



TANZANIAN ROYALTY EXPLORATION CORPORATION
(An Exploration Stage Company)

Consolidated Financial Statements
For the Three Months Ended November 30, 2008 and 2007

Unaudited
Prepared by Management
Vancouver, B.C.



TANZANIAN ROYALTY EXPLORATION CORPORATION
(An Exploration Stage Company)

Consolidated Financial Statements
For the Three Months Ended November 30, 2008 and 2007

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
(Expressed in Canadian dollars)
November 30, 2008 and August 31, 2008

	November 30 2008	August 31 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,546,182	\$ 1,195,237
Accounts and other receivables	74,950	75,021
Inventory	485,593	452,339
Prepaid expenses	66,451	88,340
	<u>2,173,176</u>	<u>1,810,937</u>
Mineral properties and deferred exploration costs (note 3)	25,413,822	24,360,343
Equipment and leasehold improvements	770,068	794,014
	<u>\$ 28,357,066</u>	<u>\$ 26,965,294</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 536,326	\$ 502,777
Current portion of obligations under capital lease	49,097	43,626
	<u>585,423</u>	<u>546,403</u>
Obligations under capital lease	32,209	38,435
Shareholders' equity:		
Share capital (note 4)	62,705,400	61,705,400
Share subscriptions received	810,203	-
Contributed surplus	543,378	399,690
Deficit	<u>(36,319,547)</u>	<u>(35,724,634)</u>
	27,739,434	26,380,456
Nature of operations (note 1)		
Subsequent events (note 6)		
	<u>\$ 28,357,066</u>	<u>\$ 26,965,294</u>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

“James E. Sinclair”

Director

“Norman Betts”

Director

TANZANIAN ROYALTY EXPLORATION CORPORATION

(An Exploration Stage Company)

Consolidated Statements of Operations, Comprehensive Loss and Deficit

(Expressed in Canadian dollars)

Three months ended November 30, 2008 and 2007

	November 30 2008	November 30 2007
Expenses:		
Amortization	\$ 24,625	\$ 14,611
Consulting and management fees	59,863	23,375
Directors' fees	113,158	116,989
Insurance	24,691	23,438
Memberships, courses and training	1,134	610
Office and administration	30,510	37,755
Office rentals	20,823	19,717
Press releases	213	5,621
Printing and mailing	353	193
Professional fees	91,642	49,449
Promotions and shareholder relations	2,947	3,089
Salaries and benefits	275,640	284,267
Stock-based compensation	51,365	27,407
Telephone and fax	5,227	6,383
Transfer agent and listing	46,952	47,999
Travel and accommodation	16,662	6,404
Other	1,918	-
	767,723	667,307
Other expenses (earnings):		
Foreign exchange	(185,807)	35,737
Interest, net	1,934	(8,144)
Property investigation costs	11,063	13,992
Write-off of mineral properties and deferred exploration costs (note 3)	-	271,908
	(172,810)	313,493
Loss and comprehensive loss for the year	(594,913)	(980,800)
Deficit, beginning of year	(35,724,634)	(32,026,589)
Deficit, end of year	\$ (36,319,547)	\$ (33,007,389)
Basic and diluted loss per share	\$ (0.007)	\$ (0.011)
Weighted average number of shares outstanding	88,297,742	86,893,995

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

TANZANIAN ROYALTY EXPLORATION CORPORATION

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

Three months ended November 30, 2008 and 2007

	November 30 2008	November 30 2007
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (594,913)	\$ (980,800)
Items not affecting cash:		
Amortization	24,625	14,611
Stock-based compensation	51,365	27,407
Non-cash directors' fees	82,710	79,679
Write-off of mineral properties and deferred exploration costs	-	271,908
	(436,213)	(587,195)
Changes in non-cash working capital:		
Accounts receivable and other receivables	71	(21,058)
Inventory	(33,254)	(93,653)
Prepaid expenses	21,889	16,376
Accounts payable and accrued liabilities	33,549	(341,823)
	(413,958)	(1,027,353)
Investing:		
Mineral properties and exploration expenditures (note 3)	(1,043,866)	(528,780)
Option payments received and recoveries	-	(17,919)
Equipment and leasehold improvement expenditures	(679)	(795)
	(1,044,545)	(547,494)
Financing:		
Share capital issued - net of issuance costs	1,000,000	1,999,995
Share subscriptions received	810,203	-
Repayment of obligations under capital lease	(755)	(12,357)
	1,809,448	1,987,638
Increase (decrease) in cash and cash equivalents	350,945	412,791
Cash and cash equivalents, beginning of period	1,195,237	1,602,270
Cash and cash equivalents, end of period	\$ 1,546,182	\$ 2,105,061
Supplementary information:		
Interest received, net	\$ 1,918	\$ 8,144
Shares issued in current year for subscriptions received in prior year	-	375,000
Stock-based compensation capitalized to mineral properties	9,613	-

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Unaudited – Prepared by Management



TANZANIAN ROYALTY EXPLORATION CORPORATION

(An Exploration Stage Company)

Notes to the Unaudited Interim Consolidated Financial Statements
For the Three Months Ended November 30, 2008 and 2007
(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):

TANZANIAN ROYALTY EXPLORATION CORPORATION

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Notes to the Unaudited Interim Consolidated Financial Statements
For the Three Months Ended November 30, 2008 and 2007
(Expressed in Canadian dollars)

(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

(An Exploration Stage Company)

Consolidated Statement of Mineral Properties and Deferred Exploration and Development Cost

For the Three Months Ended November 30, 2008 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	-	-	99,173	5,698	-	-	-	4,761	-	1,446	111,078
Exploration and field overhead	30,724	-	249,053	26,147	3,471	2,286	3,176	10,319	-	95,766	420,942
Geological consulting and field wages	-	-	-	-	-	-	-	-	-	-	-
Geophysical and geochemical	-	-	138,208	3,029	-	-	-	5,784	-	15,229	162,250
Property acquisition costs	-	-	25,877	-	10,587	15,271	-	-	-	72,098	123,833
Parts and equipment	-	-	-	-	-	-	-	-	-	-	-
Trenching and drilling	-	-	235,376	-	-	-	-	-	-	-	235,376
Recoveries	-	-	-	-	-	-	-	-	-	-	-
	30,724	-	747,687	34,874	14,058	17,557	3,176	20,864	-	184,539	1,053,479
Write-offs	-	-	-	-	-	-	-	-	-	-	-
Balance November 30, 2008	\$ 6,239,035	\$ 4,116,047	\$ 6,779,053	\$ 2,797,138	\$ 1,227,036	\$ 691,169	\$ 41,729	\$ 497,838	\$ 18,519	\$ 3,006,258	\$25,413,822

TANZANIAN ROYALTY EXPLORATION CORPORATION

(An Exploration Stage Company)

Notes to the Unaudited Interim Consolidated Financial Statements

For the Three Months Ended November 30, 2008 and 2007

(Expressed in Canadian dollars)

3. Mineral properties and deferred exploration costs

(a & b) Itetemia and Luhala Project

The Itetemia property consists of nine contiguous prospecting licences. The Luhala property consists of six contiguous prospecting licences.

One (now two) of the licenses is subject to an option agreement with Barrick Exploration Africa Ltd. (BEAL). As at November 30, 2008 the two BEAL option prospecting licences are located at Itetemia.

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 ten (now eleven) 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 on or before the second anniversary date. Six of these licenses comprise the Luhala Project (all 100%) while the remaining four (now five) licenses constitute the Itetemia Project (all 90%).

(c) Kigosi Project:

The Kigosi property consists of twenty prospecting licences. Pursuant to the Purchase and Sale 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 property, from Ashanti, the issuance of 20,006 common shares for the transfer of the Dongo rights, as defined in the Agreement, remains outstanding as at November 30, 2008.

(d) Lunguya Project:

The Lunguya property consists of nine prospecting licenses.

(e) Kanagele Project:

The Kanagele property consists of eleven prospecting licences.

(f) & (i) Tulawaka and Biharamulo

The Tulawaka property consists of eleven prospecting licences. Three Tulawaka licences are subject to an option agreement with MDN Inc. The Biharamulo property consists of five prospecting licences. Three of the Biharamulo licences are subject to the option agreement with MDN Inc.

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For the Three Months Ended November 30, 2008 and 2007
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(g) Ushirombo Project:

The Ushirombo property consists of seven prospecting licences.

(h) Mbogwe Project:

The Mbogwe property consists of six prospecting licences.

4. Share Capital

(a) Authorized:

The Corporation's Restated Articles of Incorporation authorize the Corporation to issue an unlimited number of common shares. As of January 9, 2008 the Board resolved that the Corporation authorize for issuance up to a maximum of 96,000,000 common shares, subject to further resolutions of the Company's Board of Directors.

(b) Issued common shares, warrants and share subscriptions:

	Number of shares	Amount (\$)
Balance, August 31, 2007	86,748,493	54,113,279
Issued for private placements	1,031,695	5,724,997
Issued pursuant to share subscriptions agreement	271,374	1,500,000
Issued pursuant to Restricted Shares Unit Plan	62,790	367,124
Balance, August 31, 2008	88,114,352	61,705,400
Issued for private placements	327,225	1,000,000
	88,441,577	62,705,400

During the three months ended November 30, 2008, the Company issued 327,255 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.

During November 2008, the Company received \$740,000 for a private placement with Van Tongeren Management LLC. The transaction was completed on December 9, 2008 and 352,381 common shares were issued at a price of \$2.10 per share

(c) 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

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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 November 30, 2008 the number of RSUs outstanding under the RSU Plan are as follows:

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

At November 30, 2008 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 three month period ended November 30, 2008, stock-based compensation expense related to the issue of restricted stock was \$143,689 (2007- \$107,086).

5. Transactions with Related parties

During the three months ended November 30, 2008, \$113,158 was paid or payable by the Company to directors for professional fees. Directors were paid \$30,448 in cash and \$82,710 in non cash equivalent RSU during the three month period ended November 30, 2008 compared to \$37,312 and \$79,679, respectively during the three month period ended November 30, 2007. The company engages a legal firm for professional services in which one of the Company's directors is a partner. During the three months ended November 30, 2008, the legal expense charged by this firm was \$24,090.

On October 10, 2008 the Company issued 327,255 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.

At November 30, 2008, the Company has a receivable of \$17,728 from Mr. J. Sinclair.

6. Subsequent Event

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

On January 2, 2009 the Company announced that Mr. Sinclair will proceed with the 7th tranche of the \$3 million private placement for 69,832 shares at \$5.37 per share for proceeds of \$375,000. The 7th tranche of the private placement is subject to regulatory approval. Mr. Sinclair has also agreed to provide the Company with an interest free advance of \$375,000.

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