

Tanzanite One Limited
(“TanzaniteOne” or the “Group”)
AIM: TNZ
RNS No: 6649H

12th April 2005

PRELIMINARY RESULTS
FOR THE SEVEN MONTHS TO 31 DECEMBER 2004

Net profit US\$4.4 million (first seven months of operations)

Maiden dividend declared: 1 US cent per share

TanzaniteOne announces consolidated net earnings of US\$4.4 million (US8.6 cents per share), earnings (before depreciation and amortisation) of US\$5.4 million and the declaration of a maiden dividend of 1 US cent per share.

Highlights for the period:

- Net profit after tax attributable to TanzaniteOne of US\$4.4 million (US8.6 cents per share); achieved for the seven months following acquisition of its tanzanite business in May 2004
- Strong gross margin of 55% achieved on US\$16.2 million revenue
- 1 US cent per share maiden dividend declared, payable on 29 July 2005
- Strong financial position with US\$22 million of net current assets
- Outlook for 2005 positive with key developments planned in all businesses

Commenting on these results, Mike Nunn, Group Chief Executive, said:

“We are pleased to be able to deliver this first set of results comfortably in line with management’s expectations and the declaration of a maiden dividend is testament to this. Our understanding of tanzanite mining operations and marketing strategies has been consolidated over the last seven months. We look forward to applying this knowledge to growing all our businesses in line with the core strategic objectives identified for each stage of the tanzanite value chain”.

TanzaniteOne acquired its tanzanite assets with effect from 1 June 2004; accordingly these financial statements include the consolidated results of the Group’s tanzanite operations for the seven month period ended 31 December 2004. No comparative figures are provided as TanzaniteOne is a newly incorporated entity which has not operated prior to the acquisition of its tanzanite business in May 2004.

Gross profit was strong at 55% of total revenue of US\$16.2 million. Revenue comprised rough tanzanite sales of US\$12.2 million and polished tanzanite and jewellery sales of US\$3.9 million. Cost of sales, which consists of mining costs in Tanzania and purchases of rough tanzanite by our outside buying company, amounted to US\$7.3 million. Mining costs for the period were well managed with a cash cost per carat of US\$1.84 against a selling price per carat of US\$8.27 giving a 78% on mine gross margin. Further savings are expected from increased economies of scale and improved extraction techniques. Operating expenses amounted to US\$4.4 million of which the major components were salaries and wages of US\$1.5 million, net foreign exchange and translation differences of US\$0.8 million, depreciation and amortisation of US\$1.0 million and Tanzanian Government royalties of US\$0.4 million. The disposal of surplus assets subsequent to period end for their carrying values and non-recurring operating expenditure will result in savings of US\$0.9 million in the 2005 financial year.

Inventory on hand at 31 December 2004 was US\$12.6 million. This level is considered to be adequate for current business activity. Interest bearing debt at 31 December 2004 was US\$2.6 million. This was repaid

subsequent to the period end following the disposal of assets surplus to the Group, resulting in TanzaniteOne being almost debt free. TanzaniteOne's low level of gearing is currently under consideration by the Board.

Market dynamics, as identified in the diamond and jewellery industries, indicate a solid improvement in demand during 2004, most noticeably in top end jewellers and the Japanese market, which showed some signs of recovery, whilst the United States remained tanzanite's primary market. This demand was driven in part by increased advertising across the board. With demand continuing to outstrip supply, tanzanite outperformed the overall jewellery sector slightly, supporting an approximate 25% price rise across most tanzanite qualities during 2004.

It is anticipated that the contribution of rough tanzanite sales will increase as a percentage of total revenue over the medium term due to increased demand and the implementation of our Preferred Supply Strategy which was announced to the market in February 2005. Sales in the United Kingdom represented 13% of total polished tanzanite sales; an encouraging contribution from a market that has only recently been introduced to tanzanite.

The year ahead will see TanzaniteOne build on the successes of this seven month period. Initial indications both in the broader luxury goods market and in the tanzanite market for 2005 are encouraging and the Board believes that the general outlook for tanzanite sales is therefore positive.

INCOME STATEMENT

for the period ended 31 December 2004

	GROUP US\$
Revenue	16,168,657
Cost of sales	<u>7,273,173</u>
Gross profit	8,895,484
Operating expenses	<u>4,373,601</u>
Operating profit before net financing income	4,521,883
Net financing income	<u>115,611</u>
Profit before tax	4,637,494
Income tax expense	<u>220,212</u>
Profit for the period	<u>4,417,282</u>
Attributable to:	
Common shareholders	4,411,147
Minority interest	<u>6,135</u>
Profit for the period	<u>4,417,282</u>
Basic earnings per common share (US cents/share)	8.59
Diluted earnings per common share (US cents/share)	8.34
Dividends per common share declared after 31 December 2004 (US cents/share)	1.00

BALANCE SHEET
at 31 December 2004

	GROUP US\$
Assets	
Non-current assets	
Property, plant and equipment	20,288,065
Intangible assets	2,000,000
Long-term loans	163,992
Deferred tax assets	274,148
Total non-current assets	22,726,205
Current assets	
Inventories	12,621,534
Income tax receivable	662,915
Trade and other receivables	4,383,946
Cash and cash equivalents	6,909,008
Total current assets	24,577,403
Total assets	47,303,608
Equity	
Issued capital	22,112
Share premium	35,674,622
Retained earnings	4,411,147
Total equity attributable to common shareholders	40,107,881
Minority interest	197,859
Total equity	40,305,740
Non-current liabilities	
Interest-bearing borrowings	2,149,489
Provisions	81,850
Deferred tax liabilities	2,157,592
Total non-current liabilities	4,388,931
Current liabilities	
Interest-bearing borrowings	458,589
Income tax payable	272,899
Trade and other payables	1,877,449
Total current liabilities	2,608,937
Total equity and liabilities	47,303,608
Common shares in issue	70,149,113
Net asset value per common share (US cents/share)	57.46

CASH FLOW STATEMENT
for the period ended 31 December 2004

	GROUP US\$
Cash flows from operating activities	
Cash utilised in operations	(1,552,558)
Net financing income	115,611
Taxation paid	(146,437)
Net cash utilised in operations	(1,583,384)
Cash flows from investing activities	
Acquisition of subsidiaries, net of cash acquired	4,634,529
Acquisition of property, plant and equipment	(3,118,862)
Proceeds on disposals of property, plant and equipment	6,971
Net cash from investing activities	1,522,638
Cash flows from financing activities	
Net proceeds from the issue of share capital	12,296,018
Repayment of loans	(5,368,471)
Repayment of long-term loans	(163,992)
Increase in interest-bearing borrowings – current	458,589
Repayment of interest-bearing borrowings – non-current	(252,390)
Net cash from financing activities	6,969,754
Cash and cash equivalents at 31 December 2004	6,909,008

Notes:

1. The financial information set out above does not constitute the Company's statutory accounts for the period ended 31 December 2004 but is derived from those accounts. The auditors have reported on those accounts; their reports were unqualified.
2. The proposed final dividend of 1 US cent per Common share is payable on 29 July 2005 to shareholders on the register on 8 July 2005.
3. The basic earnings per ordinary share of 8.59 US cents is based on the profit for the financial period of US\$4,417,282 and 51,335,308 Common shares, being the average number of shares in issue for the period.
4. Copies of the full accounts will be posted to all shareholders in April 2005. Further copies will be available from the Group's website.

OPERATIONAL REVIEW

Mining and Exploration

TanzaniteOne's mining operations are situated in Northern Tanzania, where the Group holds a special mining licence over a substantial portion of the world's known tanzanite resources, as well as various exploration rights.

Production over the period was approximately in line with management's expectations, as was grade, which whilst characteristically variable, averaged at 49 carats per tonne. This grade is lower than is expected going forward as a result of waste dilution from shaft development. Firm demand and pricing for rough tanzanite resulted in the mine being able to reach its targets relatively comfortably.

Capital raised through the AIM flotation process allowed for various major projects to be initiated, including:

- increased exploration and geological research, including a fluid inclusion study in tanzanite-rich vs. tanzanite-poor mineralized areas. This should greatly enhance our ability to target high yield areas;
- the opening of two additional exploration shafts;
- upgrades to an existing exploration shaft, which delivered good production during the period and is expected to be fully commissioned in late 2005;
- upgrades to existing shafts to access the ore body at significantly greater depths;
- installation of appropriate support infrastructures; and
- the testing of new technologies aimed at reducing security risk in productive areas and improved final recovery methods.

The Group's mine plans remain dynamic, with focus continuing to be placed on improving efficiencies and effectiveness. Mine management is currently focused on increasing exposure to production at various levels across the length of strike. During the seven months under review further methods of mechanising the ore handling facilities were investigated. The most promising option for partial mechanisation is vacuumation.

Security remains a key challenge; from both an internal and external perspective. In 2005, measures to manage this will include the introduction of an X-Scann unit (a low-level x-ray unit) which will detect tanzanite within the human body. Further co-operation of the Department of Minerals and Energy and improved relations with neighbouring mines, as well as pre-emptive measures to limit underground access and reduce the security risk associated with illegal under-mining and surface intrusions, are in place.

The ore treatment plant is fully commissioned and operational, with a single shift capacity of 10, 000tph. Our expected ramp up in production will therefore be comfortably accommodated.

Outside Buying

TanzaniteOne Trading Ltd the Group's 75% owned subsidiary manages the Arusha-based rough tanzanite buying operation. The remaining 25% is held by the Group's Tanzanian partners who play an integral role in the managing of this business.

In the seven months to December 2004, TanzaniteOne Trading successfully established itself as one of Tanzania's leading tanzanite trading operations and comfortably achieved its internal targets. The latter half of 2004 was successful in terms of developing relationships with tanzanite miners, brokers and dealers – all of which remain critical to building a powerful trading operation over the long term.

Our trading business plays a strategic role in our broader business as it provides us with an up-to-date perspective on market dynamics and a complete understanding of real time pricing in the rough tanzanite market. Furthermore it introduces a key element of stability to the value chain across which we operate.

Rough Tanzanite Marketing

Demand for rough tanzanite from TanzaniteOne's traditional customer base remained strong. However, a recognition of the flaws inherent in the auction system led to the introduction of our Preferred Supply Strategy; announced in February 2005. This strategy involves the adoption of a system of rough tanzanite sales similar to that used in the diamond industry. Pre-qualified customers, sightholders, will enter into offtake agreements for 18 parcels of rough tanzanite over three years, at market prices based on supply and demand dynamics. The system is expected to further facilitate supply continuity and price stability, whilst enhancing confidence in the growth potential and long-term sustainability of the tanzanite industry.

Polished Sales

The Tanzanite Company, a sightholder of TanzaniteOne's rough marketing business, markets and sells certified and polished loose tanzanite and branded, set tanzanite jewellery. Sales over the period were in line with management's expectations, with 56% of total polished sales comprising loose polished tanzanite and the remainder in tanzanite jewellery. Margins expanded over the period due to price increases, more emphasis on value added services, tighter control over recoveries during beneficiation and most importantly increased branding on jewellery lines.

Expansion of our sales function into the United Kingdom in the latter half of 2004 proved very rewarding. Revenue contributions were achieved from a low infrastructure base and marketing cost and further expansion plans are in place for 2005. A move into continental Europe is underway and on schedule for 2005. Recent initiatives are expected to result in a break through to the Middle Eastern market later this year.

Tanzanite One Limited

Incorporated in Bermuda
Exempt company number 33385

Board of Directors

Michael Adams	Non-executive Chairman
Ami Mpungwe	Non-executive Deputy Chairman
Michael Nunn	Chief Executive Officer
Ian Harebottle	Chief Operating Officer
Mark Summers	Chief Finance 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 Nomination Committee comprises the Full Board

Company Secretary

Willi Boehm

Issued Capital

At 31 December 2004, the Company had in issue:
70,149,113 fully paid common shares
4,559,611 unlisted Tanzanite One SA A class share options

Substantial Shareholders at 31 December 2004	No. of Shares	Percentage
Rembrandt Nominees Limited	23,204,945	33.08 %
Wilbro Nominees Limited	17,118,567	24.40 %
Pictet & Cie Banquiers	7,549,221	10.76 %
Tomori Enterprises Limited	3,288,007	4.69 %
Bonafide Nominees	3,155,003	4.50 %
Ruffer Investment Management	2,630,952	3.75 %
Cayenne Asset Management	2,580,867	3.68 %

NOMINATED ADVISOR (AIM)

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Tanzanite One (SA) Limited

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Management

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

For further information regarding these results, please contact:

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