SECURITIES AND EXCHANGE COMMISSION

FORM 6-K

Current report of foreign issuer pursuant to Rules 13a-16 and 15d-16 Amendments

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TANZANIAN ROYALTY EXPLORATION CORP

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SIC: **1040** Gold and silver ores

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934

For the day of: January 14, 2013

Commission File Number 001-32500

TANZANIAN ROYALTY EXPLORATION CORPORATION

(Registrant's name)

404-1688 152nd Street
South Surrey, BC V4A 4N2
Canada
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.
Form 20-F **P** Form 40-F ___

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):__

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):__

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ___ No **P**

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

Attached hereto as Exhibit 1 and incorporated by reference herein is the Registrant's First Quarter Financial Statements, Management Discussion and Analysis and CEO and CFO Certifications, for the period ended November 30, 2012.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Tanzanian Royalty Exploration Corp.
(Registrant)

Date: January 14, 2013

By: *"Steven Van Tongeren"*
Steven Van Tongeren
Chief Financial Officer

Tanzanian Royalty EXPLORATION CORPORATION

Tanzanian Royalty Exploration Corporation

Unaudited Interim Condensed Consolidated
Financial Statements

For the three month periods ended
November 30, 2012 and 2011

NOTICE TO READER

Tanzanian Royalty Exploration Corporation's independent auditors have not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Tanzanian Royalty Exploration Corporation

Unaudited Interim Condensed Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at	**November 30, 2012**	August 31, 2012
Assets		
Current Assets		
Cash and cash equivalents *(Note 17)*	**$ 16,437,407**	$ 20,058,678
Other financial assets *(Note 6)*	**12,600**	17,850
Other receivables *(Note 14)*	**47,232**	71,225
Inventory *(Note 16)*	**248,385**	248,395
Prepaid expenses *(Note 13)*	**41,075**	87,676
	16,786,699	20,483,824
Property, plant and equipment *(Note 4)*	**1,155,660**	1,209,710
Mineral properties and deferred exploration *(Note 3)*	**43,303,700**	41,562,996
	$ 61,246,059	$ 63,256,530
Liabilities		
Current Liabilities		
Trade, other payables and accrued liabilities *(Note 15)*	**$ 1,195,510**	$ 2,318,393
Convertible debt *(Note 5)*	**1,047,801**	-
	2,243,311	2,318,393
Convertible debt *(Note 5)*	**-**	2,073,286
Warrant liability *(Note 7)*	**8,663,000**	8,114,000
	10,906,311	12,505,679
Shareholders' equity		
Share capital *(Note 7)*	**114,463,192**	113,476,858
Share based payment reserve *(Note 9)*	**878,962**	670,779
Warrants reserve *(Note 8)*	**870,037**	870,037
Accumulated deficit	**(65,872,443)**	(64,266,823)
Total shareholders' equity	**50,339,748**	50,750,851
	$ 61,246,059	$ 63,256,530

Nature of operations (Note 1)
Segmented information (Note 18)
Commitments (Notes 3 and 19)

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

Tanzanian Royalty Exploration Corporation

Unaudited Interim Condensed Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

Three month periods ended November 30,	**2012**	2011
Administrative expenses		
Depreciation	**$ 70,146**	$ 108,447
Consulting	**51,592**	64,219
Directors' fees	**88,955**	131,354
Office and general	**91,437**	119,925
Shareholder information	**69,323**	170,443
Professional fees	**133,679**	229,843
Salaries and benefits	**332,600**	389,214
Share based payments *(Note 7)*	**151,369**	30,649
Travel and accommodation	**33,397**	67,568
	(1,022,498)	(1,311,662)
Other income (expenses)		
Foreign exchange	**(14,973)**	29,342
Interest, net	**36,969**	25,040
Interest accretion	**(25,937)**	(31,509)
Loss on other financial assets *(Note 6)*	**(5,250)**	(3,150)
Change in value of warrant liability *(Note 7)*	**(549,000)**	5,540,577
Property investigation costs	**(23,084)**	(81,786)
Write-off of mineral properties and deferred exploration costs *(Note 3)*	**-**	(1,226,455)
Withholding tax recoveries (costs)	**(1,847)**	(131,360)
Net (loss) income and comprehensive (loss) income	**$ (1,605,620)**	$ 2,809,037
(Loss) Income per share - basic	**$ (0.02)**	$ 0.03
- diluted	**$ (0.02)**	$ 0.03
Weighted average # of shares outstanding		
- basic	**100,569,389**	99,932,445
- diluted	**100,569,389**	107,002,208

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

Tanzanian Royalty Exploration Corporation

Unaudited Interim Condensed Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share Capital		Reserves			
	Number of Shares	**Amount**	**Share based payments**	**Warrants**	**Accumulated deficit**	**Total**
Balance at September 1, 2011	**99,758,753**	**$ 109,935,253**	**$ 706,988**	**$ 1,353,990**	**$ (55,504,339)**	**$ 56,491,892**
Issued on conversion of convertible debt agreement	233,318	950,213	(30,638)	-	-	919,575
RSU shares forfeited		-	(10,889)	-	-	(10,889)
Share based compensation	-	-	171,096	-	-	171,096
Total comprehensive income for the period		-	-	-	2,809,037	2,809,037
Balance at November 30, 2011	**99,992,071**	**$ 110,885,466**	**$ 836,557**	**$ 1,353,990**	**$ (52,695,302)**	**$ 60,380,711**
Shares issued for services	35,000	115,834	-	-	-	115,834
Issued pursuant to Restricted Share Unit ("RSU") Plan	182,866	1,024,793.00	(1,024,793)	-	-	-
RSU shares forfeited		-	(253,639)	-	-	(253,639)
Transfer of warrants to warrant liability		-	-	(216,188)	135,359	(80,829)
Compensation warrants exercised	250,000	1,000,000	-	-	-	1,000,000
Reserve transferred on exercise of compensation warrants		450,765	-	(450,765)	-	-
Modification of warrants		-	-	183,000	-	183,000
Share based compensation		-	1,112,654	-	-	1,112,654
Total comprehensive loss for the period		-	-	-	(11,706,880)	(11,706,880)
Balance at August 31, 2012	**100,459,937**	**$ 113,476,858**	**$ 670,779**	**$ 870,037**	**$ (64,266,823)**	**$ 50,750,851**
Issued on conversion of convertible debt agreement	221,337	986,334	-	-	-	986,334
Share based payments		-	208,183	-	-	208,183
Total comprehensive loss for the period		-	-	-	(1,605,620)	(1,605,620)
Balance at November 30, 2012	**100,681,274**	**$ 114,463,192**	**$ 878,962**	**$ 870,037**	**$ (65,872,443)**	**$ 50,339,748**

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

Tanzanian Royalty Exploration Corporation

Unaudited Interim Condensed Consolidated Statements of Cash Flow
(Expressed in Canadian Dollars)

Three month periods ended November 30,	**2012**	2011
Operations		
Net loss	**$ (1,605,620)**	$ 2,809,037
Adjustments to reconcile net loss to cash flow from operating activities:		
Depreciation	**70,146**	108,447
Change in value of warrant liability	**549,000**	(5,540,577)
Share based payments	**157,137**	30,649
Loss on other financial assets	**5,250**	3,150
Cash interest paid	**(73,331)**	(67,964)
Cash interest received	**30,739**	25,040
Interest accretion	**25,937**	31,509
Non cash directors' fees	**51,046**	118,802
Write-off of mineral properties	**-**	1,226,455
Net change in non-cash operating working capital items:		
Trade and other receivables	**23,993**	-
Inventory	**10**	(38,449)
Prepaid expenses	**46,601**	(28,029)
Trade, other payables and accrued liabilities	**(140,436)**	(742,140)
Cash used in operations	**(859,528)**	(2,064,070)
Investing		
Mineral properties and exploration expenditures	**(2,746,754)**	(1,263,546)
Option payments received and recoveries	**1,107**	-
Equipment and leasehold improvements, net	**(16,096)**	(135,500)
Cash used in investing activities	**(2,761,743)**	(1,399,046)
Net decrease in cash and cash equivalents	**(3,621,271)**	(3,463,116)
Cash and cash equivalents, beginning of period	**20,058,678**	32,428,471
Cash and cash equivalents, end of period	**$ 16,437,407**	$ 28,965,355

Supplementary information:		
Non-cash transactions:		
Share based payments capitalized to mineral properties	**5,768**	37,632
Shares issued on conversion of convertible debt	**986,334**	950,213

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

1. Nature of Operations

The Company is in the process of exploring and evaluating its mineral properties. The business of exploring and mining for minerals involves a high degree of risk. The underlying value of the mineral properties is dependant upon the existence and economic recovery of mineral reserves, the ability to raise long-term financing to complete the development of the properties, government policies and regulations, and upon future profitable production or, alternatively, upon the Company's ability to dispose of it's interest on an advantageous basis; all of which are uncertain.

The amounts shown as mineral properties and deferred expenditures represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the mineral properties is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest, the ability of the Company to obtain the necessary financing to complete development, and future profitable production.

At November 30, 2012 the Company had working capital of $14,543,388 (August 31, 2012 - $18,165,431), had not yet achieved profitable operations, has accumulated losses of $65,872,443 (August 31, 2012 - $64,266,823) and expects to incur further losses in the development of its business. In the long term, the Company will require additional financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its future liabilities as they come due.

2. Basis of Preparation

2.1 Statement of compliance

The Company was originally incorporated under the corporate name "*424547 Alberta Ltd*." in the Province of Alberta on July 5, 1990, under the *Business Corporations Act* (Alberta). The name was changed to "*Tan Range Exploration Corporation*" on August 13, 1991. The name of the Company was again changed to *"Tanzanian Royalty Exploration Corporation" ("TREC" or the "Company")* on February 28, 2006. The Company's principal business activity is in the exploration and development of mineral property interests. The Company's mineral properties are located in United Republic of Tanzania. The unaudited interim condensed consolidated financial statements of the Company as at and for the three month periods ended November 30, 2012 and 2011 comprise the Company and its subsidiaries (together referred to as the "Company" or "Group").

These unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved and authorized by the Board of Directors of the Company on January 9, 2013.

2.2 Basis of presentation

These unaudited interim condensed consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's August 31, 2012 annual financial statements.

2. Basis of Preparation (continued)

2.3 Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after September 1, 2011. For the purpose of preparing and presenting the Financial Information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- IFRS 7 '*Financial Instruments, Disclosures*' - effective for annual periods beginning on or after January 1, 2013, IFRS 7 has been amended to provide more extensive quantitative disclosures for financial instruments that are offset in the statement of financial position or that are subject to enforceable master netting similar arrangements.
- IFRS 9 *'Financial Instruments: Classification and Measurement'* - effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 '*Consolidated Financial Statements'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 '*Joint Arrangements'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 '*Disclosure of Interests in Other Entities'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.
- IAS 1 '*Presentation of Financial Statements'* - the IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss.
- IAS 19 '*Employee Benefits*' - effective for annual periods beginning on or after January 1, 2013, a number of amendments have been made to IAS 19, which included eliminating the use of the "corridor" approach in accounting for defined benefit plans and requiring defined benefit plan remeasurements to be presented in OCI. The standard also includes amendments related to termination benefits as well as enhanced disclosures.
- IAS 27 '*Separate Financial Statements*' - effective for annual periods beginning on or after January 1, 2013, as a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- IAS 28 '*Investments in Associates and Joint Ventures'* - effective for annual periods beginning on or after January 1, 2013, as a consequence of the issue of IFRS 10, IFRS 11and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.

2. Basis of Preparation (continued)

2.3 Adoption of new and revised standards and interpretations (continued)

- IAS 32 '*Financial instruments, Presentation'* - In December 2011, effective for annual periods beginning on or after January 1, 2013, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date.

Management anticipates that where required, the above standards will be adopted at the applicable effective dates in the Company's financial statements, and has not yet considered the impact of the adoption of these standards.

3. Mineral Properties

The Company explores or acquires gold or other precious metal concessions through its own efforts or through the efforts of its subsidiaries. All of the Company's concessions are located in Tanzania.

The Company's mineral interests in Tanzania are initially held under prospecting licenses granted pursuant to the Mining Act, 2010 (Tanzania) for a period of up to four years, and are renewable two times for a period of up to two years each. Annual rental fees for prospecting licenses are based on the total area of the license measured in square kilometres, multiplied by USD$100/sq.km for the initial period, USD$150/sq.km for the first renewal and USD$200/sq.km for the second renewal. With each renewal at least 50% of the licensed area, if greater than 20 square kilometres, must be relinquished and if the Company wishes to keep the relinquished one-half portion, it must file a new application for the relinquished portion. There is also an initial one-time "preparation fee" of USD$500 per license. Upon renewal, there is a renewal fee of USD$300 per license.

The Company assessed the carrying value of mineral properties and deferred exploration costs as at November 30, 2012 and recorded a write-down of $nil during the three month period ended November 30, 2012 (2011 - $1,226,455).

3. Mineral Properties (continued)

The continuity of expenditures on mineral properties is as follows:

	Itetemia (a)	Luhala (b)	Kigosi (c)	Lungaya (d)	Kanagele (e)	Tulawaka (f)	Ushirombo (g)	Mbogwe (h)	Biharamulu (i)	Buckreef (j)	Kabanga (k)	Other(l)	Total
Balance, September 1, 2011	**$5,823,059**	**$3,727,626**	**$13,753,050**	**$3,184,675**	**$1,124,487**	**$636,175**	**$264,355**	**$82,039**	**$124,329**	**$4,421,243**	**$-**	**$121,934**	**$33,262,972**
Exploration expenditures:													
Camp, field supplies and travel	14,565	-	116,566	34,976	-	-	-	-	-	424,035	-	-	590,142
Exploration and field overhead	1,420	1,340	47,581	71,737	2,755	3,573	6,285	12,463	7,211	1,124,484	-	88,114	1,366,963
Geological consulting and field wages	-	-	-	-	-	-	-	-	-	664,513	-	-	664,513
Geophysical and geochemical	-	30,381	-	90,050	-	-	-	-	-	569,283	-	-	689,714
Property acquisition costs	37,070	-	3,892	13,326	17,693	17,092	-	-	-	108,804	-	13,070	210,947
Trenching and drilling	-	-	39,636	28,527	-	-	-	-	-	6,053,665	-	-	6,121,828
Recoveries	(41,834)	-	-	-	-	-	-	(176)	(2,250)	-	-	(5,854)	(50,114)
	11,221	31,721	207,675	238,616	20,448	20,665	6,285	12,287	4,961	8,944,784	-	95,330	9,593,993
	5,834,280	3,759,347	13,960,725	3,423,291	1,144,935	656,840	270,640	94,326	129,290	13,366,027	-	217,264	42,856,965
Write-offs	(46,544)	-	-	-	(297,588)	(331,402)	(266,379)	(13,019)	(129,290)	-	-	(209,747)	(1,293,969)
Balance, August 31, 2012	**$5,787,736**	**$3,759,347**	**$13,960,725**	**$3,423,291**	**$847,347**	**$325,438**	**$4,261**	**$81,307**	**$-**	**$13,366,027**	**$-**	**$7,517**	**$41,562,996**
Exploration expenditures:													
Camp, field supplies and travel	3,514	-	10,713	-	-	-	-	-	-	80,159	-	-	94,386
Exploration and field overhead	4,784	1,174	19,148	15,557	4,952	64,071	-	6,957	-	187,702	261,944	3,364	569,653
Geological consulting and field wages	-	-	-	-	-	-	-	-	-	-	-	-	-
Geophysical and geochemical	-	-	-	-	-	-	-	-	-	98,413	-	-	98,413

Property acquisition costs	-	-	-	-	11,604	-	-	-	-	(21,348)	-	-	(9,744)
Trenching and drilling	-	-	-	-	-	-	-	-	-	987,996	-	-	987,996
Recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-
	8,298	1,174	29,861	15,557	16,556	64,071	-	6,957	-	1,332,922	261,944	3,364	1,740,704
Balance, November 30, 2012	**$5,796,034**	**$3,760,521**	**$13,990,586**	**$3,438,848**	**$ 863,903**	**$ 389,509**	**$ 4,261**	**$ 88,264**	**$ -**	**$ 14,698,949**	**$ 261,944**	**$ 10,881**	**$43,303,700**

3. Mineral Properties (continued)

(a) Itetemia Project:

Through prospecting and mining option agreements, the Company has options to acquire interests in several ltetemia property prospecting licenses. The prospecting licenses comprising the Itetemia property are held by the Company; through the Company's subsidiaries, Tancan or Tanzam. In the case of one prospecting license, Tancan acquired its interest pursuant to the State Mining Corporation ("Stamico") Venture Agreement, as amended June 18, 2001 and July 2005.

Stamico retains a 2% royalty interest as well as a right to earn back an additional 20% interest in the prospecting license by meeting 20% of the costs required to place the property into production. The Company retains the right to purchase one-half of Stamico's 2% royalty interest in exchange for USD$1,000,000.

The Company is required pay to Stamico an annual option fee of USD$25,000 per annum until commercial production.

As at November 30, 2012, one license is subject to an Option Agreement with Barrick Exploration Africa Ltd. (BEAL) (note 3(m)).

During the three month period ended November 30, 2012, the Company did not abandon any licenses in the area and no write off was taken in this area (year ended August 31, 2012 - $46,544) related to deferred exploration costs associated with licenses the Company does not intend to renew.

(b) Luhala Project:

During the three month period ended November 30, 2012, the Company did not abandon any licenses in the area and no write-off was taken in this area (year ended August 31, 2012 - $nil).

(c) Kigosi:

The Kigosi Project is principally located within the Kigosi Game Reserve controlled area. Through prospecting and mining option agreements, the Company has options to acquire interests in several Kigosi prospecting licenses. The Company has an agreement with Stamico providing Stamico a 15% carried interest in the Kigosi Project.

During the three month period ended November 30, 2012, the Company did not abandon any licenses in the area therefore no write off was taken for this property (year ended August 31, 2012 - $nil).

(d) Lunguya:

During the three month period ended November 30, 2012, the Company did not abandon any licenses in the area and no write-off was taken in this area (year ended August 31, 2012 - $nil).

(e) Kanagele:

During the three month period ended November 30, 2012, the Company did not abandon any licenses in the area and no write-off was taken for this property (year ended August 31, 2012 - $297,588).

3. Mineral Properties (continued)

(f) Tulawaka:

The Company owns or has options to acquire interests ranging from 65% to 90% in the licenses through prospecting and option agreements. Three licenses in the Tulawaka area are subject to an option agreement with MDN Inc. (MDN) (note 3(n)).

During the three month period ended November 30, 2012, the Company did not abandon any licenses in the area and no write-off was taken for this property (year ended August 31, 2012 - $331,402).

(g) Ushirombo:

During the three month period ended November 30, 2012, the Company did not abandon any licenses in the area and no write-off was taken in this area (year ended August 31, 2012 - $266,379).

(h) Mbogwe:

During the three month period ended November 30, 2012, the Company did not abandon any licenses in the area and no write-off was taken for this property (year ended August 31, 2012 - $13,019).

(i) Biharamulo:

Five Biharamulo licenses are subject to the option agreement with MDN (note 3(n)).

During the three month period ended November 30, 2012, the Company did not abandon any licenses in the area and no write-off was taken for this property (year ended August 31, 2012 - $129,290), to reflect the fact that the Company does not currently intend to pursue further exploration activities on the property.

(j) Buckreef Gold Project:

On December 21, 2010, the Company announced it was the successful bidder for the Buckreef Gold Mine Re-development Project in northern Tanzania (the Buckreef Project). Pursuant to the terms of the heads of agreement dated December 16, 2010, the Company paid USD $3,000,000 to Stamico in consideration of the transaction. On October 25, 2011, a Definitive Joint Venture Agreement was entered into with Stamico for the development of the Buckreef Gold Project. Through its wholly-owned subsidiary, Tanzania American International Development Corporation 2000 Limited (Tanzam), the Company holds a 55% interest in the joint venture company, Buckreef Gold Company Limited, with Stamico holding the remaining 45%.

The Company has 100% control over all aspects of the joint venture company. In accordance with the joint venture agreement, the Company has to arrange financing, incur expenditure, make all decisions and operate the mine in the future. The Company obligations and commitments include completing a preliminary economic assessment, feasibility study and mine development. Stamico's involvement is to contribute the licences and rights to the property and received a 45% interest in Buckreef Gold Company Limited. The Company has no other obligations to Stamico, until it reaches production stage and will have to pay 45% of the net income generated.

There is supervisory board made up of 4 directors of Tanzam and 3 of Stamico who will be updated with periodic reports and review major decisions. Amounts paid to Stamico and subsequent expenditure on the property were capitalized under Mineral Properties and reported under Buckreef Gold Company Limited.

3. Mineral Properties (continued)

(k) Kabanga:

The Kabanga Project is located in northwestern Tanzania, south of Lake Victoria and near the Burundi border within the Mesoproterozoic Karagwe-Ankolean sequence within the Kibaran Fold Belt of NW Tanzania.

The Company is engaged in the exploration and development of the Kagera Nickel project, adjacent to the Barrick/Xstrata Kabanga Nickel Project within the Kabanga-Musongati mafic-ultramafic belt, which contains Ni sulphide ores at Kabanga deposit and reef-type PGE concentrations at Musongati.

Northwestern Basemetals Company Limited, a new company 75% owned by the Company, 15% owned by Stamico and 10% owned by Beijing Songshanheli Mining Investment Co. was formed to explore the Kabanga nickel, cobalt and platinum group metals belt in Tanzania.

(l) Other properties:

The Company has options to acquire interests in their other properties. To maintain these options and licenses, the Company must make the following future payments:

	USD$
2013	19,000

During the three month period ended November 30, 2012, the Company did not abandon any licenses in the area and no write-off was taken (year ended August 31, 2012 - $209,747) of costs related to the abandoned area located within the other properties category.

(m) Option Agreement with BEAL:

BEAL had the option to acquire the total rights, titles, and interests of the Company in prospecting licenses in various properties, herein called the BEAL project. In exchange for this option, BEAL paid USD$100 to the Company. To maintain and exercise the option, BEAL was required to incur USD$250,000 in exploration and development costs on the BEAL project within a year of closing the agreement (completed), and thereafter, BEAL must expend USD$50,000 each year for each retained prospecting license. In addition, BEAL must make USD$40,000 annual payments to the Company for each retained prospecting licenses in December 2006 and subsequent years.

Within thirty days after commercial production, BEAL must pay the Company USD$1,000,000 and an additional USD$1,000,000 on each of the next two years. BEAL will also pay the owner of the license 1.5% of net smelter returns.

The Company has received from BEAL notices of relinquishment for all rights, titles and interests in all but one prospecting license included in the Option Agreement, which is located at Itetemia.

(n) Option Agreement with MDN:

On January 20, 2003, as amended on March 18, 2003 and January 9, 2007, the Company entered into an agreement with MDN granting MDN the exclusive option to acquire the total rights, titles, and interests of the Company in certain prospecting licenses. The prospecting licenses under option to MDN are located at Biharamulo and Tulawaka.

4. Property, plant and equipment

	Drilling equipment	Automotive	Computer Equipment	Machinery and equipment	Leasehold improvements	Total
Cost						
As at September 1, 2011	**464,487**	**302,640**	**157,892**	**1,507,349**	**4,469**	**2,436,837**
Additions	-	-	12,372	40,582	89,329	142,283
Disposals	-	-	(78,619)	(20,778)	(4,469)	(103,866)
As at August 31, 2012	**$ 464,487**	**$ 302,640**	**$ 91,645**	**$ 1,527,153**	**$ 89,329**	**$ 2,475,254**
Additions	-	-	16,096	-	-	16,096
As at November 30, 2012	**$ 464,487**	**$ 302,640**	**$ 107,741**	**$ 1,527,153**	**$ 89,329**	**$ 2,491,350**
Accumulated depreciation						
As at September 1, 2011	**217,630**	**124,895**	**106,345**	**536,468**	**4,469**	**989,807**
Depreciation expense	14,509	49,606	22,646	274,977	17,866	379,604
Removed on disposal of asset	-	-	(78,620)	(20,778)	(4,469)	(103,867)
As at August 31, 2012	**$ 232,139**	**$ 174,501**	**$ 50,371**	**$ 790,667**	**$ 17,866**	**$ 1,265,544**
Depreciation expense	3,872	8,790	4,222	49,689	3,573	70,146
As at November 30, 2012	**$ 236,011**	**$ 183,291**	**$ 54,593**	**$ 840,356**	**$ 21,439**	**$ 1,335,690**
Net book value						
As at September 1, 2011	$ 246,857	$ 177,745	$ 51,547	$ 970,881	$ -	$ 1,447,030
As at August 31, 2012	$ 232,348	$ 128,139	$ 41,274	$ 736,486	$ 71,463	$ 1,209,710
As at November 30, 2012	**$ 228,476**	**$ 119,349**	**$ 53,148**	**$ 686,797**	**$ 67,890**	**$ 1,155,660**

5. Convertible Debt

(i) November 30, 2012:

	August 2010	September 2010	October 2010	Total
Gross proceeds at inception	$ 1,000,000	$ 1,000,000	$ 1,060,000	$ 3,060,000
Fair value of liability portion	965,375	965,375	1,023,297	2,954,047
Fair value of equity portion	34,625	34,625	36,703	105,953
Liability portion of convertible debt:				
Initial fair value of debt component	$ 965,375	$ 965,375	$ 1,023,297	$ 2,954,047
Issuance costs	(111,160)	(3,359)	(22,383)	(136,902)
Accretion expense	101,523	87,606	110,517	299,616
Interest paid	(36,164)	(63,288)	(63,630)	(163,052)
Conversion into common shares	(919,574)	(986,334)	-	(1,905,908)
Closing balance of liability portion	$ -	$ -	$ 1,047,801	$ 1,047,801
Equity portion of convertible debt:				
Opening balance	$ -	$ -	$ -	$ -
Initial fair value of equity component	34,625	34,625	36,703	105,953
Issuance costs	(3,987)	(120)	(804)	(4,911)
Conversion into common shares	(30,638)	(34,505)	-	(65,143)
Closing balance of equity portion	$ -	$ -	$ 35,899	$ 35,899

(ii) August 31, 2012:

	August 2010	September 2010	October 2010	Total
Gross proceeds at inception	$ 1,000,000	$ 1,000,000	$ 1,060,000	$ 3,060,000
Fair value of liability portion	965,375	965,375	1,023,297	2,954,047
Fair value of equity portion	34,625	34,625	36,703	105,953
Liability portion of convertible debt:				
Initial fair value of debt component	$ 965,375	$ 965,375	$ 1,023,297	$ 2,954,047
Issuance costs	(111,160)	(3,359)	(22,383)	(136,902)
Accretion expense	101,523	82,065	90,091	273,679
Interest paid	(36,164)	(30,000)	(31,800)	(97,964)
Conversion into common shares	(919,574)	-	-	(919,574)
Closing balance of liability portion	$ -	$ 1,014,081	$ 1,059,205	$ 2,073,286
Equity portion of convertible debt:				
Opening balance	$ -	$ -	$ -	$ -
Initial fair value of equity component	34,625	34,625	36,703	105,953
Issuance costs	(3,987)	(120)	(804)	(4,911)

Conversion into common shares	(30,638)	-	-	(30,638)
Closing balance of equity portion	$ -	$ 34,505	$ 35,899	$ 70,404

5. Convertible Debt (continued)

On August 17, 2010, the Company issued a three-year convertible promissory note to an arm's length third party, in the principal amount of $1,000,000 bearing interest at 3% and convertible into 255,484 common shares at a price of $4.286 per share. The agreement charged finance and commitment fees of $95,000 which was paid by issuing 22,166 common shares. These shares will be refundable to the Company if the remaining principal is not fully converted into common shares by December 9, 2011. In September 2011, the loan was converted into 233,318 shares (see note 7).

On September 23, 2010 the Company completed a private placement with an arm's length third party consisting of a three-year convertible promissory note in the principal amount of $1,000,000 bearing interest at 3% and convertible into 221,337 common shares at the price of $4.518 per share. The Company received notice to convert the Promissory Note in the principal amount of $1,000,000 and 221,337 shares were issued on October 17, 2012.

On October 4, 2010 the Company completed a private placement with arm's length third parties consisting of three-year convertible promissory notes in the aggregate principal amount of $1,060,000 bearing interest at 3% and convertible into 204,772 common shares at the price of $5.1765 per share.

Each of the convertible debentures includes a conversion feature. The Company determined a fair value of the financial liability by obtaining independent bank rates of 4.25% for the August, September and October 2010 debt, assuming a three-year expected life and assigned the residual value of all debts to the equity conversion feature in the amount of $126,956. Total transaction costs for all debt agreements were $157,171 of which $5,243 was allocated to the equity component, which aggregated to $35,899 at November 30, 2012 (August 31, 2012 - $70,404) and is included in share based payment reserve in shareholders' equity.

6. Other financial assets

Other financial assets are comprised of shares of publicly traded companies. As at November 30, 2012, these investments have been measured at their fair value of $12,600 (August 31, 2012 - $17,850). The impact to the unaudited interim condensed consolidated financial statements of this revaluation to market value for the three month period ended November 30, 2012 resulted in a $5,250 loss (2011 - $3,150 loss) as market values of these securities decreased (2011 - decreased) in the period.

7. Capital Stock

Share Capital

The Company's Restated Articles of Incorporation authorize the Company to issue an unlimited number of common shares. On November 23, 2011, the Board resolved that the Company authorize for issuance up to a maximum of 115,000,000 common shares, subject to further resolutions of the Company's board of directors.

	Number	Amount ($)
Balance on September 1, 2011	99,758,753	109,935,253
Issued on conversion of convertible debt	233,318	950,213
Issued for services	35,000	115,834
Issued pursuant to Restricted Share Unit Plan	182,866	1,024,793
Compensation warrants exercised	250,000	1,000,000
Reserve transferred on exercise of compensation warrants		450,765
Balance at August 31, 2012	100,459,937	$113,476,858
Issued on conversion of convertible debt	221,337	986,334
Balance at November 30, 2012	100,681,274	$114,463,192

<u>Activity during the year ended August 31, 2012:</u>

On September 23, 2011, pursuant to the private placement completed on August 17, 2010, the Company received notice from an arm's length third party to convert its Promissory Note in the principal amount of $1,000,000 bearing interest at 3% and convertible into 233,318 common shares at a price of $4.286 per share, and 233,318 shares were issued on September 23, 2011.

On January 25, 2012 the Company issued 25,000 common shares common shares at a price of $2.619 per share respectively to an arm's length third party in satisfaction of finder's services provided to the Company in connection with a previous transaction. On April 23, 2012 the Company issued 10,000 common shares at a price of $5.036 to an arm's length third party for investor relations services.

<u>Activity during the three month period ended November 30, 2012:</u>

On October 17, 2012, pursuant to the private placement completed on September 23, 2010, the Company received notice from an arm's length third party to convert its Promissory Note in the principal amount of $1,000,000 bearing interest at 3% and convertible into 221,337 common shares at a price of $4.518 per share, and 221,337 shares were issued on October 17, 2012.

7. Capital Stock (continued)

Warrant issuances:
There were no warrant issuances during the three month period ended November 30, 2012 or the year ended August 31, 2012.

Warrants outstanding:

At November 30, 2012, the following warrants and compensation options were outstanding:

	Number of Warrants	Exercise price	Expiry date
Private placement November 5, 2010	125,000*	USD$4.00	October 20, 2013
Private placement January 31, 2011	172,538	$ 6.903	December 22, 2012
Equity financing August 12, 2011	5,263,158*	USD$4.00	August 12, 2014
Equity financing compensation options August 12, 2011	118,421	USD$4.00	August 12, 2014
Balance, November 30, 2012	5,679,117	-	-

* warrants classified under Warrant Liability

Effective December 7, 2011 the exercise price of 5,263,158 common share purchase warrants was reduced from USD$6.25 to USD$4.00 and the term of the warrants was extended one year to expire August 12, 2014. In addition, if the weighted average trading price of the common shares increases to USD$6.50 after March 11, 2012, the Company will be entitled to require that the holders exercise the warrants, failing which the warrants will terminate. 368,421 compensation warrants issued under the prospectus financing have been amended in the same manner and re-priced from USD$5.91 to USD$4.00. The 5,263,158 warrants are accounted for and included in the calculation of the warrant liability. The compensation warrants continue to be classified as an equity instrument under warrants reserve and the increase in value of $183,000 from the modification of the warrants was recorded in the statement of loss and comprehensive loss for the year ended August 31, 2012.

7. Capital Stock (continued)

Warrant liability:

Foreign currency denominated warrants (not including compensation warrants), are considered a derivative as they are not indexed solely to the entity's own stock. The Company's functional currency is the Canadian dollar as such the warrants whose exercise price is denominated in US dollars have been recorded under liabilities and carried at fair value as determined by the Black-Scholes option pricing model, with changes in fair values recorded as gains or losses in the statements of comprehensive loss.

The table below shows the activity for warrant liability for the three month period ended November 30, 2012 and the year ended August 31, 2012:

Period/year ended	**November 30, 2012**	August 31, 2012
Balance at beginning of period/year	**$ 8,114,000**	$ 5,711,250
Increase in value of warrant liability	**549,000**	2,321,921
Transfer of warrants on re-pricing to USD (i)	**-**	80,829
Balance at end of period/year	**$ 8,663,000**	$ 8,114,000

During the three month period ended November 30, 2012, the value of the warrants increased to $8,663,000 from the balance at August 31, 2012 of $8,114,000, as a result of changes in fair value of warrants during the period. The assumptions in valuing the warrants at November 30, 2012 included an expected volatility of 41-57% (August 31, 2012 - 58%-71%), a risk free interest rate of 0.18 to 0.25% (August 31, 2012 - 1.16%) and an expected life ranging from one to two years (August 31, 2012 - one to two years). The increase in value of $549,000 (2011 - $5,540,577 decrease) was recorded as a loss (2011 - income) in the statement of comprehensive loss.

(i) Effective January 25, 2012 the exercise price of 125,000 common share purchase warrants was reduced from CDN $7.309 to USD$4.00, and the term of the warrants was extended one year to expire October 20, 2013. In addition, if the weighted average trading price of the common shares increases to USD$6.50 after April 12, 2012, the Company will be entitled to require that the holders exercise the warrants, failing which the warrants will terminate. The warrants are held by an arm's length investor. The result of the modification resulted in the new foreign currency denominated warrants being considered a derivative as they are not indexed solely to the entity's own stock. The warrants were transferred from reserve for warrants to liabilities and were accounted for and included in the calculation of the warrant liability and consequently reclassified $80,829 from warrants reserve to warrant liability.

7. Capital Stock (continued)

Compensation options:

Employee stock ownership plan:

On May 1, 2003, the Company established a non-leveraged employee stock ownership plan (ESOP) for all eligible employees, consultants, and directors. The Company matches 100 percent of participants contributions up to 5 percent of the participants salaries and 50 percent of participants contributions between 6 percent and 30 percent of the participants salaries. All contributions vest immediately. ESOP compensation expense for the three month period ended November 30, 2012 was $8,889 (2011 - $118,802) and is included in salaries and benefits expense.

Restricted share units:

The Restricted Stock Unit Plan (RSU Plan) is intended to enhance the Company's and its affiliates' abilities to attract and retain highly qualified officers, directors, key employees and other persons, and to motivate such officers, directors, key employees and other persons to serve the Company and its affiliates and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company. To this end, the RSU Plan provides for the grant of restricted stock units (RSUs). Each RSU represents an entitlement to one common share of the Company, upon vesting. As of November 9, 2012 the Board resolved to suspend 1,500,000 of the 2,500,000 common shares previously authorized for issuance under the RSU Plan, such that a maximum of 1,000,000 shares shall be authorized for issuance under the RSU Plan, until such suspension may be lifted or further amended. RSU awards may, but need not, be subject to performance incentives to reward attainment of annual or long-term performance goals in accordance with the terms of the RSU Plan. Any such performance goals are specified in the award agreement.

The Board of Directors implemented the RSU Plan under which officers, directors, employees and others are compensated for their services to the Company. Annual compensation for outside 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. On April 11, 2012 the board approved that at the election of each individual director, up to one half of the annual compensation may be received in cash, paid quarterly. The remainder of the director's annual compensation (at least one half, and up to 100%) will be awarded as 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. In 2012 outside directors had the option to elect to receive 100% of their compensation in RSUs. If 100% compensation in RSUs elected, the compensation on which the number of RSUs granted in excess of the required one half shall be increased by 20%.

The Company uses the fair value method to recognize the obligation and compensation expense associated with the RSU's. The fair value of RSU's issued is determined on the grant date based on the market price of the common shares on the grant date multiplied by the number of RSUs granted. The fair value is expensed over the vesting term. Upon redemption of the RSU the carrying amount is recorded as an increase in common share capital and a reduction in the share based payment reserve.

The Company has a RSU Plan which allows the Company to issue RSU's which are redeemable for the issue of common shares at prevailing market prices on the date of the RSU grant. The aggregate number of RSU's outstanding is limited to a maximum of ten percent of the outstanding common shares. The Company has granted RSU's to officers and key employees.

Of the 1,000,000 shares authorized for issuance under the Plan, 632,053 shares have been issued as at November 30, 2012.

7. Capital Stock (continued)

Total share-based compensation expense related to the issue of RSUs was $nil for the three month period ended November 30, 2012 (2011 - $171,096).

The following table summarizes changes in the number of RSU's outstanding:

Number of RSU's		**Weighted average fair value at issue date**
Balance, September 1, 2011	440,932	$ 5.55
Granted	296,926	$ 4.83
Redeemed for common shares	(182,866)	$ 5.60
Forfeited - unvested	(108,745)	$ 5.39
Balance, August 31, 2012 and November 30, 2012	446,247	$ 5.09

8. Reserve for warrants

Period/year ended	**November 30, 2012**	August 31, 2012
Balance at beginning of period/year	**$ 870,037**	$ 1,353,990
Transfer of warrants to warrant liability	**-**	(216,188)
Modification of warrants	**-**	183,000
Transfer on exercise of compensation warrants	**-**	(450,765)
Balance at end of period/year	**$ 870,037**	$ 870,037

9. Reserve for share based payments

Period/year ended	**November 30, 2012**	August 31, 2012
Balance at beginning of period/year	**$ 670,779**	$ 706,988
Shares issued pursuant to RSU plan	**-**	(1,024,793)
Issued on conversion of convertible debt	**-**	(30,638)
RSU shares forfeited	**-**	(264,528)
Share based compensation	**208,183**	1,283,750
Balance at end of period/year	**$ 878,962**	$ 670,779

10. Related party transactions and key management compensation

Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

(a) Tanzanian Royalty Exploration Corporation entered into the following transactions with related parties:

Three month periods ended November 30,	Notes		2012		2011
Legal services	**(i)**	**$**	**112,284**	$	456,591
Director compensation	**(ii)**	**$**	**88,956**	$	35,169
			USD$		USD$
Chairman and COO	**(iii)**		**21,332**		2,400
Technical Committee	**(iv)**	**$**	**35,169**	$	46,000

10. Related party transactions and key management compensation, (continued)

(i) The Company engages a legal firm for professional services in which one of the Company's directors is a partner. During the three month period ended November 30, 2012, the legal expense charged by the firm was $112,284 (2011 - $456,591), of which $82,781 remains payable at November 30, 2012 (August 31, 2012 - $140,245).

(ii) During the three month period ended November 30, 2012, $88,956 (2011 - $35,169) was paid or payable by the Company to directors for serving on the Board and/or related Committees.

(iii) During the three month period ended November 30, 2012, USD$21,332 (2011 - USD$2,400) was paid to a company associated with the Company's Chairman and COO and his spouse for office rental.

(iv) During the three month period ended November 30, 2012, $35,169 (2011 - $46,000) was paid or payable by the Company to directors as incremental fees for serving on the Company's Technical Committee.

(b) Remuneration of Directors and key management personnel (being the Company's Chief Executive Officer, Chief Financial Officer and Chief Operating Officer), other than consulting fees, of the Company was as follows:

Three month period ended November 30,		**2012**		2011
	Salaries and benefits (1)	**Share based payments (3)**	Salaries and benefits (1)	Share based payments (3)
Management	**$ 91,554**	**$ 99,239**	$ 76,220	$ 66,173
Directors	**37,909**	**51,047**	12,562	118,802
Total	**$ 129,463**	**$ 150,286**	$ 88,782	$ 184,975

(1) Salaries and benefits include director fees. The board of directors do not have employment or service contracts with the Company. Directors are entitled to director fees and RSU's for their services and officers are entitled to cash remuneration and RSU's for their services.
(2) Compensation shares may carry restrictive legends prohibiting selling within certain time frames up to a year.
(3) All RSU share based compensation is based on the accounting expense recorded in the period.

At November 30, 2012, the Company has a receivable of $17,596 (August 31, 2012 - $22,977) from an organization associated with the Company's President and CEO.

11. Management of Capital

The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the identification and development of precious metals deposits.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three month period ended November 30, 2012. The Company is not subject to externally imposed capital requirements.

The Company considers its capital to be shareholders' equity, which is comprised of share capital, reserves, and deficit, which as at November 30, 2012 totaled $50,339,748 (August 31, 2012 - $50,750,851).

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company invests all capital that is surplus to its immediate operational needs in short term, liquid and highly rated financial instruments, such as cash, and short term guarantee deposits, all held with major Canadian financial institutions.

12. Financial Instruments

Fair Value of Financial Instruments

The Company designated its other financial assets and warrant liability as FVTPL, which are measured at fair value. Fair value of other financial assets is determined based on quoted market prices and is categorized as Level 1 measurement. Fair value of warrant liability is categorized as Level 2 measurement as it is calculated based on observable market inputs. Trade and other receivables and cash and cash equivalents are classified as loans and receivables, which are measured at amortized cost. Trade and other payables and convertible debt are classified as other financial liabilities, which are measured at amortized cost. Fair value of trade and other payables and convertible debt are determined from transaction values that are not based on observable market data.

The carrying value of the Company's cash and cash equivalents, trade and other receivables, trade and other payables approximate their fair value due to the relatively short term nature of these instruments.

The Company's convertible debt fair value is based on market interest rate. As at November 30, 2012, and August 31, 2012 the fair value of the convertible debt agreements did not differ materially from their carrying value.

12. Financial Instruments (continued)

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as they relate to financial instruments are reflected below:

Credit Risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term bank investments and accounts and other receivables and the carrying value of those accounts represent the Company's maximum exposure to credit risk. The Company's cash and cash equivalents and short-term bank investments are with Schedule 1 banks or equivalents. The accounts and other receivables consist of GST/HST and VAT receivable from the various government agencies and amounts due from related parties. The Company has not recorded an impairment or allowance for credit risk as at November 30, 2012, or August 31, 2012.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Company's bank accounts earn interest income at variable rates. The Company's future interest income is exposed to changes in short-term rates. As at November 30, 2012, a 1% increase/decrease in interest rates would decrease/ increase net loss for the period by approximately $164,000 (2011 - $290,000).

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at November 30, 2012, the Company had current assets of $16,786,699 (August 31, 2012 - $20,483,824) and current liabilities of $2,243,311 (August 31, 2012 - $2,318,393). All of the Company's trade payables and receivables have contractual maturities of less than 90 days and are subject to normal trade terms. Current working capital of the Company is $14,543,388 (August 31, 2012 - $18,165,431).

Foreign Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has offices in Canada, USA, and Tanzania, but holds cash mainly in Canadian and United States currencies. A significant change in the currency exchange rates between the Canadian dollar relative to US dollar and Tanzanian shillings could have an effect on the Company's results of operations, financial position, or cash flows. At November 30, 2012, the Company had no hedging agreements in place with respect to foreign exchange rates. As a majority of the funds of the Company are held in Canadian currencies, the foreign currency risk associated with US dollar and Tanzanian Shilling financial instruments is not considered significant at November 30, 2012.

13. Prepaid expenses

	November 30, 2012	August 31, 2012
Insurance	**$ 22,680**	$ 41,525
Listing fees	**5,951**	23,806
Other	**12,444**	22,345
Total prepaid expenses	**$ 41,075**	$ 87,676

14. Other receivables

The Company's trade and other receivables arise from two main sources: trade receivables due from related parties and harmonized services tax ("HST") and value added tax ("VAT") receivable from government taxation authorities. These are broken down as follows:

	November 30, 2012	August 31, 2012
Receivable from related parties	**$ 18,071**	$ 23,315
HST and VAT Receivable	**24,609**	38,824
Other	**4,552**	9,086
Total Trade and Other Receivables	**$ 47,232**	$ 71,225

Below is an aged analysis of the Company's trade and other receivables:

	November 30, 2012	August 31, 2012
Less than 1 month	**$ 4,150**	$ 4,034
1 to 3 months	**32,140**	64,016
Over 3 months	**10,942**	3,175
Total Trade and Other Receivables	**$ 47,232**	$ 71,225

At November 30, 2012, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 12.

The Company holds no collateral for any receivable amounts outstanding as at November 30, 2012.

15. Trade, other payables and accrued liabilities

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities, amounts payable for financing activities and payroll liabilities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade, other payables and accrued liabilities:

	November 30, 2012	August 31, 2012
Less than 1 month	**$ 50,842**	$ 921,893
1 to 3 months	**1,063,167**	1,378,486
Over 3 months	**81,501**	18,014
Total Trade, Other Payables and Accrued Liabilities	**$ 1,195,510**	$ 2,318,393

16. Inventory

Inventory consists of supplies for the Companys drilling rig to be consumed during the course of exploration development and operations. Cost represents the delivered price of the item. The following is a breakdown of items in inventory:

	November 30, 2012	August 31, 2012
Replacement parts for drill	**$ 186,289**	**$ 186,296**
Other	**62,096**	**62,099**
Total Inventory	**$ 248,385**	**$ 248,395**

17. Cash and cash equivalents

As at November 30, 2012, cash and cash equivalents total $16,437,407 (August 31, 2012 - $20,058,678), consisting of cash on deposit with banks in general minimum interest bearing accounts totalling $2,937,056 (August 31, 2012 - $2,027,295), and Government investment certificates consisting of interest-generating money-market accounts of $13,500,351 (August 31, 2012 - $18,031,383). This interest-generating government investment certificate is cashable at any time and the Company expects to convert this into cash on an as needed basis.

18. Segmented information

Operating Segments

At November 30, 2012 the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Tanzania. The Company's corporate division only earns interest revenue that is considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment as defined in IFRS 8 *'Operating Segments'*. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements also represent operating segment amounts.

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;

- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

18. Segmented information, (continued)

Geographic Segments

The Company is in the business of mineral exploration and production in the country of Tanzania. As such, management has organized the Company's reportable segments by geographic area. The Tanzanian segment is responsible for that country's mineral exploration and production activities while the Canadian segment manages corporate head office activities. Information concerning TREC's reportable segments is as follows:

	November 30, 2012	August 31, 2012
Consolidated net loss		
Canada	**$ (729,918)**	$ (6,088,262)
Tanzania	**(875,702)**	(2,809,581)
	$ (1,605,620)	$ (8,897,843)
Identifiable assets		
Canada	**$16,487,473**	$20,137,766
Tanzania	**44,758,586**	43,118,764
	$61,246,059	$63,256,530

19. Commitments

In addition to the property payments committed to by the Company to maintain options in certain prospecting and mining option agreements (note 3), the Company is committed to rental payments of approximately $48,869 for premises in 2013.

Management Discussion and Analysis
November 30, 2012

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations for Tanzanian Royalty Exploration Corporation (the "Company") should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three month period ended November 30, 2012 and the audited consolidated financial statements for the years ended August 31, 2012 and 2011. The MD&A was prepared as of January 14, 2013. All amounts are in Canadian dollars, unless otherwise specified.

Highlights – for the three months ended November 30, 2012

- Assay results from Eastern Porphyry prospect at the Buckreef Gold Project continues to increase confidence in the additional potential the prospect might possess
- Assay results from the Company's ongoing deep diamond drill program at the Buckreef Gold Project confirm continuity of wide, higher-grade gold mineralization
- In October 2012 the Company retained Venmyn Rand Limited to prepare mineral resource block models and updated mineral resource statements for the Company's Buckreef Project
- In November 2012 the Company announced the formation of Northwestern Basemetals Company Limited, a new company 75% owned by Tanzanian Royalty, 15% by State Mining Corporation ("Stamico") and 10% by Beijing Songshanheli Mining Investment Co., to explore the Kabanga nickel, cobalt and platinum group metals belt in Tanzania

Overall Performance

For the three month period ended November 30, 2012 the Company had current assets of $16,786,699 compared to $20,483,824 on August 31, 2012. The decrease is mainly due to net expenditures on exploration of $2,746,754 (2011 - $1,263,546) and cash used in operations of $859,528 (2011 - $2,064,070). Mineral properties and deferred exploration costs were $43,303,700 as compared to $41,562,996 at August 31, 2012.

Net loss for the three month period ended November 30, 2012 was $1,605,620 compared to a net income of $2,809,037 in the comparable three month period ended November 30, 2011. The decrease is primarily due to a gain of $5,540,577 from the revaluation of warrant liability during the three month period ended November 30, 2011 compared to a loss of $549,000 on the same revaluation of the warrant liability in 2012 offset by a decrease in the loss due to the write down in mineral properties and deferred exploration costs to $nil for the three month period ended November 30, 2012 (2011 - $1,226,455).

The Company issued common shares during the three month period ended November 30, 2012 with a value of $986,334 on conversion of 221,337 shares under the convertible debt agreement (compared to a value of $950,213 on conversion of 233,318 shares under the convertible debt agreement during the three month period ended November 30, 2011). In the current quarter, capital is being utilized for the Buckreef Gold Project development, property acquisition, exploration, capital equipment purchases and general operating expenses as previously disclosed and as tabulated below. The remaining capital is invested in interest bearing investments, which are readily available.

		C$ (000)
Funds available August 31, 2012		20,059
Equipment purchases		(16)
Mineral property expenditures including licences, environmental and exploration, net of recoveries		(2,746)
General corporate expenses		(860)
Funds available November 30, 2012	**$**	**16,437**

Management of the Company believes that the current level of funds is expected to be sufficient to achieve its business objectives and milestones over the next 12 months. Management continues to explore alternative financing sources in the form of equity, debt or a combination thereof; however the current economic uncertainty and financial market volatility make it difficult to predict success. Risk factors potentially influencing the Company's ability to raise equity or debt financing include: the outcome of the feasibility study at the Buckreef Project, mineral prices, the risk of operating in a foreign country, including, without limitation, risks relating to permitting, and the buoyancy of the credit and equity markets. For a more detailed list of risk factors, refer to the Company's Annual Information Form for the year ended August 31, 2012, which is filed on SEDAR.

Due to the current low interest rate environment, interest income is not expected to be a significant source of income or cash flow. Management intends to monitor spending and assess results on an ongoing basis and will make appropriate changes as required.

TRENDS

- There are significant uncertainties regarding the prices of precious and base metals and other minerals and the availability of equity and debt financing for the purposes of mineral exploration and development. Although the prices of precious and base metals have risen substantially over the past several months, the Company remains cautious;
- The Company's future performance is largely tied to the outcome of future drilling results and the development of the Buckreef project; and
- Current financial markets are likely to be volatile in Canada for the remainder of the year, reflecting ongoing concerns about the stability of the global economy. As well, concern about global growth may lead to future drops in the commodity markets. Uncertainty in the credit markets has also led to increased difficulties in borrowing/raising funds. Companies worldwide have been negatively affected by these trends. As a result, the Company may have difficulties raising equity and debt financing for the purposes of base and precious metals exploration and development.

These trends may limit the Company's ability to discover and develop an economically viable mineral deposit.

Tanzanian Royalty
EXPLORATION CORPORATION

Management Discussion and Analysis
November 30, 2012

Selected Financial Information

	As at and for the three month period ended November 30, 2012		As at and for the year ended August 31, 2012		As at and for the year ended August 31, 2011	
Total Revenues	$	0	$	0	$	0
Net loss for the period	$	(1,605,620)	$	(8,897,843)	$	(11,132,371)
Basic loss per share	$	(0.02)	$	(0.09)	$	(0.12)
Total assets	$	61,246,059	$	63,256,530	$	67,632,380
Total long term financial liabilities	$	9,710,801	$	10,187,286	$	8,669,289
Cash dividends declared per share	$	0	$	0	$	0

Results of Operations

Net additions to mineral properties and deferred exploration costs for the three month period ended November 30, 2012 were $1,740,704 compared to $1,263,546 for the three month period ended November 30, 2011. The amount remains consistent with prior year as the Company continues with its exploration of the Buckreef project. Recoveries received during the three month period ended November 30, 2012 and 2011 from various option agreements and other miscellaneous sources were $1,107 and $nil, respectively.

Net loss for the three month period ended November 30, 2012 was $1,605,620 compared to income of $2,809,037 for the comparable three month period ended November 30, 2011**.**

Salaries and benefits expense has decreased to $332,600 for the three month period ended November 30, 2012 from $389,214 for the three month period ended November 30, 2011. Salaries and benefits have remained consistent between the two periods and the minor decrease is due to better cost controls by the Company.

Professional fees decreased by $96,164 for the three month period ended November 30, 2012 to $133,679 from $229,843 for the three month period ended November 30, 2011. The decrease in the current quarter is due to increased costs during the comparative 2011 quarter surrounding legal, audit and tax advisor professional fees which were not incurred during the current quarter.

For the three month period ended November 30, 2012, the foreign exchange expense was $14,973 compared to an exchange income of $29,342 for the same period ended November 30, 2011. This decreased loss of $14,973 was due to the years' average Tanzanian Shilling exchange rate having increased from 1,572 at August 31, 2012 to 1,586 at November 30, 2012.

Share based payments for the three month period ended November 30, 2012 were $151,369 compared to $30,649 in the comparable period ended November 30, 2011. Share based payments vary on the number of equity based compensation options issued and vesting. See note 7 of the financial statements for details. Director fee RSU expense was $51,046 and $118,802, respectively.

Shareholder information costs decreased from $170,443 for the three month period ended November 30, 2011 to $69,323 for the three month period ended November 30, 2012. The decrease of $101,120 was due to increased activity during 2011 due to transfer agent and listing fees from the issue of shares for converted debt and corporate investor promotion activity completed during 2011 as an investor public relations firm was hired during the period.

For the three month period ended November 30, 2012, travel and accommodation expense decreased by $34,171 from $67,568 in 2011 to $33,397. Travel and accommodation expense decreased due to timing and increased control of travel requirements.

The interest accretion expense for the three month period ended November 30, 2012 was $25,937, compared to $31,509 for the three month period ended November 30, 2011. The interest relates to the issuance of convertible debt. Interest accretion is expected to decrease as debt is converted into shares.

For the three month period ended November 30, 2012, depreciation expense was $70,146 compared to $108,447 for the same three month period ended November 30, 2011. The decrease of $38,301 was due to the lower capital asset cost base as purchases in the period were minimal and depreciation lowered the capital asset balance. The capital expenditure for the three month period ended November 30, 2012 was $16,096 as compared to $135,500 in the three month period ended November 30, 2011.

During the three month period ended November 30, 2012, the Company did not abandon or write-off expenses in various project areas (2011 – wrote off $1,226,455 from abandoning various licenses, see note 3 of the financial statements, as the Company evaluated its mineral properties and deemed certain properties to warrant no further exploration).

Consulting fees for the three month period ended November 30, 2012 were $51,592 compared to $64,219 in the comparable three month period ended November 30, 2011. Consulting expenses remained consistent between the comparable periods. The decrease in total consulting expense is a result of the Company closely managing consulting costs in the current uncertain economic environment.

Directors' fees for the three month period ended November 30, 2012 were $88,955 compared to $131,354 in the comparable three month period ended November 30, 2011. The decrease in director fees expense is a result of a decrease in number and valuation of RSU's issued to board members.

Office and general expenses for the three month period ended November 30, 2012 were $91,437 compared to $119,925 in the comparable three month period ended November 30, 2011. The decrease is mainly due to the company closely managing its office and general costs including closure of the Mwanza office and consolidation of offices at the Buckreef camp.

Tanzanian Royalty EXPLORATION CORPORATION

Management Discussion and Analysis
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Summary of Quarterly Results (unaudited)

(Expressed in thousands of dollars, except per share amounts)

	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2011 Q4	2011 Q3	2011 Q2
Total revenues	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Net Income (Loss)	$ (1,606)	$ (3,576)	$ 385	$ (8,516)	$ 2,809	($ 7,402)	($ 1,493)	($ 1,081)
Basic and diluted income (loss) per share	($ 0.02)	($ 0.04)	$ 0.00	($ 0.09)	$ 0.03	($ 0.07)	($ 0.02)	($ 0.01)

Liquidity and Capital Resources

The Company manages liquidity risk by maintaining adequate cash balances in order to meet short term business requirements. Because the Company does not currently derive any production revenue from operations, its ability to conduct exploration and development work on its properties is largely based upon its ability to raise capital by equity funding. Previously, the Company has obtained funding via private placements, public offering and various sources, including the Company's President and CEO.

As of November 30, 2012, the Company's working capital position was $14,543,388, as compared to $18,165,431 as of August 31, 2012. As the Company's mineral properties advance, additional equity and debt financing will be required to fund exploration and mining activities.

The Company has prepared a cash flow forecast for fiscal 2013 and believes that it has sufficient funds to continue operations for at least the next twelve months.

Some 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 interests are as follows:

	Option Payments due by Period (US$)				
	Total	Less than 1 year	2 - 3 years	4 - 5 years	Over 5 years
Option agreement obligations	19,000	19,000	nil	nil	nil

Convertible Debt

Pursuant to the private placement completed on September 23, 2010, the Company received notice from an arm's length third party to convert its Promissory Note in the principal amount of $1,000,000 bearing interest at 3% and convertible into 221,337 common shares at a price of $4.518 per share, and 221,337 shares were issued on October 17, 2012.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

(a) Tanzanian Royalty Exploration Corporation entered into the following transactions with related parties:

Three month periods ended November 30,	**Notes**	**2012**	2011
Legal services	**(i)**	**$112,284**	$456,591
Director compensation	**(ii)**	**$88,956**	$35,169
Chairman and COO	**(iii)**	**USD$ 21,332**	USD$ 2,400
Technical Committee	**(iv)**	**$35,169**	$46,000

(i) The Company engages a legal firm for professional services in which one of the Company's directors is a partner. During the three month period ended November 30, 2012, the legal expense charged by the firm was $112,284 (2011 - $456,591), of which $82,781 remains payable at November 30, 2012 (August 31, 2012 - $140,245).

(ii) During the three month period ended November 30, 2012, $88,956 (2011 - $35,169) was paid or payable by the Company to directors for serving on the Board and/or related Committees.

(iii) During the three month period ended November 30, 2012, USD$21,332 (2011 - USD$2,400) was paid to a company associated with the Company's Chairman and COO and his spouse for office rental.

(iv) During the three month period ended November 30, 2012, $35,169 (2011 - $46,000) was paid or payable by the Company to directors as incremental fees for serving on the Company's Technical Committee.

(b) Remuneration of Directors and key management personnel (being the Company's Chief Executive Officer, Chief Financial Officer and Chief Operating Officer), other than consulting fees, of the Company was as follows:

Three month period ended November 30,		**2012**		2011
	Salaries and benefits (1)	**Share based payments (3)**	Salaries and benefits (1)	Share based payments (3)
Management	**$ 91,554**	**$ 99,239**	$ 76,220	$ 66,173
Directors	**37,909**	**51,047**	12,562	118,802
Total	**$ 129,463**	**$ 150,286**	$ 88,782	$ 184,975

(1) Salaries and benefits include director fees. The board of directors do not have employment or service contracts with the Company. Directors are entitled to director fees and RSU's for their services and officers are entitled to cash remuneration and RSU's for their services.

(2) Compensation shares may carry restrictive legends prohibiting selling within certain time frames up to a year.

(3) All RSU share based compensation is based on the accounting expense recorded in the period.
At November 30, 2012, the Company has a receivable of $17,596 (August 31, 2012 - $22,977) from an organization associated with the Company's President and CEO.

Restricted Stock Unit Plan

The Restricted Stock Unit Plan ("RSU Plan") is intended to enhance the Company's and its affiliates' abilities to attract and retain highly qualified officers, directors, key employees and other persons, and to motivate such officers, directors, key employees and other persons to serve the Company and its affiliates and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company. To this end, the RSU Plan provides for the grant of restricted stock units ("RSUs"). Each RSU represents an entitlement to one common share of the Company, upon vesting. As of November 9, 2012 the Board resolved to suspend 1,500,000 of the 2,500,000 common shares previously authorized for issuance under the RSU Plan, such that a maximum of 1,000,000 Shares shall be authorized for issuance under the RSU Plan, until such suspension may be lifted or further amended. Any of these awards of RSUs may, but need not, be made as performance incentives to reward attainment of annual or long-term performance goals in accordance with the terms of the RSU Plan. Any such performance goals are specified in the Award Agreement.

Of the 1,000,000 shares authorized for issuance under the Plan, 632,053 shares have been issued as of November 30, 2012.

Critical Accounting Estimates

Assessment of Recoverability of Mineral Property Costs

The deferred cost of mineral properties and their related development costs are deferred until the properties are placed into production, sold or abandoned. These costs will be amortized over the estimated useful life of the properties following the commencement of production. Cost includes both the cash consideration as well as the fair market value of any securities issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. The proceeds from property options granted reduce the cost of the related property and any excess over cost is applied to income The Company's recorded value of its exploration properties is based on historical costs that expect to be recovered in the future. The Company's recoverability evaluation is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale.

Assessment of Recoverability of Deferred Income Tax Assets

TREC follows the liability method of accounting for income taxes. Under this method, deferred tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax liabilities and assets are measured using substantively enacted tax rates. The effect on the deferred tax liabilities and assets of a change in tax rates is recognized in the period that the change occurs. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that is probable that taxable profit will be available against which the deductible temporary difference and the carry forward of unused credits and unused tax losses can be utilized. In preparing the consolidated financial statements, the Company is required to estimate its income tax obligations. This process involves estimating the actual tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. The Company assesses, based on all available evidence, the likelihood that the deferred income tax assets will be recovered from future taxable income and, to the extent that recovery cannot be considered probable, the deferred tax asset is not recognized.

Estimate of Share Based Payments and Warrant Liability and Associated Assumptions

The Company recorded share based payments based on an estimate of the fair value on the grant date of share based payments issued and reviews its foreign currency denominated warrants each period based on their fair value. The accounting required for the warrant liability requires estimates of interest rate, life of the warrant, stock price volatility and the application of the Black-Scholes option pricing model. See note 7 of the November 30, 2012, unaudited interim condensed consolidated financial statements for a full disclosure.

Critical accounting policies

Mineral Properties

All direct costs related to the acquisition and exploration and development of specific properties are capitalized as incurred. If a property is brought into production, these costs will be amortized against the income generated from the property. If a property is abandoned, sold or impaired, an appropriate charge will be made. Discretionary option payments arising on the acquisition of mining properties are only recognized when paid. Amounts received from other parties to earn an interest in the Company's mining properties are applied as a reduction of the mining property and deferred exploration and development costs, except for administrative reimbursements which are credited to operations.

Consequential revenue from the sale of metals, extracted during the Company's test mining activities, is recognized on the date the mineral concentrate level is agreed upon by the Company and customer, as this coincides with the transfer of title, the risk of ownership, the determination of the amount due under the terms of settlement contracts the Company has with its customer, and collection is reasonably assured. Revenues from properties earned during the development stage (prior to commercial production) are deducted from capitalized costs.

The amounts shown for mining claims and related deferred costs represent costs incurred to date, less amounts expensed or written off, reimbursements and revenue, and do not necessarily reflect present or future values of the particular properties. The recoverability of these costs is dependent upon discovery of economically recoverable reserves and future production or proceeds from the disposition thereof.

The Company reviews the carrying value of a mineral exploration property when events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying value of the property exceeds its fair value, the property will be written down to fair value with the provision charged against operations in the year. An impairment is also recorded when management determines that it will discontinue exploration or development on a property or when exploration rights or permits expire. The amount shown for deferred exploration expenses, represents costs incurred to date net of write-downs, if any, and is not intended to reflect present or future values.

Ownership in mineral properties involves certain risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated the ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

Capitalized mineral property exploration costs are those directly attributable costs related to the search for, and evaluation of mineral resources, that are incurred after the Company has obtained legal rights to explore a mineral property and before the technical feasibility and commercial viability of a mineral reserve are demonstrable. Any cost incurred prior to obtaining the legal right to explore a mineral property are expensed as incurred.

Once an economically viable reserve has been determined for a property and a decision has been made to proceed with development has been approved, acquisition, exploration and development costs previously capitalized to the mineral property are first tested for impairment and then classified as property, plant and equipment under construction.

Impairment of Long-lived Assets
At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

The Company's most critical accounting estimate relates to the impairment of mineral properties and deferred exploration costs. During the three month period ended November 30, 2012 the Company wrote off $nil of costs on abandoned mineral properties (2011 – $1,226,455). 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.

Asset Retirement Obligations
The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As of November 30, 2012 no liability for restoration exists.

Financial Instruments

Fair Value of Financial Instruments

The Company designed its other financial assets and warrant liability as FVTPL, which are measured at fair value. Fair value of other financial assets is determined based on quoted market prices and is categorized as Level 1 measurement. The warrant liability is recorded at fair value based on observable market inputs. Trade and other receivables and cash and cash equivalents are classified as loans and receivables, which are measured at amortized cost. Trade and other payables and convertible debt are classified as other financial liabilities, which are measured at amortized cost. Fair value of Trade and other payables and convertible debt are determined from transaction values that are not based on observable market data.

The carrying value of the Company's cash and cash equivalents, trade and other receivables, trade and other payables approximate their fair value due to the relatively short term nature of these instruments.

The Company's convertible debt fair value is based on market interest rate. As at November 30, 2012 the fair value of the convertible debt agreements did not differ materially from their carrying value.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as they relate to financial instruments are reflected below:

Credit Risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term bank investments and accounts and other receivables. The Company's cash and cash equivalents and short-term bank investments are with Schedule 1 banks or equivalents. The accounts and other receivables consist of GST/HST receivable from the Custom Revenue Agency and amounts due from related parties.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Company's bank accounts earn interest income at variable rates. The Company's future interest income is exposed to changes in short-term rates. As at November 30, 2012, a 1% increase/decrease in interest rates would decrease/increase net loss for the period by approximately $164,000 (2011 - $290,000).

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at November 30, 2012, the Company had current assets of $16,786,699 (August 31, 2012 - $20,483,824) and current liabilities of $1,195,510 (August 31, 2012 - $2,318,393). All of the Company's trade payables and receivables have contractual maturities of less than 90 days and are subject to normal trade terms. Current working capital of the Company is $14,543,388 (August 31, 2012 - $18,165,431).

Foreign Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has offices in Canada, USA, and Tanzania, but holds cash mainly in Canadian and United States currencies. A significant change in the currency exchange rates between the Canadian dollar relative to US dollar and Tanzanian shillings could have an effect on the Company's results of operations, financial position, or cash flows. At November 30, 2012, the Company had no hedging agreements in place with respect to foreign exchange rates. As a majority of the funds of the Company are held in Canadian currencies, the foreign currency risk associated with US dollar and Tanzanian Shilling financial instruments is not considered significant at November 30, 2012.

Disclosure of Outstanding Share Data

As at the date of this MD&A, there were 100,681,274 common shares outstanding. There were RSUs, convertible debt and warrants outstanding to purchase an aggregate 6,157,980 common shares.

Subsequent Event

There are no subsequent events to report.

Litigation

There are no legal proceedings which may have or have had a significant effect on the Company's financial position or profitability.

Outlook

The Company's Board of Directors has confirmed the strategic objective of the Corporation is to explore and evaluate its various mineral properties and develop the Buckreef Gold Mine Re-development Project and the Kigosi project in northern Tanzania. In addition, management is of the opinion that the Golden Horseshoe Reef (GHR) at Itetemia represents a modest, yet robust, medium-grade, near surface gold deposit that warrants further feasibility investigations. The Company seeks out and explores gold, nickel and other mineral deposits with the intention of developing certain ones for our own account and partnering with an exploration corporation to generate royalty interest in a deposit that results in production.

Tanzanian Royalty
EXPLORATION CORPORATION

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Exploration Summary

Buckreef Project

Sixteen diamond drill (DD) holes for a total of 3,941.05m, and four reverse circulation (RC) holes for a total of 375m were achieved from September to November 2012. The DD and RC drilling at the Eastern Porphyry prospect has identified a new zone of gold mineralization. Gold mineralization at Eastern Porphyry occurs in a sequence of fine grained basalt to medium grained dolerite. This mafic package has been intruded by a series of porphyritic felsic dykes. The dykes are typically pink in colour and possess both quartz and feldspar phenocryst phases in a fine-grained ground mass. The target area has been partially drilled and drilling continues at this zone. The ongoing DD and RC drilling programs on the Eastern Porphyry prospect is for resource definition and establishing the strike and down-dip continuity of mineralization identified in previous drill programs.

The diamond drilling on the Eastern Porphyry prospect returned significant intercepts including:

- **BMDD202** with 12.22m at 6.20g/t gold from 99.78m, including 2m @ 31.75g/t gold; 6m at 1.46g/t gold from 103m; 3m at 6.74g/t gold from 165m, including 2m @ 9.67g/t gold and 11m at 9.82g/t gold from 186m, including 3m @ 28.53g/t gold.
- **BMDD203** which intersected 1m at 1.34g/t Au from 192m, and a second zone of 1m at 1.57g/t Au from 284m.
- **BMDD205** returned intervals of 1 metres grading 1.31g/t Au from 97m, 1m grading 3.02 g/t Au from 119m, 2m grading 1.43 g/t Au from 123m and 1m 1.17 g/t Au from 192m.
- **BMDD206** returned intervals of 1m grading 2.25g/t Au from 70m, 1m grading 1.95 g/t Au from 87m and 1m grading 3.28 g/t Au from 93m.
- **BMDD207** returned intervals of 2.95 metre grading 1.06g/t Au from 14m, 1m grading 4.41 g/t Au from 22m, 1m grading 1.19 g/t Au from 34m, 1m grading 2.37 g/t Au from 48m, 1m grading 4.31 g/t Au from 58m, 1m grading 3.17 g/t Au from 65m, 1m grading 3.33 g/t Au from 109m, 4m grading 1.61 g/t Au from 132m, 1m grading 1.5 g/t Au from 183m, 1m grading 1.18 g/t Au from 195m and 1m grading 17.8 g/t Au from 216m.
- **BMDD208** returned intervals of 2.83 metres grading 0.58g/t Au from 23m, 1m grading 0.91 g/t Au from 83m and 4m grading 0.62 g/t Au from 86m.
- **BMDD209** returned intervals of 2.68 metres grading 0.53g/t Au from 164m, 0.9m grading 1.41 g/t Au from 211m, 1m grading 2.23 g/t Au from 218m, 0.88m grading 3.29 g/t Au from 223m, 2m grading 2.73 g/t Au from 264m, 2m grading 1.08 g/t Au from 289m, 3m grading 0.78 g/t Au from 293m and 1.5m grading 3.55 g/t Au from 304m.

- **BMDD210** returned intervals of 3 metres grading 0.62g/t Au from 95m, 2.75m grading 0.83g/t Au from 136.25m, 1m grading 11.60g/t Au from 140m, 2m grading 1.75g/t Au from 143m, 1m grading 2.11g/t Au from 166m, 10m grading 1.89g/t Au from 181m, including 2m grading 3.9g/t gold from 184m; 2m @ 1.75g/t gold from 258m.

- **BMDD211** returned intervals of 1 metres grading 1.76g/t Au from 89m, 0.75m grading 14.4g/t Au from 97m, 2m grading 12.14g/t Au from 233m including 1.5m grading 15.59 g/t Au from 233m, 1m grading 1.15g/t Au from 264m, 1m grading 1.84g/t Au from 267m, 3.7m grading 1.05g/t Au from 275m, 1m @ 1.85g/t gold from 280m.

The Eastern Porphyry prospect is located 800m in the footwall of the Main Zone of the historic Buckreef mine which operated briefly as an underground gold producer. Down-the–hole lithological sequences include a series of mafic basaltic rock units alternating with dolerite and a series of narrow felsic porphyry units with pronounced shearing and pyrite-quartz-carbonate alteration of the mafic packages at the contacts with the felsic porphyry units. Mineralization is localized within the sheared, quartz-carbonate-pyrite altered zones.

The Company has retained Venmyn Rand Limited to prepare mineral resource block models and updated mineral resource statements for the Buckreef Project. Venmyn recommended that new Datamine™ block models be constructed for the Buckreef Project to eliminate any incompatibility with mine design scheduling programs going forward into the Preliminary Feasibility Study and ultimately the Definitive Feasibility Study. In addition, new exploration data from the recently completed mineral resource drilling program will be incorporated into a new and updated Mineral Resource estimate for the project.

Kigosi Project

An Agreement for Access and Mineral Operations at the Kigosi Project has been signed by the Company and the Tanzanian Ministry of Natural Resources and Tourism. On behalf of the Kigosi Project, the Company has lodged applications for a Certificate of Environmental Compliance after having undertaken a full Environmental and Social Impact Assessment Study which was undertaken by the Environmental Association of Tanzania and approved by the National Environment Management Council.

Kabanga

The Kabanga Project is located in northwestern Tanzania, south of Lake Victoria and near the Burundi border within the Mesoproterozoic Karagwe-Ankolean sequence within the Kibaran Fold Belt of NW Tanzania.
The Company is engaged in the exploration and development of the Kagera Nickel project, adjacent to the Barrick/Xstrata Kabanga Nickel Project within the Kabanga-Musongati mafic-ultramafic belt, which contains Ni sulphide ores at Kabanga deposit and reef-type PGE concentrations at Musongati.

In November 2012 the Company announced the formation of Northwestern Basemetals Company Limited, a new company to explore the Kabanga nickel, cobalt and platinum group metals belt in Tanzania. The new company owned 75% by the Company, 15% by the State Mining Corporation of Tanzania (Stamico), and 10% by Beijing Songshanheli Mining Investment Co., a Beijing mining company.During the first quarter of 2013, the Company completed a review of the historical work carried out on the project area. In assessing the historical work, the project has been grouped into seven geographic blocks. The geological nature of potential nickel (Ni) deposits in the Kagera region makes the seven blocks well suited to conventional geochemical and geophysical exploration techniques. The availability of an extensive and high quality database of regional aeromagnetic and geochemical data from past exploration as well as geological mapping, augmented in places by results of ground follow-up.

- Kahinga North Block
  The main attraction of this area is the potentially prospective stratigraphy, two aeromagnetic anomalies and relative proximity to the Barrick/Xstrata Kabanga Ni deposit.

- Ngara-Ngoma Block
  This represents a large group of PLs, good stratigraphic location make this block conceptually very prospective, direct to the south of this block an extensive exploration work have been carried out by BHP.

- Burigi Block
  Drilling at Burigi established the presence of significant Ni mineralization associated with an aeromagnetic (low) anomaly. This area is potential for further conceptual mineralization needs to be investigated.

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, sovereign risk. For further details on the risk factors affecting the Company, please see the Company's Annual Information Form filed on SEDAR.

Disclosure Controls and Procedures ("DC&P")

Requirements of NI 52-109 include conducting an evaluation of the effectiveness of DC&P. Management conducted an assessment of the effectiveness of the DC&P in place as of November 30, 2012 and concluded that such procedures are adequate and effective to ensure accurate and complete disclosures in filings. Any system control over disclosure procedures, particularly for junior exploration companies, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all inaccuracies. These limitations include limited personnel available for such work, geographical logistics and human error among others. The Board of Directors assess the integrity of the public financial disclosures through the oversight of the Audit Committee.

Management Discussion and Analysis
November 30, 2012

Internal Control Over Financial Reporting ("ICFR")

Requirements of NI 52-109 include conducting an evaluation of the effectiveness of ICFR. Management conducted an assessment of the effectiveness of the ICFR in place as of November 30, 2012 and concluded that such procedures are adequate and effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with International Financial Reporting Standards. Any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements. The Board of Directors assess the integrity of the public financial disclosure through the oversight of the Audit Committee.

Additional Information

Tanzanian Royalty Exploration Corporation is a Canadian public company listed on the TSX Exchange trading under the symbol "TNX" and also listed on the NYSE Amex Equities Exchange trading under the symbol "TRX". Additional information about the company and its business activities is available on SEDAR at www.sedar.com and the Company's website at www.tanzanianroyalty.com .

Approval

The Board of Directors of Tanzanian Royalty Exploration Corporation has approved the disclosure contained in the annual MD&A. A copy of this annual MD&A will be provided to anyone who requests it. It is also available on the SEDAR website at www.sedar.com

Cautionary Note Regarding Forward-Looking Statements

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future prices of base and precious metals; success of exploration activities, cost and timing of future exploration and development; the estimation of mineral reserves and mineral resources; conclusions of economic evaluations; requirements for additional capital; and other statements relating to the financial and business prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or "variations of such words and phrases or statements that certain actions, events or results "may" , "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments at Buckreef or other mining or exploration projects, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent with the Company's expectations; timing and availability of external financing on acceptable terms in light of the current decline in global liquidity and credit availability; uncertainty of inferred mineral resources; future prices of base and precious metals; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as anticipated; risks inherent in base and precious metal exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

<u>Exhibit 1</u>

This is an unofficial consolidation of Form 52-109F2 *Certification of Interim Filings Full Certificate* reflecting amendments made effective January 1, 2011 in connection with Canada's changeover to IFRS. The amendments apply for financial periods relating to financial years beginning *on or after* January 1, 2011. This document is for reference purposes only and is not an official statement of the law.

Form 52-109F2
Certification of Interim Filings
Full Certificate

I, James E. Sinclair, President and CEO of Tanzanian Royalty Exploration Corporation, certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Tanzanian Royalty Exploration Corporation (the "issuer") for the interim period ended November 30, 2012.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings,* for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the end of the period covered by the interim filings

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

5.2 ***ICFR – material weakness relating to design:*** The issuer has disclosed in its interim MD&A for each material weakness relating to design existing at the end of the interim period

(a) a description of the material weakness;

(b) the impact of the material weakness on the issuer's financial reporting and its ICFR; and

(c) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.

5.3 ***Limitation on scope of design:*** N/A

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on September 1, 2012 and ended on November 30, 2012 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

January 14, 2013

"James E. Sinclair"
James E. Sinclair
President and Chief Executive Officer

This is an unofficial consolidation of Form 52-109F2 *Certification of Interim Filings Full Certificate* reflecting amendments made effective January 1, 2011 in connection with Canada's changeover to IFRS. The amendments apply for financial periods relating to financial years beginning *on or after* January 1, 2011. This document is for reference purposes only and is not an official statement of the law.

Form 52-109F2
Certification of Interim Filings
Full Certificate

I, Steven Van Tongeren, Chief Financial Officer of Tanzanian Royalty Exploration Corporation, certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Tanzanian Royalty Exploration Corporation (the "issuer") for the interim period ended November 30, 2012.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

6. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

7. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings,* for the issuer.

8. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the end of the period covered by the interim filings

(a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

(i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

(ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

5.2 ***ICFR – material weakness relating to design:*** The issuer has disclosed in its interim MD&A for each material weakness relating to design existing at the end of the interim period

(a) a description of the material weakness;

(b) the impact of the material weakness on the issuer's financial reporting and its ICFR; and

(c) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.

5.3 ***Limitation on scope of design:*** N/A

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on September 1, 2012 and ended on November 30, 2012 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

January 14, 2013

"Steven Van Tongeren"
Steven Van Tongeren
Chief Financial Officer