

5 May 2009

## TANZANITEONE 2008 FINANCIAL YEAR RESULTS

TanzaniteOne (AIM:TNZ) today announces its final results for the 12 months ended 31<sup>st</sup> December 2008.

### Highlights

#### Operations

- 29% increase in recovery of Tanzanite up to 2.2m carats, 4.6% increase in recovery of high quality stones
- 67% increase in tonnes processed to 42,318 tonnes
  - 52 carats per tonne average grade
- Significant gemstone price reductions widely reported during second half 2008
- Mine operations undergone significant enhancement and optimization under new Managing Director
  - Enhanced mining methods and security technology
  - High grade extraction enabled for maximum efficiency in current market
- Non essential capital programs and exploration expenditures deferred pending improvement in markets
- New Dubai marketing office to commence operations in the second quarter of 2009

#### Financial

- Revenues decreased 37% to \$26.9 million, with second half revenues severely impacted by the global financial crisis
- Net loss of \$9.5 million after non cash write downs of \$5.1 million (net of tax)
- However, gross cash profit (before stock write downs) for the year was \$12.2 million
- Gross margin of 36%, down from 50% in FY2007 due to a combination of lower prices and increased costs
- Dividends paid out to shareholders \$7.7 million (11 cent per share)

#### Strategic

- Appointment of Zane Swanepoel as Managing Director
- Acquisition of the Tsaveite project completed (subsequent to year end)
- Gemfields tender offer rejected
- Bye-laws amended to incorporate takeover protections (subsequent to year end)

#### Outlook

- Cost reduction and production efficiency drive continues
- Results of first 2009 sight indicates buyers have returned to the market
- Scalable highly efficient extraction operation now in place
- Heightened strategic focus towards marketing and investors

Commenting on the results Managing Director Zane Swanepoel said, "During my first year as Managing Director at TanzaniteOne I am very proud of the work everyone has done greatly improving the extraction efficiencies and gemstone output at the tanzanite mine. In less than a year we have implemented a whole host of technological and procedural initiatives that allow us to fully exploit our core Tanzanite asset for the first time. The end of 2008 was one of the worst ever with regard to all gemstone sales. Encouragingly we are seeing signs of recovery and I look forward to announcing results from our first sight of the year imminently. I believe we now have an operational model that, with limited global recovery, is highly durable and has the flexibility to accommodate demand. We have spent a lot of time and work during 2008 creating additional mining methods which aim to deliver high margins. We believe that the market of late 2008 was an extreme low and during 2009 TanzaniteOne will focus everything on maximising efficiencies.

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**Key statistics- 2008**

<b>Key statistics:</b>	<b>FY 2008</b>	<b>FY 2007</b>	<b>Movement</b>
Net (loss)/profit	(\$9.5 m)	\$6.5 m	
<i>After: tax effect of write downs and one off expenses</i>	(\$5.1 m)	-	
Revenue	\$26.9 m	\$42.6 m	(37%)
Gross margin	36%	50%	(28%)
Tonnes processed	42,318	25,367	+67%
Carats recovered	2.2 m cts	1.7 m cts	+29%
Carats per tonne	52	67	(22%)
On mine cash costs per carat	\$4.59	\$3.39	+35%

**Production**

Production for the year totalled 2,203,162 carats of tanzanite, from 42,318 tonnes at an average recovery of 52 carats per tonne. During the first half of the year the mine produced 1,101,905 carats of tanzanite from 20,380 tonnes processed. Production remained constant in the second half, recovering 1,101,257 carats from 21,938 tonnes processed. The 30% increase in production over 2007 was the result of:

- Introduction of selective stoping methods which targeted limb boudins between fold systems
- Mining of multiple development faces in productive areas
- Increased security presence at productive faces thus minimising the risk of theft
- The introduction of an additional fixed body scanning unit at CT shaft
- Upgrading of equipment in the security department control room to enable improved visual surveillance of high risk areas

**FY 2008 Production profile by shaft**

Shafts	Main/Askari	Bravo	Delta	CT
Production split	8%	25%	8%	49%

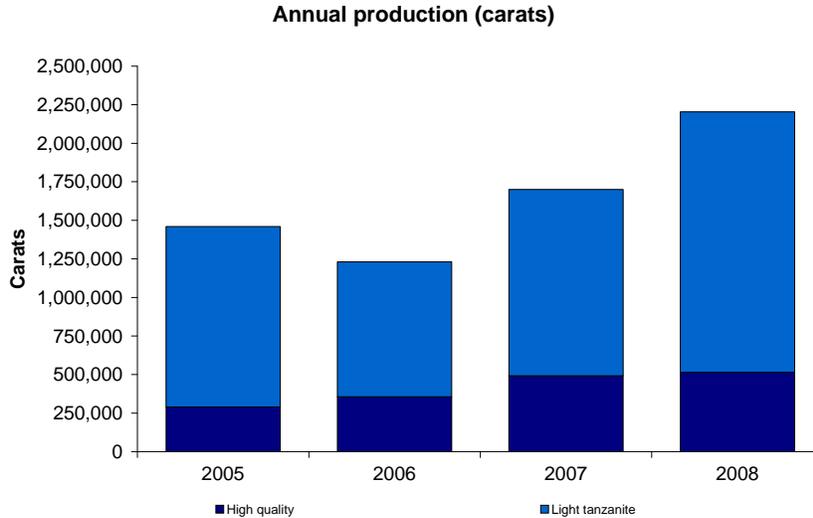
The processing and crushing plant continues to operate on a single shift basis. There is sufficient capacity to increase production through the introduction of a second shift at the plant as and when demand improves. The Company's ability to increase production to 3 million carats per annum remains unchanged, however production will only be increased as markets return to normality. Responding to the uncertainties created by volatility in the world financial markets, production at the Merelani mine has been revised to a more selective form of stoping and targeted high grade mining. As market conditions improve, we will adjust operations at the mine accordingly.

CT and Bravo shafts provided 74% of the year's production. In particular, the intersection of a number of "drag" or ramp folds in CT shaft produced the majority of this production (drag folds are smaller and less well developed forms of the 180 degree isoclinal folds commonly intersected.) The new Investor shaft hoisting system has been commissioned thus enabling all material mined from Delta shaft, Main shaft and Askari shaft to be hoisted through one central system. Additional ore-passes constructed in all shafts have enabled additional tonnage to be handled in a safe and efficient manner.

The quantity of "A" quality tanzanite recovered remained below 1%, which is below historical levels of 2.5%. Production from the TanzaniteOne mine comprised 23.5% high quality tanzanite, which is sold at sight sales, and 76.5% of lighter tanzanite, which is sold in smaller parcels outside of the sight sales system.

On-mine cash costs for the period increased 35% to \$4.59 per carat. This was largely due to a significant increase in labour costs with effect from January 2008, which was brought upon by a government increase in the minimum wage by 268%. Cost reduction remains the primary focus with increased attention on improved efficiencies by way of stoping, restructured mine procurement policies and the recycling of used equipment.

Security in the sort-house has been enhanced following the installation of a body scanner and the introduction of various other additional security protocols.



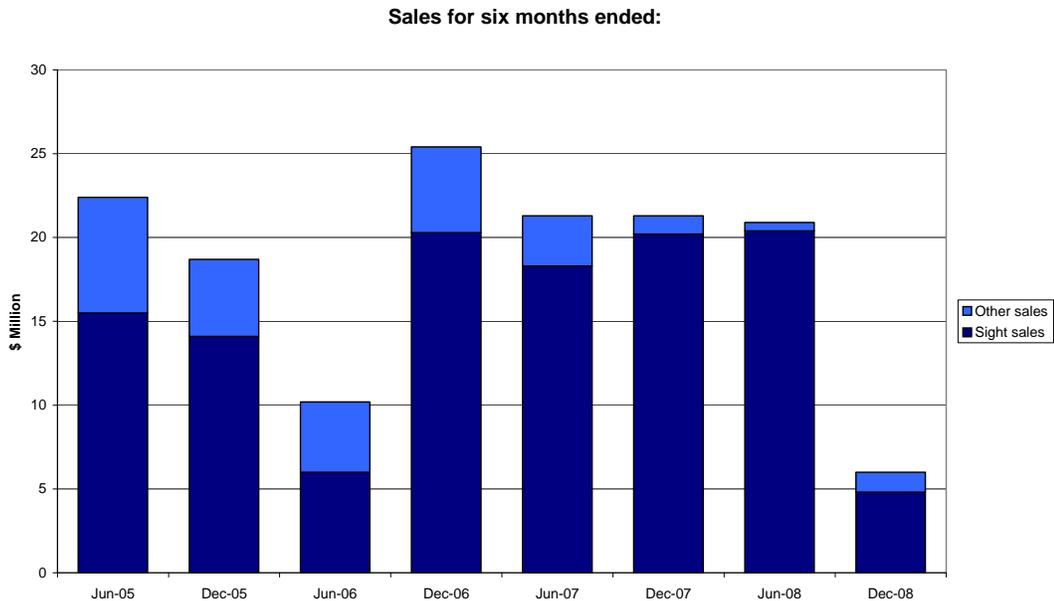
**Sales**

The impact of the global financial crisis resulted in tanzanite trading prices in Arusha weaken by as much as 45% into the last quarter of the year. As sales practically ceased, trading operations at Arusha were suspended due to erratic market conditions in late 2008. As the price of tanzanite in Arusha becomes less erratic, and demand progressively returns to the tanzanite sector, TanzaniteOne intends re-entering the trading market.

During the year under review, TanzaniteOne sold 896,635 carats of tanzanite (\$23.9 million), at the five sights held. Fewer parcels were sold during the second half reflecting the impact of the global financial meltdown on the tanzanite market. A further \$2.02million was generated through sales of lower grade rough (BL and C Grade) as well as the selling of the opaque D grade material.

Whilst market conditions remain difficult, there are signs, subsequent to the year end, that buyers are returning to the market and demand appears to be improving from the extreme low levels experienced in the last quarter of FY2008.

The marketing focus for 2009 will be to establish new markets in the Middle and Far East. The main focus for the marketing team will be to create markets for the smaller, lighter material which represents approximately 70% of production.



## Financial Performance

TanzaniteOne incurred a consolidated loss for the year ended 31 December 2008 of \$9.5 million (US 11.99 cents per share), down from the previous year during which a profit of \$6.5 million (US 8.58 cents per share) was recorded.

The result for the year was heavily influenced by a significant reduction in sales revenue experienced in the second half of 2008, which saw sales decrease by 72% compared to the first half of the year. During this period, the price of tanzanite fell approximately 45% due to the sudden drop in demand at two sight sales held in the second half of 2008.

The result was also adversely affected by the following:

- A write down in tanzanite inventory values of \$2.7 million as a direct result of the decrease in the price of tanzanite
- \$1.7 million in advisory fees incurred in relation with Gemfields tender offer
- \$0.6 million bad debts written off due to a debtor, Reho Diamonds of South Africa, being placed into liquidation
- \$0.6 million in termination payments
- \$1.9 million foreign exchange loss mainly due to the weakening of the Rand against the US dollar
- De-recognition of a deferred tax asset of \$1.2 million in TanzaniteOne SA

## Net profit and production comparisons by year

		One off costs and write-downs		FY2008	FY2007
	Trading	Write-downs	One off costs		
<b>Tanzanite production (carats)</b>	2.2 million			2.2 million	1.7 million
<b>US\$'000</b>					
Revenue	26,895			26,895	42,635
Cost of sales	(14,673)	(2,648)	-	(17,321)	(21,319)
<b>Gross profit</b>	<b>12,222</b>	<b>(2,648)</b>	<b>-</b>	<b>9,574</b>	<b>21,316</b>
<i>Gross margin %</i>	45.4%			35.6%	50.0%
Admin, royalties and other costs	(12,913)		(2,848)	(15,761)	(10,471)
<b>(Loss)/profit before D&amp;A</b>	<b>(691)</b>	<b>(2,648)</b>	<b>(2,848)</b>	<b>(6,187)</b>	<b>10,845</b>
Depreciation & amortisation	(2,217)			(2,217)	(1,858)
<b>(Loss)/profit before tax</b>	<b>(2,908)</b>	<b>(2,648)</b>	<b>(2,848)</b>	<b>(8,404)</b>	<b>8,987</b>
Tax expense	148		(1,205)	(1,057)	(2,503)
<b>(Loss)/profit after tax</b>	<b>(2,760)</b>	<b>(2,648)</b>	<b>(4,053)</b>	<b>(9,461)</b>	<b>6,484</b>
Minority interest	52			52	91
<b>(Loss)/profit after minority interests</b>	<b>(2,708)</b>	<b>(2,648)</b>	<b>(4,053)</b>	<b>(9,409)</b>	<b>6,575</b>

Revenues from ordinary activities for the period decreased by 37% to \$26.9 million from \$42.6 million in FY 2007. This was due to the impact of the global economic downturn in the last three months of the year. Sales in the second half were only \$6 million, down 72% from the first six months.

The directors have not declared a final dividend. The Board has a strong history of rewarding shareholders with dividends but feel it prudent to defer further dividends until market conditions strengthen and the Company returns to profitability.

The Group achieved a gross margin for the year of 36% compared to 50% in FY2007. The reduced gross margin was due a combination of lower prices and increased costs caused by inflationary pressures and the write-down of tanzanite inventory as a consequence of the decrease in the price of tanzanite in the last quarter of the year.

Inventory of tanzanite increased 19% to \$5.1 million on account of reduced sales in the second half of the year.

Capital expenditure for the year of \$4.2 million included purchase of security equipment, stoping machinery, development and exploration expenditure, plant and other required mining machinery.

The impact of the global financial crisis has been sudden and has had an immediate negative impact on cash flows. Cash balances during the second half were impacted by the rapid decline in sales from October through to the end of the financial year. Sight sales for the second half, which occurred in the last quarter, suffered from the sudden drop in demand for tanzanite and, as a result TanzaniteOne only achieved sales of \$6 million compared to expectations of \$21 million, a 72% decrease.

TanzaniteOne's cash position has benefited post year-end, receiving \$2.2 million from debtors and \$4.6 million through the sale of rough and polished tanzanite. The first sight sale for 2009 was held during the third week of April and raised \$2.85 million. A further 3 sight sales are planned to be held during 2009. Based on the expected revenue to be generated from these sights, the Company is confident that it will be able to participate in the recovery in the global coloured gemstone markets and maintain its position as the premier company in this sector.

## Financial Statements

TanzaniteOne Limited  
Condensed Consolidated Income Statement  
Year ended 31 December 2008  
(\$'000)

	Notes	FY 2008 unaudited	FY 2007 audited
Revenue		26,895	42,635
Cost of sales		(17,321)	(21,319)
Gross profit	(i)	9,574	21,316
<i>Gross margin %</i>		35.6%	50.0%
Corporate Administration and other operating costs	(ii)	(3,363)	(4,132)
Defence costs	(iii)	(1,703)	-
Mine Administration	(iv)	(3,399)	(2,312)
Selling and distribution costs	(v)	(4,241)	(3,257)
Royalties		(1,226)	(1,352)
Depreciation and amortisation	(vi)	(2,217)	(1,858)
Interest income received		72	399
Foreign exchange(losses)/gains	(vii)	(1,826)	264
Financing costs paid		(75)	(81)
(Loss)/Profit before tax		(8,404)	8,987
Income tax expense	(viii)	(1,057)	(2,503)
(Loss)/Profit after tax		(9,461)	6,484
Minority interest	(ix)	52	91
(Loss)/Profit attributable to equity holders of parent		(9,409)	6,575
<i>EPS (basic – cents)</i>		(12.63)	8.96
<i>EPS (diluted – cents)</i>		(11.99)	8.58

### Notes Income Statement

- (i). Gross margin at 36% is significantly down from 50% compared to the previous year due to lower tanzanite prices in the second half of the year, increased wage costs and general inflationary pressures
- (ii). Corporate administration costs reflect costs incurred in administering stock exchange listing costs, corporate compliance, investor relations, financial and legal consulting and M&A activity
- (iii). Reflects costs incurred in defending TanzaniteOne from the Gemfields takeover bid
- (iv). Mine administration includes costs incurred in exploration and development of new projects, community works, local regulatory compliance, and general administration at mine level
- (v). Selling and distribution costs include costs associated with fees towards the Tanzanite Foundation, advertising, sales commissions and general expenses incurred in the sale of tanzanite during the year
- (vi). Depreciation and amortisation of mine plant and equipment of the group
- (vii). Reflects effects of revaluation of net monetary assets at year end
- (viii). The effective tax rate for the year ended 31 December 2008 is 13%. Income tax expenses largely include deferred tax asset which is no longer recognised in TanzaniteOne (SA) limited

- (ix). Minority interest (which represents the 25% minority in TanzaniteOne Trading reflects the 25% interest in the TanzaniteOne Trading Limited loss for the 12 months ended 31 December 2008

TanzaniteOne Limited  
Condensed Consolidated Balance Sheet  
As at 31 December 2008  
\$'000

	Notes	2008 unaudited	2007 audited
<b>Non-current assets</b>			
Property, plant and equipment	(i)	23,412	21,558
Inventory	(ii)	448	621
Deferred tax assets	(iii)	-	2,376
<b>Total non-current assets</b>		<b>23,860</b>	<b>24,555</b>
<b>Current assets</b>			
Inventory	(iv)	4,635	3,655
Income tax receivable	(v)	1,916	2,757
Trade and other receivables	(vi)	2,647	10,227
Cash and cash equivalents		794	12,935
<b>Total current assets</b>		<b>9,992</b>	<b>29,574</b>
<b>Total assets</b>		<b>33,852</b>	<b>54,129</b>
<b>Equity</b>			
Issued share capital		22	22
Share premium		38,709	38,709
Share options outstanding		706	706
Foreign currency translation reserve		(20)	(227)
Retained earnings		(10,854)	6,247
<b>Total equity attributable to parent equity holders</b>		<b>28,563</b>	<b>45,457</b>
Minority interest		4	96
<b>Total equity</b>		<b>28,567</b>	<b>45,553</b>
<b>Non-current liabilities</b>			
Interest-bearing borrowings	(vii)	378	679
Provisions	(viii)	100	94
Deferred tax	(ix)	3,003	3,992
<b>Total non-current liabilities</b>		<b>3,481</b>	<b>4,765</b>
<b>Current liabilities</b>			
Interest-bearing borrowings	(x)	5	231
Income tax payable	(xi)	28	2,309
Trade and other payables	(xii)	1,771	1,271
<b>Total current liabilities</b>		<b>1,804</b>	<b>3,811</b>
<b>Total liabilities</b>		<b>5,285</b>	<b>8,576</b>
<b>Total equity and liabilities</b>		<b>33,852</b>	<b>54,129</b>
<i>Number of shares in issue (million)</i>		74.5	74.5
<i>Net asset value per share (US cents)</i>		38.36	61.30

**Notes to Balance Sheet**

- (i) Represents fixed assets within the group. The movement from prior year is mainly due to depreciation (\$2.2 million) and current year capital expenditure (\$4.2 million)
- (ii) Reflects jewellery held for promotional purposes
- (iii) Reflects deferred tax on assessed losses in TanzaniteOne (SA) Ltd which are no longer recognised
- (iv) Reflects rough and polished tanzanite gemstones and consumable stores
- (v) Includes tax prepaid mainly in TanzaniteOne Mauritius Limited and TanzaniteOne Mining Limited
- (vi) Reflects trade debtors
- (vii) Reflects non-current portion of bank loan
- (viii) Reflects provision for rehabilitation
- (ix) Deferred tax comprises largely deferred tax liability in fixed assets in TanzaniteOne Mining Ltd in Tanzania
- (x) Reflects current portion of bank loan
- (xi) Reflects tax payable in line with the results achieved in current year
- (xii) Includes trade creditors and other accruals

TanzaniteOne Limited  
Condensed Consolidated Cash Flow Statement  
For the Year Ended 31 December 2008  
\$'000

	Notes	FY 2008 unaudited	FY 2007 audited
<b>Cash flows from operating activities</b>			
Cash generated from operations	(i)	1,956	18,160
Interest income received	(ii)	72	386
Financing cost paid	(iii)	(75)	(69)
Taxation paid	(iv)	(1,666)	(4,015)
Net cash from operating activities		<b>287</b>	<b>14,462</b>
<b>Cash flows from investing activities</b>			
Acquisitions of property, plant and equipment	(v)	(4,169)	(2,599)
Net cash from investing activities		<b>(4,169)</b>	<b>(2,599)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of share capital	(vi)	-	1,038
Repayment of interest-bearing borrowings	(vii)	(527)	(266)
Dividends paid	(viii)	(7,732)	(6,705)
Net cash (to)/from financing activities		<b>(8,259)</b>	<b>5,933</b>
Net (decrease)/increase in cash and cash equivalents		(12,141)	5,930
Cash and cash equivalents at the beginning of the year		12,935	7,005
Cash and cash equivalents at the end of the year		<b>794</b>	<b>12,935</b>

**Notes to Cash Flow Statement**

- (i) Reflects net cash from the sale of tanzanite \$33.9 million, payments to suppliers \$31.9 million
- (ii) Reflects interest received on surplus cash balances and call accounts
- (iii) Includes Interest paid on the NBC bank finance lease obligation applied on acquisition of certain plant and equipment
- (iv) Includes provisional income tax paid in TanzaniteOne Mining Ltd and TanzaniteOne Mauritius Limited and 12.5% Secondary Tax on Companies (STC) paid on dividend declared to 'A' Class shareholders in South Africa
- (v) Current year expenditure reflects purchase of photographic equipment, development and exploration expenditure and plant and machinery
- (vi) Reflects net proceeds from the exercise of options into shares
- (vii) Reflects a movement in the NBC Bank finance lease obligation as mentioned above
- (viii) Comprised of 2007 final dividend of 7 cents per common share declared on 16 April 2008 and the interim dividend of 4 cents paid on 24 October 2008

### Tanzanite Mining

The tanzanite resource is divided into five blocks. TanzaniteOne in Block C undertakes larger scale mining, medium scale mining is undertaken by Kilimanjaro Mining in Block A and Tanzanite Africa in Block D-extension. The Company's neighboring Blocks B and D are mined largely by artisanal miners. This poses a challenge for TanzaniteOne, notably in terms of undermining, whereby, the artisanal miners are mining into TanzaniteOne's designated license area.

### Mining Operations

#### Production

A significant improvement in production rates over 2008 was achieved due to the introduction of selective stoping in limb boudin areas between developed fold systems and the continued practice of concurrently mining multiple producing faces. CT Shaft produced the majority of the material, although the overall grade was disappointingly low. The higher grade material was recovered from Main and Delta shafts. Whilst overall production has increased significantly, the level of "A" quality tanzanite remains low at below 1%.

Processed tonnes increased significantly to 42,318 tonnes from 25,367 tonnes in 2007. Scrapers are being used to clean stope faces, leading to reduced numbers of men at the face and improved efficiencies. Tests carried out revealed that the tanzanite is not damaged by the scraper hoe.

The ongoing problem of illegal mining activity mainly taking place from Block "B" continues. Frequent and continued communication with officials from the Ministry of Energy and Minerals is yielding results but management remain alert to the problem.

TanzaniteOne has also hired a dedicated safety and training officer to help improve skills and motivation amongst the miners.

#### On Mine Cash Costs

Cash costs for the period increased by 35% to \$4.59 per carat, from \$3.39 in 2007. This was largely due to a significant increase in labour costs brought upon by the government increase in the minimum wage by 268% with effect from January 2008. On mine cash costs include operating costs, mine administration costs and royalty charges incurred at the Merelani mine.

The introduction of a minimum wage by the Government with effect from January 2008 has increased staff labour costs by an overall 190%. Revised crew arrangements were put in place to secure increased efficiencies against these higher wage rates. As a result, increased efficiencies of 15% were achieved with less people in the crews and revised work schedules.

Recognising the difficult economic environment, the strategy for 2009 is to focus on developing areas that the geologists believe have the highest possibility of yielding production. Stoping will be suspended in an effort to increase the head grade from the shafts to reduce plant throughput and thus save costs.

As the Group's mine procurement division is now managed from Tanzania, increased efforts are being made to source equipment and supplies out of China at lower prices in preference to the traditional suppliers in South Africa.

#### Production statistics

	2008	2007	Movement
Tonnes Processed	42,318	25,367	+67%
Carats per tonne	52	67	(22%)
Production (carats recovered)	2.2	1.7	+29%
On mine cash costs per carat *	\$4.59*	\$3.39	+35%
On mine revenue per carat	\$6.00**	\$9.00	(33%)

\*On mine cash costs include operating costs, mine administration costs and royalty charges incurred at Merelani mine.

\*\*Reduction in revenue per carat achieved is as a direct result of the lower overall quality of produced material and the drop in prices with effect from September due to the global economic crisis

### **TanzaniteOne Trading**

From January to September 2008, 243,808 carats of rough tanzanite were purchased for a total of US\$10.8 million. Of this, US\$ 1.4million was spent on purchasing large size A quality (>2 gram) material with a total weight of 11,225 carats. 2008 purchases exceeded 2007's purchases in A + B quality with a better quality mix being offered and purchased. From October, TanzaniteOne opted not to purchase from the market in the light of weakening demand for tanzanite from sight holders.

### **The Tanzanite Experience (TTE)**

In August 2008, TanzaniteOne opened The Tanzanite Experience(TTE), a "museum" in Arusha that showcases the history of tanzanite through a series of visual and interactive exhibitions whilst affording visitors the unique opportunity to purchase tanzanite directly from the world's only known source.

TTE targets approximately 600,000 tourists who pass through the town annually. Marketing is geared towards safari companies and tour operators in an effort to include a visit to this facility on their itineraries. TTE is proving to be a huge success with approximately 150 people per week passing through. Sales are picking up with a margin greater than 60% being realised during the first 4 months of operation. We have noted that the prices of cut stone sold through TTE have remained constant during the global downturn. This is testament to the high standard of the décor and presentations on offer in the museum.

### **Human Resources and Social Responsibility**

The government announced a 268% increase in minimum wages for the mining sector which came into effect on 1<sup>st</sup> January 2008. Following successful negotiations between the company and the union representatives and government, non-core employees are paid sector rates as opposed to mining sector rates.

The global economic situation has required that management look at re-structuring the operation with a view to reducing labour and contracting out non-core services where possible to cut costs. Since September, vacated positions have been filled by internal promotions and personnel restructuring. A retrenchment exercise is currently being considered to bring the workforce numbers in line with 2007 numbers, prior to implementation of the production ramp-up strategy in late 2007.

TanzaniteOne continues to support the local community with school fund raising efforts, the supply to date of 50 beds to the secondary school and participation in Aids awareness seminars. A committee has been set up with members of the local community, Merelani town representatives and TanzaniteOne in an effort to broaden assistance given to the needy projects. We are involved with a water supply project in Merelani as well as assisting the Charitable Eye-care Mission to once again hold its successful Eye Care Day, which saw approximately 300 people getting treatment at the previous Eye Care Day..

TanzaniteOne continues to maintain and repair the dirt road from KIA airport to the mine, a total of 17 kilometres. This is the main road into Merelani town.

### **Corporate Matters**

#### **Acquisition of the Lemshuku-Shamberai Tsvavorite Project**

The acquisition of the Lemshuku-Shamberai Tsvavorite Project (the "Tsvavorite Project", the "Acquisition") through its 75% owned Tanzanian subsidiary; TsvavoriteOne Mining Limited ("TsvavoriteOne") has been completed. The project:

- Comprises 12 prospecting licenses covering 100 square kilometres.
- Could potentially represent the largest known single-source of tsvavorite.
- Is located approximately 20 kilometres to the southwest of TanzaniteOne's existing tanzanite operations.

Tsvavorite enjoys a current quality-for-quality market-price per carat of approximately two to four times that of tanzanite.

Due to the current global financial crisis all non-essential capital projects, including the Tsvavorite bulk sampling project, have temporarily been put on hold. Further updates will be provided once the bulk sampling of the Tsvavorite Project has recommenced.

#### **Gemfields' offer Tender Offer to acquire 30,754,970 TanzaniteOne Shares**

On 21 October 2008, Gemfields announced a Tender Offer to purchase in cash up to 30,754,970 TanzaniteOne shares for 42.75 pence in cash on a "first-come first-served" basis. This would have resulted in Gemfields becoming interested in approximately 57% of the issued share capital of TanzaniteOne (or 52% of the share capital of the company following the proposed issue of common shares in connection with the acquisition of the tsvavorite projects).

The Tender Offer was an attempt to take control of TanzaniteOne without making an offer to all shareholders.

In these circumstances, your Board felt it appropriate to issue 83,739,976 nil paid unlisted B shares to a wholly owned subsidiary of the company in order to protect the position of shareholders as a whole. The Board

committed to introduce appropriate takeover protections into the bye-laws of the company which has been done subsequent to the end of the financial year.

Following the introduction of takeover protection into the bye-laws of the company, the B shares have now converted into deferred non-voting shares.

The Board will continue to consider on its merits any proposal that treats all shareholders equally.

#### **Board and Management**

Mr Zane Swanepoel was appointed Managing Director of TanzaniteOne Limited following the resignation of Mr Ian Harebottle in February 2008.

Mr Ami Mpungwe Executive Deputy Chairman assumed the position of Chairman of TanzaniteOne Limited in October 2008 when Mr Michael Adams resigned his position. The Board wishes to record its thanks and appreciation to Mr Adams and acknowledges his dedication and contribution to the growth of the Group during his tenure as Non-executive Chairman.

Following Mr Mpungwe's appointment as Chairman, Mr Ed Nealon assumed Mr Mpungwe's former position as Deputy Chairman of TanzaniteOne Limited.

Mr Mark Summers was removed from his position as Non-executive director in October 2008. Dr Bernard Olivier joined the board as a non-executive director during the year. Dr Olivier has been involved with the company since 1999 and served as Geologist, Mining Manager, Vice President Operations and later Technical Consultant until 2007 when he resigned. Dr Olivier decided that following the extensive work done by new Managing Director, Zane Swanepoel, in 2008 that now was the right time to rejoin the Company and contribute his significant experience of coloured gemstones and working with international investors to TanzaniteOne's future growth.

The restructured Board of the Company comprises:

- Ami Mpungwe: Executive Chairman
- Ed Nealon: Non-executive Deputy Chairman
- Zane Swanepoel: Managing Director
- Bernard Olivier: Non-executive director
- Nicholas Sibley: Non-executive director

TanzaniteOne Limited  
Incorporated in Bermuda  
Exempt company number EC33385

Quoted on the London Alternative Investment Market: TNZ.L  
Company ISIN: BMG8672E1021  
Company SEDOL: B01RP04

**Board of Directors**

Ami Mpungwe: Executive Chairman  
Ed Nealon: Non-executive Deputy Chairman  
Zane Swanepoel: Managing Director  
Bernard Olivier: Non-executive director  
Nicholas Sibley: Non-executive director

**Audit/Risk Committee**

Nicholas Sibley (Chairman)  
Ami Mpungwe  
Ed Nealon

**Remuneration/Succession Planning Committee**

Ami Mpungwe (Chairman)  
Edward Nealon  
Nick Sibley

**Mining and Geology Committee**

Edward Nealon (Chairman)  
Zane Swanepoel  
Bernard Olivier

**Nominations Committee**

The Nominations Committee comprises the Full Board

**Company Secretary**

Willi Boehm

**Management**

Zane Swanepoel - Managing Director  
Farai Manyemba – Chief Finance Officer  
Wessel Marais - TanzaniteOne Mining, General Manager  
Candice Nunn - TanzaniteOne Marketing, Managing Director

**Nominated Advisor & Broker (AIM)**

Evolution Securities Ltd  
Simon Edwards/Neil Elliot  
Telephone: +44 (0)20 7071 4300

**Joint Broker (AIM)**

Ambrian Partners Limited  
Richard Chase  
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[www.tanzaniteone.com](http://www.tanzaniteone.com)

**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 code</b>	Australasian code for reporting of Mineral Resources and Ore Reserves
<b>LTIFR</b>	Lost time injury frequency rate, being the number of lost-time injuries expressed as a rate per 200,000 man-hours worked
<b>NOSA</b>	National Occupational Safety Association
<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).