



TANZANIAN ROYALTY EXPLORATION CORPORATION

**Consolidated Financial Statements
For the Three Months Ended November 30, 2006 and 2005**

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



TANZANIAN ROYALTY EXPLORATION CORPORATION
Consolidated Financial Statements
For the Three Months Ended November 30, 2006 and 2005

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

Consolidated Balance Sheet

As at November 30, 2006 and August 31, 2006

(Expressed in Canadian dollars)

ASSETS	November 30, 2006	August 31, 2006
Current Assets		
Cash and short term deposits	\$ 1,539,343	\$ 3,174,549
Accounts and other receivables	51,888	18,824
Inventory	192,693	158,380
Prepaid expenses and deposits	<u>93,933</u>	<u>80,457</u>
	1,877,857	3,432,210
Mineral properties and deferred exploration and development costs (note 3)	21,259,277	20,593,948
Equipment and leasehold improvements	<u>846,348</u>	<u>865,809</u>
	<u>\$23,983,482</u>	<u>\$24,891,967</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 195,055	\$ 559,312
Current portion of obligations under capital lease	<u>36,122</u>	<u>34,625</u>
	231,177	593,937
Obligations under capital lease	114,978	121,739
Shareholders' Equity		
Share capital (note 4)	51,772,278	51,397,278
Share subscriptions received	375,000	750,000
Contributed Surplus	223,972	134,133
Deficit	<u>(28,733,923)</u>	<u>(28,105,120)</u>
	<u>23,637,327</u>	<u>24,176,291</u>
	<u>\$23,983,482</u>	<u>\$24,891,967</u>

"James Sinclair", Director

"Norman Betts", Director

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TANZANIAN ROYALTY EXPLORATION CORPORATION

Consolidated Statements of Operations and Deficit
 For the Three Months Ended November 30, 2006 and 2005
 (Expressed in Canadian dollars)

	November 30, 2006	November 30, 2005
EXPENSES		
Amortization	\$ 19,072	\$ 24,916
Consulting and Management Fees	61,150	29,836
Insurance	29,345	23,258
Memberships, courses and publications	732	2,721
New Property Investigation Costs	5,011	4,692
Office and Administration	30,892	22,772
Office Rentals	11,516	16,957
Press Releases	14,925	5,190
Printing and Mailout	--	2,388
Professional Fees	33,772	17,893
Promotion and Shareholder Relations	18,451	1,838
Salaries and Benefits	241,444	171,663
Stock Based Compensation	89,839	--
Telephone and Fax	3,377	6,373
Transfer Agent and Listing	47,565	28,531
Travel and Accommodation	<u>11,507</u>	<u>19,668</u>
	618,598	378,696
OTHER (INCOME) EXPENSE		
(Interest Earned), Net of expense	(15,367)	(5,010)
Interest – Capital lease	4,208	5,396
Foreign exchange (Gain) Loss	<u>21,364</u>	<u>23,844</u>
	10,205	24,230
NET LOSS FOR THE PERIOD	628,803	402,926
DEFICIT, BEGINNING OF PERIOD	<u>28,105,120</u>	<u>23,778,398</u>
DEFICIT, END OF PERIOD	<u>\$28,733,923</u>	<u>\$24,181,324</u>
Basic and diluted loss per share	\$0.007	\$0.005
Weighted average shares outstanding	<u>86,249,392</u>	<u>85,144,786</u>

Unaudited – Prepared by Management

TANZANIAN ROYALTY EXPLORATION CORPORATION

Consolidated Statement of Changes in Financial Position
For the Three Months Ended November 30, 2006 and 2005
(Expressed in Canadian dollars)

	November 30, 2006	November 30, 2005
Cash provided from (used for)		
Operating activities		
Loss for the period	\$ (628,803)	\$ (402,926)
Items not affecting cash:		
Amortization	19,072	24,916
Stock-based compensation	<u>89,839</u>	<u>--</u>
	(519,892)	(378,010)
Change in non-cash working capital items		
Accounts and other receivable	(33,064)	13,617
Inventory	(34,313)	(36,466)
Prepaid expenses	(13,476)	(73,532)
Accounts Payable	<u>(364,257)</u>	<u>(51,353)</u>
	<u>(445,110)</u>	<u>(147,734)</u>
	(965,002)	(525,744)
Investing Activities		
Mineral properties and deferred exploration	(665,329)	(476,792)
Repayment of obligations under lease	(5,264)	(8,588)
Capital asset (additions) disposals, net	<u>389</u>	<u>(2,105)</u>
	(670,204)	(487,485)
Financing Activities		
Share capital issued	-	136,172
Share Subscriptions received	<u>-</u>	<u>834,264</u>
	<u>--</u>	<u>970,436</u>
NET INCREASE (DECREASE) IN CASH	(1,635,206)	(42,793)
CASH BEGINNING OF PERIOD	<u>3,174,549</u>	<u>1,395,468</u>
CASH END OF PERIOD	<u>\$ 1,539,343</u>	<u>\$1,352,675</u>
Supplemental Information		
Issuance of share capital for share subscriptions previously received, a non-cash transaction	<u>\$ 375,000</u>	<u>\$ 813,828</u>

Unaudited – Prepared by Management



TANZANIAN ROYALTY EXPLORATION CORPORATION
Summary of Note Disclosure to the Consolidated Financial Statements
For the Three Months Ended November 30, 2006 and 2005
(Expressed in Canadian dollars)
(Unaudited)

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") have been prepared by management, and 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 the Company's audited annual consolidated financial statements as at and for the year ended August 31, 2006.

These interim consolidated financial statements include the accounts of the Company and its subsidiaries.

Tanzanian Royalty Exploration Corporation
Consolidated Statement of Mineral Properties and
Deferred Exploration and Development Cost
For the Three Months Ended November 30, 2006 and Year Ended August 31, 2006
(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)	Ushiroambo (g)	Mbogwe (h)	Biharamulu (i)	Other (j)	Total
Balance, August 31, 2004	\$6,565,003	\$2,819,621	\$1,768,493	\$2,788,862	\$1,054,863	\$1,528,023	\$589,982	\$1,071,189	\$ 652,479	\$1,014,781	\$19,853,296
Exploration expenditures:											
Camp, field supplies and travel	339	17,089	-	4,432	20,091	-	6,248	1,849	-	111,172	161,220
Exploration and field overhead	2,800	142,948	28,278	29,945	68,848	16,095	63,611	36,488	14,109	534,210	937,332
Geological consulting and field wages	-	-	14,332	-	-	-	-	-	-	-	14,332
Geophysical and geochemical	-	30,200	-	42,932	33,298	34	9,271	1,893	1,393	83,610	202,631
Property acquisition costs	18,635	92,788	16,549	-	60,149	12,075	-	-	-	242,019	442,215
Parts and equipment	-	4,639	-	-	-	-	-	-	-	-	4,639
Trenching and drilling	-	40,593	-	-	899	3,502	-	-	-	9,739	54,733
Recoveries	(24,146)	-	-	-	-	(130,226)	-	(24,146)	(122,673)	-	(301,191)
	(2,372)	328,257	59,159	77,309	183,285	(98,520)	79,130	16,084	(107,171)	980,750	1,515,911
Write-offs	6,562,631 (656,500)	3,147,878 -	1,827,652 -	2,866,171 (73,010)	1,238,148 -	1,429,503 -	669,112 (316,476)	1,087,273 (299,118)	545,308 (43,399)	1,995,531 (241,429)	21,369,207 (1,629,932)
Balance, August 31, 2005	5,906,131	3,147,878	1,827,652	2,793,161	1,238,148	1,429,503	352,636	788,155	501,909	1,754,102	19,739,275
Exploration expenditures:											
Camp, field supplies and travel	7,861	82,544	250	3,110	2,969	3,172	1,811	-	7,426	67,525	176,668
Exploration and field overhead	32,321	361,174	14,989	29,337	19,279	20,898	9,446	5,116	40,652	488,818	1,022,030
Geological consulting and field wages	2,882	-	-	-	-	-	-	-	-	-	2,882
Geophysical and geochemical	3,413	231,846	-	47	41,600	875	77	-	4,174	194,280	476,312
Property acquisition costs	13,098	116,462	17,404	-	58,433	11,729	-	13,098	-	249,817	480,041
Parts and equipment	-	114	-	-	-	-	-	-	-	-	114
Trenching and drilling	470,995	177,764	-	379	8,563	-	-	-	-	49,348	707,049
Recoveries	(43,660)	-	(77,610)	-	-	(87,531)	-	(43,660)	(67,560)	-	(320,021)
	486,910	969,904	(44,967)	32,873	130,844	(50,857)	11,334	(25,446)	(15,308)	1,049,788	2,545,075
Write-offs	-	(37,993)	(34,401)	-	(291,480)	(423,377)	(363,970)	-	-	(256,811)	(1,690,402)
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
Exploration expenditures:											
Camp, field supplies and travel	-	6,175	24,106	-	-	-	5,228	1,572	-	7,547	44,628
Exploration and field overhead	-	49,068	270,953	2,466	1,054	2,574	31,294	6,675	2,663	62,836	429,583
Geological consulting and field wages	-	-	-	-	-	-	-	-	-	-	-
Geophysical and geochemical	264	56,552	1,297	-	-	-	(591)	517	19,579	(33,080)	44,538
Property acquisition costs	-	-	20,508	-	17,144	13,815	-	-	-	69,134	120,601
Parts and equipment	-	1,287	-	-	-	-	-	-	-	-	1,287
Trenching and drilling	(10,379)	1,100	16,789	-	-	-	3,489	6,006	-	7,687	24,692
Recoveries	-	-	-	-	-	-	-	-	-	-	-
	(10,115)	114,182	333,653	2,466	18,198	16,389	39,420	14,770	22,242	114,124	665,329
Balance November 30, 2006	\$6,382,926	\$4,193,971	\$2,081,937	\$2,828,500	\$1,095,710	\$971,658	\$39,420	\$777,479	\$508,843	\$2,378,833	\$21,259,277

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(Expressed in Canadian dollars)
(Unaudited)

4. Share Capital

<u>Share Capital</u>	<u>Number</u>	<u>Amount (\$)</u>
Balance at August 31, 2006	86,241,075	\$51,397,278
Issued for cash	--	--
Subscriptions previously received	<u>54,058</u>	<u>375,000</u>
Balance at November 30, 2006	<u>86,295,133</u>	<u>51,772,278</u>

All share capital issued during the quarter were issued to the Company's Chairman and CEO, and all share subscriptions received in the quarter were also received from him.

The Company entered into a Purchase and Sale Agreement (the "Agreement") with Ashanti Goldfields Cayman Limited ("Ashanti") dated September 26, 2006 for the repurchase of its rights to the Kigosi property, including all related camp and equipment, along with the purchase of a non-associated property, the Dongo, from Ashanti. The acquisition will be satisfied by the issuance to Ashanti a total of 180,058 common shares of the Company, in two tranches and subject to certain conditions consisting of (i) the issuance and allotment of 160,052 common shares to be issued in consideration of the transfer to the Company of the Kigosi Rights, as defined in the Agreement and (ii) subject to receipt of ministerial consent from the Tanzanian government to the transfer from Ashanti to the Company of the Dongo Rights, as defined in the Agreement, the issuance and allotment to Ashanti of 20,006 common shares of the Company.

5. Options Outstanding

<u>Type of Security</u>	<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Options	75,000	\$0.79	May 3, 2007

6. Subsequent Event

On December 15, 2006 the Company issued 160,052 common shares to Ashanti in consideration of the transfer to the Company of the Kigosi Rights.