

TANZANIAN ROYALTY EXPLORATION CORPORATION
(formerly Tan Range Exploration Corporation)

Consolidated Financial Statements
For the Three and Six Months Ended February 28, 2006 and 2005

Unaudited
Prepared by Management
Vancouver, B.C.

Tanzanian Royalty Exploration Corporation
(formerly Tan Range Exploration Corporation)
Consolidated Financial Statements
For the Three and Six Months Ended February 28, 2006 and 2005

Notice

The accompanying unaudited interim financial statements of Tanzanian Royalty Exploration Corporation (the "Company") have not been reviewed by the Company's auditors.

Tanzanian Royalty Exploration Corporation
(formerly Tan Range Exploration Corporation)
Consolidated Balance Sheet
As at February 28, 2006 and August 31, 2005
(in Canadian Dollars)

ASSETS	February 28, 2006	August 31, 2005
Current Assets	\$	\$
Cash and Short Term Deposits	1,999,595	1,395,468
Accounts and Other Receivables	56,717	77,677
Inventory	141,375	49,934
Prepaid Expenses	<u>99,910</u>	<u>73,273</u>
	2,297,597	1,596,352
Mineral Properties and Deferred Exploration Costs (note 3)	20,333,045	19,739,275
Equipment and Leasehold Improvements	<u>880,889</u>	<u>922,056</u>
	<u><u>23,511,531</u></u>	<u><u>22,257,683</u></u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	209,093	172,812
Current portion of obligations under capital lease	<u>34,726</u>	<u>34,634</u>
	243,819	207,446
Obligations under capital lease	158,836	175,011
SHAREHOLDERS' EQUITY		
Share Capital (note 4)	48,050,280	44,839,796
Share subscriptions received	32,555	813,828
Deficit	<u>(24,973,959)</u>	<u>(23,778,398)</u>
	<u>23,108,876</u>	<u>21,875,226</u>
	<u><u>23,511,531</u></u>	<u><u>22,257,683</u></u>

See Accompanying Notes to the Unaudited Consolidated Financial Statements

"James E. Sinclair", Director

"Victoria M. Luis", Director

Unaudited – Prepared by Management

Tanzanian Royalty Exploration Corporation
(formerly Tan Range Exploration Corporation)
Consolidated Statements of Operations and Deficit
For the Three and Six Months ended February 28, 2006 and 2005
(in Canadian Dollars)

	Three months ended		Six months ended	
	February 28		February 28	
	2006	2005	2006	2005
	\$	\$	\$	\$
EXPENSES				
Annual General Meeting	58,768	27,584	58,768	30,084
Depreciation	24,991	7,526	49,907	20,070
Capital Tax	-	-	-	3,243
Consulting and Management Fees	51,042	52,035	80,878	82,609
Insurance	38,760	19,977	62,018	37,747
Membership, Courses & Publications	718	516	3,439	516
New Property Investigation Costs	5,720	33,107	10,412	77,197
Office and Administration	23,929	25,581	46,701	46,051
Office Rentals	14,470	26,284	31,427	36,257
Press Releases	13,069	11,627	18,259	34,211
Printing and Mailout	31,717	22,999	34,105	31,023
Professional Fees	101,464	66,956	119,357	77,342
Promotion and Shareholder Relations	12,892	1,513	14,730	3,140
Salaries and Benefits	205,741	182,956	377,404	329,103
Telephone and Fax	4,005	6,756	10,378	14,192
Transfer Agent and Listing	49,212	16,344	77,743	24,739
Travel and Accommodation	21,006	14,068	40,674	21,093
Training	-	18,847	-	18,847
	<u>657,504</u>	<u>534,676</u>	<u>1,036,200</u>	<u>887,464</u>
OTHER (INCOME) EXPENSE				
Property Write-Off (note 3)	115,588	1,238,455	115,588	1,238,455
Gain on sale of short term investments	-	-	-	(2,527)
Gain on sale of plant and equipment	-	(1,122)	-	(1,122)
Interest Expense (Income), net	(4,188)	1,637	(9,198)	1,122
Interest – Capital lease	12,861	-	18,257	-
Foreign Exchange Loss (Gain)	<u>10,870</u>	<u>(3,216)</u>	<u>34,714</u>	<u>91,062</u>
	135,131	1,235,754	159,361	1,326,990
NET LOSS FOR THE PERIOD	792,635	1,770,430	1,195,561	2,214,454
DEFICIT, BEGINNING OF PERIOD	<u>24,181,324</u>	<u>21,291,359</u>	<u>23,778,398</u>	<u>20,847,335</u>
DEFICIT, END OF PERIOD	24,973,959	23,061,789	24,973,959	23,061,789
Basic and diluted loss per share	(\$0.009)	(\$0.021)	(\$0.014)	(\$0.027)

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

Tanzanian Royalty Exploration Corporation
(formerly Tan Range Exploration Corporation)
Consolidated Statement of Cash Flows
For the Three and Six Months ended February 28, 2006 and 2005
(in Canadian Dollars)

	Three months ended		Six months ended	
	February 28		February 28	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash provided from (used in)				
Operating activities				
Loss for the period	(792,635)	(1,770,430)	(1,195,561)	(2,214,454)
Items not affecting cash:				
Write off of Mineral Properties	115,588	1,238,455	115,588	1,238,455
Depreciation	24,991	7,526	49,907	20,070
Gain on sale of plant and equipment	-	(1,122)	-	(1,122)
Gain on Sale of Short-term Investments	-	-	-	(2,527)
	<u>(652,056)</u>	<u>(525,571)</u>	<u>(1,030,066)</u>	<u>(959,578)</u>
Change in non-cash working capital items:				
Accounts and Other Receivables	7,346	(10,966)	20,960	6,039
Inventory	(54,975)	-	(91,441)	-
Prepaid Expenses	46,895	3,454	(26,637)	(12,265)
Accounts Payable	<u>87,634</u>	<u>(38,560)</u>	<u>36,281</u>	<u>22,664</u>
	86,900	(571,643)	(60,837)	(943,140)
Investing Activities				
Mineral properties and deferred exploration, net	(232,566)	(108,636)	(709,358)	(566,589)
Proceeds on sale of short term investments	-	-	-	417,728
Repayment of obligations under lease	(7,498)	-	(16,083)	-
Plant and Equipment (additions) disposals, net	<u>(6,635)</u>	<u>(107,129)</u>	<u>(8,740)</u>	<u>(141,502)</u>
	(246,699)	(215,765)	(734,181)	(290,363)
Financing Activities				
Share capital issued	3,074,312	275,000	2,396,656	909,600
Share subscriptions received	<u>(1,615,537)</u>	<u>305,945</u>	<u>32,555</u>	<u>305,945</u>
	<u>1,458,775</u>	<u>580,945</u>	<u>2,429,211</u>	<u>1,215,545</u>
NET INCREASE (DECREASE) IN CASH	646,920	(206,463)	604,127	(17,958)
CASH BEGINNING OF PERIOD	<u>1,352,675</u>	<u>1,255,953</u>	<u>1,395,468</u>	<u>1,067,448</u>
CASH END OF PERIOD	<u>1,999,595</u>	<u>1,049,490</u>	<u>1,999,595</u>	<u>1,049,490</u>
Supplemental Information:				
Plant and equipment acquired by way of Interim loan facility, being a non-cash transaction		<u>213,751</u>		<u>213,751</u>

See Accompanying Notes to the Unaudited Consolidated Financial Statements

Unaudited – Prepared by Management

Tanzanian Royalty Exploration Corporation
(formerly Tan Range Exploration Corporation)
Notes to the Unaudited Consolidated Financial Statements
For the Three and Six Months Ended February 28, 2006 and 2005
(in Canadian Dollars)

1. Nature of operations

The Company changed its name from Tan Range Exploration Corporation to Tanzanian Royalty Exploration Corporation on February 28, 2006.

Tanzanian Royalty Exploration Corporation (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 continued operations of the Company and 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 the Company have been prepared by management, and have not been audited or reviewed by an independent public accountant. These interim consolidated financial statements do not include all disclosures required by Canadian generally accepted accounting principles for annual financial statements, and accordingly, these interim consolidated financial statements should be read in conjunction with the Company’s most recent annual consolidated financial statements. These interim consolidated financial statements follow the same accounting policies and methods of application as the Company’s audited annual consolidated financial statements as at and for the year ended August 31, 2005.

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

Tanzanian Royalty Exploration Corporation

(formerly Tan Range Exploration Corporation)

Consolidated Statement of Mineral Properties and Deferred Exploration and Development Costs

For the Six Months Ended February 28, 2006 and Year Ended August 31, 2005

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, 2003	\$ 6,563,782	\$ 2,579,230	\$ 1,497,381	\$ 2,593,338	\$ 854,701	\$ 1,557,708	\$ 930,242	\$ 1,044,912	\$ 642,450	\$ 408,702	\$18,672,446
Exploration expenditures:											
Camp, field supplies and travel	-	13,967	-	5,528	3,406	-	1,098	-	2,259	21,386	47,644
Exploration and field overhead	-	168,588	39,175	129,371	101,526	56,643	52,614	41,485	28,182	348,888	985,189
Geological consulting and field wages	18,717	1,274	-	-	-	-	-	-	-	(21,113)	(19,839)
Geophysical and geochemical	-	4,813	3,986	60,625	73,524	2,598	16,065	2,288	5,244	91,976	261,119
Property acquisition costs	-	50,546	-	-	21,706	-	-	-	274	164,833	237,359
Parts and equipment	-	108	-	-	-	-	-	-	-	109	217
Trenching and drilling	-	1,095	-	-	-	-	-	-	-	-	1,095
Option payments received	(17,496)	-	(58,811)	-	-	(88,926)	(123,275)	(17,496)	(25,930)	-	(331,934)
Reclassifications	-	-	286,762	-	-	-	(286,762)	-	-	-	-
	1,221	240,391	271,112	195,524	200,162	(29,685)	(340,260)	26,277	10,029	606,079	1,180,850
Balance, August 31, 2004	6,565,003	2,819,621	1,768,493	2,788,862	1,054,863	1,528,023	589,982	1,071,189	652,479	1,014,781	19,853,296
Exploration expenditures:											
Camp, field supplies and travel	339	17,089	-	4,432	20,091	-	6,248	1,849	-	111,172	161,220
Exploration and field overhead	2,800	142,948	28,278	29,945	68,848	16,095	63,611	36,488	14,109	534,210	937,332
Geological consulting and field wages	-	-	14,332	-	-	-	-	-	-	-	14,332
Geophysical and geochemical	-	30,200	-	42,932	33,298	34	9,271	1,893	1,393	83,610	202,631
Property acquisition costs	18,635	92,788	16,549	-	60,149	12,075	-	-	-	242,019	442,215
Parts and equipment	-	4,639	-	-	-	-	-	-	-	-	4,639
Trenching and drilling	-	40,593	-	-	899	3,502	-	-	-	9,739	54,733
Recoveries	(24,146)	-	-	-	-	(130,226)	-	(24,146)	(122,673)	-	(301,191)
	(2,372)	328,257	59,159	77,309	183,285	(98,520)	79,130	16,084	(107,171)	980,750	1,515,911
	6,562,631	3,147,878	1,827,652	2,866,171	1,238,148	1,429,503	669,112	1,087,273	545,308	1,995,531	21,369,207
Write-offs	(656,500)	-	-	(73,010)	-	-	(316,476)	(299,118)	(43,399)	(241,429)	(1,629,932)
Balance, August 31, 2005	5,906,131	3,147,878	1,827,652	2,793,161	1,238,148	1,429,503	352,636	788,155	501,909	1,754,102	19,739,275
Exploration expenditures:											
Camp, field supplies and travel	-	41,848	-	-	264	-	-	-	-	30,472	72,584
Exploration and field overhead	1,606	257,984	11,332	3,272	56,772	5,203	6,500	1,746	2,796	130,196	477,407
Geological consulting and field wages	3,083	-	-	-	-	-	-	-	-	-	3,083
Geophysical and geochemical	-	26,483	-	-	24,179	-	-	-	-	54,217	104,879
Property acquisition costs	14,014	16,104	18,621	-	30,569	12,549	-	14,014	-	122,065	227,936
Parts and equipment	-	-	-	-	-	-	-	-	-	-	-
Trenching and drilling	-	65,250	-	-	1,249	-	-	-	-	16,234	82,733
Recoveries	(46,713)	-	(101,304)	-	-	(17,600)	-	(46,713)	(46,934)	-	(259,264)
	(28,010)	407,669	(71,351)	3,272	113,033	152	6,500	(30,953)	(44,138)	353,184	709,358
	5,878,121	3,555,547	1,756,301	2,796,433	1,351,181	1,429,655	359,136	757,202	457,771	2,107,286	20,448,633
Write-offs	-	(13,961)	-	-	(89,729)	-	-	-	-	(11,898)	(115,588)
Balance February 28, 2006	5,878,121	3,541,586	1,756,301	2,796,433	1,261,452	1,429,655	359,136	757,202	457,771	2,095,388	20,333,045

Unaudited – Prepared by Management

Tanzanian Royalty Exploration Corporation
 (formerly Tan Range Exploration Corporation)
 Summary of Note Disclosure to the Consolidated Financial Statements
 For the Six Months Ended February 28, 2006 and 2005
 (in Canadian Dollars)
 (Unaudited)

4. Share Capital

<u>Share Capital</u>	<u>Number</u>	<u>Amount (\$)</u>
Balance at August 31, 2005	84,776,054	44,839,796
Issued for cash	979,950	3,138,809
Issued on exercise of stock options	<u>292,500</u>	<u>71,675</u>
Balance at February 28, 2006	<u>86,048,504</u>	<u>48,050,280</u>

The 979,950 shares issued for cash were issued to the Chairman and CEO of the Company.

5. Options Outstanding

<u>Type of Security</u>	<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Options	275,000	\$0.79	May 3, 2007

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