

**TANZANITE ONE LIMITED**  
**INCORPORATED AND REGISTERED IN BERMUDA**  
**EXEMPT COMPANY NUMBER EC33385**  
**("TANZANITEONE" OR "THE GROUP")**

**HALF YEARLY RESULTS: 30 JUNE 2005**

**"Tanzanite One reports record profit:  
US\$7.2 million for the half year to 30 June 2005"**

**HIGHLIGHTS**

**Financial**

- Gross margin of 66% achieved on US\$22.4 million revenue
- Net profit US\$7.2 million
- Basic earnings per common share of 10.26 US cents
- 1 US cent per share interim dividend declared, payable on 29 October 2005
- Cash and near cash balances of US\$13.0 million (including receivables of US\$8million received in early July 2005)
- US\$10.2million cash generated in operations, before working capital changes
- Interest bearing debt reduced to US\$40 000

**Operational**

- Solid mining platform delivering sound results
- 576,933 carats recovered during the period
- 12,161 tonnes processed at a grade of 47 carats per tonne
- Optical sorting equipment installed for improved recoveries and efficiencies

**Strategic**

- Sightholder strategy supporting market confidence
- Brand building strategies successfully executed in jewellery business

TanzaniteOne announces consolidated net earnings of US\$7.2 million (US10.3 cents per share), with cash earnings (before depreciation and amortisation) of US\$7.7 million. Comparisons with the previous corresponding period are not appropriate as the Company commenced operations in May 2004 following the acquisition of its tanzanite business.

Commenting on the results, Mike Nunn, CEO of TanzaniteOne said, "Each part of TanzaniteOne's vertically integrated supply chain is building on the strategic developments initiated in the earlier part of this year. These first six months of 2005 form a solid basis from which TanzaniteOne is expected to comfortably achieve its targets for the 2005 financial year and we remain optimistic that this track record of growth and delivery will be maintained in the coming years".

**Key indicators:**

	<b>6 months to 30 June 2005</b>	<b>1 month to 30 June 2004</b>	<b>6 months to 31 December 2004</b>
Revenue	US\$22.4 million	US\$2.5 million	US\$13.7 million
Gross profit margin	66%	59%	54%
Net profit after tax and outside equity interests	US\$7.2 million	US\$0.4 million	US\$3.2 million

Revenue for the six months under review was US\$22.4 million, significantly higher than the Group's initial six months sales figures to December 2004 of US\$13.7 million. This increase in revenue reflects a combination of increased tanzanite sales and higher prices achieved due to the higher proportion of gem quality rough tanzanite recovered during the period; a reflection of the Group's improved mining strategies. Average rough prices achieved were approximately US\$13 per carat (6 months to 31 December 2004: US\$9). The significant increase in revenue per carat on mine is a direct result of the improvement in the quality of the produced material (colour/clarity/size) over the period. This has translated into enhanced gross margins up at 66% (6 months to 31 December 2004: 54%), assisted by effective cost containment initiatives.

During the period interest bearing borrowings were reduced from US\$2.6 million at December 2004 to US\$40 000 following the sale of surplus assets. The sale of these surplus assets has also resulted in a decreased depreciation charge of US\$0.5 million, from US\$1.0 million in the prior period.

The Group's mine performed well during the period with production of 576,933 carats of tanzanite from 12,161 tonnes of processed ore. On mine cash costs remained under control at US\$2 per carat (6 months to 31 December 2004: US\$2). Grade achieved was 47 carats per tonne.

Operating expenses were stable during the period at US\$5.8 million.

As at 30 June 2005, TanzaniteOne had trade and other receivables of US\$11.5 million (2004: US\$4.4 million) as a sight was held just prior to the period end with settlement taking place subsequent to period end. Receivables of US\$8.0 million have subsequently been converted to cash and have been included in cash and near cash at 30 June 2005.

The effective tax rate of the Group was 19%.

## **Operational review**

### **Mining**

The period was characterised by strong operational developments. TanzaniteOne Mining introduced a number of initiatives to improve grade recovery. Specifically, optical sorting technology was introduced to the recovery process, which is showing favourable results with improved efficiencies and grade recovery. Various technologies are being tested to improve security measures and thereby reduce shrinkage. Processing capacity remains underutilised as underground development and ore extraction capabilities continue to be expanded.

Whilst safety measures remain of the highest standard, regrettably the mine experienced its first fatality in an underground rock fall in May 2005. This is the first fatality since the mine opened in 2000.

### **Outside Buying**

TanzaniteOne Trading the Group's 75% owned subsidiary manages the Arusha based rough tanzanite buying operation that continued to deliver strong volumes. During the six months under review, outside buying contributed 41% of the Group's total rough tanzanite sales. As is expected, the percentage contribution by the rough trading operation will reduce as the Group's mine continues to increase production.

#### **Rough Tanzanite Sales**

TanzaniteOne Marketing saw a positive response to its Preferred Supplier Strategy with sightholders taking all tanzanite parcels offered during the first three sights of 2005. Demand has been strong during the first six months of 2005 and prices across grades have remained firm.

#### **Polished Tanzanite Sales**

TanzaniteOne's jewellery and polished tanzanite wholesale business, The Tanzanite Company, continued its expansion into new territory. Polished and set tanzanite contributed US\$3.4 million in revenue in the period under review. Encouraging growth was experienced in the emerging UK market where its relative contribution to sales increased to 15% from 13% in the prior period. New jewellery ranges were launched and exhibited in line with the company's drive to promote its branded jewellery range - Tanzanite Blue.

#### **Tanzanite Foundation**

The Tanzanite Foundation, an industry supported non-profit organisation which was provided with seed funding by TanzaniteOne, has opened an office in London and commenced tanzanite promotions in Europe. The Tanzanite Foundation plans to open an office in New York before the year end and is investigating Dubai and Hong Kong to access Middle Eastern and Chinese markets respectively. Further growth in demand for tanzanite is expected as these new markets open up, and increased promotional activity will be funded by wider industry participation in the Tanzanite Foundation.

#### **Outlook**

TanzaniteOne remains confident of a strong outlook for the tanzanite industry and continues to stimulate demand in new markets whilst maintaining momentum in current markets. The discovery of the largest tanzanite ever found, the 17,250 carat Mawenzi, at TanzaniteOne's mining operation in July 2005 has generated increased interest in tanzanite and provides a unique opportunity to produce an iconic piece of jewellery to celebrate this event.

Further resources are expected to be firmed up from current exploration activities both within the Group's existing mining licence area and on various prospecting licences adjacent to the mining licence, potentially lengthening the current life of mine beyond the presently estimated 15 years.

#### **Basis of preparation**

The accounting policies adopted for the purposes of these interim results comply, in all material respects, with International Financial Reporting Standards, as well as with applicable legislation, and are consistent with the accounting policies as applied in the previous year, except for the adoption of IAS21 (revised).

The consolidated accounts include the reviewed accounts of the company and each of its subsidiaries and have been prepared using accounting policies consistent with those adopted for the preparation of the annual audited Financial Statements. They are stated in US Dollars which is the reporting currency of the Group.

The financial information set out below is based on the consolidated financial statements of TanzaniteOne and its subsidiary companies.

**Tanzanite One Limited**  
**Consolidated Income Statement**  
**Half Year ended 30 June 2005**

US\$'000		Half Year ended		Full Year ended
		30/06/05	30/06/04*	31/12/04 **
	<b>Note:</b>			
Revenue	(i)	22,369	2,517	16,168
Cost of sales	(ii)	(7,570)	(1,042)	(7,273)
<b>Gross profit</b>		<b>14,799</b>	<b>1,475</b>	<b>8,895</b>
Administration and other operating costs		(5,819)	(911)	(4,913)
Net finance costs		(1)	(42)	116
<b>Profit before tax</b>		<b>8,979</b>	<b>522</b>	<b>4,098</b>
Income tax expense		(1,735)	(172)	(525)
<b>Profit after tax</b>		<b>7,244</b>	<b>350</b>	<b>3,573</b>
Minority interest	(iii)	(42)	-	(6)
<b>Net profit</b>		<b>7,202</b>	<b>350</b>	<b>3,567</b>
EPS (basic – US cents)		10.26	0.29	6.95
EPS (diluted – US cents)		9.59		6.74

**Notes:**

\* Figures for the period ended 30 June 2004 reflect 1 month's operations as the Group commenced operations in May 2004 following the acquisition of its tanzanite assets.

\*\* Figures for the period ended 31 December 2004 reflect 7 months operations as the Group commenced operations in May 2004 following the acquisition of its tanzanite assets. These figures have been restated following the adoption of IAS21 (revised). Refer Statement of Changes in Equity.

- (i) Revenue is higher in line with increased sales and higher proportion of high quality tanzanite produced
- (ii) Cost of sales are well contained reflecting cost containment initiatives
- (iii) Minority interest reflects Abdulhakim Mulla's 25% outside equity interest in TanzaniteOne Trading

**Tanzanite One Limited**  
**Consolidated Cash Flow Statement**  
**Half Year ended 30 June 2005**

US\$'000	Half Year ended 30/06/05	Half Year ended 30/06/04 *	Full Year ended 31/12/04**
Cash flows from operating activities			
Cash utilised in operations	(1,139)	(1,820)	(1,553)
Net financing (cost)/income	(1)	(42)	116
Taxation refund received/(paid)	387	(36)	(146)
Dividends paid	(81)	-	-
<b>Net cash utilised in operations</b>	<b>(834)</b>	<b>(1,898)</b>	<b>(1,583)</b>
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	-	(24,218)	4,634
Acquisitions of property, plant and equipment	(872)	(93)	(3,119)
Proceeds on disposal of property, plant and equipment	1,794	-	7
<b>Net cash from investing activities</b>	<b>922</b>	<b>(24,311)</b>	<b>1,522</b>
Cash flows from financing activities			
Net proceeds from issue of share capital	211	28,964	12,296
Share based payments	332	-	-
Repayment of loans from Afgem Limited	-	2,863	(5,368)
Decrease/(repayment) of long-term loans	76	-	(164)
(Repayment)/increase in interest-bearing borrowings – current	(442)	(54)	458
Repayment of interest bearing borrowings – non-current	(2,110)	-	(252)
<b>Net cash from financing activities</b>	<b>(1,933)</b>	<b>31,773</b>	<b>6,970</b>
Net (decrease)/increase for the period	(1,845)	5,564	6,909
At beginning of the period	6,909	-	-
<b>At end of the period</b>	<b>5,064</b>	<b>5,564</b>	<b>6,909</b>

**Notes:**

\* Figures for the period ended 30 June 2004 reflect 1 month's operations as the Group commenced operations in May 2004 following the acquisition of its tanzanite assets.

\*\* Figures for the period ended 31 December 2004 reflect 7 months operations as the Group commenced operations in May 2004 following the acquisition of its tanzanite assets.

**Tanzanite One Limited**  
**Consolidated Balance Sheet**  
**At 30 June 2005**

US\$'000	30/06/05	30/06/04	31/12/04
<b>Non-current assets</b>			
Property plant and equipment	18,785	18,155	21,107
Intangible assets	2,000	2,000	2,000
Long-term loans	88	92	164
Deferred tax	606	678	203
<b>Total non current assets</b>	<b>21,479</b>	<b>20,925</b>	<b>23,474</b>
<b>Current assets</b>			
Inventory	14,418	7,953	12,621
Income tax receivable	-	333	663
Short-term loans	-	1,573	-
Trade and other receivables	11,503	2,896	4,384
Cash and cash equivalents	5,064	5,564	6,909
<b>Total current assets</b>	<b>30,985</b>	<b>18,319</b>	<b>24,577</b>
<b>Total assets</b>	<b>52,464</b>	<b>39,244</b>	<b>48,051</b>
<b>Non-current liabilities</b>			
Interest-bearing borrowings	40	2,131	2,149
Provisions	82	100	82
Deferred tax liabilities	2,775	1,144	2,391
<b>Total non current liabilities</b>	<b>2,897</b>	<b>3,375</b>	<b>4,622</b>
<b>Current liabilities</b>			
Interest-bearing borrowings	16	312	459
Income tax payable	1,583	-	273
Short-term loans	-	4,436	-
Trade and other payables	1,193	1,082	1,877
<b>Total current liabilities</b>	<b>2,792</b>	<b>5,830</b>	<b>2,609</b>
<b>Total liabilities</b>	<b>5,689</b>	<b>9,205</b>	<b>7,231</b>
<b>Net assets</b>	<b>46,775</b>	<b>30,039</b>	<b>40,820</b>
<b>Equity</b>			
Shareholders' equity	46,616	29,823	40,622
Minority interest	159	216	198
<b>Total equity</b>	<b>46,775</b>	<b>30,039</b>	<b>40,820</b>
Number of shares in issue	70.4 million	120 million*	70.1 million
Net asset value per share	66.47 cents	25.03 cents	58.19 cents

\* A three for one share consolidation was done during July 2004.

**Tanzanite One Limited**  
**Statement of Changes in Equity**  
**Half Year ended 30 June 2005**

	Common share capital US\$'000	A class share capital US\$'000	Total share capital US\$'000	Share premiu m US\$'000	Retaine d earnin g s US\$'000	Share options US\$'000	Foreign currency translatio n reserve US\$'000	Total US\$'000	Minority interest US\$'000	Total equity US\$'000
Balance at 31 December 2004	21	1	22	35,675	4,411	-	-	40,108	198	40,306
Share based payments – prior year adjustment	-	-	-	-	(139)	139	-	-	-	-
Restatement due to adoption of IAS 21 (revised) – Note (i)	-	-	-	-	(1,357)	-	1,357	-	-	-
Issue of common share capital	-	-	-	197	-	-	-	197	-	197
Issue of A class share capital	-	-	-	14	-	-	-	14	-	14
Profit for the period	-	-	-	-	7,202	-	-	7,202	42	7,244
Share based payments	-	-	-	-	-	193	-	193	-	193
Foreign currency translation reserve	-	-	-	-	-	-	(1,098)	(1,098)	-	(1,098)
Dividends declared	-	-	-	-	-	-	-	-	(81)	(81)
Closing balance 30 June 2005	21	1	22	35,886	10,117	332	259	46,616	159	46,775

Note:

(i) The impact of adopting IAS21 (revised) is that translation differences previously charged to the Income Statement are now accounted for in Equity.

The reason for this is that the previous IAS21 statement required translation differences on foreign integrated operations to be charged to the Income Statement. IAS21 (revised) now requires the determination of the functional currency for each entity in the group and translation differences for entities with different functional currencies to be charged to Equity.

**Tanzanite One Limited**

Incorporated in Bermuda

Exempt company number EC33385

**Board of Directors**

Michael Adams	Non-executive Chairman
Ami Mpungwe	Non-executive Deputy Chairman
Mike Nunn	Chief Executive Officer
Ian Harebottle	Chief Operating Officer
Mark Summers	Chief Financial Officer
Edward Nealon	Non-executive director
Nicholas Sibley	Non-executive director
Bruce Sutherland	Non-executive director
Georg von Opel	Non-executive director
Gustav Stenbolt	Alternate to Georg von Opel

**Audit/Risk Committee**

Nicholas Sibley (Chairman)

Michael Adams

Gustav Stenbolt

**Remuneration/Succession Planning Committee**

Michael Adams (Chairman)

Ami Mpungwe

Edward Nealon

**Mining and Geology Committee**

Bruce Sutherland (Chairman)

Ian Harebottle

Edward Nealon

**Nominations Committee**

The Nominations Committee comprises the Full Board

**Company Secretary**

Willi Boehm

**Issued Capital**

At 30 June 2005, the Company had on issue:

70,373,811 fully paid common shares

4,559,611 unlisted Tanzanite One SA A class share options

<b>Substantial Shareholders at 30 June 2005</b>	<b>No. of Shares</b>	<b>Percentage</b>
Rembrandt Nominees	23,204,945	37.26 %
Jade Pacific Resources	14,246,376	22.87 %
Euroclear Nominees	6,792,747	10.91 %
Bear Stearns Securities	2,811,941	4.51 %
Cayenne Asset Management	2,680,867	4.30 %
Ruffer Investment Management	2,100,952	3.37 %

**Nominated Advisor and broker (AIM)**

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**Tanzanite One (SA) Limited**

(Incorporated in the Republic of South Africa)

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**Management**

Mike Nunn	Chief Executive Officer
Ian Harebottle	Chief Operating Officer
Mark Summers	Chief Financial Officer
Zane Swanepoel	TanzaniteOne Mining, General Manager
Adrian Banks	TanzaniteOne Trading, Managing Director
Candice Nunn	TanzaniteOne Marketing, Managing Director
Jason Krause	The Tanzanite Company, Managing Director

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**Tanzanite One (SA) Limited**

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