

**Management's Discussion and Analysis  
For Tanzanian Royalty Exploration Corporation (the "Company")  
of Financial Condition and Results of Operation  
Three and Six Months ended February 28, 2010  
(in Canadian dollars)**

The Management's Discussion and Analysis of Financial Condition and Results of Operation ("MD&A") for Tanzanian Royalty Exploration Corporation (the "Company") should be read in conjunction with the audited Consolidated Financial Statements for the years ended August 31, 2009 and 2008.

The financial information in the MD&A is derived from the Company's Consolidated Financial Statements which have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts are expressed in Canadian dollars unless otherwise described. The effective date of this MD&A is April 12, 2010.

**Overall Performance**

As of February 28, 2010 the Company had Current Assets of \$2,300,101 as compared to \$1,627,389 on August 31, 2009. Deferred Exploration Costs amounted to \$28,026,585.

The Company has issued common shares in the amount of \$4,084,479 (1,483,594 shares in this six month period).

**Selected Financial Information**

	As at and for the year ended Aug 31, 2009	As at and for the year ended Aug 31, 2008	As at and for the six months ended Feb. 28, 2010	As at and for the six months ended Feb. 28, 2009
<b>Total Revenues</b>	\$ 0	\$ 0	\$ 0	\$ 0
<b>Net Loss for the period</b>	(\$4,731,836)	(\$3,698,045)	(\$1,685,282)	(\$1,514,044)
<b>Basic and diluted loss per share</b>	(\$0.05)	(\$0.04)	(\$0.018)	(\$0.017)
<b>Total assets</b>	\$29,285,205	\$26,965,294	\$31,356,980	\$29,206,600
<b>Total long term financial liabilities</b>	\$ 0	\$38,435	\$ 0	\$19,391
<b>Cash dividends declared per share</b>	\$ 0	\$ 0	\$ 0	\$ 0

**Results of Operations**

Net loss for the six month period ended February 28, 2010 was \$1,685,282 compared to \$1,514,044 for the comparable period in 2009. For the three month period ended February 28, 2010 and February 28, 2009, the net loss was \$881,166 and \$919,131, respectively.

The Company has concentrate on its drill program mainly at Kigosi/Msonga during the past six months, the net spending on Mineral Properties and Deferred Cost has decreased from \$2,337,351 during the six month period ended February 28, 2009 to \$1,380,255 for the six month period ended February 29, 2010. For the three months period ending on February 28, 2010, the net expenditures on Mineral Properties and Deferred Exploration were \$761,660 as compared to the three months period ending February 28, 2009 were \$1,293,486.

As the Company entered into its third year of the Option Agreement with Sloane Developments Ltd., recoveries have increased to \$403,036 during 2010 from \$31,094 during 2009.

Since September 2009 three employees left the Company's employment and their positions have not been replaced. As a result, salaries and benefits expense has decreased from \$596,146 for the six month period ended February 28, 2009 to \$500,674 for the six month period ended February 28, 2010. The expenses for the corresponding three month period ending February 28, 2010 and February 29, 2009 were \$248,394 and \$320,507 respectively.

Professional fees decreased by \$43,295 for the six month period ended February 28, 2010 to \$189,356 from \$232,651 for six month period ended February 29, 2009. In the first six months of the fiscal year, the Company did not engage in extensive reviews of contract negotiations, therefore, legal expenses have decreased.

For the six months ending February 28, 2010, the foreign exchange loss was \$78,920 compared to an exchange gain of \$226,967 for the same period ended February 28, 2009. This is an loss of \$305,888 was due the 6 months' average US dollar exchange rate decrease from \$1.19 at February 28, 2009 to \$1.059 at February 28, 2010.

Restricted Stock Unit ("RSU") expense included in the Directors' fee for 2010 and 2009 were \$74,567 and \$102,176, respectively. Stock based compensation expense decreased to forfeiture by departed employees.

Consulting and management fee increase from \$102,043 for the six months ended February 28, 2009 to \$126,771 for the six months period ended February 28, 2010. The increase of \$24,728 was mainly due to payment to certain directors on the technical committee.

#### Summary of Quarterly Results (unaudited)

	2010 February 28	2009 November 30	2009 August 31	2009 May 31	2009 February 28	2008 November 30	2008 August 31	2008 May 31
<b>Total Revenues</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Loss</b>	(\$881,166)	(\$804,117)	(\$505,397)	(\$904,764)	(\$919,131)	(\$594,913)	(\$660,145)	(\$904,764)
<b>Basic and diluted loss per share</b>	(\$0.010)	(\$0.009)	(\$0.006)	(\$0.010)	(\$0.010)	(\$0.007)	(\$0.007)	(\$0.010)

#### Liquidity

Because the Company does not currently derive any 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.

As of February 28, 2010 the Company's working capital position was \$1,786,816 as compared to \$943,219 on August 31, 2009. As the Company's mineral properties advance under various exploration agreements, rental payments could increasingly play a role in funding exploration activities.

The following table sets out the Company's known contractual obligations as at February 28, 2010:

<b>Contractual Obligations</b>	<b>Payments Due by Period</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>2-3 years</b>	<b>4-5 years</b>	<b>More than 5 years</b>
Capital Lease	US\$15,389 <sup>(1)</sup>	US\$15,389	Nil	Nil	Nil

<sup>(1)</sup> 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 up to 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 US \$50 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:

	<b>Option Payments Due by Period (US\$)</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>2-3 years</b>	<b>4-5 years</b>	<b>over 5 years</b>
<b>Option Agreement Obligations</b>	\$1,090,000	\$403,500	\$509,500	\$177,000	Nil

On October 26, 2009, the Company completed a private placement with the Company's Chairman and CEO for 306,749 common shares at a price of \$3.26 per share, resulting in net proceeds of \$1,000,000 to the Company.

On December 21, 2009, the Company completed private placements whereby the Company issued an aggregate 1,155,835 common shares at a price of \$2.718 per share for net proceeds of \$2,984,479 pursuant to subscription agreements dated November 6, 2009 with arm's length third party European investment funds.

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 could adjust the extent and timing of certain expenditures.

### Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

## Transactions with Related parties

During the six months ended February 28, 2010, \$218,120 was paid or payable by the Company to directors for professional fees. Directors were paid \$47,951 in cash and \$170,169 in non cash equivalent RSU during the six month period ended February 28, 2010 compared to \$51,833 and \$164,511 respectively during the six month period ended February 29, 2009. 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, 2010, the legal expense charged by this firm was \$61,440. In addition, during the six months ended February 28, 2010 \$103,460 (2009 - \$nil) was paid to certain members of the Company's Technical Committee.

On October 26, 2009, the Company issued 306,749 common shares at a price of \$3.26 per share to the Company's Chairman and CEO, resulting in net proceeds of \$1,000,000 to the Company.

At February 28, 2010, the Company has a receivable of \$Nil (2009 - \$38,049) from the Company's Chairman and CEO.

## 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 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, 2010 the number of RSUs outstanding under the RSU Plan are as follows:

Granted:	2007	36,966
	2008	64,080
	2009	184,140

At February 28, 2010 the number of RSUs expected to vest (listed by year expected to vest) are as follows:

	2010	126,872
	2011	64,080
	2012	94,234

For the six month period ended February 28, 2010, stock-based compensation expense related to the issue of restricted stock was \$177,028 (2009 - \$285,799).

## Changes in Accounting Policies including Initial Adoption

Effective September 1, 2009, the Company adopted on a prospective basis, the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

- (i) The Canadian Accounting Standards Board (AcSB) amended CICA Section 3855, *Financial Instruments – Recognition and Measurement*, and Section 3025, *Impaired Loans*, to converge with IFRS for impairment of debt instruments by enabling debt securities to be included in the loans and receivables category. The sections allow for elimination of the distinction between debt securities and other debt instruments and adopt the definition of loans and receivables, permit reclassification of financial assets from the held-for-trading and available-for-sale categories into the loans and receivables category. It also allow reclassification to net income, foreign exchange gains and losses associated with assets transferred out of the available-for-

sale category, that were previously recognized in other comprehensive income, immediately upon transfer. This change the impairment model for held-to-maturity investments to the incurred credit loss model in accordance with HB 3025. It required the reversal of an impairment loss relating to an available-for-sale debt instrument when, in a subsequent period, the fair value of the instrument increases and the increase can be objectively related to an event occurring after the loss was recognized. The Company has applied this for the six month period ended February 28, 2010 and there was no significant impact on its financial statements as a result of this amendment.

- (ii) The Canadian Accounting Standards Board (AcSB) has amended CICA Section 3855, *Financial Instruments – Recognition and Measurement* by further providing guidance on calculating the effective interest rate. The amendment requires that subsequent to recognition of an impairment write-down of a financial asset (other than a loan or receivable), interest income is recognized using the same interest rate used to discount cash flows for the purpose of measuring the impairment loss. The Company has applied this for the six month period ended February 28, 2010 and there was no significant impact on its financial statements as a result of this amendment.
- (iii) The Canadian Accounting Standards Board (AcSB) has amended CICA section 3855, *Financial Instruments – Recognition and Measurement* by further providing guidance on the assessment of embedded derivatives upon reclassification of a financial asset out of held-for-trading category. Reclassification of an instrument out of held-for-trading category is prohibited if an entity is unable to measure separately the embedded derivative in the combined contract. The Company has applied this for the six month period ended February 28, 2010 and there was no significant impact on its financial statements as a result of this amendment.
- (iv) 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 effective September 1, 2009 and had no material impact on the Company's consolidated financial statements.

**Future Canadian Accounting Standards:**

- (i) 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 Company will therefore adopt IFRS for its August 2012 year end. The transition date of September 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended August 31, 2011. 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.

- (ii) CICA 3855 *Financial Instruments: – Recognition and Measurement (Embedded Prepayment Options)*

The Canadian Accounting Standards Board (AcSB) has amended CICA section 3855 with regard to determining when a prepayment option in a host debt instrument is closely related to the host instrument. The amendment states that if the exercise price of a prepayment option compensates the lender for an amount equivalent to the present value of the lost interest for the remaining term of the host instrument, the feature is considered closely related to the host contract in which it is embedded. The amendments to Section 3855 apply for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The

Company does not expect them to have a material impact on the Company's financial statements.

- (iii) CICA 3862 Financial Instruments – Disclosures (Improvements to fair value and liquidity risk disclosures)  
Financial Instruments:

The Canadian Accounting Standards Board (AcSB) has amended CICA Section 3862, to enhanced disclosure requirement for fair value measurement of financial instruments and liquidity risks. The amendments require additional disclosure for fair value measurements including the fair value hierarchy into which the fair value measurements are categorized in their entirety. Any significant transfers between the Level of the fair value hierarchy and the reasons for those transfers. It requires reconciliation of the beginning balances to the ending balances for those fair value measurements that result from the use of significant unobservable inputs in valuation techniques and disclosing separately changes during the period. It also requires disclosures of the risk relates to financial liabilities that are settled by delivering cash or another financial assets and maturity analysis disclosure for derivative financial liabilities based on how an entity manages liquidity risk. The amendments to Section 3862 apply for interim and annual financial statements relating to fiscal years ending after September 30, 2009. The Company does not expect them to have a material impact on the Company's financial statements.

### **Critical Accounting Estimates**

The Company's most critical accounting estimate relates to the write-off of exploration licenses and associated costs. The Company has recorded a write-down on mineral properties abandoned during the period ended February 28, 2010. Management assesses impairment of its exploration prospects quarterly. If an impairment results, the capitalized costs associated with the related project or area of interest are charged to expense. Other areas requiring the use of estimates include the determination of stock-based compensation and future income taxes.

### **Disclosure of Outstanding Share Data**

As at the date of this MD&A, there were 91,263,138 common shares outstanding and a total of 182,624 Restricted Stock Units have been issued.

### **Financial and Other Instruments**

The Company's financial assets and liabilities consist of cash and cash equivalents, accounts and other receivables, accounts payable, and accrued liabilities and obligations under the capital lease, of which some are held in different currencies. The Company does not engage in any hedging activities relating to these foreign denominated assets and liabilities. The fair value of the Company's financial assets and liabilities is estimated to approximate their carrying value.

### **Litigation**

There are no legal proceedings which may have or have had a significant affect on the Company's financial position or profitability.

### **Exploration Summary**

The Company completed 43-101 compliant Technical Reports for three of its mineral projects during the report period. The recommendations in these reports will be used to guide future exploration on the properties.

A Phase One, rotary drilling program commenced in the Msonga Area on the north side of the Kigosi project during the month of October. The intent of the program was to delineate potential reef zones associated with a predominant, circular gold-in-soil anomaly.

Among the prominent geological features cited in the Ushirombo 43-101 Technical Report was the fact the property occurs in the same structural setting as the known gold mineralization at the Tulawaka gold mine 30 kilometres to the northwest. Both Ushirombo and Tulawaka are known to host extensive, gold-bearing quartz rubble at or near surface which in the former's case is largely concentrated around artisanal mining areas.

The Ushirombo report recommends extensive follow-up exploration work in the core area of the property in an effort to confirm gold-in-quartz mineralization on surface and to extend the gold mineralization in the principal artisanal workings.

In January 2009 Tanzanian Royalty prepared a new geological interpretation of the Ushirombo property, integrating airborne magnetic/radiometric data, geological mapping and RAB drilling results from earlier exploration programs. As a result of the review process, the Company identified the "Ushirombo Gold Corridor" (UGC), a 12 kilometres long by six kilometres wide northwest-trending zone as the prime target area.

The UGC contains the areas of historic and current artisanal gold mining and is traversed by the principal regional structures that appear to be associated with known gold mineralization in the area.

The 43-101 compliant Technical Report for the Kibara Mineral Project in northern Tanzania noted the presence of significant gold and copper mineralization in trenches within the Nyakona Hill area and in artisanal gold workings. Several grab samples taken in 2005 returned values up to 6.0 g/t gold and 13% copper.

The project area comprises approximately 375 square kilometres and is situated within the Musoma-Mara Greenstone Belt about 145 kilometres southwest of the North Mara gold mine.

Follow-up exploration work including RAB and/or RC drilling has been recommended for each of the targets areas identified in the 43-101 report. The objective of this program will be to confirm the existence at depth of any gold/copper-in-quartz mineralization returned previously in trenches at Nyakona Hill and to extend any gold mineralization identified in the artisanal mine workings.

Success in the first phase exploration program would precipitate a second phase of exploration that would include additional RC drilling to expand the mineralization along strike and to depth.

During the report period, the Company concluded an option agreement for its Kabanga nickel properties with a major Chinese metals company, Jinchuan Mining, The company is a member of the Jinchuan Group, the largest nickel and cobalt producer in China.

Beijing Songshanheli Mining Investment Co. Ltd. previously held the Kabanga nickel properties under an exclusive option agreement with Tanzanian Royalty. Under the new joint venture regime, Jinchuan Mining will act as operator and will hold complete financial responsibility for all exploration activities on the nickel exploration licenses.

The Chinese joint venture partners will hold the right to earn a 100% interest in the Kabanga nickel properties for time-sensitive payments including staged exploration expenditures and a 30-year 3% net smelter royalty in favour of Tanzanian Royalty upon achieving commercial production.

Tanzanian Royalty's Kabanga properties comprise a project area of 4,200 square kilometres, with targets for nickel, cobalt and PGM mineralization. The project area is situated to the north of the high grade Kabanga nickel deposit which is currently under development by a joint venture consisting of Barrick and Xstrata.

Exploration work on the Company's Kabanga nickel licenses is expected to begin early this year, with Tanzanian Royalty providing logistical and related assistance to Jinchuan and Beijing Songshanheli in several key areas including government relations, license maintenance, corporate filings and the importing of heavy equipment.

In February 2010, the Company received a 43-101 compliant Technical Report for its Lunguya Project which is located within one of the principal Archaean greenstone belts of Tanzania, 15-30 kilometres south of Barrick's Bulyanhulu gold mine. The project area includes northwest-trending magnetic lineaments and shear sets that are parallel to those hosting the Bulyanhulu mine, Tanzania's largest gold producer.

A program of ground magnetics has been recommended for the Lunguya property, followed by an orientation MMI (Mobile Metal Ion) soil survey on at least two of the east-west magnetic survey lines which is intended to provide a clearer picture of any gold anomalies.

Following the integration of this new exploration data with previous geochemical, geophysical and drilling data, drill targets will be selected for either RAB (Rotary Air Blast) or RC (Reverse Circulation) drilling. The Company also plans a review of the quartz rubble areas at Lunguya in areas of artisanal mining to determine if there is a viable target remaining for a potential resource.

The 43-101 Technical Reports for Ushiroombo, Kibara and Lunguya were prepared by Martin J. Taylor, P. Geo, a Toronto-based independent consulting geologist who fulfills the requirements to be a "Qualified Person" for the purposes of NI 43-101.

### **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.

### **Management's Report on Internal Control Over Financial Reporting**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company's management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of August 31, 2009. In making this assessment, the Company's management used the criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

The Public Company Accounting Oversight Board's Auditing Standard No. 5 defines a material weakness as a control deficiency, or a combination of control deficiencies, such that there is a reasonable possibility that a material misstatement of the Company's annual financial statements will not be prevented or detected. The company identified a material weakness in its internal control over financial reporting as of August 31, 2009:

- The Company has limited accounting personnel with expertise in generally accepted accounting principles to enable effective segregation of duties over transaction processes with respect to financial reporting matters and internal control over financial reporting. Specifically, certain personnel with financial transaction initiation and reporting responsibilities had incompatible duties that allowed for the creation, review and recording of journal entries, note disclosures and certain account reconciliations without adequate independent review and authorization. This control deficiency, which is pervasive in impact, did not result in adjustments to the financial statements, however there is a reasonable possibility that a material misstatement of the annual financial statements would not have been prevented or detected on a timely basis.

KPMG LLP, an independent registered public accounting firm that audited the annual financial statements for the period August 31, 2009, 2008 and 2007 also performed an audit of internal control over financial reporting as of August 31, 2009. Their report is included in those annual audited financial statements available on SEDAR.

### **Changes in Internal Controls over Financial Reporting**

During the six month period ended February 28, 2010 there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

- Management continues to review the current assignment of responsibilities to improve the segregation. In addition, Management will identify and may hire additional accounting resources where required to redistribute and eliminate overlapping of duties.

### **Evaluation of Disclosure Controls and Procedures**

The Company's management, with the participation of our Chief Executive Officer and Chief Financial Officer, as of the end of the period covered in this report, evaluated the effectiveness of our disclosure controls and procedure and determined that, as a result of the material weakness in internal control over financial reporting described above, as of February 28, 2010 our disclosure controls and procedures are not effective to ensure that information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified.

### **Inherent Limitations of Disclosure Controls and Internal Control over Financial Reporting**

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **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](http://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](http://www.sedar.com).