



**TANZANIAN ROYALTY EXPLORATION CORPORATION
(An Exploration Stage Company)**

**Consolidated Financial Statements
For the Three and Six Months Ended February 28, 2009 and February 29, 2008**

**Unaudited
Prepared by Management
Vancouver, B.C.**



**TANZANIAN ROYALTY EXPLORATION CORPORATION
(An Exploration Stage Company)**

**Consolidated Financial Statements
For the Three and Six Months Ended February 28, 2009 and February 29, 2008**

Notice

The accompanying unaudited interim financial statements of Tanzanian Royalty Exploration Corporation (the "Company") have not been reviewed by the Company's auditors.



Tanzanian Royalty Exploration Corporation
(An Exploration Stage Company)

Consolidated Balance Sheets
 As at February 28, 2009 and August 31, 2008
 (Expressed in Canadian Dollars)

	February 28 2009	August 31 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,218,652	\$ 1,195,237
Accounts and other receivables	86,491	75,021
Inventory	365,678	452,339
Prepaid expenses	95,089	88,340
	<u>1,765,910</u>	<u>1,810,937</u>
Mineral properties and deferred exploration costs (note 3)	26,685,712	24,360,343
Equipment and leasehold improvements	754,978	794,014
	<u>\$ 29,206,600</u>	<u>\$ 26,965,294</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 480,074	\$ 502,777
Current portion of obligations under capital lease	51,214	43,626
	<u>531,288</u>	<u>546,403</u>
Obligations under capital lease	19,391	38,435
Shareholders' equity:		
Share capital (note 4)	64,195,400	61,705,400
Share subscriptions received	1,013,710	-
Contributed surplus	685,489	399,690
Deficit	<u>(37,238,678)</u>	<u>(35,724,634)</u>
	28,655,921	26,380,456
Nature of operations (note 1)		
Subsequent events (note 6)		
	<u>\$ 29,206,800</u>	<u>\$ 26,965,294</u>

See Accompanying Notes to the Unaudited Consolidated Financial Statements
 Unaudited – Prepared by Management

"Norman Betts", Director

"James Sinclair", Director



Tanzanian Royalty Exploration Corporation
(An Exploration Stage Company)

Consolidated Statements of Operations, Comprehensive Loss and Deficit
For the Three and Six Months ended February 28, 2009 and February 29, 2008
(Expressed in Canadian Dollars)

	Three months ended February 28		Six months ended February 28	
	2009 \$	2008 \$	2009 \$	2008 \$
EXPENSES				
Amortization	24,752	26,513	49,377	41,124
Annual General Meeting, Printing & Mailout	88,230	95,201	88,583	95,393
Consulting and Management Fees	42,179	76,323	102,043	99,698
Directors' Fee	112,642	114,786	225,800	231,775
Insurance	24,358	24,185	49,048	47,623
Membership, Courses & Publications	3,711	-	4,845	604
New Property Investigation Costs	8,419	4,193	19,481	18,185
Office and Administration	19,349	12,750	49,859	50,511
Office Rentals	22,195	12,764	43,017	32,481
Press Releases	685	10,341	899	15,963
Professional Fees	141,010	136,224	232,651	185,673
Promotion and Shareholder Relations	4,471	3,774	7,418	6,863
Salaries and Benefits	320,507	247,346	596,146	531,613
Stock-based compensation	50,808	14,133	102,176	41,540
Telephone and Fax	3,984	4,761	9,211	11,144
Transfer Agent and Listing	68,854	53,906	115,806	101,905
Travel and Accommodation	13,546	15,942	30,207	22,346
Other	6,437	-	8,355	-
	<u>956,137</u>	<u>853,142</u>	<u>1,734,922</u>	<u>1,534,441</u>
OTHER (INCOME) EXPENSE				
Property Write-Off (note 3)	-	280,503	-	552,410
Gain on sale of short term investments	-	-	-	-
Interest Expense (Income), net	2,183	(12,079)	2,120	(20,221)
Interest – Capital lease	1,971	4,688	3,968	4,688
Foreign Exchange Loss (Gain)	(41,160)	26,082	(226,966)	61,818
	<u>(37,006)</u>	<u>299,194</u>	<u>(220,878)</u>	<u>598,695</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	919,131	1,152,336	1,514,044	2,133,136
DEFICIT, BEGINNING OF PERIOD	36,319,547	33,007,389	35,724,634	32,026,589
DEFICIT, END OF PERIOD	<u>\$37,238,678</u>	<u>\$34,159,725</u>	<u>\$37,238,678</u>	<u>\$34,159,725</u>
Basic and diluted loss per share	(\$0.010)	(\$0.014)	(\$0.017)	(\$0.025)
Weighted average shares outstanding	88,547,886	87,596,013	88,743,421	87,040,457

See Accompanying Notes to the Unaudited Consolidated Financial Statements
Unaudited – Prepared by Management

Tanzanian Royalty Exploration Corporation
(An Exploration Stage Company)

Consolidated Statement of Cash Flows
For the Three and Six Months ended February 28, 2009 and February 29, 2008
(Expressed in Canadian Dollars)

	Three months ended February 28		Six months ended February 28	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash provided from (used in)				
Operating activities				
Loss for the period	(919,131)	(1,152,336)	(1,514,044)	(2,133,136)
Items not affecting cash:				
Write off of Mineral Properties	-	280,502	-	552,410
Depreciation	24,752	26,513	49,377	41,124
Stock-based compensation	50,811	14,133	102,176	41,540
Non-cash directors' fees	81,801	79,675	164,511	159,353
	<u>(761,767)</u>	<u>(751,513)</u>	<u>(1,197,980)</u>	<u>(1,338,709)</u>
Change in non-cash working capital items:				
Accounts and Other Receivables	(11,541)	10,597	(11,470)	(10,461)
Inventory	119,915	(30,601)	86,661	(124,254)
Prepaid Expenses	(28,638)	(49,828)	(6,749)	(33,452)
Accounts Payable	(56,251)	423,540	(22,703)	81,717
	<u>(738,282)</u>	<u>(397,805)</u>	<u>(1,152,241)</u>	<u>(1,425,159)</u>
Investing Activities				
Mineral properties and deferred exploration expenditures	(1,293,486)	(511,261)	(2,337,351)	(1,040,042)
Option payments received and recoveries	31,094	206,485	31,094	188,567
Repayment of obligations under lease	(10,701)	(9,550)	(11,456)	(21,910)
Capital assets (additions) disposal, net	(9,662)	(12,075)	(10,341)	(12,866)
	<u>(1,282,755)</u>	<u>(326,401)</u>	<u>(2,328,054)</u>	<u>(886,251)</u>
Financing Activities				
Share capital issued	1,490,000	928,009	2,490,000	2,928,004
Share subscriptions received	203,507	-	1,013,710	-
	<u>1,693,507</u>	<u>928,009</u>	<u>3,503,710</u>	<u>2,928,004</u>
NET INCREASE (DECREASE) IN CASH	<u>(327,530)</u>	<u>203,803</u>	<u>23,415</u>	<u>616,594</u>
CASH BEGINNING OF PERIOD	<u>1,546,182</u>	<u>2,015,061</u>	<u>1,195,237</u>	<u>1,602,270</u>
CASH END OF PERIOD	<u><u>1,218,652</u></u>	<u><u>2,218,864</u></u>	<u><u>1,218,652</u></u>	<u><u>2,218,864</u></u>
Issuance of share capital for subscriptions previously received	-	446,996	-	821,996
Stock based compensation capitalized to mineral properties	9,613	-	19,112	-

See Accompanying Notes to the Unaudited Consolidated Financial Statements
Unaudited – Prepared by Management

**Tanzanian Royalty Exploration Corporation
(An Exploration Stage Company)**

Notes to the Unaudited Consolidated Financial Statements

For the Three and Six Months ended February 28, 2009 and February 29, 2008

(Expressed in Canadian Dollars)

1. Nature of operations

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral deposits that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred costs are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to explore and develop, and upon future profitable production or proceeds from disposition of the mineral properties. The amounts shown as deferred expenditures and property acquisition costs represent net costs to date, less amounts recovered, amortized and/or written off, and do not necessarily represent present or future values.

2. Significant accounting policies

These interim consolidated financial statements of Tanzanian Royalty Exploration Corporation (the "Company") include the accounts of the Company and four subsidiaries have been prepared by management. These statements have not been audited or reviewed by an independent public accountant. These interim consolidated financial statements do not include all disclosures required by Canadian generally accepted accounting principles for annual financial statements, and accordingly, these interim consolidated financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements. These interim consolidated financial statements follow the same accounting policies and methods of application as described in Note 2 in the Company's audited annual consolidated financial statements as at and for the year ended August 31, 2008.

Changes in Accounting Policies including Initial Adoption

Effective September 1, 2008, the Company adopted, on a prospective basis, the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

(a) Section 1535 – Capital Disclosures

This section requires disclosure of any entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

The Company's objective when managing capital is to safeguard the Company's ability to continue to support exploration and development of mineral properties.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions as the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares. The Company is not exposed to externally imposed capital requirements.

(b) Section 3862 and 3863– Financial Instruments – Disclosures and Presentation

This section replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories. The CICA also issued Section 3863 –

Financial Instruments – Presentation, to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows.

(i) Disclosure

The Company's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities.

Cash and short-term deposits are designated as held for trading and therefore carried at fair value, with the unrealized gain or loss recorded in interest income.

The fair values of cash, accounts receivable, account payable and accrued liabilities approximate carrying value because of the short-term nature of these instruments.

(ii) Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

The Company is mainly exposed to credit risk on its bank accounts and its short-term deposits. Bank accounts and short-term deposits are with Canadian Schedule 1 banks with a \$20 million counterparty credit limit.

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements after taking into account the Company's holding of cash. The Company's cash is invested in business accounts which are available on demand.

Market Risk

The only significant market risk exposure to which the Company is exposed is interest rate risk. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates.

(c) Section 3031 – Inventories

This section replaced CICA section 3030 of the same name. The new guidance provides additional measurement and disclosure requirements. While this standard has been adopted, it has no financial statement impact on the Company.

Recently released Canadian accounting standards:

International Financial Reporting Standards (IFRS):

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of September 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended August 1, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

CICA 3064 Goodwill and Intangible Assets:

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Intangible Assets*, and Section 3450, *Research and Development Costs*. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard applies to the Company's interim and annual financial statements for its fiscal year ending August 31, 2010.

Tanzanian Royalty Exploration Corporation

Consolidated Statement of Mineral Properties and
Deferred Exploration and Development Cost

For the Six Months Ended February 28, 2009 and Year Ended August 31, 2008

(Expressed in Canadian dollars)

3. Mineral properties and deferred exploration and development costs:

The continuity of expenditures on mineral properties is as follows:

	Itetemia Project (a)	Luhala Project (b)	Kigosi (c)	Lunguya (d)	Kanagele (e)	Tulawaka (f)	Ushirombo (g)	Mbogwe (h)	Biharamulu (i)	Other (j)	Total
Balance, August 31, 2006	\$ 6,393,041	\$ 4,079,789	\$ 1,748,284	\$ 2,826,034	\$ 1,077,512	\$ 955,269	-	\$ 762,709	\$ 486,601	\$ 2,264,709	\$20,593,948
Shares issued for mineral properties interest	-	-	925,124	-	-	-	-	-	-	-	925,124
Exploration expenditures:											
Camp, field supplies and travel	-	13,077	157,810	-	-	-	11,510	1,593	-	66,050	250,040
Exploration and field overhead	17,454	83,156	927,100	8,706	5,631	40,081	97,695	23,782	7,612	146,591	1,357,808
Geological consulting and field wages	-	-	-	-	-	-	-	-	-	(11,233)	(11,233)
Geophysical and geochemical	267	62,821	89,995	-	738	14,291	(414)	524	19,835	127,171	315,228
Property acquisition costs	-	71,801	4,178	-	57,118	13,995	-	-	-	245,856	392,948
Parts and equipment	-	1,304	-	-	-	-	-	-	-	-	1,304
Trenching and drilling	(10,514)	1,527	286,486	-	-	-	14,542	8,403	-	10,382	310,826
Recoveries	(83,404)	(80,321)	-	-	-	(92,670)	-	-	(154,938)	-	(411,333)
	(76,197)	153,365	2,390,693	8,706	63,487	(24,303)	123,333	34,302	(127,491)	584,817	3,130,712
Write-offs	-	-	(77,479)	-	-	(54,210)	(123,333)	(334,538)	(10,802)	(664,669)	(1,265,031)
Balance August 31, 2007	\$ 6,316,844	\$ 4,233,154	\$4,061,498	\$ 2,834,740	\$ 1,140,999	\$ 876,756	\$ -	\$ 462,473	\$ 348,308	\$ 2,184,857	\$ 22,459,629
Exploration expenditures:											
Camp, field supplies and travel	-	6,344	312,588	13,163	6,311	-	4,004	1,015	3,497	65,647	406,225
Exploration and field overhead	-	-	895,209	40,114	14,770	31,636	25,037	18,681	19,091	223,454	1,274,336
Geological consulting and field wages	-	-	-	-	-	-	-	-	-	-	-
Geophysical and geochemical	-	-	179,631	3,813	9,988	603	9,512	3,277	2,883	99,548	309,255
Property acquisition costs	-	-	19,260	-	47,711	14,077	-	-	-	298,176	379,224
Parts and equipment	-	-	-	-	-	-	-	-	-	-	-
Trenching and drilling	-	-	594,400	-	-	-	-	-	-	-	594,400
Recoveries	(108,533)	(123,451)	-	-	-	(59,440)	-	-	(98,822)	-	(390,246)
	(108,533)	(117,107)	2,001,088	57,090	78,780	(13,124)	38,553	22,973	(73,351)	686,825	2,573,194
Write-offs	-	-	(31,220)	(129,566)	(6,801)	(190,020)	-	(8,472)	(256,438)	(49,961)	(672,478)
Balance August 31, 2008	\$ 6,208,311	\$ 4,116,047	\$ 6,031,366	\$ 2,762,264	\$ 1,212,978	\$ 673,612	\$ 38,553	\$ 476,974	\$ 18,519	\$ 2,821,719	\$24,360,343
Exploration expenditures:											
Camp, field supplies and travel	-	-	145,543	5,662	-	-	-	4,731	-	4,465	160,401
Exploration and field overhead	30,529	-	544,885	30,702	82	2,841	794	8,152	1,455	109,308	728,748
Geological consulting and field wages	-	-	-	-	-	-	-	-	-	-	-
Geophysical and geochemical	-	-	241,614	13,273	-	-	10,728	17,141	-	25,079	307,835
Property acquisition costs	-	-	25,713	-	-	15,175	-	-	-	121,822	162,710
Parts and equipment	-	-	-	-	-	-	-	-	-	-	-
Trenching and drilling	-	-	996,769	-	-	-	-	-	-	-	996,769
Recoveries	(31,094)	-	-	-	-	-	-	-	-	-	(31,094)
	(565)	4,116,047	1,954,524	49,637	82	18,016	11,522	30,024	1,455	260,674	2,325,369
Write-offs	-	-	-	-	-	-	-	-	-	-	-
Balance February 28, 2009	\$ 6,207,746	\$ 4,116,047	\$ 7,985,890	\$ 2,811,901	\$ 1,213,060	\$ 691,628	\$ 50,075	\$ 506,998	\$ 19,974	\$ 3,082,393	\$26,685,712

3. Mineral properties and deferred exploration costs

(a) & (b) Itetemia Project and Luhala Project:

In January 2007 the Company concluded an option royalty agreement with Sloane Developments Ltd. ("Sloane"), a UK based company for its Itetemia and Luhala gold projects. Under the option agreement, the Company granted Sloane the right to earn a beneficial interest ranging from 90% to 100% in certain prospecting licenses in the Lake Victoria greenstone belt of Tanzania by making annual option payments and payment for each retained license, and incurring \$1 million in expenditures on the licenses.

Two licenses located at Itetemia are subject to an option agreement with Barrick Exploration Africa Ltd. (BEAL).

(c) Kigosi Project:

The Company continues its own exploration program on the Kigosi property.

(d) & (e) Tulawaka and Biharamulo

Three Tulawaka licences and Three Biharamulo licences are subject to an option agreement with MDN Inc.

4. Share Capital

(a) Issued common shares and share subscriptions:

	Number of shares	Amount (\$)
Balance, August 31, 2008	88,114,352	61,705,400
Issued for private placements	679,606	1,740,000
Issued pursuant to share subscriptions agreement	141,809	750,000
Issued pursuant to Restricted Share Unit Plan	-	-
Balance, February 28, 2009	88,935,767	64,195,400

In August 2006, James E. Sinclair, Chairman and CEO of the Company, confirmed his intention to continue his regular investments in Tanzanian Royalty by entering into a Private Placement Subscription Agreement (the "current Agreement") with the Company under which he agreed to subscribe for common shares of the Company for an aggregate amount of \$3,000,000. Under the current Agreement, Mr. Sinclair agreed to subscribe for eight (8) quarterly tranches of \$375,000 each, commencing February 1, 2007. As at February 28, 2009 eight of the eight quarterly tranches have been subscribed for.

On February 3, 2009, James E. Sinclair, Chairman and CEO of the Company, confirmed his intention to continue his regular investments in Tanzanian Royalty by entering into a new Private Placement Subscription Agreement (the "new Agreement") with the Company under which he agreed to subscribe for common shares of the Company for an aggregate amount of \$3,000,000. Under the new Agreement, Mr. Sinclair has agreed to subscribe for eight (8) quarterly tranches of \$375,000 each, commencing February 1, 2009.

During the six months ended February 28, 2009, on October 10, 2008 the Company issued 327,225 common shares at a price of \$3.056 per share for a \$1,000,000 pursuant to a subscription agreement dated October 1, 2008 with Mr. Sinclair, Chairman and CEO.

On December 9, 2008 the Company completed a private placement with Van Tongeren Management LLC for 352,381 common shares at a price of \$2.10 per share for total proceeds of \$740,000.

Under the current Agreement with Mr. Sinclair, on January 13, 2009 the Company completed the 7th tranche of the \$3 million private placement for 69,832 common shares at \$5.37 per share for proceeds of \$375,000.

Under the current Agreement with Mr. Sinclair, on February 20, 2009 the Company completed the 8th tranche of the \$3 million private placement for 71,977 common shares at \$5.21 per share for proceeds of \$375,000.

(b) Restricted Stock Unit Plan

Under the Restricted Stock Unit ("RSU") Plan employees and outside directors are compensated for their services to the Company. The annual compensation for directors is \$68,750 per year, plus \$6,875 per year for serving on Committees, plus \$3,437.50 per year for serving as Chair of a Committee. At the election of each individual director, up to one-third of the annual compensation may be received in cash, paid quarterly. The remainder of the director's annual compensation (at least two-thirds, and up to 100%) will be awarded as Restricted Stock Units ("RSUs") in accordance with the terms of the RSU Plan and shall vest within a minimum of one (1) year and a maximum of three (3) years, at the election of the director, subject to the conditions of the RSU Plan with respect to earlier vesting.

At February 28, 2009 the number of RSUs outstanding under the RSU Plan are as follows:

Granted:	2006	18,800
	2007	56,007
	2008	148,369

At February 28, 2009 the number of RSUs expected to vest (listed by year expected to vest) are as follows:

2009	69,582
2010	56,007
2011	97,587

For the six month period ended February 28, 2009, stock-based compensation expense related to the issue of restricted stock was \$285,799 (2008 - \$200,893).

5. Transactions with Related parties

During the six months ended February 28, 2009, \$216,344 was paid or payable by the Company to directors for professional fees. Directors were paid \$ 51,833 in cash and \$164,511 in non cash equivalent RSU during the six month period ended February 28, 2009 compared to \$72,421 and \$159,353 respectively during the six month period ended February 29, 2008. The company engages a legal firm for professional services in which one of the Company's directors is a partner. During the six months ended February 28, 2009, the legal expense charged by this firm was \$109,867. On October 10, 2008 the Company issued 327,225 common shares at a price of \$3.056 per share for a \$1,000,000 pursuant to a subscription agreement dated October 1, 2008 with Mr. Sinclair, Chairman and CEO.

Under the current Agreement with Mr. Sinclair, on January 13, 2009 the Company completed the 7th tranche of the \$3 million private placement for 69,832 common shares at \$5.37 per share for proceeds of \$375,000.

Under the current Agreement with Mr. Sinclair, on February 20, 2009 the Company completed the 8th tranche of the \$3 million private placement for 71,977 common shares at \$5.21 per share for proceeds of \$375,000.

At February 28, 2009, the Company has a receivable of \$38,049 from Mr. J. Sinclair.

6. Subsequent Event

On March 4, 2009 the Company issued 189,036 common shares at a price of \$5.29 per share for proceeds of \$1,000,000 pursuant to a subscription agreement dated February 23, 2009 with Mr. Sinclair, Chairman and CEO.

On March 27, 2009 the Company entered into a private placement subscription agreement with Mr. Sinclair for 248,139 common shares at a price of \$6.045 per share for proceeds of \$1,500,000. The private placement is subject to regulatory approval.