Robert Quested.

Independent Auditors' Report – Company

to the members of Gemstones of Africa Group Plc

We have audited the financial statements of Gemstones of Africa plc for the year ended 31 December 2009 which comprise the Balance Sheet, Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors' and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' Report – Company

to the members of Gemstones of Africa Group Plc

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Gary Miller (Senior Statutory Auditor)
For and on behalf of HW Fisher & Company
Chartered Accountants
Statutory Auditor
Acre House
11-15 William Road
London NW1 3ER
United Kingdom

2 March 2010

Company Balance Sheet

at 31 December 2009

	Note	2009 £	2008 £
Non current assets			
Intangible assets	3	19,082	–
Equity investments – available for sale	4	446,528	–
		465,610	–
Current assets			
Equity investments – available for sale	4	–	100
Trade and other receivables	5	66,234	16,390
Cash and cash equivalents		241,061	491,421
		307,295	507,911
Current liabilities			
Trade and other payables	6	21,614	18,062
Current assets less current liabilities		285,681	489,849
Total assets less current liabilities and net assets		751,291	489,849
Capital and reserves			
Called-up share capital	7	330,133	315,847
Share premium account		730,969	301,327
Share option reserve		33,441	33,441
Profit and loss account		(343,252)	(160,766)
		751,291	489,849

The financial statements were approved by the board of directors and authorised for issue on 2 March 2010 and signed on its behalf by:

S. Rollason
Director

The notes on pages 31 to 34 form part of these Company Financial Statements.

Company Statement of Changes in Equity

for the year ended 31 December 2009

	Share Capital £	Share Premium £	Retained Earnings Account £	Share Option Reserve £	Total £
At 1 January 2008	641,796	624,066	(867,312)	–	398,550
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)
Share option reserve	–	–	–	33,441	33,441
Loss for the year	–	–	(95,233)	–	(95,233)
At 31 December 2008	315,847	301,327	(160,766)	33,441	489,849
Issue of share capital	14,286	432,142	–	–	446,428
Cost of shares issued	–	(2,500)			(2,500)
Loss for the year	–	–	(182,486)	–	(182,486)
At 31 December 2009	330,133	730,969	(343,252)	33,441	751,291

The notes on pages 31 to 34 form part of these Company Financial Statements.

Notes to the Company Financial Statements

for the year ended 31 December 2009

1 Accounting policies

Basic of preparation of company financial statements

The Company financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRC interpretations and the parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the Parent Company Income Statement. The loss after tax for the Parent Company for the year was £182,486 (2008: £95,233).

The account policies adopted by the Company are the same as those adopted by the Group as set out on pages 16 to 19.

2 Staff costs

The Company had no employees during the year (2008: nil).

Directors' remuneration

The aggregate directors' emoluments, including compensation for loss of office, in the year were £73,333 (2008: £15,750).

3 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 and non-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.

The Directors consider that there has been no impairment loss to intangible exploration and evaluation assets in the period.

4 Equity investments – available for sale

Company	Other investments £	Investments in subsidiary undertakings £	Total £
Fair value			
At 1 January 2009	–	100	100
Additions	446,428	100	446,528
Disposal	–	(100)	(100)
At 31 December 2009	446,428	100	446,528

During the year ended 31 December 2009, the Company disposed of its 100 per cent shareholding in Gemstones of Africa Limited to Obtala Resources Plc ("Obtala") for a consideration of £100. On 13 March 2009, the Company then 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.

The valuation of investments is based originally on Directors' valuations supported by a third party valuation. The Company's investment holds the rights to certain exploration licences in Tanzania; these licences have been valued by an independent expert based upon the viability of the sites for future development, the current market price of gemstones and expected quantities of gemstones on each site. The assumptions used in these valuations are inherently uncertain.

During the year GOA Tanzania Limited was incorporated with a share capital of 100 ordinary shares of £1 each. GOA Tanzania Limited is a wholly owned subsidiary of Gemstones of Africa Plc. GOA Tanzania Limited is dormant.

Holdings of more than 20%

The Company holds more than 20% of the share capital of the following company:

Subsidiary undertaking	Country of incorporation	Class	Shares held
GOA Tanzania Limited	UK	Ordinary	100%

5 Trade and other receivables

	2009 £	2008 £
Other receivables	11,199	16,390
Prepayments	55,035	–
	66,234	16,390

6 Trade and other payables

	2009 £	2008 £
Trade payables	12,514	9,963
Other payables	100	–
Accruals and deferred income	9,000	8,099
	21,614	18,062

7 Called-up share capital

	2009 No	2008 No
Authorised share capital		
Ordinary shares of 0.02p each	2,743,281,472	2,743,281,472
Deferred shares of 0.08p each	64,179,932	64,179,932
	2,807,461,404	2,807,461,404

	2009 £	2008 £
Ordinary shares of 0.02p each	548,656	548,656
Deferred shares of 0.08p each	51,344	51,344
	600,000	600,000

	2009 No	2008 No
Allotted, called up and fully paid		
Ordinary shares of 0.02p each	1,393,941,536	1,322,512,965
Deferred shares of 0.08p each	64,179,932	64,179,932
	1,458,121,468	1,386,692,897

	2009 £	2008 £
Ordinary shares of 0.02p each	278,789	264,503
Deferred shares of 0.08p each	51,344	51,344
	330,133	315,847

The only rights attached to the deferred shares are as follows:

(a) no dividend or other distribution shall be paid or made in respect of the Deferred Shares;

(b) the holders of deferred shares shall not be entitled to receive notice of, or to attend and vote at any general meeting of the Company;

(c) on a return of capital, whether on a winding-up or otherwise, the holders of deferred shares shall be entitled to receive only the amount credited as paid up on each share, but only after the holders of each ordinary share have received the amount paid up or credited as paid up on such share, together with a payment of £10,000 per share;

(d) the Company may transfer the shares without making any payment to the holders thereof, to such persons as the Company may determine, and acquire the same in accordance with the provisions of the Companies Acts at a price of 0.08p each.

On 13 March 2009 the Company issued 71,428,571 ordinary shares of 0.02p each at a price of 0.625p per share as consideration for the acquisition of a 16.96% shareholding in Gemstones of Africa Limited.

8 Related party transactions

During the year ended 31 December 2009, the Company 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 Company 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 Ultimate controlling party

The Company considers its ultimate controlling party to be Christopher Potts and Robert Quested.

Printed by Michael Searle & Son Limited

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