

TANZANITE ONE LIMITED
(incorporated in Bermuda – Registration No: EC33385)
AUDIT COMMITTEE CHARTER

Purpose of charter

1. This charter governs the operations of the Audit committee. It sets out the Audit committee's role and responsibilities, composition, structure and membership requirements. The Audit committee (the committee) has been established to assist the board of Tanzanite One Limited ("**board**") in fulfilling its corporate governance and oversight responsibilities in relation to the Group's financial reports and financial reporting process, internal control structure, risk management systems (financial and non-financial) and the external audit process.
2. The committee shall review and reassess the charter at least annually and, on each occasion, shall obtain the approval of the board to the form of the charter.

Membership

3. The committee shall be members of, and appointed by, the board. It shall be of sufficient size, independence and technical expertise to discharge its mandate effectively. The committee shall consist of:
 - Three members;
 - only non-executive directors;
 - a majority of independent directors; and
 - an independent chairperson, who shall be nominated by the board from time to time but who shall not be the chairperson of the board.
4. Inaugural members of the committee will be:
Mr Nicholas Sibley (Chairman)
Mr Ami Mpungwe
Mr Bernard Olivier
5. At least one member shall have accounting and/or related financial management expertise (ie is a qualified accountant or other financial professional with experience of financial and accounting matters) and other members shall have an understanding of the management of public listed companies and/or experience in the mining industry.
6. Members will be appointed for a fixed period of three years. Appointments are extendable by no more than two additional three years periods. Members may resign upon providing one month's notice in writing to the secretary of the committee. An independent member of the committee must resign once becoming non-independent as defined by the Combined Code on Corporate Governance as applicable to UK incorporated companies. The effect of ceasing to be a director of the board of Tanzanite One Limited ("TanzaniteOne" or "the Group") is the automatic termination of appointment as a member of the Audit committee.
7. The secretary of the committee shall be the Company Secretary of the Company or such other person as nominated by the board.

Meetings

8. The committee shall meet when deemed necessary by the committee and at least twice each year, either in person or telephonically.
9. The purpose of the committee meetings shall be to:
 - review and approve internal audit and external audit plans;
 - update the internal and external audit plans;
 - review and approve financial reports; and
 - review the effectiveness of the compliance function in general.

approved by board of Tanzanite One Limited 15 June 2004

10. A quorum for any meeting will be two members, one of whom must be the chairperson of the committee.
11. Special meetings may be convened as required. The chairperson will call a meeting of the committee if requested to do so by any member of the committee, by the external auditors or by the chairperson of the board.
12. The committee may invite such other persons (eg. staff, CEO, CFO, external parties) to its meetings, as it deems necessary (whether on a permanent or ad hoc basis).
13. The proceedings of all meetings will be minuted and these will be included in the papers for the next board meeting after each committee meeting.

Authority

14. The board authorises the committee, within the scope of its responsibilities, to:
 - investigate any matter brought to its attention with full access to all books, records and facilities;
 - seek any information it requires from an employee (and all employees are directed to cooperate with any request made by the committee) or external parties;
 - obtain outside accounting, legal, compliance, risk management or other professional advice as it determines necessary to carry out its duties; and
 - ensure the attendance of Group officers at meetings as it thinks appropriate.

Duties and Responsibilities

15. Understanding the Company's business
 - The committee shall ensure it understands the Group's structure, business and controls to ensure that it can adequately assess the significant risks faced by the Group.
16. Financial Reporting
 - The committee's primary responsibility is to oversee the Group's financial reporting process on behalf of the board and to report the results of its activities to the board. The committee shall:
 - review the Group's financial statements to determine whether they are accurate and complete and make any necessary recommendations to the board;
 - review significant accounting policies adopted by the Group to ensure compliance with International Accounting Standards and Generally Accepted Accounting Principles; and
 - review other financial information distributed externally as required.
17. Reporting to the board
 - The committee shall regularly report to the board on all matters relevant to the committee's role and responsibilities.
 - The chairperson will report and as appropriate make recommendations to the board after each meeting of the committee on matters dealt with by the committee.
 - As and when appropriate, the committee will seek direction and guidance from the board on audit, risk management and compliance matters.
 - The committee shall ensure that the board is made aware of audit, financial reporting, internal control, risk management and compliance matters which may significantly impact upon the Group in a timely manner
18. Assessment of accounting, financial and internal controls
 - Periodically, the committee shall meet separately with management and the external auditors to discuss:
 - the adequacy and effectiveness of the accounting and financial controls, including the Group's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs; and
 - issues and concerns warranting committee attention, including but not limited to

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their assessments of the effectiveness of internal controls and the process for improvement.

- The committee shall provide sufficient opportunity for the external auditors to meet privately with the members of the committee. The committee shall review with the external auditor any audit problems or difficulties and management's response.
- The committee shall receive regular reports from the external auditor on the critical policies and practices of the Group, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

19. Appointment of external auditors and scope of external audit

- The committee shall make recommendations to the board on the appointment, reappointment or replacement, remuneration, monitoring of the effectiveness and independence of the external auditors and resolution of disagreements between management and the auditor regarding financial reporting.
- The committee shall discuss with the external auditors the overall scope of the external audit, including identified risk areas and any additional agreed upon procedures.

20. Assessment of the external audit

- The committee, at least on an annual basis, shall obtain and review a report by the external auditors describing (or meet, discuss and document the following with them):
 - The audit firm's internal quality control procedures.
 - All relationships between the external auditor and the Group.
- The committee shall set clear hiring policies for employees or former employees of the external auditor in order to prevent the impairment or perceived impairment of the external auditor's judgment or independence in respect of the Group.
- The committee shall review and assess the independence of the external auditor, including but not limited to any relationships with the Group or any other entity that may impair or appear to impair the external auditor's judgment or independence in respect of the Group.

21. committee performance

- The committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively by reference to current best practice.
- The board will evaluate the performance of the committee as appropriate.