



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

Overall Performance

As of November 30, 2008 the Company had Current Assets of \$2,173,176 as compared to \$1,810,937 on August 31, 2008. Deferred Exploration Costs amounted to \$25,413,822.

The Company has issued common shares during the first quarter of 2008 in the amount of \$1,000,000 (327,225 shares).

Selected Financial Information

	As at and for the year ended Aug 31, 2008	As at and for the year ended Aug 31, 2007	As at and for the three months ended Nov 30,2008	As at and for the three months ended Nov 30,2007
Total Revenues	\$0	\$0	\$0	\$0
Net Loss for the period	3,698,045	(\$3,921,469)	(\$594,913)	(\$980,800)
Basic and diluted loss per share	(\$0.04)	(\$0.05)	(\$0.007)	(\$0.011)
Total assets	\$26,965,294	\$25,421,472	\$28,357,066	\$26,193,575
Total long term financial liabilities	\$38,435	\$75,912	\$32,209	\$65,074
Cash dividends declared per share	\$0	\$0	\$0	\$0

Results of Operations

The loss for the three month period ended November 30, 2008 was \$594,913 compared to \$980,800 for the comparable period in 2007. The major reason for the decreased loss before income taxes in 2008 was mainly due to no write off of mineral properties and deferred exploration costs and a foreign exchange gain in the current period.

The use of the Scowcroft Group has increased Consulting expense by \$36,488 from \$23,375 for the three months period ended November 30, 2007 to \$59,863 for same period in 2008. Professional fees increased by \$42,193 for the quarter ended November 30, 2008 to \$91,642 from \$49,449 for the quarter ended November 30, 2007 due the accrual for 2009 audit fee. Stock based compensation expense increased by \$23,958 during the three month period ended November 30, 2008 due to additional expenses incurred as a result of Restricted Stock Units (RSUs) granted in May 2008. The Company has experienced a Foreign exchange gain of \$185,808 during the three month period ending November 30, 2008. This is an improvement of \$221,544 from the same period in 2007 due the improvement of the US dollar exchange rate from \$0.99 at November 30, 2007 to \$1.24 at November 30, 2008.

Summary of Quarterly Results (unaudited)

	2008 November 30	2008 August 31	2008 May 31	2008 February 29	2007 November 30	2007 August 31	2007 May 31	2007 February 28
Total Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Loss	(\$594,913)	(\$660,145)	(\$904,764)	(\$1,152,336)	(\$980,800)	(\$1,624,739)	(\$697,573)	(\$970,354)
Basic and diluted loss per share	(\$0.007)	(\$0.007)	(\$0.010)	(\$0.014)	(\$0.011)	(\$0.020)	(\$0.008)	(\$0.011)

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, 2008 the Company's working capital position was \$1,588,000 as compared to \$1,265,000 on August 31, 2008. 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, 2008:

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\$ 67,917 ⁽¹⁾	US\$40,985	US\$26,932	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 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. \$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	\$1,533,500	\$387,500	\$799,000	\$326,000	\$21,000

In August 2006, James E. Sinclair, confirmed his intention to continue his regular investments in Tanzanian Royalty by entering into a Private Placement Subscription Agreement with the Company (the "Agreement") under which he will subscribe for common shares of the Company for an aggregate amount of \$3,000,000. Under the Agreement, Mr. Sinclair has agreed to subscribe for eight (8) quarterly tranches of \$375,000 each, commencing February 1, 2007. As at November 30, 2008 the Company has completed six (6) of the eight (8) tranche private placement:

- (a) May 28, 2007 – 66,254 common shares at a price at a price of \$5.66 per share;
- (b) August 14, 2007 – 63,345 common shares at a price of \$5.267 per share;
- (c) November 13, 2007 – 63,993 common shares at a price of \$5.86 per share;
- (d) February 19, 2008 – 61,871 common shares at a price of \$6.061 per share;
- (e) May 14, 2008 – 72,268 common shares at a price of \$5.189 per share;
- (f) August 12, 2008 – 73,242 common shares at a price of \$5.12 per share.

During the three months ended November 30, 2008 the Company issued 327,225 common shares at a price of \$3.056 per share for a private placement with Mr. James E. Sinclair, the Company's Chairman and CEO for \$1 million.

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.

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, 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 \$30,105 and \$79,677, 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 \$1,000,000 pursuant to a subscription agreement dated October 1, 2008 with Mr. Sinclair.

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.

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

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 \$3,437.50 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 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).

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):

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.

(a) 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.

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 on mineral properties abandoned during the period ended November 30, 2008. 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 88,793,958 common shares outstanding. 223,176 Restricted Stock Units have been granted but not issued. There were no director and employee stock options outstanding and the Company had no share purchase warrants outstanding.

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.

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

Kigosi Project

The report period was highlighted by identifying high grade gold mineralization 2.5 kilometres southeast of the Luhwaika Main Zone at the Company's Kigosi Project.

RC (Reverse Circulation) drilling returned gold intersections averaging as high as 30.58 g/t in the Igunda Main shear system across intercept lengths up to 4.0 metres. This high-grade gold mineralization appears to be confined to quartz-veined chlorite schist shears. Based on a preliminary interpretation of the down-hole geology and assay results, there appears to be up to three sub-parallel shear zones hosting gold mineralization in and around the Igunda workings.

While poor ground conditions (and rains) slowed down drilling at times, overall drill progress was well within acceptable performance limits. Some diamond drilling was also completed in the Igunda Main Zone and the Luhwaika West areas along with numerous short RAB (Rotary Air Blast) holes which were designed to establish near surface gold potential that will be further evaluated by RC drilling. Drilling was conducted on an almost continuous basis during the period to maximize data accumulation before the onset of the rainy season.

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.

Controls and Procedures

During the quarter period ended November 30, 2008 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'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 November 30, 2008. 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 or interim financial statements will not be prevented or detected. The company identified a material weakness in its internal control over financial reporting as of November 30, 2008:

- 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 material weakness is pervasive.

Changes in Internal Controls over Financial Reporting

There has been no material change in internal control over financial reporting.

- Management continues to review the current assignment of responsibilities and has reassigned 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 November 30, 2008 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.