

**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, 2007
(in Canadian dollars)**

The effective date of this MD&A is April 10th, 2007.

Overall Performance

As of February 28, 2007 the Company had Current Assets of \$2,525,623 as compared to \$3,432,210 on August 31, 2006. Deferred Exploration Costs amounted to \$21,796,692 which includes \$1,569,310 (net) invested this six month period.

The Company has issued common shares in the amount of \$1,675,124 (270,277 shares in this six month period). Of this amount, \$750,000 (110,225 shares) was previously received and recorded in share subscription. The remaining \$925,124 (160,052 shares) was issued to Ashanti Goldfields Cayman Limited ("Ashanti") for the repurchase of the Company's rights to the Kigosi property.

Selected Financial Information

| | As at and for the year ended Aug 31, 2006 | As at and for the year ended Aug 31, 2005 | As at and for the year ended Aug 31, 2004 | As at and for the six months ended Feb. 28, 2007 | As at and for the six months ended Feb. 28, 2006 |
|--|---|---|---|---|---|
| Total Revenues | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Net Loss for the period | (\$4,326,722) | (\$2,931,063) | (\$1,616,364) | (\$1,599,157) | (\$1,195,561) |
| Basic and diluted loss per share | (\$0.05) | (\$0.04) | (\$0.02) | (\$0.019) | (.014) |
| Total assets | \$24,891,967 | \$22,257,683 | \$22,092,373 | \$25,147,804 | \$23,511,531 |
| Total long term financial liabilities | \$121,739 | \$175,011 | \$0 | 92,953 | 158,836 |
| Cash dividends declared per share | \$0 | \$0 | \$0 | \$0 | 0 |

Results of Operations

Net loss for the six month period ended February 28, 2007 was \$1,599,157 compared to \$1,195,561 for the comparable period in 2006. For the three month period ended February 28, 2007 and 2006, the net loss was \$970,354 and \$792,635, respectively. Due to the Company's emphasis on its drill program mainly at Kigosi, the net spending on Mineral Properties and Deferred Cost has increased to \$762,936 during the six month period ended February 28, 2007 from \$709,358 for the six month period ended February 28, 2006. For the second quarter ending on February 28, 2007, the net expenditures on

Mineral Properties and Deferred Exploration were \$97,607 while for the second quarter ended February 28, 2006, the Mineral Properties and Deferred Exploration Costs were \$232,566. \$924,124 (160,052 shares) was recorded for the repurchase of the Company's rights to the Kigosi property. The decrease in the net spending in the second quarter is due to the increase in recoveries of \$415,095 during the second quarter. Included in the recovery amount is \$118,750 worth of MDN shares (125,000 common shares) which were received in February 2007 as recovery payments for certain properties. This amount has contributed to the reduction in Mineral Properties and Deferred Exploration Costs. The shares are held as short-term investments. During the second quarter of 2007, 20,000 MDN shares were sold for a profit of \$10,850.

The increase in staff required to operate our drill program and the salary of the Chief Financial Officer has caused an increase in salaries and benefits expense which increased from \$377,404 for the six month period ended February 28, 2006 to \$500,472 for the for the six month period ended February 28, 2007. The corresponding expense during the second quarter was \$259,029 and \$205,741 for 2007 and 2006, respectively. Professional fees decreased by \$48,673 from \$119,357 to \$70,684 for the first six months in 2007 over 2006. Professional fees decreased from \$101,464 during the second quarter of 2006 to \$36,912 during the same period of 2007. The decrease is a result of there being no legal fees related to the issuance of Restricted Share Units (RSU) in 2007. Relating to the RSUs, stock-based compensation expense was \$179,678 and \$89,839 for the six month and three month period ended February 28, 2007, respectively. There was no comparable expense in 2006 as the RSU's were granted in April 2006.

Summary of Quarterly Results (unaudited)

| | 2007 Feb. 28 | 2006 Feb. 28 | 2006 Nov. 30 | 2005 Nov. 30 | 2006 August 31 | 2005 August 31 | 2006 May 31 | 2005 May 31 |
|---|-----------------|-----------------|-----------------|-----------------|-------------------|-------------------|----------------|----------------|
| Total Revenues | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Loss | (\$970,354) | (\$792,635) | (\$628,803) | (\$402,929) | (\$1,905,777) | (\$869,982) | (\$1,225,384) | (\$494,192) |
| Basic and diluted loss per share | (\$0.011) | (\$0.009) | (\$0.007) | (\$0.005) | (\$0.023) | (\$0.010) | (\$0.014) | (\$0.006) |

The net loss for the three months ended February 28, 2007 increased from \$792,635 to \$970,354 as compared to the three months ended February 28, 2006. The increased loss of \$177,719 was mainly attributed to the stock-based compensation expense of \$89,839, an increase of salary and benefits of \$53,288 and increase in write-off on mineral properties of \$250,977. The increase of net loss during the second quarter was partially offset by the reduction of \$64,522 in legal fees. During the current quarter, the net expenditures on mineral properties and deferred exploration has decreased by \$134,959 from the net expenditures recorded in the corresponding quarter of the prior year. The

net expenditures are net of \$415,095 of recoveries during the three month period ended February 28, 2007.

Quarterly results vary from quarter to quarter due to timing of expenditures and write-off of mineral properties. The net loss for the quarters ended May 31, 2006 and August 31, 2006 were higher than for other quarters due mainly to the write-off of mineral property expenditures in those quarters. The Company implemented the RSU Plan in April 2006 and therefore has incurred stock-based compensation only since the implementation. Professional fees also vary from quarter to quarter depending on activity such as the RSU implementation and registration with the SEC.

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. During the six month period ended February 28, 2007 the Company issued 110,525 shares in private placements with Mr. James E. Sinclair, the Company's Chairman and CEO, for \$750,000 subscription receipts previously received. During the six months ended February 28, 2007, the Company received \$1,117,000 as share subscription from Mr. Sinclair.

As of February 28, 2007 the Company's working capital position was \$2,269,708 as compared to \$2,838,273 on August 31, 2006. 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. Also, 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, 2007:

| <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\$30,225 | CDN\$24,600 | Nil | Nil | Nil |
| Capital Lease | US\$150,280 ⁽²⁾ | US\$44,829 | US\$89,658 | US\$15,793 | Nil |

⁽¹⁾ Expires on May 31, 2008

⁽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 to three years and is renewable two times for a period of 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 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:

| | Option Payments Due by Period (US\$) | | | | |
|-------------------------------------|--------------------------------------|-----------------------------|------------------|------------------|-------------------------|
| | <i>Total</i> | <i>Less than 1 year</i> | <i>2-3 years</i> | <i>4-5 years</i> | <i>over 5 years</i> |
| Option Agreement Obligations | \$2,336,500 | \$393,500 | \$825,000 | \$790,000 | \$328,000 |

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 new Private Placement Subscription Agreement with the Company (the "New Agreement") under which he will 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, 2007. 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.

On February 2, 2007 the Company received 125,000 common shares of Northern Mining Explorations Limited (MDN) in consideration for extending by one year the date required for MDN to complete a bankable feasibility study and make a production



decision on properties under option to MDN. In February 2007 the Company sold 20,000 of those MDN shares.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Transactions with Related parties

During the three months and six months ended February 28 2007, amounts paid or payable by the Company relating to directors' fees were \$20,875 and \$46,750 respectively. The corresponding amounts for 2006 were \$24,375 and \$48,750.

The Company also 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, 2007 the Company made payments of \$108,861 to this legal firm. The amount is included in Professional fees.

In addition, 110,525 shares were issued to the Company's Chairman and CEO during the six months ended February 28, 2007.

Restricted Stock Unit Plan

A Restricted Stock Unit Plan (the "RSU Plan") was approved by the shareholder's at the Annual Meeting held February 27, 2006. The Board of Directors implemented the RSU Plan under which employees and directors are compensated for their services to the Company. Annual compensation for outside directors is \$50,000 per year, plus \$5,000 per year for serving on Committees, plus \$2,500 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.

Under the RSU Plan, outside directors were granted 35,027 RSUs and employees were granted 34,538 RSUs during the year ended August 31, 2006. During the six months ended February 28, 2007, 1,392 units were forfeited due to the resignation of two employees. As at February 28, 2007, 68,173 units were outstanding of which 32,242 units are expected to vest on April 11, 2007 (first anniversary date).

Changes in Accounting Policies including Initial Adoption

There have been no changes in accounting policies which effect the February 28, 2007 consolidated financial statements.

Critical Accounting Estimates

The Company's most critical accounting estimate relates to the 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. 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 86,511,652 common shares outstanding. In addition, there were 75,000 director and employee stock options outstanding at an average weighted price of \$0.79. The Company had no share purchase warrants outstanding.

Subsequent Event

During March and April 2007, the Company sold the remaining 105,000 MDN shares, received as recovery for certain mineral properties.

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 obligations under capital lease. The fair value of the Company's financial assets and liabilities is estimated to approximate their carrying value.

Controls and Procedures

There has been no change in the Company's internal control over financial reporting during the six months ended February 28, 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Exploration Summary

Tulawaka Project

MDN Northern Mining (MDN), one of the Company's royalty partners, made a significant gold discovery 20 kilometres east of the Tulawaka Gold Mine which is owned by Barrick Gold (70%) and MDN (30%).

Rotary Air Blast drilling by MDN in the Mnezeki area returned one of the highest grade gold intercepts reported from the region in recent years: 30.08 g/t gold (0.88 oz/ton) across 6.0 metres. The hole tested a north-south trending shear zone interpreted from a 2006 induced polarization survey that is associated with a soil geochemical anomaly. The drill program was stopped prematurely because of heavy rains but will resume in early in 2007 following a thorough reassessment of all existing data.

Kigosi Project

In late November 2006, a major drill program commenced at the Company's Kigosi property. Progress was hampered by technical issues including hydraulic problems, drill rods getting stuck in the hole and a compressor breakdown.

On January 25, 2007, the Company reported assay results from six shallow reverse circulation drill holes put down on the Luhwaika Prospect within the Kigosi Project Area. Because of heavy rains and access problems, the Phase 1 drill program was restricted to three 800 metre-spaced traverse lines within the Luhwaika reef systems which had never been drilled in the past.

As observed from shallow (up to 20 metres deep) artisanal mine shafts, it appears that at least two sub-parallel zones exist, namely the Luhwaika Main Reef and the Luhwaika West Reef. These zones are confirmed by soil geochemical data which has extended the Luhwaika mineralization to over 3.0 kilometers along strike in a north-northwesterly direction.

Among the better intercepts returned from the Luhwaika Mine Reef were 2.0 metres of 6.13 g/t and 4.0 metres of 3.03 g/t. The Luhwaika West Reef also returned intercepts including 3.0 metres grading 11.63 g/t, 1.0 metre averaging 8.15 g/t, 2.0 metres grading 5.76 g/t and 3.0 metres averaging 4.04 g/t.

The Luhwaika workings are the largest in the entire project area, with sporadic artisanal activity spread along a strike length of approximately 1,200 meters. The gold mineralization is spatially related to a granite-greenstone contact and appears to be hosted by zones of stockwork granite and a highly altered quartz-sericite schist. Drilling indicates that the Luhwaika Main Reef is gently dipping towards the southwest and has a true thickness of 1-2 meters.

Sloane Developments Option Agreement

On January 30, 2007, the Company announced that it has concluded an option agreement for its Luhala and Itetemia Projects with a private United Kingdom based company, Sloane Developments Ltd.

Under the option agreement, Tanzanian Royalty has granted Sloane the right to earn a beneficial interest ranging from 90 to 100% in ten prospecting licenses in the Lake Victoria greenstone belt of Tanzania. Six of these licenses comprise the 76 square kilometres Luhala Project (all 100%) while the remaining licenses constitute the 46 square kilometres Itetemia Project (all 90%) which is adjacent to Barrick's Bulyanhula gold mine.

The earn-in portion of the agreement includes prescribed annual cash payments, firm exploration expenditures and a minimum amount of diamond drilling meterage over the life of the agreement. In addition, Tanzanian Royalty will receive a sliding scale net smelter royalty for any mineral discovery that achieves commercial production.

The exploration component of the option agreement calls for a work commitment of \$US1 million within a two-year period of which \$400,000 will be expendable in the first year and the remaining amount in the second. Further provisions in the agreement call for the completion of a bankable feasibility study and the announcement of a production decision before the fifth anniversary of the agreement and the achievement of commercial production before the seventh anniversary. Tanzanian Royalty will act as operator for the exploration work.

Sloane Developments is a recently-formed, private UK mining company focused on mineral exploration and development in Tanzania. It was founded by Christian Schaffalitzky and Richard Speir who both have wide experience managing mining and exploration projects, especially in Africa.

Decision Made to Initiate Nickel Exploration Program

Given the decision by Xstrata and Barrick to initiate a pre-feasibility study on their Kabanga Nickel Project, the Company announced plans in mid-February to begin exploration work on its nickel holdings during the second quarter of 2007.

The Kabanga nickel deposit was discovered by the United Nations during the 1970s following a comprehensive geochemical and geophysical program that identified a chain of coincident airborne magnetic and geochemical anomalies within a 20-30 kilometre wide northeasterly trending belt that extends for over 200 kilometres from Burundi in the south, through western Tanzania, to Uganda in the north.

The Company's seven prospecting licenses represent a combined area of 4,434 square kilometers within the Kabanga nickel belt. One of these prospecting licenses is located within a zone of two parallel magnetic highs that extends down to the Kabanga Nickel deposit, while another license hosts a 50 kilometre long magnetic anomaly with a geophysical signature of similar intensity to Kabanga. Moderate nickel-in-soil anomalies are evident on some of the properties as well.

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.