



**Management’s Discussion and Analysis
For Tanzanian Royalty Exploration Corporation (the “Company”)
of Financial Condition and Results of Operation
Three months ended November 30, 2009
(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, 2008 and 2007.

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 January 12, 2010.

Overall Performance

As of November 30, 2009 the Company had Current Assets of \$759,101 as compared to \$1,627,389 on August 31, 2009. Deferred Exploration Costs amounted to \$765,920 at November 30, 2009.

The Company has issued common shares during the three month period ended November 30, 2009 in the amount of \$1,000,000 (306,749 shares).

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 three months ended Nov 30, 2009	As at and for the three months ended Nov 30, 2008
Total Revenues	\$0	\$0	\$0	\$0
Net Loss for the period	(\$4,731,836)	(\$3,698,045)	(\$804,117)	(\$594,913)
Basic and diluted loss per share	(\$0.05)	(\$0.04)	(\$0.008)	(\$0.007)
Total assets	\$29,285,205	\$26,965,294	\$29,132,204	\$28,357,066
Total long term financial liabilities	\$0	\$38,435	\$0	\$32,209
Cash dividends declared per share	\$0	\$0	\$0	\$0

Results of Operations

The loss for the three month period ended November 30, 2009 was \$804,117 compared to \$594,913 for the comparable period in 2008. The increase in the loss of \$209,204 is largely due to the foreign exchange loss of \$60,972 for 2009 compared to a gain of \$185,808 in 2008. The exchange rate from USD to Canadian dollars was \$1.06 on November 30, 2009 compared to \$1.24 on November 30, 2008.

Stock based compensation expense decreased by \$13,736 during the three month period ended November 30, 2009 due to resignation of three employees. Due to the decrease of three employees during the three month period ended November 30, 2009, salaries and benefit expense also decreased to \$252,280 in 2009 from \$275,640 in 2008.

Mineral properties and exploration expenses were \$618,595 for the three months ended November 30, 2009, a decrease of \$425,270 compared to the three months ended November 30, 2008. There were no write offs taken during three month period ended November 30, 2009.

On November 11, 2009 the Company was advised by MDN Inc. (“MDN”) that a feasibility study and production decision would not be made by December 31, 2009. In consideration for a second extension of the feasibility study and production decision date to December 31, 2010, MDN agreed to issue to the Company 125,000 common shares of MDN, which shares have been received by the Company, for value of \$73,750. This has been included as recoveries to Mineral properties and exploration.

Summary of Quarterly Results (unaudited)

	2009 November 30	2009 August 31	2009 May 31	2009 February 29	2008 November 30	2008 August 31	2008 May 31	2008 February 29
Total Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Loss	(\$804,117)	(\$505,397)	(\$2,712,395)	(\$919,131)	(\$594,913)	(\$660,145)	(\$904,764)	(\$1,152,336)
Basic and diluted loss per share	(\$0.009)	(\$0.006)	(\$0.030)	(\$0.010)	(\$0.007)	(\$0.007)	(\$0.010)	(\$0.014)

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 November 30, 2009 the Company’s working capital position was \$272,172 as compared to \$943,000 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 November 30, 2009:

Contractual Obligations	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>
Capital Lease	US\$26,931 ⁽¹⁾	US\$26,931	Nil	Nil	Nil

⁽¹⁾ 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 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. \$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:

	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	\$1,106,000	\$402,500	\$526,500	\$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.

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 three months ended November 30, 2009, \$116,753 was paid or payable by the Company to directors for professional fees. Directors were paid \$31,198 in cash and \$85,555 in non cash equivalent RSUs during the three month period ended November 30, 2009 compared to \$30,448 and \$82,710, respectively during the three month period ended November 30, 2008.

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, 2009, the legal expense charged by this firm was \$49,954 (2008 - \$24,090).

During the three months ended November 30, 2009 \$52,119 (2008 - nil) was paid to certain members of the Company's Technical Committee.

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.

At November 30, 2009, the Company has a receivable of \$45,757 from Mr. James E. Sinclair, the Company's Chairman and CEO.

Restricted Stock Unit Plan

The Board of Directors has implemented the RSU Plan under which employees and outside directors are compensated for their services to the Company. 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 November 30, 2009 the number of RSUs outstanding under the RSU Plan are as follows:

Granted:	2007	42,566
	2008	76,490
	2009	184,140

At November 30, 2009 the number of RSUs expected to vest (listed by year expected to vest) are as follows:

	2010	114,569
	2011	76,490
	2012	112,137

For the three month period ended November 30, 2009, stock-based compensation expense related to the issue of restricted stock was \$75,264 (2008- \$51,365).

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 three month period ended November 30, 2009 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 three month period ended November 30, 2009 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 three month period ended November 30, 2009 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 beginning on or 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 not recorded a write-down of mineral properties abandoned during the period ended November 30, 2009. 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 91,245,128 common shares outstanding and a total of 164,614 RSU shares have been issued.

Subsequent Event

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 gross proceeds of \$3,141,560 pursuant to subscription agreements dated November 6, 2009 with arm's length third party European investment funds.

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

Two National Instrument 43-101 compliant Technical Reports were completed during the period, one for the 235 square kilometres Ushirombo mineral property and another for the 375 square kilometres Kibara Mineral Project, both of which are located in the Lake Victoria Greenstone Belt.

The Ushirombo 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 43-101 compliant technical report for Ushirombo 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.

The Kibara report notes that significant gold and copper mineralization has been identified 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. 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.

Both reports were prepared by Martin J. Taylor, P.Geol, a Toronto-based independent consulting geologist who fulfills the requirements to be a "Qualified Person" for the purposes of NI 43-101, and has reviewed the above information.

Drilling continued virtually unabated on the Kigosi Gold Project during the report period, with exploration emphasis shifting to the Msonga area in early October where a large IP anomaly is being tested. The Msonga target area is located on the north side of the Kigosi property.

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 three month period ended November 30, 2009 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 August 31, 2009 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.

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.