



TANZANIAN ROYALTY EXPLORATION CORPORATION
(formerly Tan Range Exploration Corporation)

Management's Discussion and Analysis ("MD&A") for
Tanzanian Royalty Exploration Corporation (the "Company") of
Financial Condition and Results of Operations
Three and Nine Months ended May 31, 2006

The effective date of this MD&A is July 12, 2006. On February 28, 2006, the Company changed its name from Tan Range Exploration Corporation to Tanzanian Royalty Exploration Corporation.

Overall Performance

As of May 31, 2006 the Company had Current Assets of \$3,866,199 as compared to \$1,596,352 on August 31, 2005. Deferred Exploration Costs amounted to \$20,315,689 which includes \$1,186,579 (net of recoveries) invested this nine month period.

The Company has issued common shares and had shares subscribed for in the amount of \$6,182,482 (1,420,357 shares) of which \$813,828 was received last fiscal year.

Selected Financial Information

	As at and for the year ended Aug. 31, 2003	As at and for the year ended Aug. 31, 2004	As at and for the year ended Aug. 31, 2005	As at and for the nine months ended May 31, 2005	As at and for the nine months ended May 31, 2006
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Loss for the period	(3,014,778)	(1,616,364)	(2,931,063)	(2,708,646)	(2,420,945)
Basic and diluted loss per share	(0.04)	0.02)	(0.04)	(.032)	(.028)
Total Assets	21,424,565	22,092,373	22,257,683	22,092,373	25,033,679
Total long term financial liabilities	0	0	175,011	0	124,513
Cash dividends declared per share	0	0	0	0	0

Results of Operations

The operating loss for the nine month period ended May 31, 2006 was \$2,420,945 as compared to \$2,708,646 for the comparable period in 2005.

A large component of the loss was a write-off during the nine month period ended May 31, 2006 of \$610,165 for sixteen properties determined to be of no economic interest. Each project group may contain several licenses. The determination that one license in the project should be written-off and returned to the ministry does not have positive or

negative implications to other licenses within the project. The nature of the Company's business plan is to seek royalty income and pre-royalty return of expenses income. As a result of this business plan, investors should be prepared for changes in mineral license inventory. The process will include acquisition and condemnation on an ongoing basis. The Company's land portfolio now holds 130 licenses. The write-off during the nine month period ended May 31, 2005 was \$1,448,823 for 21 properties deemed to be of no economic interest.

Due to the Company's emphasis on its drill program, spending on new property investigation was significantly reduced from \$80,377 during the nine month period ended May 31, 2005 to \$17,562 for the nine month period ended May 31, 2006.

The increase in staff (from 37 Tanzanian based exploration employees to 47) required to operate our drill program has caused an increase in salaries and benefits expense from \$494,350 for the nine month period ended May 31, 2005 to \$566,812 for the nine month period ended May 31, 2006. Other cost increases due to the acquisition of the drill rig include interest for the associated lease which was \$25,233 during the nine month period ended May 31, 2006. The only interest paid for the acquisition of the drill rig in the nine month period ending May 31, 2005 was for interim loan financing in the amount of \$5,079. Insurance on drill equipment was the primary reason for the increase in insurance expense from \$52,931 in the nine month period ended May 31, 2005 to \$88,631 in the nine month period ended May 31, 2006. Additional depreciation resulted in an increase in depreciation from \$30,181 for the nine month period ended May 31, 2005 to \$75,251 in the nine month period ended May 31, 2006.

Transfer agent and listing fees increased to \$203,173 in the nine month period ended May 31, 2006 from \$99,814 in the comparable period in 2005 due to the additional listing on the American Stock Exchange and the increase in market valuation. Costs associated with the annual general meeting increased to \$94,098 in the nine month period ended May 31, 2006 from \$36,299 in the comparable period in 2005 due to the increased number of shareholders and the fact that the meeting was an annual general and special meeting. Press release costs have increased to \$69,737 in the nine month period ended May 31, 2006 from \$37,557 in the comparable period in 2005 due to an increase in the number of news releases and broader distribution. Promotion and shareholder relations expense have increased to \$30,270 for the nine month period ended May 31, 2006 from \$6,539 in the nine month comparable period in 2005 due to the recent advertisements in The Mining Journal.

Due to additional travel, travel and accommodation expense has increased from \$28,222 in the nine month period ended May 31, 2005 to \$50,068 in the nine month period ended May 31, 2006.

Professional fees have increased to \$183,123 for the nine month period ended May 31, 2006 from \$91,146 in the nine month comparable period in 2005 due to the development and implementation of the restricted stock unit plan, the corporate name change and increased audit fees, and includes retainer fees and expenses for legal counsel to commence action to protect the company against statements of defamation from being posted on internet chat sites.

The operating loss for the three month period ended May 31, 2006 was \$1,225,384 as compared to \$ 494,192 for the comparable period in 2005. This operating loss includes a write-off during the three month period ended May 31, 2006 of \$494,577 for ten properties determined to be of no economic interest. For the three month period ended May 31, 2005 there was a write-off of \$210,368.

The increase in staff required to operate our drill program has caused an increase in salaries and benefits expense which increased to \$189,409 for the three month period ended May 31, 2006 from \$165,247 for the three month period ended May 31, 2005. Insurance on drill equipment was the primary reason for the increase in insurance expense from \$15,184 in the three month period ended May 31, 2005 to \$26,595 in the three month period ended May 31, 2006. Additional depreciation resulted in an increase in depreciation from \$10,111 for the three month period ended May 31, 2005 to \$25,344 in the three month period ended May 31, 2006.

Transfer agent and listing fees increased to \$125,430 for the three month period ended May 31, 2006 from \$75,075 in the comparable period in 2005 due to the additional listing on the American Stock Exchange and the increase in market valuation. Costs associated with the annual general meeting increased to \$35,329 in the three month period ended May 31, 2006 from \$6,215 in the comparable period in 2005 due to the increased number of shareholders and the fact that the meeting was an annual general and special meeting.

Professional fees have increased to \$63,766 for the three month period ended May 31, 2006 from \$13,804 in the three month comparable period in 2005 due to the development and implementation of the restricted stock unit plan and the corporate name change, and includes retainer fees and expenses for legal counsel to commence action to protect the company against statements of defamation from being posted on internet chat sites. Press release expenses have increased to \$51,478 for the three month period ended May 31, 2006 from \$3,346 in the three month comparable period in 2005 due to an increase in the number of news releases and broader distribution. Promotion and shareholder relations expense have increased to \$15,540 for the three month period ended May 31, 2006 from \$3,399 in the three month comparable period in 2005 due to the recent advertisements in The Mining Journal.

Summary of Quarterly Results (Unaudited)

	2006 May 31	2005 May 31	2006 Feb. 28	2005 Feb. 28	2005 Nov. 30	2004 Nov. 30	2005 Aug. 31	2004 Aug. 31
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Loss	(1,225,384)	(494,192)	(792,635)	(1,770,430)	(402,929)	(444,024)	(869,982)	(320,487)
Basic and diluted loss per share	(.014)	(\$0.006)	(\$0.009)	(\$0.021)	(\$0.005)	(\$0.005)	(\$0.010)	(\$0.004)

There are two primary reasons for fluctuations in quarterly operating results. If a property is deemed not to be of economic interest, it results in a write-off of the deferred exploration cost which can result in a large one time loss. This explains the variation experienced in the quarter ended August 2005, February 2005 and May 2006. Another cause for quarterly fluctuations is the amount of new property investigations in a given quarter. Exploration costs associated with investigating properties are not deferred but rather are expensed as incurred.

Liquidity

Because the Company does not currently derive production revenue from operations, its ability to conduct exploration and development on properties is largely based upon its ability to raise capital by equity funding. During the nine month period ended May 31, 2006, the Company issued 1,127,857 shares in private placements, including 912,037 shares issued to Mr. James E. Sinclair, the Company's Chairman and CEO, consisting of 379,054 shares issued for \$813,828 subscription receipts previously received and 748,803 shares for \$5,138,979 in cash received during the nine months ended May 31, 2006. In addition, \$812 has been received in the quarter from Mr. Sinclair for shares not issued before the close of the quarter.

As of May 31, 2006 the Company's working capital position was \$3,780,779 as compared to \$1,388,906 on August 31, 2005. The Company feels confident that it will continue to be able to raise capital through private placements with its Chairman and CEO at an anticipated rate of \$375,000 per quarter.

Although no assurance can be given, the Company believes it will be able to raise additional capital as required to fund its commitments. In addition, if necessary, the Company would adjust the extent and timing of certain expenditures.

The following table sets out the Company's known contractual obligations as at May 31, 2006:

<i>Contractual Obligations</i>	Payments Due by Period				
	<i>Total</i>	<i>Less than 1 year</i>	<i>2-3 years</i>	<i>4-5 years</i>	<i>More than 5 years</i>
Vancouver Office Lease ⁽¹⁾	CDN\$22,491	CDN\$22,491	Nil	Nil	Nil
Capital Lease	US\$183,902.73 ⁽²⁾	US\$44,829,24	US\$89,658.48	US\$49,415.01	Nil

(1) Expires on May 31, 2007

(2) Includes finance charges

Capital Resources

The Company acquires gold and other mineral concessions through its own efforts or those of its subsidiaries. All of the Company's concessions are located in Tanzania.

For each concession granted in Tanzania under a prospecting or a reconnaissance licence, the Company is required to carry out a minimum amount of exploration work before a mining licence is granted for further development. There are no set work requirements to keep the concessions in good standing. A prospecting licence is issued for a period of three years and is renewable two times for a period of two years each. At each renewal, at least 50% of the area must be relinquished. A reconnaissance licence is issued for one year and renewed for a period not exceeding a year. All prospecting licences granted by the Tanzanian government are subject to an annual rental fee of not more than U.S. \$30 per square kilometer, a minimum exploration work commitment, and employment and training of Tanzanians. In addition, the government of Tanzania imposes a royalty on the gross value of all gold production at the rate of 3%.

Many of the Company's mineral properties are being acquired over time by way of option payments. It is at the Company's option as to whether to continue with the acquisition of the mineral properties and to incur these option payments. Current details of option payments required in the future if the Company is to maintain its interest are as follows:

<i>Option Agreement Obligations</i>	Option Payments Due by Period (US\$)				
	<i>Total</i>	<i>Fiscal 2006</i>	<i>Fiscal 2007-2008</i>	<i>Fiscal 2009-2010</i>	<i>Fiscal 2011+</i>
	\$2,611,500	\$133,000	\$804,000	\$817,000	\$857,500

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Transactions with Related Parties

During the nine months ended May 31, 2006, \$113,829 was paid or payable for professional fees paid to a firm related to a director. Directors were paid \$71,375 in fees. At the Company's Annual Meeting held February 27, 2006, shareholders approved the Restricted Stock Unit Plan. Under the Plan, Director's compensation is to consist of a combination of Restricted Stock Units and cash. No Restricted Stock Units were issued as at May 31, 2006.

In addition to the share capital issued and share subscriptions received during the nine month period to the Company's Chairman and CEO, 292,500 shares were issued for the exercise of options by related parties.

Changes in Accounting Policies Including Initial Adoption

There have been no changes in accounting policies which effect the May 31, 2006 consolidated financial statements.

Critical Accounting Estimates

The Company's most critical accounting estimate relates to the determination and timing of write-off of exploration licenses and costs. Management assesses impairment of its exploration prospects regularly. If an impairment results, the capitalized costs associated with the related project or area of interest are charged to expense.

Disclosure of Outstanding Share Data

As of the date of this MD&A, there were 86,196,411 common shares outstanding. In addition, there were 75,000 director stock options outstanding at a price of \$0.79 per share. The Company has no share purchase warrants outstanding.

Financial Instruments and Other Instruments

The Company's financial assets and liabilities consist of cash and cash equivalents, short-term investments, other receivables, accounts payable and accrued liabilities and capital lease obligations. The fair value of the Company's financial assets and liabilities is estimated to approximate their carrying value.

Exploration Overview

Exploration activities moved into high gear this report period, with major drilling programs undertaken on gold and kimberlite (diamond) targets throughout the Lake Victoria region. Prior to the initiation of this work, various field surveys were undertaken

including biogeochem, trenching, augering and soil sampling which assisted technical staff with their target selection.

A major exploration emphasis was placed on the Company's Luhala Gold Project, a core asset in our exploration portfolio that continues to generate positive results.

The multi-project nature of the Company's exploration activities during the report period allowed for the optimization of our dual-purpose drilling rig which can drill both RAB (Rotary Air Blast) and RC (Reverse Circulation) holes. The former is predominantly used for reconnaissance purposes and the latter for confirmatory drilling (usually as a follow-up to RAB drilling).

Luhala Gold Project

Assay results were reported in a news release on March 22, 2006 from a drill program at Luhala that ended earlier in February and was intended to define a drill-indicated resource. The results confirmed that two of the project's principal zones - Kisunge Central and Kisunge West - join up to form the Kisunge Central Zone as postulated by the Company's technical staff. In addition, the program confirmed near surface bulk tonnage potential at Luhala which is considered a prerequisite to reducing mine operating costs through economies of scale.

One hole was drilled on the newly discovered Kigingana anomaly to determine the strike of the mineralization that was discovered during a RAB drill program towards the end of 2005. At least five other zones were identified and remain to be tested at Kigingana. Heavy rainfall prevented access to the Kigingana area for most of the report period.

Drilling of the Kisunge East Zone confirmed the presence of a higher grade zone of rocks that extends from the Kisunge Northeast Zone to west of the Kisunge Southeast Zone. This whole zone is now referred to as the Kisunge Main Zone.

Follow-up RC drilling confirmed that the Kisunge Main Zone hosts anomalous gold values along a strike length of 1,200 metres, excluding a zone some 200 metres wide where a barren dyke cuts across the mineralized trend.

The holes in the Kisunge Main Zone were designed to intersect and test the gold potential in the most prospective stratigraphic package (rock unit) at a shallow depth as no trenching had been conducted before in this area. Significant assays from this drill program were announced in the Company's April 19, 2006 news release.

Poor ground conditions in this zone precludes drilling beyond a depth of 80 metres. However, the present grid will allow for the drilling of another 12 RC holes before diamond drilling is required.

Another 15 RC holes (986 metres) were completed at Luhala during the month of April which showed the southern limb of the Main Zone to be a thinner, lower grade portion of the gold mineralization established there previously. This mineralization extends for a strike length of approximately 200 metres, with grades and thicknesses of up to 29 metres averaging 2.66 g/t including 13 metres grading 3.77 g/t. Results from this drill program were announced in a May 18, 2006 news release.

Further access to the south is limited and diamond drilling will be required to confirm any extension in this direction.

Tender documents were sent out for a minimum 1,000 metres of NQ-sized core drilling at Luhala and 1,700 metres on the Company's Itetemia property. Should the Company's diamond drilling requirements continue to grow, Tanzanian Royalty will look seriously at purchasing its own diamond drill.

Kibara Gold Project

An extensive trenching program on the Company's Kibara Gold Project reaffirmed the significance of previously reported gold values and confirmed the existence nearby of a potentially large porphyry intrusive that may have played a role in the dissemination of gold values in the area.

Approximately 160 metres of trenching was completed during February on the eastern side of the Nyakona Hill discovery area near where several grab samples last year returned values up to 6.0 g/t gold and 13% copper.

A total of 21 samples were collected from 16 trenches at Nyakona Hill and submitted for analysis. Samples were taken from all trenches containing quartz veining and/or gossanous (weathered) rock with malachite (copper carbonate hydroxide) staining. At least three samples were taken from each trench, along with samples from the footwall and hanging wall side of the vein.

The veins range from a few centimetres to 30 centimetres in thickness and form a zone that is approximately 10 metres wide. They are hosted within a southwest trending volcanic sequence of rocks (tuff) that have a shallow dip to the southeast. Highly significant assay results were received from the trenching program, with 20 samples returning values exceeding 1.22 g/t gold. The highest values were 14.8 g/t, (trench no. *KB132TR02*), and 10.20 g/t (trench no. *KB132TR05*). Other significant gold values with their respective trenches in brackets include 5.02 g/t (*KB132TR005*), 5.78 g/t (*KB132TR016*) and 5.53g/t (*KB132TR013*).

All anomalous values were reported from the quartz/gossan with malachite staining. Trenching results for gold only were announced in a news release on March 27, 2006. In addition to the gold values, highly significant copper and silver assay results were received from the trenching program and these were reported in a news release on April 18, 2006. Seventeen samples returned values greater than 1% Cu; nine samples returned values greater than 5% Cu; and four values were above 10% Cu (10.2; 13.5; 15.0; 27.4). Silver values ranged from detection levels to 87 g/t (2.5 oz/ton).

There also appears to be a structural relationship to the mineralization at Nyakona, the significance of which remains to be determined.

Kimberlite Program

Laboratory analysis of samples from RAB drilling in 2005 on three of the Company's diamond licenses (Mwadui, Igunga, Nzega) returned a wide range of kimberlite indicator minerals that were reported in a news release on April 3, 2006. A selection of these indicator minerals was submitted for microprobe analysis to determine their specific mineral chemistry.

The suite of indicator minerals subsequently identified by a scanning electron microscope (SEM) included G10 garnets and chromites, all of which point to a diamondiferous kimberlite source.

Five kimberlites first discovered and tested more than 20 years ago were re-drilled and sampled by the Company and they returned significant mineral indicators. Two brand new kimberlites were discovered in the Igunga Project Area and these also produced encouraging results. Another two kimberlites were discovered in the Nzega Project Area from internally-generated geophysical targets. These too contained concentrations of indicator minerals that make them highly prospective for diamonds.

Tulawaka Discovery

In late March 2006, one of the Company's royalty partners, MDN Northern Mining, reported the discovery of a brand new gold occurrence on a prospecting license held under option from Tanzanian Royalty in the Tulawaka region of Tanzania. The Isozibi discovery is located approximately 17 kilometres northwest of the Tulawaka gold mine (Barrick 70%/MDN 30%). At the present time, the discovery is known to extend for approximately one kilometre along strike and across a width of 0.9 kilometre.

This gold occurrence is associated with fracture zones in iron formations, a particularly attractive environment for the emplacement of gold deposits.

The discovery was tested by seven drill fences comprising 26 drill holes for a total of 2,582 metres. All holes were sited to ensure a complete overlap of specific targets. Drill fences were spaced approximately 200 metres apart and the holes were angled at 60 degrees from the horizontal to an average depth of 70 metres in areas of gentle relief, and 140 metres on the hill slopes. Results from this program were announced in a news release on March 28, 2006.

Subsequent Events

There are no subsequent events to report.

Risk Factors

The Company is subject to a number of extraneous risk factors over which it has no control. These factors are common to most exploration companies and include, among others: project ownership and exploration risk, depressed equity markets and related financing risk, commodity price risk, fluctuating exchange rates, environmental risk, insurance risk and sovereign risk.

Approval

The Board of Directors of Tanzanian Royalty Exploration Corporation has approved the disclosure contained in the Interim MD&A. A copy of this Interim MD&A will be provided to anyone who requests it and can be located, along with additional information, on the SEDAR website at www.sedar.com.

Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in the foregoing Management's Discussion and Analysis and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risk set above.

Additional Information

Additional information about the company and its business activities is available on SEDAR at www.sedar.com.