

22 September 2008

## TANZANITE ONE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

### Highlights

#### Financial

- Gross margin of 49% achieved on \$20.9 million revenue
- Cash profit of \$4.4m million
- Net profit up 17% to \$3.5 million
- Basic earnings per common share increased to US 5 cents, up 14%
- Interim dividend declared of US 4 cents per share, up 33%
- Cash and near cash balances of \$3.2 million

#### Operational

- Plant tonnes feed increased 108% to 20,380 tonnes
- Production increased 45% to 1,101,898 carats
- Drilling results indicate mineralisation at greater depths
- Stopping starting to produce promising results with improved manpower utilization and reduced security risk.
- Presence in Dar es Salaam being expanded to better represent Group activities within Tanzania
- Regional gemstone diversification opportunities being pursued by dedicated projects team

#### Key statistics

	1H 2008	1H 2007	Movement
Revenue	\$20.9m	\$21.3m *	(1.9%)
Gross margin	49%	49%	0%
Net profit/(loss)	\$3.5 million	\$3.0 million	+17%
Tonnes processed	20,380	9,818	+108%
Carats recovered	1,101,898 cts	762,073 cts	+45%
Carats per tonne	54 **	78	(31%)
On mine cash cost per carat (\$ m)	\$3.38	\$2.63	(29%)
Average price per carat (rough tanzanite)	\$7.92	\$10.51	(25%)

\* 1H2007 sales includes \$2.8 million of sales from the since closed jewellery division.

\*\*Carats per tonne are lower due to additional ROM tonnes being processed following the introduction of stopping.

Commenting on the results, Zane Swanepoel, Managing Director of Tanzanite One said: *“The newly developed strategy of producing 3 million carats by 2011 remains in place, with the development and mining focus geared to achieve this target.*

*The practice of mining multi mine faces concurrently introduced in the second half of FY2007 has continued to produce increased production. . This trend has mainly been due to the continuous mining of multiple producing faces, now possible with the employment of additional senior security personnel. Additional focus has been placed on both internal and external security. Security continues to be a major focus of the mine operations. A face picking of over 100kg was made in Bravo shaft, the largest one I have been involved with here at Tanzanite One.*

*The Board's decision to close the wholesale jewellery division in the previous year is clearly vindicated by the increased level of mining and added focus in the direction of diversification of gemstones.*

*The company is now no longer burdened by this loss making jewellery division and is now a focussed miner with a clear objective to strengthen its position as a dedicated miner in the coloured gemstone market.*

*The new mining practices have started to deliver on earnings as well with an increase in the net profit and margins. The Board have recognised this with a 33% increase in the interim dividend to US 4 cents”*

### **Financial Performance**

Consolidated results for the period reflect net income after tax of US\$3.5 million or US 4.73 cents per share generated by the tanzanite operations for the half year to 30 June 2008 (2007:US\$3m or US 4.15 cents per share).

The Directors have declared an interim dividend of 4 US cents per share (2007: 3 US cents per share) payable on 24 October 2008 to shareholders registered on 3 October 2008. This is a 33% increase compared to the previous corresponding period.

Revenue for the period under review was US\$20.9 million (2007: US\$21.3 million). This represents a 13% increase in revenue from continuing operations, compared to FY2007 which included \$2.8 million in sales from the now closed wholesale jewellery division.

Three sights were held during the period under review, with rough sales increasing 10% generating US\$20.4 million (2007: US\$18.5 million). Mined rough tanzanite accounted for US\$12.5 million (2007: US\$13.7 million) of total revenue and traded rough tanzanite US\$7.7 million (2007: US\$4.8 million).

Cash earnings (before depreciation, amortisation and provisions) for the period were US\$4.4 million (2007: US\$3.9 million). As at 30 June 2008, Tanzanite One had cash and cash equivalents of US\$3.2 million. Cash generated from operating activities was absorbed by working capital movements during the half year, being an increase in debtors of \$3.5 million due to the Sight sale held in late June 2008, an increase in inventory of \$1 million in line with increased purchases of “A” quality tanzanite at the group’s Trading operation in Arusha and a reduction in creditors of \$0.7 million.

Capital expenditure for the half year of \$1.9 million comprised shaft development \$0.6 million, buildings and associated infrastructure including security enhancements \$0.7 million, Dubai office development \$0.5 million and project works of \$0.3 million. These capital items are key to the future earning capacity of the group by developing a presence in Dubai where Sight sales will be managed as of January 2009 and also putting in place appropriate infrastructure and mine development support at Merelani to managed the planned increase in production to 3.1 million tonnes by 2011.

### **Net profit and production comparison by half year**

	1H 2008	1H 2007
Net profit/(loss) after tax and minorities	\$3.5m	\$3.0m
Tanzanite recovered	1,101,898 cts	762,073 cts

Mine production of 1,101,898 carats is an increase of 45% over the comparable period in 2007 (762,073 carats). The tonnes of ore processed increased by 108% to 20,380 tonnes to 9,818 tonnes. This increase was due to the ability to mine three or more producing faces per shift as a result of having increased level of security and also the introduction of stoping. The 108% increase in ore processed is even more commendable considering three weeks of lost production in April caused by floodwaters entering Bravo shaft from adjacent mining works.

The expected decrease in grade mined to 54 carats per tonne due to the increased material extracted by stoping operations has been more than compensated by the increased number of carats recovered due to larger volumes of broken material processed.

On mine cash costs increased by 28% to \$3.38 per carat (2007: \$2.63 per carat). The increase was mainly due to the introduction of a high minimum labour rate announced by government at

the beginning of the year (+260%) which affected 62% of the workforce. In the context of inflation rates in Tanzania of [12]% it is a credible performance. Once stoping operations achieve steady state production, further efficiencies are expected to be achieved.

Total operating expenses are lower due to the closure of the wholesale jewellery business in South Africa.

Inventory was US\$5.2 million (2007: US\$4.8 million).

Interest income for the period was US\$144,299. During the year the outstanding loan balance of \$0.9 million with NBC Bank of Tanzania was repaid in full. The company has no interest bearing debt.

Depreciation and amortisation at \$0.8 million was in line with the previous corresponding period.

## **Tanzanite Market**

A-quality material continued to be in short supply during the year. Consequently, the first Sight in March achieved the highest price for these goods to date with prices up 7% from the December 2007 Sight. This material was allocated to three selected companies. A smaller quantity of A-quality was available for the May Sight and this material was divided into two equal parcels and placed on tender.

Prices for B-quality remained stable with a price decrease only in 4B (1.5 – 2.45cts), and a price increase for material of 10ct+ at the June Sight.

Both B-Light and C-quality parcels were sold to Sightholders as well as to non-Sightholders over the period.

Whilst demand for larger A and B-quality material remained strong, demand for small sizes has weakened due to the slowing US economy. The use of a cobalt coating treatment on smaller, calibrated tanzanite, caused some concern in the industry. This has since been discredited following the formulation of the “tanzanite bath” which is a solution which quickly and accurately identifies and removes the cobalt coated layer. This solution was the result of a joint collaboration between the Tanzanite Foundation and some leading gemmologists.

The recent flood in the Merelani region caused production in the mines surrounding TanzaniteOne Mining to slow down, affecting the amount of rough available.

Demand for tanzanite at the Tucson Gem Trade Show was robust despite the decrease in demand for other gemstones. The Basel Show proved encouraging for tanzanite within the European market with more Sightholders exhibiting, and with more tanzanite prominently displayed than in previous years. The Las Vegas shows saw great interest from high-end designers and brands looking to incorporate tanzanite in a significant way into their product lines.

MVI Marketing Limited an independent research company completed the consumer market research in the US and is currently working with Sightholders to improve their product and service offerings and expand their sales and customer opportunities.

Emerging markets such as India, Dubai, China and Russia have been targeted as potential markets for tanzanite sales. Efforts are being made to develop these markets thereby alleviating reliance on the US market.

## Financial Statements

Tanzanite One Limited  
Condensed Consolidated Income Statement  
Half Year ended 30 June 2008  
(\$'000)

	Notes	1H 2008	1H 2007	FY 2007
Revenue		20,890	21,297	42,635
Cost of sales		(10,661)	(10,897)	(21,319)
Gross profit	(i)	10,229	10,400	21,316
Administration and other operating costs	(ii)	(4,723)	(4,927)	(9,389)
Royalties		(840)	(487)	(1,401)
Depreciation and amortisation		(845)	(844)	(1,858)
Interest income received	(iii)	144	454	399
Financing costs paid		(65)	(278)	(80)
Profit before tax		3,900	4,318	8,987
Income tax expense	(iv)	(371)	(1,270)	(2,503)
Profit after tax		3,529	3,048	6,484
Profit attributable to equity holders of parent		3,524	3,045	6,575
Minority interest	(v)	5	3	(91)
Net profit	(vi)	3,529	3,048	6,484
<i>EPS (basic – cents)</i>		4.73	4.15	8.96

**Notes Income Statement**

- (i). Gross margin maintained at 49% compared to the previous corresponding period.
- (ii). Administration costs mainly comprise of general administration costs in Tanzanite One Limited (\$0.7 million), Tanzanite Foundation (\$0.9 million), Tanzanite One SA Limited (\$1.3 million) and Tanzanite One Mining (\$1 million).
- (iii). Net finance charges comprise interest income of \$144,299.
- (iv). The effective tax rate for the period ended 30 June 2008 is 10%. This was mainly due to deferred tax asset effect on unrealised exchange loss on monetary liabilities in Tanzanite One SA Limited due to the depreciation of the South African rand against the United States dollar.
- (v). Minority interest (which represents the 25% minority in Tanzanite One Trading) reflects the 25% interest in the Tanzanite Trading Limited loss for the 6 months ended 30 June 2008.
- (vi). Net profit attributable to Tanzanite One shareholders.

Tanzanite One Limited  
Condensed Consolidated Balance Sheet  
As at 30 June 2008  
\$'000

	Notes	1H 2008	1H 2007	FY 2007
<b>Non-current assets</b>				
Property, plant and equipment	(i)	22,654	20,209	21,560
Inventories	(ii)	484	721	500
Deferred tax assets	(iii)	2,951	2,409	2,376
Total non-current assets		<b>26,089</b>	<b>23,339</b>	<b>24,436</b>
<b>Current assets</b>				
Inventories	(iv)	4,708	4,113	3,774
Income tax receivable	(v)	1,039	686	2,757
Trade and other receivables	(vi)	13,700	15,082	10,227
Cash and cash equivalents		3,198	8,624	12,935
Total current assets		<b>22,645</b>	<b>28,505</b>	<b>29,693</b>
Total assets		<b>48,734</b>	<b>51,844</b>	<b>54,129</b>
<b>Equity</b>				
Issued share capital		22	22	22
Share premium		38,709	38,216	38,709
Share options outstanding		706	1,061	706
Foreign currency translation reserve		(418)	(186)	(227)
Retained earnings		4,483	5,703	6,287
Total equity attributable to parent equity holders		<b>43,502</b>	<b>44,816</b>	<b>45,497</b>
Minority interest		101	159	56
Total equity		<b>43,603</b>	<b>44,975</b>	<b>45,553</b>
<b>Non-current liabilities</b>				
Interest-bearing borrowings	(vii)	-	843	654
Provisions	(viii)	94	88	94
Deferred tax	(ix)	4,124	3,830	3,992
Total non-current liabilities		<b>4,218</b>	<b>4,761</b>	<b>4,740</b>
<b>Current liabilities</b>				
Interest-bearing borrowings	(vii)	11	231	256
Income tax payable		388	448	2,309
Trade and other payables	(x)	514	1,429	1,271
Total current liabilities		<b>913</b>	<b>2,108</b>	<b>3,836</b>
Total liabilities		<b>5,131</b>	<b>6,869</b>	<b>8,576</b>
Total equity and liabilities		<b>48,734</b>	<b>51,844</b>	<b>54,129</b>
<i>Number of shares in issue (million)</i>		74,476,691	73,584,834	74,476,691
<i>Net asset value per share (US cents)</i>		58.55	61.12	61.16

**Notes to Balance Sheet**

- (i). Property plant and equipment: represents fixed assets within the group and development costs, pre-production costs, mineral rights
- (ii). Non-current inventories comprise rough gemstone specimen inventory and show jewellery in Tanzanite One (SA) Limited and in Tanzanite Foundation Ltd.
- (iii). Deferred tax assets reflect mainly deferred tax assets recoverable in the future from assessed losses in Tanzanite One SA Limited.
- (iv). Inventories: reflects rough and polished tanzanite gemstones and consumable stores
- (v). Income tax receivable: includes tax prepaid mainly in Tanzanite One Marketing (Pty) Limited (\$1 million).
- (vi). The level of receivables is commensurate with the level of sales achieved. No significant bad debts are anticipated. Included in receivables are trade debtors (\$9.8million), Value Added Tax (\$1.8million) and National Social Security Fund (\$0.6million). There are no significant problem debtors at the moment.
- (vii). Interest bearing liabilities, including mainly the bank facility from NBC Bank in Tanzania, have been fully repaid.
- (viii). Environmental provisions represent the full environmental provision in Tanzania
- (ix). Deferred tax liabilities comprise mainly Tanzanite One Mining Deferred tax liabilities.
- (x). Trade and other payables mainly include trade creditors and accruals.

Tanzanite One Limited  
Condensed Consolidated Cash Flow Statement  
For the half year ended 30 June 2008  
\$'000

	Notes	1H 2008	1H 2007	FY 2007
<b>Cash flows from operating activities</b>				
Cash (utilised in)/generated from operations	(i)	(277)	7,689	17,680
Interest income received		144	454	399
Financing cost paid	(ii)	(65)	(278)	(68)
Taxation paid	(iii)	(1,497)	(1,993)	(3,591)
Net cash (to)/from operating activities		<b>(1,695)</b>	<b>5,872</b>	<b>14,420</b>
<b>Cash flows from investing activities</b>				
Acquisitions of property, plant and equipment	(iv)	(1,945)	(239)	(2,600)
Proceeds on disposal of property, plant and equipment		-	-	42
Net cash from investing activities		<b>(1,945)</b>	<b>(239)</b>	<b>(2,558)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from issue of share capital	(v)	-	545	1,038
Dividends paid	(vi)	(5,197)	(4,456)	(6,674)
Repayment in interest-bearing borrowings	(vii)	(900)	(103)	(266)
Net cash to financing activities		<b>(6,097)</b>	<b>(4,014)</b>	<b>(5,902)</b>
Net increase/(decrease) in cash and cash equivalents		(9,737)	1,619	5,960
Translation difference in opening cash and cash equivalents		-	-	(30)
Cash and cash equivalents at beginning of the year		12,935	7,005	7,005
Cash and cash equivalents at end of the year		<b>3,198</b>	<b>8,624</b>	<b>12,935</b>

**Notes to Cash Flow Statement**

- i. Cash generated from operations: computed from operating profit before finance cost/income of \$3.9 million adjusted for depreciation (\$0.8 million) and working capital changes (\$5.2 million). Working capital movements during the half year, being an increase in debtors of \$3.5 million due to the Sight sale held in late June 2008, an increase in inventory of \$1 million in line with increased purchases of "A" quality tanzanite at the group's Trading operation in Arusha and a reduction in creditors of \$0.7 million.
- ii. Finance costs are lower following repayment of interest bearing loan from NBC Bank of Tanzania Bank.
- iii. Taxation paid reflects actual income tax paid, mainly in Tanzania.
- iv. Capital expenditure includes shaft development \$0.6 million, buildings and associated infrastructure including security enhancements \$0.7 million, Dubai office development \$0.5 million and project works \$0.3 million.
- v. Reflects net proceeds on the issue of shares following the exercise of employee options.
- vi. Reflects dividend of 7 US cents per share declared by the directors on 6 March 2008 and paid on 25 April 2008.
- vii. Repayment of interest bearing debt to NBC Bank of Tanzania.

## Mining Operations

Production for the period saw some overall improvements, a result of improving mining efficiencies with respect to advances per blast, tighter security following the introduction of additional senior security personnel and 2 additional x-scan machines, improving geological knowledge and a stronger focus on safety and training.

**Safety:** It is with regret that we report the death of Mr Kaika Koteri Kurianga, on 312 July 2008. Mr Kurianga was working in CT shaft at the time was fatally injured whilst returning to surface. Investigations and retraining of staff has been completed. Our condolences go to his family.

The LTIFR for the year to date is 1.63 which. The focus on improved security and on rolling stock safety has supported the achievements of these results. A major episodic flooding event of workings in the neighbouring block "B" in late March 2008 resulted in the death of 79 small-scale miners from neighbouring mines. Tanzanite One production operations were slightly effected in Bravo shaft due to water inflows from the neighbouring workings. Tanzanite One assisted the government rescue effort by pumping all the workings dry and by doing surface re-construction work to prevent a similar occurrence in the future.

Tonnages from underground operations increased to 20,380 tons due to the commissioning of 2 stopes and the increased security staff which enabled three or more producing faces to be mined per shift.

Grades decreased from 78 carats/tonne to 54 carats/tonne due to the increase of ROM material through the plant as a result of the stopping exercises.

Overall the carats recovered increased by 45% to 1,101,898 cts from 762,073 cts.

Cash costs for the period increased to \$3.38 per carat from \$2.63 for the same period for 2007. Some of this increase can be attributed to the 204% minimum wage hike with effect from January 2008.

### Production statistical table

	1H 2008	1H 2007	<i>Movement</i>
Tonnes Processed (tonnes)	20,380	9,818	+108%
Carats per tonne	54	78	(31%)
Production (carats recovered)	1,101,898	762,073	+45%
Cash Costs (\$/ct)	\$3.38	\$2.63	(29%)

### Looking to the individual shafts:

**Investor Shaft:** Installation of headgear, hoist, surface buildings and the equipping of rails in the shaft to be completed in the 3rd quarter 2008. This will allow all personnel access into the northern side of the mine to be effected from one shaft only, thus improving security.

**Main Shaft:** The ventilation winze from 18 level to 62 level is 80% complete. This will allow the main shaft sinking to 750 metres, before commencing the sub-shaft, to re-commence in the 3<sup>rd</sup> quarter 2008. Production continues from 2 down-folds in 18 level.

**Bravo Shaft:** Operations from this shaft have moved over to CT shaft where superior infrastructure has been installed. 2 crews remain in production in the upper levels. One stope was mined during the period.

**Delta Shaft:** Continues to produce exceptional colour material from Level 23. Exploration to locate the next fold stack below the current shaft bottom on 27 level continues. A larger hoist will be installed by the end of the year to push the shaft to 450 metres depth.

**JW Shaft:** Stopping preparations continue to extract all limb boudin areas between drives mined in the early days of the mine. These to be operational during 3<sup>rd</sup> quarter 2008.

**CT Shaft:** This shaft is now linked to Bravo shaft for ease of material removal and improved ventilation. Stopping in level 40 has yielded good results, with 1000 tonnes being blasted and

moved in 12 days with 3 men. Exceptional potential producing areas are being opened up at depth

**Mechanisation:** The mine has seen an increased focus on the removal of limb boudins between fold noses by employing various stopping methods and scrapers for material removal. The LHD continues mainly in a development cleaning roll in CT shaft, opening up blocks of ground for stopping.

### **Security**

Security has been enhanced at the mine with the addition of 5 Nepalese security supervisors bringing the total to 10. The number of supervisors has been increased to 17. This increase has allowed the mining of multiple producing faces to be carried out with adequate on face security presence. Security supervisors are also present in the other high risk areas of the processing plant and sort-house. Their worth is proving fruitful with a 120% increase in tanzanite recovered by value compared to the previous corresponding period. over the first 6 months of 2007.

Undermining from the neighbouring blocks continues. Efforts to have these illegal intrusions onto our property stopped continue mainly by discussion with relevant local, regional and national authorities.

The commissioning of the CCTV system has increased the surveillance capabilities in all high risk areas as well as the surface in general. Two x/scans are being used daily at producing shaft collars with a third unit installed at the plant/sort-house. Two external security consultants have recently been commissioned to carry out independent security studies at all facilities. An action plan has been put into place to address all deficiencies noted. The security department has been split into an internal operational section and an external information gathering unit, who's role it will be to gather information from informants etc., analyse the data and carry out the required action to prevent theft etc. We are beginning to see the results of this change with a few syndicates having been identified and broken up.

### **Geology**

A drilling project completed during the first quarter 2008 on areas down-dip of the outcrop but North and South of Block "C" confirmed the presence of the mineralised layers to a depth of 1400m. An internal resource estimation, based on the average grades achieved from the mining of individual fold stacks and the recent exploration drilling confirms the historic resource for Block C as being between 60 and 80 million carats.

### **Stoping.**

Stoping has been introduced to maximise the extraction of our limited resource. The aim is to remove all the potential tanzanite bearing limb boudins, often left behind once the higher value "fold-nose" boudins were removed. Recoveries of tanzanite as high as 55 carats per tonne have been achieved.

Labour efficiencies in the stopes minimise the risk of theft at the producing face, as well as reduces the mined cost per tonne of ROM material.

### **Projects**

A dedicated Projects team was established during the year as part of the Group's growth and diversification objective. The team has reviewed a number of projects during the year and continues to review projects in Tanzania, Kenya, and Madagascar. The first project that the Company acquired as part of its growth and diversification initiative was the tsavorite project in the Lemshuku/Shambarai areas, +-20km south of the Merelani operation, which involves the purchase of 12 prospecting licences covering an area of over 100km<sup>2</sup>.

#### **Tsavorite project**

An inferred resource of 7.6 to 10.4 million bank cubic meters, equating to approximately 18.24 to 24.96 million tonnes of potentially open pit mineable tsavorite bearing alluvium and eluvium has been established by the Phase One exploration work that has been completed to-date (see Table 1).



**Table 1: Tsaveite Project Resource**

Deposit Type	Resource Type	Bank Cubic Metres (million)	Estimated Tonnes (million)
Eluvial	<i>Inferred</i>	1.6–2.5	3.84–6
Recent Alluvial	<i>Inferred</i>	1.8–2.4	4.32–5.76
Palaeo Alluvial	<i>Inferred</i>	4.2–5.5	10.08–13.2
Total	<i>Inferred</i>	7.6–10.4	18.24–24.96

The source rock and mineralisation style of the tsavorite deposit has strong similarities to the existing tanzanite deposit. This is because tanzanite forms through the hydrothermal alteration of tsavorite during the later stages of the clockwise retrograde P-T cooling path. However, unlike the tanzanite deposit, which is a hard-rock underground mining operation, the tsavorite project is primarily an alluvial open pit mineable deposit that formed from the alteration and weathering of the boudinaged source rocks and the subsequent concentration of tsavorite in alluvial and eluvial beds. Generally, the mining cost per tonnes of an open pit mine is significantly lower compared to an under-ground mining operations.

Bulk sampling of the tsavorite deposit has commenced and is now progressing on schedule after some delays due to extended periods of rain. The bulk sampling forms part of the larger, ongoing resource upgrade, which is still on-track for a JORC compliant Indicated Resource by H1 2009.

Tsavorite is the brilliant green gemstone variety of grossular garnet ( $\text{Ca}_3\text{Al}_2(\text{SiO}_4)_3$ ), first discovered in 1968 in Lemshuku, NE Tanzania. In 1974, the new gem was named "Tsavorite," after the famous nearby "Tsavo National Park" game preserve in Kenya by Tiffany & Co in New York, who introduced the gemstone to the world market. Tsavorite has a beautiful vivid green colour, is bright and lively with a high refractive index, durability and clarity. Tsavorite has a hardness of 7 to 7.5 on the Mohs Scale and no cleavage, which makes it suitable for almost any jewellery application and makes it durable enough for every day wear. Tsavorite is also not treated in any way. The price per carat of tsavorite is approximately two to four times higher than tanzanite and roughly a quarter of the price of emerald.

### Tanzanite One Trading

The first quarter of 2008 has been the most successful first quarter in Tanzanite One Trading's history. The first three months of the year have historically been the slowest, but this year purchases exceeded targets. In comparison, the first quarter's purchases surpassed purchases for the entire first half of 2007 by both volume and value. Tanzanite One Trading procured tanzanite in all sizes with the focus remaining on rough above 5 carats in size, and of medium to fine quality.

During this period a total of 171,786 carats of B-quality rough was purchased for US\$ 6.6 million. Rough of sizes 10ct+ represented 65% of the purchases by value. This is set to increase in the coming months.

A-quality was extremely sought after in the market especially just prior to the JCK show in Las Vegas. During this period 6,535 carat of large size A-quality rough was purchased for US\$ 827,876.

### Human Resources and Social Responsibility

The introduction of a mining minimum wage at the beginning of the year increased the basic rate by 260%. This has necessitated increased efforts in improving efficiencies by reducing the size of crews. Results to date are very encouraging. Morale at the mine remains high with no major HR problems being noted.

Heavy rain at the beginning of the year has necessitated major road repairs to the Kia/Tanzanite One road. The mine is assisting the community in the building and furnishing of the Naisanai Secondary School, the painting and maintenance of the primary school and the construction of a police station near the plant. An eye-clinic was sponsored by Tanzanite at the beginning of the year, where >600 local people were treated by a team of doctors from the WHO.

### **Corporate Matters**

Mr Ian Harebottle stepped down as CEO of TanzaniteOne in February 2008 and Mr Zane Swanepoel was appointed as Managing Director. Mr. Swanepoel joined the Company in September 2005 as General Manager - Mining. He has 25 years experience in mining of which 18 years has been at senior mine management level.

In view of Mr. Swanepoel's appointment as Managing Director, Mr Greg Moss was appointed Senior Mine Manager at the Group's Merelani mine in Tanzania. Mr Moss has 20 years mining experience of which 10 years has been at a managerial level, mainly at De Beers in South Africa. Mr Moss also worked at MACS consultants in Johannesburg for 2 years before joining TanzaniteOne.

Mr Ami Mpungwe, assumed the position of Executive Deputy Chairman in February 2008. Mr Mpungwe is also the Chairman of the group's subsidiary, TanzaniteOne Mining Limited.

### **UNSOLICITED CONDITIONAL TAKEOVER PROPOSAL IN RESPECT OF TANZANITEONE**

On 12 September 2008 Gemfields Resources plc (**Gemfields**) announced that, subject to a variety of conditions, it may make a takeover offer (**Proposed Offer**) to acquire all of the shares in TanzaniteOne Limited (**TanzaniteOne**). The Board of TanzaniteOne (the **Board**) has issued an announcement in response and urged shareholders to take no action until the Board had further analysed the Proposed Offer.

#### **Opportunistic timing and value of the Proposed Offer**

The Board considers the Proposed Offer to be opportunistically timed and to be materially below TanzaniteOne's fundamental value, on the basis of, inter alia, the company's present and expected operating and financial performance.

The Proposed Offer of 45 pence per TanzaniteOne common share is at a premium to the prevailing market price before Gemfields began to acquire TanzaniteOne common shares. However, this Proposed Offer is at a 19% discount to the average mid-close share price of TanzaniteOne over the 12 months up to and including 29 August, being the last dealing day before Gemfields' recent acquisition of TanzaniteOne shares. The Board is also concerned that the current thin trading volumes in Gemfields' shares may make it difficult to assess the true value of a Gemfields share. Accordingly, a further concern is whether it is possible to adequately assess the value of the Proposed Offer to the extent it involves Gemfields shares. It is the view of the Board that the Proposed Offer of 45 pence per share also implies valuation multiples which are below those ascribed to listed companies operating in the precious metals market segment with characteristics that are comparable to those of Tanzanite One.

Equally, the Proposed Offer of 45 pence per share does not embed any premium related to change of control.

The Board has recently approved a number of organic growth initiatives proposed by the management team, the combined impact of which is likely, in the view of the Board, to underpin a higher level of profitability on a forward-looking basis.

Therefore, and by virtue of the above, The Board considers the Proposed Offer to be wholly inadequate.

The Board has appointed Lazard, in addition to Evolution (Nomad and joint-broker) and Ambrian (joint-broker), to advise it in the evaluation of the Proposed Offer.

#### **Recommendation**

The Board continues to advise shareholders to **TAKE NO ACTION** in relation to the Proposed Offer until the Board has had an opportunity to obtain further information from Gemfields and to fully analyse the Proposed Offer at which time it will provide further advice to shareholders.

## **CORPORATE DIRECTORY**

Tanzanite One Limited  
Incorporated in Bermuda  
Exempt company number EC33385

### **Board of Directors**

Michael Adams: Non-executive Chairman  
Ami Mpungwe: Executive Deputy Chairman  
Zane Swanepoel: Managing Director  
Mark Summers: Non-executive Director  
Edward Nealon: Non-executive Director  
Nicholas Sibley: Non-executive Director

### **Audit/Risk Committee**

Nicholas Sibley (Chairman)  
Michael Adams

### **Remuneration/Succession Planning Committee**

Michael Adams (Chairman)  
Ami Mpungwe  
Edward Nealon

### **Nominations Committee**

The Nominations Committee comprises the Full Board

### **Company Secretary**

Willi Boehm

### **Management**

Zane Swanepoel - Tanzanite One Limited Managing Director  
Adrian Banks - Tanzanite One Trading, Managing Director  
Candice Nunn - Tanzanite One Marketing, Managing Director

### **Nominated Advisor & Broker (AIM)**

Evolution Securities Ltd  
Telephone: +44 (0)20 7071 4330  
Facsimile: +44 (0)20 7071 4451

### **Joint Broker (AIM)**

Ambrian Partners Limited  
Telephone: +44 (0)20 7776 6400  
Facsimile: +44 (0)20 7776 6420

### **Financial Advisor**

Lazard & Co., Limited  
Telephone: +44 (0)20 7187 2000  
Facsimile: +44(0)20 7072 6000

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Company Secretary  
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### **Qualified Person**

The technical information has been reviewed and verified by Dr. Bernard Olivier, who has sufficient relevant experience to the style of mineralisation and type of deposit under consideration. Dr Olivier is a Member of the Australasian Institute of Mining and Metallurgy and meets the criteria of a qualified person under the AIM guidance note for mining, oil and gas companies.

## 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).