

27<sup>st</sup> September 2010

## TANZANITE ONE INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2010

Tanzanite One Limited (“TanzaniteOne” or the “Company”) (AIM:TNZ) today announces its interim results for the half year ended 30 June 2010.

### Highlights

#### Financial

- EBIDTA, profit of \$1.8 million.
  - \$2.0 million improvement from the H1 2009 EBIDTA loss of \$0.2 million
- Profit after income tax of \$0.7 million up from loss after income tax of \$0.6 million in H1 2009
- Revenues increased by 74% to \$8.6 million
  - TTE achieved revenue of \$651,000 (H1 2009: \$440,000)
- Gross margin of 66%, up from 40% in H1 2009 due to continuation of cost containment and gradual increases in selling prices
- Operating costs increased 26% from \$6.2 million in H1 2009 to \$7.8 million in 1H2010, reflecting increased production
- Net current assets at 30 June 2010 of \$11.1 million, including:
  - Cash and cash equivalents of \$1.76 million
  - Inventories of \$3.94 million
  - Trade and other receivables (mainly proceeds of June 2010 sight) of \$5.05 million
  - Income tax receivable of \$1.9 million

#### Operations

- Tanzanite production of 1.0 million carats, 21% up on 1H2009
- 5% increase in tonnes processed to 18,911 tonnes when compared to 1H2009
- Average grade of 55 carats per tonne
  - Grade increase of 15% compared with 48 carats per tonne in 1H2009
- Drilling and sampling of the Tsavorite project completed

#### Strategic

- Ongoing negotiation with the Government of the United Republic of Tanzania to research and initiate development of economically sustainable domestic cutting operations and agreements, pursuant to ban on the export of rough tanzanite larger than 5 carats (1 gram)
- Interpretation of Tsavorite drilling data and commencement of bulk sampling programme
- Ongoing focus on innovative ways to market and sell tanzanite

#### Key statistics

	1H 2010	1H 2009	Movement
EBIDTA	\$1.8 m	(\$0.2m)	\$2.0m
Net profit/(loss)	\$0.7 m	(\$0.5m)	\$1.2m
Revenue	\$8.6m	\$4.9m	76%
Gross margin	66%	40%	65%
Tonnes processed	18,911	18,087	5%
Carats recovered	1,049,012	867,381	21%
Grade (carats per tonne)	55	48	15%
On mine cash cost per carat	\$3.75 ct	\$3.99 ct	6%

Commenting on the results, Chief Executive Officer, Bernard Olivier said: “A gradual recovery in the tanzanite price combined with a sustained margin enhancement programme sees TanzaniteOne today return to profit. We have worked hard to maximize value from our coloured gemstone operations and I am particularly pleased to see the efficiencies from our extraction operations in terms of grade. Our task now is to maximize sales of our lighter stones into new markets through the cutting and marketing joint ventures and to build high margin business from cut high grade tanzanite. The Company’s strategy is to combine highly efficient coloured gemstone extraction processing with sales channels that secure immediate revenues from a wide range of established customers. I look forward to announcing further results from forthcoming sight sales of rough tanzanite and progress from our cut stone operations.

**For more information please contact:**

Willi Boehm  
Company Secretary  
+61 409 969 955

Bernard Olivier  
Chief Executive Officer  
+61 4089 48182

Nominated Advisor & Broker (AIM)  
Ambrian Partners Limited  
Richard Greenfield/ Richard Chase  
+44 (0) 20 7634 4700

Threadneedle Communications  
Laurence Read/Beth Harris  
+44 (0)20 7653 9855  
+44 (0)7979 955 923

## Financial Performance

TanzaniteOne recorded a significant improvement on the previous corresponding period and has achieved a consolidated profit after income tax for the half year ended 30 June 2010 of \$0.71 million (\$0.68 cents per share). This represents a significant turnaround compared to the previous corresponding period during which a loss of \$0.58 million (US 0.58 cents per share) was recorded. Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved from a loss of \$0.2million in H1 2009 to a profit of \$1.8 million.

Revenues from ordinary activities for the period increased by 74% to \$8.6 million from \$4.9 million in 1H 2009. The revenue of \$8.6 million achieved during the period is comprised of \$6.91 million through the sale of 855,847 carats of rough tanzanite, at an average price of \$8.07 per carat, as well as \$1.69 million from the sales of cut material and specimens. The results were heavily influenced by the combination of two very successful sales in Dubai in May and June and the growing revenue stream from the Company's own cutting, polishing and sales division. Revenues in the second quarter of \$5.4 million represented the best quarterly sales figure achieved by the Company over the last two years prior to the onset of the Global Financial Crisis.

The Group achieved a gross margin for the year of 66% compared to 40% in 1H2009. The increased gross margin was a reflection of higher tanzanite prices and an increase in the quality and quantity of tanzanite production from the mine.

Inventory levels of rough and polished tanzanite gemstones and consumable have decreased by 16% from the previous period, reflecting an increase in sales and trade debtors. Capital expenditure for the year of \$0.7 million included expenditure of \$0.4 million on the purchase of mining equipment and development and exploration expenditure of \$0.3 million.

The cash and cash equivalents balance of \$1.76 million (excluding overdraft facility of \$0.99 million) and debtors of \$5.1 million have benefited significantly from May and June sight sales. Debtors' collection period is less than one month.

On mine cash costs for the period decreased by 6% to \$3.75 per carat from \$3.99 in H1 2009. The decrease reflects the impact of 21% increase in carats recovered to 1,049,012 and as a result of strict cash and cost management efforts during the first half of 2010. On mine cash costs include operating costs, mine administration costs and royalty charges incurred at the Merelani mine.

The Tanzanite Experience (TTE), a "museum" and retail outlets in Arusha that showcases the history of tanzanite through a series of visual and interactive exhibitions, has achieved net revenue of \$651,000 from cut tanzanite sales for the period, representing an increase of 32% compared to 1H 2009. TTE continues to grow its market share in the tourism market and is planning to open further outlets to compliment its current presence in Arusha.

The directors have not declared an interim dividend. The Board has a strong history of rewarding shareholders with dividends but feels it prudent to defer further dividends until market conditions strengthen and stabilise.

## Operational Overview

In the first half of 2010, the Company achieved production totalling 1,049,012 carats from the processing of 18,911 tonnes of material at an average recovery grade of 55 carats per tonne. This strong performance represents a 21% increase in the carats produced, a 5% increase in the tonnes processed and a 15% increase in the grade compared with H1 2009.

## Tsavorite

A total of 83 Rotary Air Blast drill holes totalling 1,626m were completed during the first half of 2010. The initial drilling programme was expanded to adequately cover and investigate the deposit. Each hole was geologically logged and sampled at 1.5m intervals. Line section compilation, data digitisation and volume data calculations were also undertaken by an independent

consultant during drilling. A detailed hard rock geological mapping programme was also undertaken on three prospecting licences.

The tsavorite drilling, sampling and data interpretation has been completed (after the reporting period) and bulk sampling commenced in mid-September 2010. The bulk sampling is scheduled to continue until the end of October 2010 and the final processing and data interpretation will be concluded in November 2010. The final independent JORC compliant report is expected in December 2010.

### **Strategic**

The Company is in ongoing discussions with the Government of the United Republic of Tanzania to research and initiate development of economically sustainable domestic cutting operations and agreements, pursuant to ban on the export of rough tanzanite larger than 5 carats (1 gram). The Company is currently expanding its in-house cutting and polishing operations while also investigating potential cutting and polishing agreements with external beneficiation companies in Tanzania. The Company continues to focus on innovative ways to market and sell tanzanite.

## Financial Statements

TanzaniteOne Limited  
Condensed Consolidated Statement of Comprehensive Income  
Half Year ended 30 June 2010  
(\$'000)

	1H 2010	1H 2009	FY 2009
Revenue	8,553	4,913	12,459
Cost of sales	(2,950)	(2,962)	(6,471)
Gross profit	5,603	1,951	5,988
<i>Gross margin %</i>	66%	40%	48%
Corporate administration and other operating costs	(1,575)	(1,185)	(2,742)
Mine administration	(1,191)	(896)	(2,449)
Selling and distribution costs	(663)	(808)	(1,700)
Royalties	(197)	(104)	(337)
Finance income	1	2	17
Foreign exchange(losses)/gains	(115)	906	1,126
Finance cost	(47)	(66)	(138)
Profit/(loss) before depreciation and amortisation	1,816	(200)	(235)
Missing inventory	-	-	(963)
Depreciation and amortisation	(1,077)	(1,132)	(2,853)
Profit/(loss) before tax	739	(1,332)	(4,051)
Income tax (expenses)/credit	(34)	752	1,629
Profit/(loss) after tax	705	(580)	(2,422)
Non-controlling interest	23	34	46
Profit/(loss) attributable to equity holders of parent	728	(546)	(2,376)
<i>EPS (basic – cents)</i>	0.64	(0.58)	(2.54)

TanzaniteOne Limited  
Condensed Consolidated Statement of Financial Position  
As at 30 June 2010  
\$'000

	1H 2010	1H 2009	FY2009
<b>Non-current assets</b>			
Property, plant and equipment	30,227	25,134	30,619
Inventories	129	508	129
Deferred tax assets	1,731	-	1,748
<b>Total non-current assets</b>	<b>32,087</b>	<b>25,642</b>	<b>32,496</b>
<b>Current assets</b>			
Inventories	3,941	4,681	3,979
Income tax receivable	1,923	2,151	1,980
Trade and other receivables	5,055	1,722	3,184
Cash and cash equivalents	1,762	5,006	2,193
<b>Total current assets</b>	<b>12,681</b>	<b>13,559</b>	<b>11,336</b>
<b>Total assets</b>	<b>44,768</b>	<b>39,201</b>	<b>43,832</b>
<b>Equity</b>			
Share capital	32	32	32
Share premium	46,020	45,721	46,020
Share options outstanding	706	706	706
Foreign currency translation reserve	(510)	(530)	(684)
Retained earnings	(8,832)	(11,401)	(9,560)
<b>Total equity attributable to parent equity holders</b>	<b>37,416</b>	<b>34,528</b>	<b>36,514</b>
Non-controlling interest	(64)	(30)	(42)
<b>Total equity</b>	<b>37,352</b>	<b>34,498</b>	<b>36,472</b>
<b>Non-current liabilities</b>			
Interest-bearing borrowings	701	850	804
Provisions	107	100	107
Deferred tax liabilities	5,055	2,453	5,038
<b>Total non-current liabilities</b>	<b>5,863</b>	<b>3,403</b>	<b>5,949</b>
<b>Current liabilities</b>			
Interest-bearing borrowings	299	3	196
Overdraft	986	-	570
Income tax payable	-	33	-
Trade and other payables	268	1,264	645
<b>Total current liabilities</b>	<b>1,553</b>	<b>1,300</b>	<b>1,411</b>
<b>Total liabilities</b>	<b>7,416</b>	<b>4,704</b>	<b>7,360</b>
<b>Total equity and liabilities</b>	<b>44,768</b>	<b>39,201</b>	<b>43,832</b>

TanzaniteOne Limited  
Condensed Consolidated Statement of Cash Flows  
For the Half Year Ended 30 June 2010  
\$'000

	1H 2010	1H 2009	FY 2009
<b>Cash flows from operating activities</b>			
Cash utilised in operations	(172)	(686)	(2,513)
Finance income	1	2	17
Financing cost	(47)	(66)	(131)
Income tax refunded/(paid)	56	(27)	251
Net cash used in operating activities	<b>(162)</b>	<b>(777)</b>	<b>(2,376)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(685)	(822)	(2,752)
<b>Net cash used in investing activities</b>	<b>(685)</b>	<b>(822)</b>	<b>(2,752)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	-	5,341	5,341
Proceeds from interest-bearing borrowings	-	470	616
Net cash generated from financing activities	-	<b>5,811</b>	<b>5,957</b>
Net (decrease)/increase in cash and cash equivalents	(847)	4,212	829
Cash and cash equivalents at the beginning of the period/year	1,623	794	794
Cash and cash equivalents at the end of the period/year	<b>776</b>	<b>5,006</b>	<b>1,623</b>

**Glossary**

<b>ct</b>	carat
<b>dollar or \$</b>	United States Dollar
<b>g/t</b>	Grammes per tonne, measurement unit of grade (1g/t = 1 part per m)
<b>JORC</b>	Australasian code for reporting of Mineral Resources and Ore Reserves
<b>On-mine cash costs</b>	On-mine cash costs include mine operating costs, mine administration costs and royalty charges incurred at Merelani mine.
<b>tonne</b>	1 Metric tonne (1,000kg).