

**U. S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 20-F**

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- ☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934.
- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended August 31, 2008
- ☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.
- ☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 16(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report \_\_\_\_\_  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 001-32500

**TANZANIAN ROYALTY EXPLORATION CORPORATION**  
(Exact name of Company as specified in its charter)

**ALBERTA, CANADA**  
(Jurisdiction of Incorporation or Organization)

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

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Common Shares, without Par Value  
(Title of Class)

Securities registered or to be registered pursuant to Section 12(g) of the Act: NONE

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: NONE

The number of outstanding Common Shares as of August 31, 2008 was 88,114,352.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ☐ Yes ☒ No

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

Indicate by check mark which financial statement item the Company has elected to follow.

Item 17 ☒ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the Company has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

NOT APPLICABLE

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## **Cautionary Note to U.S. Investors Concerning Estimates of Measured and Indicated Mineral Resources**

*The Company advises U.S. Investors that while the terms “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources” (see: “Glossary of Technical Terms – Canadian Terminology” herein) are recognized and required by Canadian securities regulations, the U.S. Securities and Exchange Commission does not recognize them. U.S. investors are cautioned not to assume that any part or all of mineral resources in these categories will ever be converted into mineral reserves.*

## **Currency**

All references to dollar amounts are expressed in the lawful currency of Canada, unless otherwise specifically stated.

## **Foreign Private Issuer Filings**

As a foreign private issuer registered under section 12(b) of the Securities Exchange Act of 1934 (the “Exchange Act”), the Company is subject to section 13 of the Exchange Act, and is required to file Annual Reports on Form 20-F and Reports of Foreign Private Issuer on Form 6-K with the Commission. However, the Company is exempt from the proxy rules under section 14 of the Exchange Act, and the short-swing profit rules under section 16 of the Exchange Act.

## Glossary of Technical Terms

|                     |                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Ag</b>           | The elemental symbol for silver.                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>alteration</b>   | Usually referring to chemical reactions in a rock mass resulting from the passage of hydrothermal fluids.                                                                                                                                                                                                                                                                                                                          |
| <b>andesite</b>     | Volcanic rock, low in quartz content, generally fine grained and moderately dark coloured.                                                                                                                                                                                                                                                                                                                                         |
| <b>anomalous</b>    | A value, or values, in which the amplitude is statistically between that of a low contrast anomaly and a high contrast anomaly in a given data set.                                                                                                                                                                                                                                                                                |
| <b>anomaly</b>      | Any concentration of metal noticeably above or below the average background concentration.                                                                                                                                                                                                                                                                                                                                         |
| <b>assay</b>        | An analysis to determine the presence, absence or quantity of one or more components.                                                                                                                                                                                                                                                                                                                                              |
| <b>Au</b>           | The elemental symbol for gold.                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>background</b>   | Traces of elements found in sediments, soils, and plant material that are unrelated to any mineralization and which come from the weathering of the natural constituents of the rocks.                                                                                                                                                                                                                                             |
| <b>BLEG</b>         | Acronym for “bulk leach extractable gold” sampling.                                                                                                                                                                                                                                                                                                                                                                                |
| <b>chalcedony</b>   | Very fine crystalline quartz which may be massive or banded (agate).                                                                                                                                                                                                                                                                                                                                                               |
| <b>chalcopyrite</b> | Copper sulfide mineral.                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Cretaceous</b>   | The geologic period extending from 135 million to 63 million years ago.                                                                                                                                                                                                                                                                                                                                                            |
| <b>Cu</b>           | The elemental symbol for copper.                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>dyke</b>         | A tabular body of igneous rock that has been injected while molten into a fissure.                                                                                                                                                                                                                                                                                                                                                 |
| <b>epidote</b>      | Calcium, aluminum, iron silicate mineral commonly occurring in hydrothermally altered carbonate-bearing rocks.                                                                                                                                                                                                                                                                                                                     |
| <b>fault</b>        | A fracture in a rock where there has been displacement of the two sides.                                                                                                                                                                                                                                                                                                                                                           |
| <b>Fe</b>           | The elemental symbol for iron.                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>fracture</b>     | Breaks in a rock, usually due to intensive folding or faulting.                                                                                                                                                                                                                                                                                                                                                                    |
| <b>gossan</b>       | Decomposed rock or vein material of reddish or rusty colour resulting from oxidized pyrites.                                                                                                                                                                                                                                                                                                                                       |
| <b>grab sample</b>  | A sample of selected rock chips collected at random from within a restricted area of interest.                                                                                                                                                                                                                                                                                                                                     |
| <b>grade</b>        | The concentration of each ore metal in a rock sample, usually given as weight percent. Where extremely low concentrations are involved, the concentration may be given in grams per tonne (g/t or gpt) or ounces per ton (oz/t). The grade of an ore deposit is calculated, often using sophisticated statistical procedures, as an average of the grades of a very large number of samples collected from throughout the deposit. |

|                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><i>HLEM</i></b>                                                   | Horizontal loop electromagnetic survey, a form of geophysical survey used in the exploration for minerals.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b><i>hectare or ha</i></b>                                          | An area totalling 10,000 square metres.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b><i>highly anomalous</i></b>                                       | An anomaly which is 50 to 100 times average background, i.e. it is statistically much greater in amplitude.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b><i>hydrothermal</i></b>                                           | Hot fluids, usually mainly water, in the earth's crust which may carry metals and other compounds in solution to the site of ore deposition or wall rock alteration.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b><i>IP</i></b>                                                     | Induced polarization survey, a form of geophysical survey used in the exploration for minerals.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b><i>intrusive</i></b>                                              | A rock mass formed below earth's surface from magma which has intruded into a pre-existing rock mass.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b><i>JV</i></b>                                                     | Joint Venture                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b><i>kilometres or km</i></b>                                       | Metric measurement of distance equal to 1,000 metres (or 0.6214 miles).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b><i>mill</i></b>                                                   | A facility for processing ore to concentrate and recover valuable minerals.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b><i>mineral reserve</i></b>                                        | That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b><i>mineralization</i></b>                                         | Usually implies minerals of value occurring in rocks.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b><i>net smelter or NSR royalty</i></b>                             | Payment of a percentage of net mining profits after deducting applicable smelter charges.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b><i>ore</i></b>                                                    | A natural aggregated of one or more minerals which may be mined and sold at a profit, or from which some part may be profitably separated.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b><i>outcrop</i></b>                                                | An exposure of rock at the earth's surface.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b><i>overburden</i></b>                                             | A general term for any material covering or obscuring rocks from view.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b><i>Pb</i></b>                                                     | The elemental symbol for lead.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b><i>porphyry</i></b>                                               | Rock type with mixed crystal sizes, i.e. containing larger crystals of one or more minerals.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b><i>ppm or parts per million</i></b>                               | A unit of measurement which is 1000 times larger than parts per billion (i.e. ppb); 1 ppm is equivalent to 1000 ppb, and is also equivalent to 1 gram/tonne.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b><i>prefeasibility study and preliminary feasibility study</i></b> | Each mean a comprehensive study of the viability of a mineral project that has advanced to a stage where mining method, in the case of underground mining, or the pit configuration, in the case of open pit mining, as been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating, economic factors, and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve. |
| <b><i>propylitic</i></b>                                             | A rock alteration assemblage comprising calcite, epidote, chlorite, pyrite and other minerals, found typically in the periphery of a hydrothermal system.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b><i>pyrrhotite</i></b>                                             | A bronze coloured mineral of metallic lustre that consists of ferrous sulfide and is attracted by a magnet.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b><i>pyrite</i></b>                                                 | Iron sulfide mineral.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

|                       |                                                                                                                                                                            |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>quartz</b>         | Silica or SiO <sub>2</sub> , a common constituent of veins, especially those containing gold and silver mineralization.                                                    |
| <b>RAB</b>            | Rotary air blast drilling.                                                                                                                                                 |
| <b>RC</b>             | Reverse circulation drilling.                                                                                                                                              |
| <b>reef</b>           | A geological formation or mineral within defined boundaries separating it from the adjoining rocks.                                                                        |
| <b>Sb</b>             | The elemental symbol for antimony (stibnite).                                                                                                                              |
| <b>silicification</b> | Replacement of the constituent of a rock by quartz.                                                                                                                        |
| <b>test pits</b>      | Shallow holes dug at spots along the strike of any mineralization or, if it is disseminated, anywhere in the area where the shallow holes might reach mineralized bedrock. |
| <b>ton</b>            | Imperial measurement of weight equivalent to 2,000 pounds (sometimes called a “short ton”).                                                                                |
| <b>tonne</b>          | Metric measurement of weight equivalent to 1,000 kilograms (or 2,204.6 pounds).                                                                                            |
| <b>tuff</b>           | A rock comprised of fine fragments and ash particles ejected from a volcanic vent.                                                                                         |
| <b>veins</b>          | The mineral deposits that are found filling openings in rocks created by faults or replacing rocks on either side of faults.                                               |
| <b>Zn</b>             | The elemental symbol for zinc.                                                                                                                                             |

#### **Canadian Terminology**

The following terms are used in the Company’s technical reports to describe its mineral properties and have been used in this Annual Report (see: “Cautionary Note to U.S. Investors Concerning Estimates of Measured and Indicated Mineral Resources” at page 1 hereof). These definitions have been published by the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) as the CIM Standards on Mineral Resources and Reserves Definitions and Guidelines adopted by the CIM Council on August 20, 2000, and have been approved for use by Canadian reporting issuers by the Canadian Securities Administrators under National Instrument 43-101, “Standards of Disclosure for Mineral Projects”:

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><i>indicated mineral resource</i></b> | That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed planning and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed. |
| <b><i>inferred mineral resource</i></b>  | That part of a mineral resource for which the quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based upon limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. Confidence in the estimate is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability worthy of public disclosure.                                  |

|                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><i>measured mineral resource</i></b> | That part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimates is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological grade and continuity.                                                                                                                                                                                                                                                                                             |
| <b><i>mineral reserve</i></b>           | A mineral reserve is the economically mineable part of a Measured or Indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of the reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined. Mineral resources are sub-divided in order of increasing confidence into “probable” and “proven” mineral reserves. A probable mineral reserve has a lower level of confidence than a proven mineral reserve. The term “mineral reserve” does not necessarily signify that extraction facilities are in place or operative or that all governmental approvals have been received. It does signify that there are reasonable expectations of such approvals.        |
| <b><i>mineral resource</i></b>          | The estimated quantity and grade of mineralization that is of potential economic merit. A resource estimate does not require specific mining, metallurgical, environmental, price and cost data, but the nature and continuity or mineralization must be understood. Mineral resources are sub-divided in order of increasing geological confidence into “inferred”, “indicated”, and “measured” categories. An inferred mineral resource has a lower level of confidence than that applied to an indicated mineral resource. An indicated mineral resource has a higher level of confidence than an inferred mineral resource, but has a lower level of confidence than a measured mineral resource. A mineral resource is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such grade or quality that it has reasonable prospects for economic extraction. |

## Part I

### Item 1. Identity of Directors, Senior Management and Advisors

#### A. Directors and Senior Management:

Not Applicable.

#### B. Advisers

Not Applicable.

### Item 2. Offer Statistics and Expected Timetable

Not Applicable.

### Item 3. Key Information

#### A. Selected Financial Data

The following tables set forth and summarize selected consolidated financial data for the Company prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). For each of the last five fiscal years, the tables also summarize certain corresponding information prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”). Canadian GAAP, as applied to the Company, materially differs from U.S. GAAP, as set forth in Note 11 to the consolidated financial statements of the Company. Unless stated otherwise, reference to dollar amounts shall mean Canadian dollars.

For each of the years in the five year period ended August 31, 2008, the information in the tables was extracted from the more detailed audited financial statements of the Company.

The selected financial data should be read in conjunction with Item 5, “Operating and Financial Review and Prospects” and in conjunction with the consolidated financial statements of the Company and the notes thereto contained elsewhere in this Annual Report. The Company’s fiscal period ends on August 31 of each year.

The following is a summary of certain selected financial information for the Company’s five most recently completed fiscal years (in Canadian dollars, except number of shares):

#### Canadian GAAP

|                                  | For the Fiscal Year ended August 31 |             |             |             |             |
|----------------------------------|-------------------------------------|-------------|-------------|-------------|-------------|
|                                  | 2008                                | 2007        | 2006        | 2005        | 2004        |
| Operations:                      |                                     |             |             |             |             |
| Revenues                         | \$ --                               | \$ --       | \$ --       | \$ --       | \$ --       |
| Net loss                         | (3,698,045)                         | (3,921,469) | (4,326,722) | (2,931,063) | (1,616,364) |
| Basic and diluted loss per share | (0.04)                              | (0.05)      | (0.05)      | (0.04)      | (0.02)      |

|                       | For the Fiscal Year ended August 31 |              |              |              |              |
|-----------------------|-------------------------------------|--------------|--------------|--------------|--------------|
|                       | 2008                                | 2007         | 2006         | 2005         | 2004         |
| <b>Balance sheet:</b> |                                     |              |              |              |              |
| Working Capital       | 1,264,534                           | 1,546,075    | 2,838,273    | 1,388,906    | 1,918,901    |
| Total Assets          | 26,956,294                          | 25,421,472   | 24,891,967   | 22,257,683   | 22,092,373   |
| Net Assets            | 26,380,456                          | 24,742,582   | 24,176,291   | 21,875,226   | 21,298,136   |
| Share Capital         | 61,705,400                          | 54,113,279   | 51,397,278   | 44,839,796   | 42,145,471   |
| Number of Shares      | 88,114,352                          | 86,748,493   | 86,241,075   | 84,776,054   | 82,464,037   |
| Deficit               | (35,724,634)                        | (32,026,589) | (28,105,120) | (23,778,398) | (20,847,335) |

## U.S. GAAP

|                                  | For the Fiscal Year ended August 31 |              |              |              |              |
|----------------------------------|-------------------------------------|--------------|--------------|--------------|--------------|
|                                  | 2008                                | 2007         | 2006         | 2005         | 2004         |
| <b>Operations:</b>               |                                     |              |              |              |              |
| Revenues                         | \$ --                               | \$ --        | \$ --        | \$ --        | \$ --        |
| Net loss                         | (5,738,430)                         | (6,071,773)  | (5,683,081)  | (3,610,911)  | (2,779,514)  |
| Basic and diluted loss per share | (0.07)                              | (0.07)       | (0.07)       | (0.04)       | (0.03)       |
| <b>Balance sheet:</b>            |                                     |              |              |              |              |
| Working Capital                  | 1,264,534                           | 1,546,075    | 2,838,273    | 1,388,906    | 1,918,901    |
| Total Assets                     | 9,044,354                           | 9,540,917    | 11,161,716   | 9,883,791    | 10,248,223   |
| Net Assets                       | 8,459,516                           | 8,862,027    | 10,446,040   | 9,501,334    | 9,604,092    |
| Share Capital                    | 64,460,328                          | 59,213,178   | 54,902,206   | 48,408,552   | 44,900,399   |
| Number of Shares                 | 88,114,352                          | 86,748,493   | 86,241,075   | 84,776,054   | 82,464,037   |
| Deficit                          | (56,400,502)                        | (50,662,072) | (44,590,299) | (38,907,218) | (35,296,307) |

## Exchange Rates

The Company's accounts are maintained in Canadian dollars. In this Annual Report, all dollar amounts are expressed in Canadian dollars, except where otherwise indicated. The following table sets forth information as to the period end, average, the high and the low exchange rate for Canadian Dollars ("CDN") and U.S. Dollars for the periods indicated based on the noon buying rate in New York City for cable transfers in Canadian Dollars as certified for customs purposes by the Federal Reserve Bank of New York (Canadian dollar = US\$1):

| <b>Year Ended:</b><br><b><u>August 31</u></b> | <b><u>Average</u></b> | <b><u>Period End</u></b> | <b><u>High</u></b> | <b><u>Low</u></b> |
|-----------------------------------------------|-----------------------|--------------------------|--------------------|-------------------|
| 2004                                          | 1.3015                | 1.2034                   | 1.4003             | 1.1714            |
| 2005                                          | 1.2321                | 1.1893                   | 1.3071             | 1.1775            |
| 2006                                          | 1.147                 | 1.1066                   | 1.196              | 1.0989            |
| 2007                                          | 1.120                 | 1.0560                   | 1.1852             | 1.0372            |
| 2008                                          | 1.006                 | 1.0645                   | 1.0677             | 0.9168            |

The following table sets forth the high and low exchange rate for the past six months. As of August 31, 2008, the exchange rate was CDN \$1.0645 for each US\$1.

| <b><u>Month</u></b> | <b><u>High</u></b> | <b><u>Low</u></b> |
|---------------------|--------------------|-------------------|
| October 2008        | 1.2942             | 1.0607            |
| September 2008      | 1.0797             | 1.0338            |
| August 2008         | 1.0677             | 1.0251            |
| July 2008           | 1.0261             | 1.002             |
| June 2008           | 1.0282             | 1.0011            |
| May 2008            | 1.0187             | 0.984             |

**B. Capitalization and Indebtedness**

Not Applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not Applicable.

**D. Risk Factors**

In addition to other information presented in this Annual Report, the following should be considered carefully in evaluating the Company and its business. This Annual Report contains forward-looking statements that involve risk and uncertainties. The Company's actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed below and elsewhere in this Annual Report. The management of the Company have identified the following risk factors, listed in the view of management in order from most significant to least significant:

*We have incurred net losses since our inception and expect losses to continue.* We have not been profitable since our inception. For the fiscal year ended August 31, 2008, we had a net loss of \$3,698,045 and an accumulated deficit on August 31, 2008 of \$35,724,634. The Company has not generated revenues from operations during fiscal year 2008 and does not expect to generate revenues from operations until one or more of its properties are placed in production. There is a risk that none of the Company's properties will be placed in production, and that the Company's operations will not be profitable in the future.

*Our exploration activities are highly speculative and involve substantial risks.* All of the Company's properties are in the exploration stage and no proven mineral reserves have been established. The Company's exploration work may not result in the discovery of mineable deposits of ore in a commercially economical manner. There may be limited availability of water, which is essential to milling operations, and interruptions may be caused by adverse weather conditions. The Company's operations are

subject to a variety of existing laws and regulations relating to exploration and development, permitting procedures, safety precautions, property reclamation, employee health and safety, air quality standards, pollution and other environmental protection controls. The Company's exploration activities are subject to substantial hazards, some of which are not insurable or may not be insured for economic reasons.

*We cannot accurately predict whether commercial quantities of ores will be established.* Whether an ore body will be commercially viable depends on a number of factors beyond the control of the Company, including the particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as mineral prices and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. We cannot accurately predict the exact effect of these factors, but the combination of these factors may result in a mineral deposit being unprofitable. The Company has no mineral producing properties at this time. The Company has not defined or delineated any proven or probable reserves or resources on any of its properties. Although the mineralized material estimates included herein have been carefully prepared by the Company, or, in some instances have been prepared, reviewed or verified by independent mining experts, these amounts are estimates only and there is a risk that a particular level of recovery of gold or other minerals from mineralized material will not in fact be realized or that an identified mineralized deposit, if any, will not ever qualify as a commercially mineable or viable reserve.

*We may not be able to establish the presence of minerals on a commercially viable basis.* Our ability to generate revenues and profits is expected to occur through exploration of our existing properties as well as through acquisitions of interests in new properties. We will need to incur substantial expenditures in an attempt to establish the economic feasibility of mining operations by identifying mineral deposits and establishing ore reserves through drilling and other techniques, developing metallurgical processes to extract metals from ore, designing facilities and planning mining operations. The economic feasibility of a project depends on numerous factors beyond our control, including the cost of mining and production facilities required to extract the desired minerals, the total mineral deposits that can be mined using a given facility, the proximity of the mineral deposits to a user of the minerals, and the market price of the minerals at the time of sale. Our existing or future exploration programs or acquisitions may not result in the identification of deposits that can be mined profitably.

*Our competition is intense in all phases of our business.* The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests, as well as for the recruitment and retention of qualified employees.

*Our exploration activities are subject to various federal, state and local laws and regulations.* Laws and regulation govern the development, mining, production, importing and exporting of minerals; taxes; labor standards; occupational health; waste disposal; protection of the environment; mine safety; toxic substances; and other matters. We require licenses and permits to conduct exploration and mining operations. Amendments to current laws and regulations governing operations and activities of mining companies or more stringent implementation thereof could have a substantial adverse impact on the Company. Applicable laws and regulations will require the Company to make certain capital and operating expenditures to initiate new operations. Under certain circumstances, the Company may be required to close an operation once it is started until a particular problem is remedied or to undertake other remedial actions.

*We have uninsurable risks.* We may be subject to unforeseen hazards such as unusual or unexpected formations and other conditions. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the Company's financial position.

*We depend on key management personnel.* The success of the operations and activities of the Company is dependent to a significant extent on the efforts and abilities of its management including James E. Sinclair, Chairman and Chief Executive Officer, Regina Kuo-Lee, Chief Financial Officer and Jonathan

Deane, President. Investors must be willing to rely to a significant extent on their discretion and judgment. We do not have employment contracts with the Chairman and Chief Executive Officer or the Chief Financial Officer. We maintain key-man life insurance on the Chairman and Chief Executive Officer but not on the Chief Financial Officer or President of the Company.

*We depend on consultants and engineers for our exploration programs.* The Company has relied on and may continue to rely upon consultants for exploration development, construction and operating expertise. Substantial expenditures are required to construct mines, to establish ore reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the exploration infrastructure at any site chosen for exploration. We may not be able to discover minerals in sufficient quantities to justify commercial operation, and we may not be able to obtain funds required for exploration on a timely basis.

*We are subject to the volatility of metal and mineral prices.* The economics of developing metal and mineral properties are affected by many factors beyond our control including, without limitation, the cost of operations, variations in the grade ore or resource mined, and the price of such resources. The market prices of the metals for which we are exploring are highly speculative and volatile. Depending on the price of gold or other resources, the Company may determine that it is impractical to commence or continue commercial production. The price of gold has fluctuated widely in recent years. The price of gold and other metals and minerals may not remain stable, and such prices may not be at levels that will make it feasible to continue the Company's exploration activities, or commence or continue commercial production.

*Our business activities are conducted in Tanzania.* Our mineral exploration activities in Tanzania may be affected in varying degrees by political stability and government regulations relating to the mining industry and foreign investment in that country. The government of Tanzania may institute regulatory policies that adversely affect the exploration and development (if any) of the Company's properties. Any changes in regulations or shifts in political conditions in this country are beyond the control of the Company and may adversely affect its business. Investors should assess the political and regulatory risks related to the Company's foreign country investments. Our operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and mine safety.

*We may not have clear title to our properties.* Acquisition of title to mineral properties is a very detailed and time-consuming process, and the Company's title to its properties may be affected by prior unregistered agreements or transfers, or undetected defects. Several of the Company's prospecting licenses are currently subject to renewal by the Ministry of Energy and Minerals of Tanzania. In result, there is a risk that we may not have clear title to all our mineral property interests, or they may be subject to challenge or impugned in the future.

*We have requirements for and there is an uncertainty of access to additional capital.* At August 31, 2008, the Company had cash of \$1,195,237 and working capital of \$1,264,534. The Company will continue to incur exploration costs to fund its plan of operations and intends to fund its plan of operations from working capital and equity subscriptions from the Company's Chairman and C.E.O. Ultimately, the Company's ability to continue its exploration activities depends in part on the Company's ability to commence operations and generate revenues or to obtain financing through joint ventures, debt financing, equity financing, production sharing agreements or some combination of these or other means.

*We have no cash flow from operations and depend on equity financing for our operations.* The Company's current operations do not generate any cash flow. Any work on the Company's properties may require additional equity financing. If the Company seeks funding from existing or new joint venture partners, its project interests will be diluted. If the Company seeks additional equity financing, the issuance of additional shares will dilute the current interests of the Company's current shareholders. We may not be able to obtain additional funding to allow the Company to fulfill its obligations on existing exploration properties. Our failure to obtain such additional financing could result in delay or indefinite postponement

of further exploration and the possible partial or total loss of the Company's potential interest in certain properties or dilution of the Company's interest in certain properties.

*Conflicts of interest may arise among our board of directors.* Marek J. Kreczmer, Ulrich E. Rath, Anton Esterhuizen and Norman Betts, directors of the Company, are also directors, officers, or shareholders of other companies that are similarly engaged in the business of acquiring, developing, and exploiting natural resource properties. Mr. Kreczmer is a director of Hana Mining Inc., a Canadian company exploring for minerals in Botswana. Mr. Ulrich Rath is the President and CEO and Director of Chariot Resources Ltd., a junior resource company focused on the exploration, acquisition and development of copper and precious metal mineral deposits in the Andes region of Latin America. Mr. Esterhuizen is the Managing Director of Pangea Exploration (Pty.) Ltd., a South African company exploring for minerals in Africa and South America. He is also a Director of NWT Uranium Corp. Dr. Betts serves as Chair of the Board of Directors of Starfield Resources Inc. and as a director and member of the Audit Committee of Adex Mining Inc. Such associations may give rise to conflicts of interest from time to time if the Company were to enter into negotiations to acquire an interest in a mineral project in which their other companies hold an interest, or the Company were to enter into negotiations to sell or joint venture an interest in its mineral properties to any of these companies. The directors of the Company are required to act honestly and in good faith with a view to the best interests of the Company and disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

*Penny stock rules may make it more difficult to trade the Company's common shares.* The Securities and Exchange Commission has adopted regulations which generally define a "penny stock" to be any equity security that has a market price, as defined, less than US\$5.00 per share or an exercise price of less than US\$5.00 per share, subject to certain exceptions. Our securities may be covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors such as, institutions with assets in excess of US\$5,000,000 or an individual with net worth in excess of US\$1,000,000 or annual income exceeding US\$200,000 or US\$300,000 jointly with his or her spouse. For transactions covered by this rule, the broker-dealers must make a special suitability determination for the purchase and receive the purchaser's written agreement of the transaction prior to the sale. Consequently, the rule may affect the ability of broker-dealers to sell our securities and also affect the ability of our investors to sell their shares in the secondary market.

*Failure to Maintain Effective Internal Controls Could Have a Material Adverse Effect on Our Operations.* We are required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which requires annual management assessments of the effectiveness of our internal controls over financial reporting, and a report by our independent Auditors addressing these assessments. During the course of our testing we may identify material weaknesses which we may not be able to remediate for our annual compliance with the requirements of Section 404. If we fail to achieve and maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Moreover, effective internal controls are necessary for us to produce reliable financial reports and are important to help prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our stock could drop significantly.

## **Item 4. Information on the Company**

### **A. History and Development of the Company**

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*” on February 28, 2006. The Company is also registered in the Province of British Columbia as an extra provincial company under the *Company Act* (British Columbia).

The principal executive office of the Company is located at Suite 404 – 1688 152nd Street, South Surrey, BC V4A 4N2, Canada, and its telephone number is (604) 536-7873. Mr. Sinclair, Chairman and CEO is located at 93 Benton Hill Road, Sharon, Connecticut, 06069, U.S.A., telephone number (860) 364-1830.

The Company is a mineral resource company with exploration stage properties, which means that the Company is engaged in the search for mineral deposits and that the properties are not in development or production.

***Cautionary Note to U.S. Investors Concerning Estimates of Measured and Indicated Mineral Resources***

As an Alberta corporation, the Company is subject to certain rules and regulation issued by Canadian securities administrators. The Company files this Annual Report as its Annual Information Form (AIF) with the British Columbia, Alberta and Ontario Securities Commissions via the System for Electronic Document Analysis and Retrieval (“SEDAR”). Under the AIF, the Company is required to provide detailed information regarding its properties including mineralization, drilling, sampling and analysis, security of samples and mineral resource and mineral reserve estimates. Further, the Company describes its properties utilizing mining terminology such as “measured mineral resources” and “indicated mineral resources” that are required by Canadian regulations but are not recognized by the United States Securities and Exchange Commission (“SEC”). For clarification, the Company has no properties that contain “reserves” as defined by either the SEC or Canadian regulations, and is providing the following information on inferred mineral resources, in part, in order to meet its requirements under National Instrument 43-101 adopted by the Canadian securities administrators. U.S. investors are cautioned not to assume that any part or all of mineral resources will ever be converted into reserves.

In January 2007 the Company concluded an option royalty agreement with Sloane Developments Ltd. (“Sloane”), a UK-based company for its Itetemia and Luhala gold projects. Under the option agreement, the Company granted Sloane the right to earn a beneficial interest ranging from 90% to 100% in ten (10) (now eleven (11)) prospecting licenses in the Lake Victoria greenstone belt of Tanzania. Six (6) of these licenses comprise the Luhala Project (all for a 100% interest) while the remaining four (4) (now five (5)) licenses constitute the Itetemia Project (all for a 90% interest) which is adjacent to Barrick’s Bulyanhula gold mine.

The Itetemia Property, located in Tanzania, consists of nine (9) contiguous prospecting licenses. One prospecting licence is subject to a 3% net smelter royalty. The Company has a 90% interest in one of the other prospecting licences which is subject to a 2% royalty interest.

The Luhala property, also located in Tanzania, consists of six (6) contiguous prospecting licenses.

In 2003 the Company signed a royalty and option agreement covering prospecting licenses in the Lake Victoria goldfields area of Tanzania with MDN. There are currently six prospecting licensees subject to this agreement. Under the agreement, MDN holds the right to earn 100% of the Company’s underlying interest in the licenses for an up-front cash payment, plus option payments and property expenditures for each retained licence over the five year life of the agreement. MDN must also complete a feasibility study and make a production decision by December 31, 2009 and achieve production within 18 months or be subject to cash penalties in lieu of royalty payments. By agreement between the parties dated January 9, 2007, in consideration for extending the production decision date from December 31, 2008 to December 31, 2009, MDN issued 125,000 common shares of MDN to the Company. The Company retains the right to

escalating net smelter royalties on commercial production that are tied to the price of gold and range from 0.5% below US\$250 per ounce to a maximum of 2% at US\$380 per ounce.

The Kigosi Project area encompasses approximately 800 square miles and includes twenty (20) prospecting licenses. RC drilling continued on the Company's Kigosi property during fiscal 2008. The Company previously discovered three new gold occurrences on the Kigosi Property (forming a part of the Company's Lake Victoria Goldfield Properties held through its subsidiary, Tanzania American International Development Corporation ("Tanzam"). See "Lake Victoria Goldfield Properties" for further details.

The Company currently has royalty agreements with three industry partners covering 19 prospecting licences; one (now two) of these prospecting licences are under agreement with Barrick Gold Corporation; five (now six) prospecting licenses with MDN Inc. ("MDN") (formerly Northern Mining Explorations); and 11 with Sloane Developments Inc.

At the present time, the Company's land position totals 149 prospecting licenses and new and renewal applications in the Lake Victoria Greenstone Belt and Kabanga/Kagera Nickel Belt regions of Tanzania covering an area of approximately 10,000 square kilometers.

### **Significant Acquisitions and Significant Dispositions**

The Company's principal capital expenditures and divestitures (including interests in other companies and amounts invested) for the last three fiscal years are described as follows:

In April 2005 the RC/RAB drill rig purchased by the Company was delivered and drilling commenced shortly thereafter. The Company purchased the drill rig primarily for availability and custom design for function. Presently, the availability in Tanzania for contract exploration drilling is tight. Further the Company believes that its operators of the equipment will be of a higher quality than those services provided by a unrelated the contractor. Even though the Company did not acquire the drilling rig to save costs, after initial use, the Company believes that it is experiencing some reduction in drilling costs compared to those costs charged by a third party. The Company does not believe that the acquisition of the drilling rig will have an impact on the Company cash flows or results of operations.

Also during fiscal 2005, the Company acquired prospecting licenses in the Kabanga Nickel region. Currently prospecting licenses and new prospecting licence and renewal applications cover an area in excess of 4,000 sq.km. in the Kabanga Nickel region. In October 2006 the Company reported it had prioritized exploration targets on its holdings in the Kibara Nickel Belt following an examination of historical data. In addition, the company continues to seek qualified third parties to enter into contract negotiations for its nickel licences.

The Company entered into a Purchase and Sale Agreement (the "Agreement") with Ashanti Goldfields Cayman Limited ("Ashanti") dated September 26, 2006 for the repurchase of its rights to the Kigosi property, including all related camp and equipment, along with the purchase of a non-associated property, the Dongo, from Ashanti in a transaction valued at US\$900,000. The price of the acquisition will be satisfied by the issuance to Ashanti a total of 180,058 common shares of the Company, in two tranches and subject to certain conditions consisting of (i) the issuance and allotment of 160,052 common shares to be issued in consideration of the transfer to the Company of the Kigosi Rights, as defined in the Agreement and (ii) subject to receipt of ministerial consent from the Tanzanian government to the transfer from Ashanti to the Company of the Dongo Rights, as defined in the Agreement, the issuance and allotment to Ashanti of 20,006 common shares of the Company. As at August 31, 2008, the issuance of 20,006 common shares remains outstanding.

In January 2007 the Company concluded an option royalty agreement with Sloane Developments Ltd. ("Sloane"), a UK-based company for its Itetemia and Luhala gold projects. Under the option agreement, the Company granted Sloane the right to earn a beneficial interest ranging from 90% to 100% in

ten (10) (now eleven (11)) prospecting licenses in the Lake Victoria greenstone belt of Tanzania. Six (6) of these licenses comprise the Luhala Project (all for a 100% interest) while the remaining four (4) (now five (5)) licenses constitute the Itetemia Project (all for a 90% interest) which is adjacent to Barrick's Bulyanhula gold mine.

The earn-in portion of the agreement includes prescribed annual cash payments, firm exploration expenditures and a minimum amount of diamond drilling metreage over the life of the agreement. In addition, Tanzanian Royalty will receive a sliding scale net smelter royalty for any mineral discovery that achieves commercial production. The exploration component of the option agreement calls for a work commitment of \$US1 million within a two-year period of which \$400,000 will be expendable in the first year and the remaining amount in the second. Further provisions in the agreement call for the completion of a bankable feasibility study and the announcement of a production decision before the fifth anniversary of the agreement and the achievement of commercial production before the seventh anniversary.

Further, in May 2007, the Company entered into a Management Services Agreement with Sloane. Under the Management Services Agreement, a wholly-owned subsidiary of Tanzanian Royalty will carry out field and exploration work on the Kisunge and Shilalo Hills targets within the Luhala Project Area and similar work at the Golden Horseshoe Reef Project (Itetemia). The majority of the exploration work will consist of RC and diamond drilling along with limited ground geophysics. In addition, Tanzanian Royalty agreed to assist with grassroots exploration on other licenses in the agreement subject to the availability of staff and equipment. The Management Services Agreement with Sloane expired May 19, 2008.

Exploration activities continued during 2008 on the Company's properties located throughout the Lake Victoria Greenstone Belt. Drilling with the Company's RC/RAB drill was conducted primarily on the Kigosi property. There were no significant property acquisitions during the period.

For the year ended August 31, 2008 the Company reported a net loss of \$3,698,045. A total of \$672,478 of mineral properties and deferred exploration expenses was written off relating to abandoned mineral properties. The Company's total capital lease obligation as at August 31, 2008 is \$82,061. The Company incurred net deferred exploration expenditures of \$2,573,194 during the year ended August 31, 2008.

## **B. Business Overview**

The Company is a natural resource company, which since its incorporation has engaged in the acquisition of interests in and the exploration of natural resource properties. The Company commits its own resources to the initial evaluation of mineral properties and in select situations, if and when warranted, the Company will enter into joint venture agreements with other corporations to further the exploration of such properties, in exchange for annual rental/option payments and post-production royalty payments. At present, the Company's natural resource activities do not generate any income from production.

The Company's general area of interest has been in the exploration of gold properties, with a primary focus on exploring for gold properties in Tanzania. At the present time, the Company is exploring 149 mineral resource properties in the Lake Victoria Greenstone Belt and Kabanga/Kagera Nickel Belt regions of Tanzania. Tanzania remains the prime focus of the Company's activities. Other corporations, including Barrick Gold Corporation ("Barrick"), Ashanti Goldfields Limited ("Ashanti Goldfields"), MDN, and Newmont Overseas Exploration Corporation have funded some of the work on the Company's properties in this area since 1999 under option arrangements, with the exception of properties explored by subsidiary company Tanzania American International Development Corporation 2000 Limited ("Tanzam") which were privately funded. The Company currently has royalty agreements with three industry partners covering 19 prospecting licences; two of these prospecting licences are under agreement with Barrick Gold Corporation; 6 prospecting licenses with MDN Inc.; and 11 with Sloane Developments Inc.

In the Company's view, this joint venture ("JV") and royalty strategy offers investors leverage to gold prices with lower risk and shareholder dilution. Future production royalties from any producing

properties discovered by the Company's joint venture partners ("JV Partners") would provide the Company with a direct interest in the mine's cash flow, with exposure to any benefits from new discoveries and production growth, but without the capital obligations, and environmental and social liabilities, associated with direct ownership.

## **Plan of Operations**

### *Exploration Activities*

All of the properties in which the Company holds an interest are in the exploration stage only. Mineral exploration and development involves a high degree of risk and few properties, which are explored, are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors beyond the control of the Company.

By way of general description of the Company's operating activities, the Company's business operations involve using known or published geological and geophysical data to locate mineral resource properties meriting further exploration or development. Once identified, the Company must stake and apply for registration to title of the mineral properties, or negotiate the acquisition of such properties from any third party owners. Upon registration or acquisition of title, the Company then designs a program of preliminary exploration which can involve grid mapping, geophysical and magnetic surveying, geochemical surveying, geological sampling, grab sampling, assaying and other forms of prospecting as circumstances may require. Based on the preliminary results, mineral properties are ranked according to merit for further exploration work, which may involve further mapping, more detailed geophysical and geochemical surveying, and trenching to identify potential drill targets. If mineralization is indicated which merits further investigation, drill targets are selected, and a diamond drilling program for underground sampling and assaying will commence.

Based on the drilling program results, the Company will develop models of the underlying geology and mineralized zones for more detailed testing. After further drilling, some mineralized zones may be classified as inferred or indicated mineral resources. With sufficient infill drilling, these inferred or indicated mineral resources can be confirmed as a measured mineral resource, upon which a pre-feasibility study can be prepared by a qualified, independent mining engineer or geologist to determine whether mining activities are economic in the circumstances of the particular property. A pre-feasibility study must be completed under the requirements of National Instrument 43-101 in Canada in order for mineral reserves to be designated. A final or bankable feasibility study must be completed for the designation of reserves under the SEC's Industry Guide 7. If the bankable feasibility study is favorable, the Company can then use the feasibility study to seek out the necessary financing from a merchant banker or other financial institution for mine construction and development. A further mine feasibility study would be prepared to confirm the appropriate mining method based on the metallurgical studies of the ore, and to develop a mining plan.

At any point along this plan of operation, the Company may seek to interest larger mining companies in its mineral properties, which show potential for further development. It is highly unlikely that the Company would pursue any particular property through to mineral production by itself. By exploring and developing properties to a point where major mining companies are interested, the Company will leave the risk of mine development and operations to those companies, while retaining a carried interest or royalty from any future production.

During 2008 fiscal year, the Company continued evaluation of all prospecting licenses in its portfolio with a view of offering some of them for royalty agreements to other mining companies. The evaluation of their potential comprises geological mapping, soil sampling and geophysical interpretations.

The Company continued its efforts for the “farming-out” of identified properties for royalty agreements with other mining companies, and continue to examine and review other exploration opportunities in Tanzania.

### *Exploration*

The Company’s principal exploration properties are currently all located in the United Republic of Tanzania, Africa. The government of Tanzania is a stable, multi-party democracy. Mineral exploration in Tanzania is affected by local climatic, political, and economic conditions. The Company’s properties have year round access, although seasonal winter rains from December to March may result in flooding in low lying areas, which are dominated by mbuga (black organic rich laustrine flood soils). Further, most lowland areas are under active cultivation for corn, rice, beans and mixed crops by subsistence farmers. As a result, the area has been deforested by local agricultural practices for many years. The seasonal rains and deforested areas can create a muddy bog in some areas, which can make access more difficult, and could impede or even prevent the transport of heavy equipment to the Company’s mineral properties at certain times of the year between December to March.

### *Competition*

The mining industry in which the Company is engaged is in general, highly competitive. Competitors include well-capitalized mining companies, independent mining companies and other companies having financial and other resources far greater than those of the Company. The Company competes with other mining companies in connection with the acquisition of gold and other precious metal properties. In general, properties with a higher grade of recoverable mineral and/or which are more readily mineable afford the owners a competitive advantage in that the cost of production of the final mineral product is lower. Thus, a degree of competition exists between those engaged in the mining industries to acquire the most valuable properties. As a result, the Company may eventually be unable to acquire attractive gold mining properties.

### *Dependence on Customers and Suppliers*

The Company is not dependent upon a single or few customers or supplier for revenues or its operations.

### **Governmental Regulations**

The Company’s mineral interests in Tanzania are initially held under prospecting licenses granted pursuant to the Mining Act, 1998 (Tanzania) for a period of up to three years, and are renewable two times for a period of up to two years each. We must pay annual rental fees for our prospecting licenses based on the total area of the license measured in square kilometres, multiplied by US\$20.00 per sq. km. There is also an initial one-time “preparation fee” of US\$200.00 per license. Upon renewal, we pay a renewal fee of US\$200.00 per license. Renewals of our prospecting licenses can take many months and even years to process by the regulatory authority in Tanzania.

All prospecting licenses in Tanzania also require the holder to expend funds in the employment and training of Tanzanian personnel, which expenditures typically amount to US\$5,000 per year, and in exploration expenditures, which are set out in the Mining Act, 1998 (Tanzania). At each renewal, at least 50% of our licensed area must be relinquished. If the Company wishes to keep the relinquished one-half portion, it must file a new application for the relinquished portion.

We must hold a mining license to carry on mining activities, and a mining license will only be granted to the holder of a prospecting license over the area. A mining license is granted for a period of 25 years or the life of the mine. It is renewable for a period not exceeding 15 years. We do not hold any mining licenses, only prospecting licenses. Prospecting and mining license holders must submit regular reports in accordance with mining regulations. Upon commercial production, the government of Tanzania

imposes a royalty on the gross value of all production at the rate of 3% of all gold produced. The applicable regulatory body in Tanzania is the Ministry of Energy and Minerals.

In July 1999, environmental management and protection regulations under the Mining Act, 1998 (Tanzania) came into force. An environmental impact statement and an environmental management plan must accompany special mining license, mining license and gemstone mining license applications for mineral rights. In addition to the establishment of environmental regulations, the Tanzanian Government has improved management procedures for effective monitoring and enforcement of these regulations by strengthening the institutional capacity, especially in the field offices. The Government has provided rules for the creation of reclamation funds to reinstate land to alternative uses after mining and it has developed guidelines for mining in restricted areas, such as forest reserves, national parks, sources of water and other designated areas. These regulations have not had any material adverse effect on the Company's operations, which are exploration in nature at this time.

### C. Organization Structure

The Company has the following four subsidiaries:

| Name of Subsidiary                                                              | Jurisdiction of Incorporation | Percentage & Type of Securities Owned or Controlled by Company |                       |
|---------------------------------------------------------------------------------|-------------------------------|----------------------------------------------------------------|-----------------------|
|                                                                                 |                               | Voting Securities Held                                         | Non-Voting Securities |
| Itetemia Mining Company Limited <sup>(1)</sup>                                  | Republic of Tanzania, Africa  | 90% (common)                                                   | n/a                   |
| Lunguya Mining Company Ltd. <sup>(2)</sup>                                      | Republic of Tanzania, Africa  | 60% (common)                                                   | n/a                   |
| Tancan Mining Company Limited ("Tancan")                                        | Republic of Tanzania, Africa  | 100% (common)                                                  | n/a                   |
| Tanzania American International Development Corporation 2000 Limited ("Tanzam") | Republic of Tanzania, Africa  | 100% (common)                                                  | n/a                   |

(1) The remaining 10% interest is held by State Mining Corporation.

(2) The remaining 40% interest is held by Northern Mining and Consultancy Company Ltd.

### D. Property, Plant and Equipment

The Company's business is the acquisition and exploration of mineral properties, with a primary focus on exploring for gold properties in Tanzania. The Company funds its activities by way of the sale and issuance of its securities to accredited investors. The Company also obtains operating funds through sales of and options to sell its various mineral property interests to other parties, retaining a royalty interest. The Company's properties are without a known body of commercial ore, with no established reserves, and the Company's activities to date on such properties have been exploratory in nature.

#### Itetemia Property

In January 2007 the Company concluded an option royalty agreement with Sloane for its Itetemia gold project. Under the option agreement, the Company granted Sloane the right to earn a beneficial interest in licenses constituting the Itetemia Project.

The following discussion regarding the geological information on the Itetemia Property is summarized from a technical report prepared in accordance with the requirements of NI 43-101F1 dated May 2, 2001 entitled, "Independent Review of the Itetemia Project, Lake Victoria Greenstone Region, Tanzania" by Michael J. Michaud, M.Sc. P. Geo. of Steffen Robertson and Kirsten Consulting (Canada) Inc. (the "Itetemia Report"). The reader is referred to the complete text of the Itetemia Report, which is

available online at [www.sedar.com](http://www.sedar.com), filed on March 10, 2003 under the heading, “Engineering Report and Certificate of Qualifications”.

**Property Description and Location**

The Itetemia Property currently consists of nine (9) contiguous prospecting licenses and/or new and renewal applications, covering approximately 59 km<sup>2</sup>.

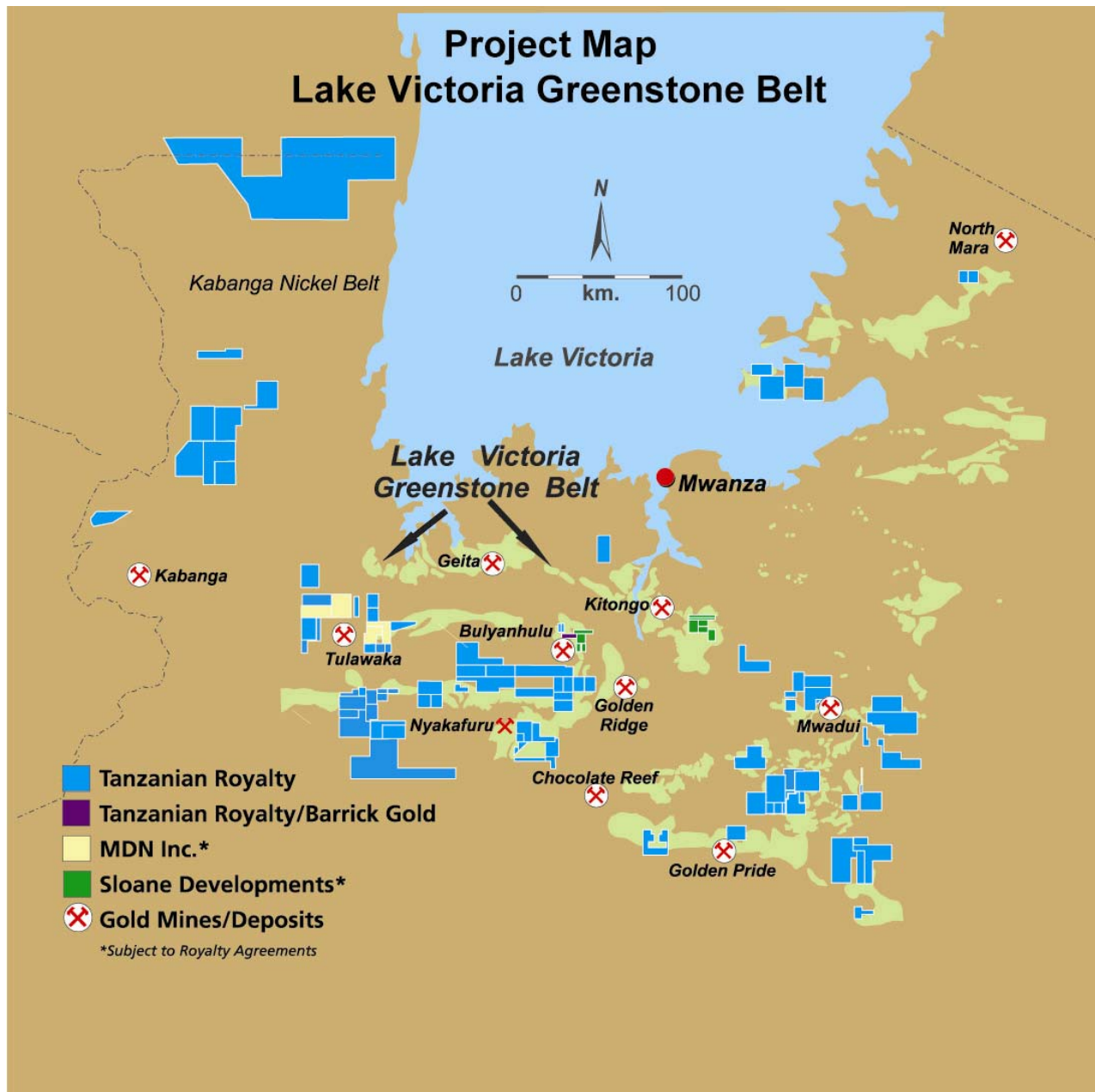
The rental payments and minerals permitted to be pursued under such licenses are summarized below:

| <b>Prospecting License</b>                                                                                             | <b>Annual Rentals</b>                                | <b>Minerals Covered</b>                |
|------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------|
| <b>Ngula North</b><br>PL 2374/03;<br>5050/08                                                                           | US\$197.10**<br>US\$130.80                           | All except building materials and gems |
| <b>Itetemia***</b><br>PL 4821/07(formerly 1450/2000)<br>PL 2523/04; HQP-15478<br>PL 3308/05* (HQG-15543);<br>HQP-18525 | US\$184.80<br>US\$278.40**<br>US\$92.00<br>US\$94.00 | All except building materials and gems |
| <b>Ngula***</b><br>PL 1612/00* (HQP-16413)<br>PL 2578/04* (HQG-15061)                                                  | US\$116*<br>US\$88.20**                              | All except building materials and gems |
| <b>Itetemia North***</b><br>PL 2038/02* (HQG-15255);<br>HQP-17062PL<br>4515/07                                         | US\$84.20<br>US\$85.60<br>US\$171.46                 | All except building materials and gems |

\* While the licenses have expired, the Company has applied for a renewal and has no reason to believe that such renewal applications will not be granted in the ordinary course.

\*\* First renewal annual rental fees = US\$30/sq.km.

\*\*\*New prospecting licences have been or will be issued



## ***Accessibility, Climate, Local Resources, Infrastructure and Physiography***

The Itetemia Property is located in the Mwanza Region of the Lake Victoria Greenstone Region, Tanzania, approximately 90 kilometres by air southwest of the city of Mwanza, situated on the south shore of Lake Victoria. The property is accessed via local roads from Geita or by plane from Mwanza to an airstrip accommodating the neighbouring Bulyanhulu Mine, owned by Barrick. The Barrick airstrip is 3.75 km west of the western boundary of the Itetemia prospecting license, and approximately 4 km northeast of the Nyamykonze village. Local resources are available at Mwanza, located on the southern shore of Lake Victoria.

The topography in the region and on the property consists of large flat-lying areas surrounded by numerous small hills. The hills have elevations of up to 100 m above local terrain. The hills are thickly vegetated and access is only possible along cut lines. Little outcrop exists on the property. The climate is similar to the rest of the region. The rainy season starts in November and lasts to the middle of April, but precipitation is irregular from one season to another. The dry seasons are usually hot. Mwanza, located along the southern shore of Lake Victoria, can, and has, provided limited supplies for mining and exploration operations in the area. Dwellers in the area of the Itetemia Project, such as the neighbouring Nyamykonze village, are traditionally subsistence farmers and ranchers, and have limited mining experience from the Bulyanhulu operation and numerous small scale activities. Water for the purpose of mining and processing is not readily available in the region; however, a pipeline from Lake Victoria built by Barrick for its Bulyanhulu Mine, provides an adequate supply.

The large, relatively flat terrain surrounding the known gold mineralization may be suitable for potential tailings and waste rock storage and for heap leach pads and a potential processing plant. Electric power is available via the national grid within 5 km; due to the unreliability of such power, alternative forms of residual or back-up power would be necessary for mining or processing operations, such as diesel power generation used by Barrick at its Bulyanhulu mine.

## ***Ownership***

### **Prior Ownership**

Only two of the prospecting licenses comprising the Itetemia Property, namely, Itetemia and Itetemia North, were previously held by third parties. With respect to the Itetemia prospecting license, the interest of the Company was acquired from State Mining Corporation of Tanzania (“Stamico”) pursuant to a joint venture agreement dated July 12, 1994 (the “Stamico Venture Agreement”). The Stamico Venture Agreement obligated the Company to make two initial payments of Tsh1,000,000 and US\$7,200, both of which were satisfied. With respect to the Itetemia North prospecting license, the interest of the Company was acquired from RSR (Tanzania) Limited by agreement dated April 20, 1995 (the “RSR Royalty Agreement”). The RSR Royalty Agreement obligated the Company to pay a sum of US\$35,000, which payment was made.

### **The Company’s Interest**

Prior to the Barrick Venture Agreement (defined below), four of the prospecting licenses comprising the Itetemia Property, namely, Itetemia Village, Mwingilo, Ngula and Itetemia East, were indirectly 100% held by the Company; in the case of the Itetemia North prospecting license, the Company held an indirect 100% interest therein, through Tancan, subject only to the 2% NSR Royalty payable pursuant to the RSR Royalty Agreement. In the case of the Itetemia prospecting license, Tancan acquired its interest pursuant to the Stamico Venture Agreement, as amended June 18, 2001 and July 2005, which provides, among other things, that:

1. Tancan had to pay Stamico, on execution of the Stamico Venture Agreement, the sum of US\$7,200 (as an advance against the 2% gross revenue royalty) and TS1,000,000.

2. Tancan and Stamico were to form a joint venture company for the purpose of holding the prospecting license that shall be held 10% by Stamico (with no obligation to contribute) and 90% by Tancan, which was effected through the formation of Itetemia Mining Co.
3. Stamico is entitled to acquire an additional 20% interest in the joint venture company by paying a sum equal to 20% of the cost of placing the property into commercial production based on the feasibility study submitted to the Government of Tanzania for such purpose.
4. Tancan shall assist Stamico in raising the required capital to exercise the right referred to in (3) above.
5. Tancan was to expend the sum of US\$25,000 in the first year and US\$50,000 annually thereafter in relation to the training of Tanzanian personnel.
6. Upon commencement of commercial production, Stamico shall receive a 2% gross revenue royalty, which shall be increased to a 2.5% gross revenue royalty should a mine on the Itetemia prospecting license produce recoverable gold in excess of 12 grams per tonne.
7. Tancan shall pay to Stamico, as an advance against the 2% gross revenue royalty, the sum of US\$7,200 on or before every anniversary of the Stamico Venture Agreement up until the development phase, upon and after which the annual sum of US\$10,000 shall be paid as an advance against such royalty.
8. Tancan shall show preference to Stamico for the provision of local materials and services during the period of mining operations.
9. As amended July 2005, Tancan shall pay to Stamico the sum of US\$15,000 on or before July 12 of 2006 and 2007 and ending upon commercial production, provided that commercial production commences by December 31, 2007, failing which the aforementioned payment shall be revisited. As expected, commercial production did not commence by December 31, 2007. The annual option fee was renegotiated to \$25,000 per annum until commercial production.
10. Tancan may assign its rights under the agreement, subject to the prior written consent of Stamico.

By an option and joint venture agreement dated May 31, 1999 as amended April 24, 2001 between the Company and Barrick (the "Barrick Venture Agreement"), Barrick agreed to provide funding to the Company totalling \$4,000,000. On November 23, 2004 Barrick advised that they would return the Itetemia Prospecting Licences (with the exception of PL 2374/03 which is held under an agreement with Barrick Exploration Africa Limited (the "BEAL") to the Company.

### **History**

The exploration history of the Itetemia Property from 2005 to 2008 is summarized as follows:

#### **Itetemia Exploration History Synopsis**

| <b>Year</b> | <b>Operator</b>          | <b>Work Performed</b>                                                                                                  |
|-------------|--------------------------|------------------------------------------------------------------------------------------------------------------------|
| 2005        | Tancan                   | Reviewed reports received from Barrick detailing the exploration work they conducted on the property to November 2004. |
| 2006        | Tancan                   | In-house evaluation. 4-hole diamond drill program                                                                      |
| 2007        | Sloane Developments Ltd. | Planned 2000 m RC drill program and 3000 m infill diamond drilling program.                                            |

| Year | Operator                 | Work Performed                                                                                                                                                |
|------|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2008 | Sloane Developments Ltd. | First phase drill program consisted of 10 Reverse Circulation (RC) aggregating 1,489 metres. Eight diamond drill holes were drilled totalling 2,286.5 metres. |

## ***Geology***

### **Regional**

The Lake Victoria area contains 12 Archean Nyanzian greenstone belts which are surrounded by and have been interrupted by numerous granitic intrusions. The Nyanzian belts comprise a volcano-sedimentary sequence composed of mafic to felsic volcanics (lavas and tuffs), BIF and shales. The greenstone belts have been grouped into locally distinct geographic regions. One of these regions is the Southwest Mwanza Region which includes a large area south of town of Mwanza, located on the south shore of Lake Victoria. There are five greenstone belts in the Southwest Mwanza Region, one of which is the Ushirombo belt. The Ushirombo belt is an east-west trending belt, the eastern end of which is located approximately 25 km west of the southern end of Smith Sound on Lake Victoria. The eastern end of the belt is arcuate in shape and trends northerly tangential to the northwestern flank of the Siga Hills.

### **Property**

The Itetemia Property is underlain by the northerly trending eastern portion of the Ushirombo Nyanzian greenstone belt. Granite underlies the eastern and northern portions of the property. The greenstone/granite contact trends northerly through the east-central portion of the Itetemia prospecting license and through the central portion of the Itetemia East prospecting license onto the Itetemia Village license; at which point, the contract tends westerly through the Mwingilo license cutting the northeast corner of the Ngula license. Sixty percent of the Itetemia, Itetemia North and Ngula licenses are underlain by the Nyanzian greenstone belt. The remaining 40% is underlain by granite. Granite variably underlies 90 to 100% of the Itetemia East, Itetemia Village and Mwingilo prospecting licenses. The mbuga soil covers 10 to 40% of the property.

### **Lithology**

The lithologies encountered on the Itetemia and Itetemia North prospecting licenses can be divided into three volcano-sedimentary domains: (i) Northeast Domain, (ii) Central Domain and (iii) Southwest Domain. The granite truncates these domains to the east. The Northeast Domain is composed of basalt, felsic flows, thick to thin sequences of argillite and dykes/sill of gabbro. The domain is up to 3 km thick, exhibits a north to north-northeasterly trend and has numerous extensive HLEM conductors. The conductors are related to argillite dominantly located in one horizon at the top of the sequence. A massive sulphide unit/zone is situated at the bottom of this horizon marking change in the volcanism.

## ***Mineralization***

The sulphide mineralization encountered on the Itetemia Property comprise massive to semi-massive, stringers, veins and veinlets, disseminated and nodular mineralization. The types of mineralization are (i) sulphides associated with volcanism activity; (ii) remobilized sulphides associated with deformation (shear hosted); and (iii) sulphides associated with sedimentation. The gold and metallic contents associated with this mineralization are variable and the relation between the grades and the mineralized type is not well known at this stage.

The massive to semi-massive sulphide mineralization seems to be related to volcanism. It occurs in two areas on the Property. One area is located in the northern part of the licenses and has been intersected by the hole ITDD-06. More than 30 m. of sulphides were intersected at the contact between a QFP and an

argillite horizon separating two pillowed basalts. The sulphide content ranges from 10 to 90% pyrrhotite, 2 to 5% pyrite, trace to 5% sphalerite, trace to 1% copper.

The Golden Horseshoe Reef mineralization occurs as massive sulphide veins locally ranging from 15-30 cm wide. Sulphides dominantly appear in veins/veinlets less than 5 cm wide in felsic volcanic rocks. Five to thirty percent pyrite-pyrrhotite is common over sections of 1 to 15 m along the holes. They are sub-concordant and parallel to the schistosity. The strong shearing at the Golden Horseshoe Reef probably represents a remobilization of the sulphides.

### **Exploration**

Since entering into the option agreement with Sloane, Sloane has carried out exploration work on the Itetemia properties under option to Sloane.

Subsequent to the option agreement with Sloane, the two parties entered into a Management Services Agreement whereby a wholly-owned subsidiary of Tanzanian Royalty will carry out field and exploration work on the Kisunge and Shilalo Hills targets within the Luhala Project Area and similar work at the Golden Horseshoe Reef at Itetemia. The Management Services Agreement expired in May 2008.

The majority of the exploration work consisted of reverse circulation (RC) and diamond drilling along with limited ground geophysics. Exploration crews were mobilized to the Itetemia Project in August 2007 and drilling commenced in mid-September. The first phase drill program completed 10 RC holes aggregating 1,489 metres and eight diamond drill holes totalling 2,286.5 metres. The drill program targeted the shallowest part of the previously established Golden Horseshoe Reef with a view to developing an open pit resource with a notional floor level of 200 metres below surface. In support of preparation of a resource estimate, drill holes were sited to provide data at grid points at or below 50 x 50 metres spacing. A number of deeper holes were also sited to test the extent of the mineralized body at depth and along strike. Sloane Developments have advised that before funding a second phase drill program, it intends to complete a 43-101 compliant resource estimate to facilitate planning for the Phase 2 drill program.

In December 2007 the company announced highlights of the Itetemia drill program conducted on behalf of Sloane Developments. In the first phase drill program, 10 Reverse Circulation (RC) holes were completed aggregating 1,489 metres along with eight diamond holes totalling 2,286.5 metres. The drill program targeted the shallowest part of the previously established Golden Horseshoe reef with a view to developing an open pit resource with a notional floor level of 200 metres below surface. The highlights of the drilling are listed in the following table:

#### **RC Drilling Highlights:**

| <b>Hole No</b> | <b>From (m)</b> | <b>To (m)</b> | <b>*Intercept (m)</b> | <b>Gold g/t</b> | <b>Including</b> | <b>Comments</b> |
|----------------|-----------------|---------------|-----------------------|-----------------|------------------|-----------------|
| GHRC-001       | 97              | 102           | 5                     | 1.69            |                  | SE shoot margin |
| GHRC-002       | 106             | 127           | 21                    | 1.79            | 9m @ 3.04        | In shoot        |
| GHRC-003       | 133             | 158           | 25                    | 2.04            | 13m @ 2.99       | In shoot        |
| GHRC-004       | 92              | 107           | 15                    | 4.33            | 8m @ 7.58        | In shoot        |
| GHRC-005       | 104             | 136           | 32                    | 2.83            | 20m @ 3.88       | In shoot        |
| GHRC-006       | 127             | 140           | 13                    | 7.68            | 4m @ 14.67       | In shoot        |
| GHRC-007       | 76              | 100           | 24                    | 0.90            | 7m @ 1.49        | NW shoot margin |
| GHRC-009       | 65              | 85            | 20                    | 0.50            |                  | NW shoot margin |

Diamond Drilling highlights:

| Hole No  | From (m) | To (m) | *Intercept (m) | Gold g/t | Including    | Comments        |
|----------|----------|--------|----------------|----------|--------------|-----------------|
| GHDD-033 | 149.55   | 170.13 | 20.58          | 3.00     | 2m @9.83     | In shoot        |
| GHDD-034 | 331.26   | 349.24 | 17.98          | 2.56     | 1m @14.60    | In shoot        |
| GHDD-035 | 211.13   | 229.50 | 18.37          | 0.90     | 2.17m @2.60  | NW shoot margin |
| GHDD-036 | 274.88   | 286.26 | 11.38          | 0.60     | 4.66m @1.13  | NW shoot margin |
| GHDD-037 | 189.50   | 216.97 | 27.46          | 2.20     | 1.00m @20.30 | In shoot        |
| GHDD-038 | 235.83   | 260.30 | 24.47          | 1.78     | 5.02m @4.08  | In shoot        |
| GHDD-039 | 229.67   | 259.60 | 29.93          | 2.01     |              | In shoot        |
| GHDD-040 | 2 33.00  | 253.60 | 20.60          | 1.93     | 11m @2.79    | In shoot        |

\*True thicknesses for these intersections are approximately 50 percent of down hole thicknesses.

The Company has incurred total net costs (after any recoveries and write offs) of \$6,208,311 on the Itetemia Property to August 31, 2008.

THE ITETEMIA PROPERTY IS WITHOUT KNOWN MINERAL RESERVES AND ANY PROPOSED PROGRAM IS AN EXPLORATORY SEARCH FOR ORE.

### **Luhala Property**

In January 2007 the Company concluded an option royalty agreement with Sloane for its Luhala gold project. Under the option agreement, the Company granted Sloane the right to earn a 100% beneficial interest six of its licenses comprising the Luhala Project.

The following discussion regarding both the Luhala and Lunguya Properties below is summarized from a revised technical report prepared in accordance with the requirements of NI 43-101F dated February 28, 2003, revised June 2007, entitled, "Report on the 2002 Exploration of the Luhala Concessions and the Lunguya Concessions, Lake Victoria Goldfields District, North-Central Tanzania" by Dr. Jim L. Oliver, Ph.D., P. Geo. (the "Revised Luhala and Lunguya 2002 Report"). The reader is referred to the complete text of the Revised Luhala and Lunguya 2002 Report, which is available at [www.sedar.com](http://www.sedar.com), filed on August 13, 2007 under the heading, "Other".

### ***Property Description and Location***

The Luhala property is located in Misungwi District of Mwanza Region of Tanzania (*see property location map*). It lies approximately 70 kilometres south of the city of Mwanza. The Luhala property consists of seven (7) prospecting licenses and/or new and renewal applications (namely, Luhala PL 1451/00, Luhala PL 2519/04, Luhala PL 3315/05, HQP-15477, Shilalo PL 4575/07, Ngobo PL 1559/00 and Sima PL 1560/00). These prospecting licenses are in good standing with respect to required filings and payments with the Government of Tanzania.

The Company has a 100% interest in the Luhala prospecting license, and has earned the right to acquire a 100% interest in the Ngobo and Sima prospecting licenses by making a series of payments to the property holder, Widescope Promotion Ltd. ("Widescope"), totaling US\$120,000 over six years for the Ngobo license and US\$84,000 over six years for the Sima license, which payments have now been completed. Widescope retains a 2% net smelter returns royalty on both the Ngobo and Sima licenses, which the Company may buy back, in each case, one-half (i.e. 1%) for US\$1,000,000. For the Shilalo

license, the Company has earned the right to acquire a 100% interest by having made a series of payments to the property owner totaling US\$16,000. The Shilalo property owner retains a 2% net smelter return royalty, of which the Company may buy back one-half (i.e.1%) for US\$250,000.

Each of the prospecting licenses forming the Luhala property has the following mandatory annual work and rental payments:

| <b>Prospecting License</b>                                                                                  | <b>Annual Rentals</b>                                 | <b>Minerals Covered</b>                   |
|-------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------|
| <b>Luhala</b><br>PL 1451/00** (Appl. 4922)<br>PL 2519/04; HQP-15477<br>PL 3315/05 (HQG-15545);<br>HQP-18526 | US\$277.20<br>US\$277.20<br>US\$207.00*<br>US\$140.00 | all excluding building materials and gems |
| <b>Shilalo</b><br>PL 4575/07                                                                                | US\$37.90                                             | all excluding building materials and gems |
| <b>Ngobo</b><br>PL 1559/00**                                                                                | US\$120                                               | all excluding building materials and gems |
| <b>Sima</b><br>PL 1560/00**                                                                                 | US\$205.80                                            | all excluding building materials and gems |

\* First renewal annual rental fees = US\$30/sq.km.

\*\* While the license has expired, the Company has applied for a new license and has no reason to believe that such new licence will not be granted in the ordinary course.

The Luhala property covers an area of approximately 60 square kilometres. The target on the Luhala property is gold stockwork mineralization associated with felsic rock units in dilational structures.

### ***Accessibility, Climate, Local Resources, Infrastructure and Physiography***

Access to the Luhala Property is via the main Mwanza – Shinyanga road, which is a single lane, good to excellent quality, asphalt highway. Approximately 45 kms south of Mwanza, a dirt road from a junction at the settlement of Manawa, leads southwest to the town of Misasi. The property has year round access, although seasonal winter rains, December to March, may result in flooding in low lying areas which are dominated by mbuga (black organic rich laustrine flood soils). Most lowland areas are under active cultivation, corn, rice, beans and mixed crops, by subsistence farmers. Low scrub and thorn bushes cover the small hills. The area has been, for many years, deforested by local agricultural practices.

At Luhala, the mean elevation is approximately 1,200 m above sea level, with a series of small sub-rounded hills, rising up to one hundred metres above the surrounding plain. These hills are typically formed by either resistive iron formations or felsic volcanic rocks. Mafic volcanic rocks weather recessively and are typically only exposed in trenches through well formed laterite profiles. Laterite development is extensive with brick-red laterites overlying weak mottled zones and saprolites at a depth of approximately 3-5 m's. Deep weathering penetrates 45 - 60 m's vertically within the subsurface.

An enthusiastic and competent labor force is available through the surrounding villages, and local people have been routinely hired during the trenching, drilling and soil sampling programs conducted on this property. However, no other significant infrastructure is available.

### ***History***

Luhala has had a significantly more protracted exploration history than Lunguya, beginning with the initial exploration by the then Tanganyikan Geological Survey in 1947. The exploration history of Luhala since 2005 may be summarized as:

## LUHALA EXPLORATION HISTORY SYNOPSIS

| Year | Operator                 | Work Performed                                             |
|------|--------------------------|------------------------------------------------------------|
| 2005 | Tancan                   | Re-logged all drill holes and trenches. Drill preparation. |
| 2006 | Tancan                   | Diamond drilling, RC drilling                              |
| 2007 | Sloane Developments Ltd. | Follow-up exploration planning                             |
| 2008 | Sloane Developments Ltd. | Data analysis                                              |

### **Geology**

Luhala is found within the eastern portion of the Buhungukira Belt, a local place name assigned to one to the eight greenstone belts in the Lake Victoria District. These rocks are believed to be the eastern continuation of the Geita Greenstone Belt and consist of dominantly Upper Nyanzian rock sequences.

In the Luhala area, the predominant structural grain is dominated by an early deformational event which has deformed all supracrustal rocks into tight, south to southwest plunging, west overturned, synforms and antiforms. The short limbs of these folds may have east-west strikes and modest, 40 degree south dips. The long limbs of these folds have north to northeast strikes and generally much steeper, 60 – 80 degree, and east dips.

At Luhala, three principal mineralized zones have been identified. These include Kisunge Hill, Shilalo South, and Shilalo West. All of the three principal mineralized areas are linked by a common southwest plunging antiform, the limbs of which are separated by 500 to 800 m's and converge just south of Line 6200 E and 3800 N. Mineralization to Kisunge Hill is associated with a chert – felsic volcanic contact. As Shilalo South, structurally controlled gold mineralization closely tracks the position of a massive to locally well-bedded chert or cherty iron formation. The results of diamond drilling in Shilalo West strongly outline the importance of the felsic volcanic - chert – structural sites and gold association. For example, borehole LSD – 08A is collared in the hangingwall to the Shilalo West mineralized zone, traverses the host rhyolite-chert lithology, and terminates in the footwall. This borehole intersected significant gold mineralization of 3.55 g/t Au over 5 m near the hangingwall contact of the felsic volcanic rocks, and is mineralized repeatedly at over one gram ranges throughout much of the felsic host interval, which in this borehole is over 35 metres thick.

The felsic volcanic rock package at Shilalo West once again presents an excellent structural site for the development of dilatant sites and gold mineralization. As at Shilalo South, a well defined planar, brittle-ductile structural zone was not identified at Shilalo West. Gold distribution is likely related to volumes of extensional and shear extensional veinlets, which are developed within the felsic volcanic rocks at or near, the felsic volcanic “red tuff” contact.

### **Exploration**

In January 2007 the Company concluded an option royalty agreement with Sloane for its Luhala gold project. Under the option agreement, the Company granted Sloane the right to earn a 100% beneficial interest six of its licenses comprise the Luhala Project. Subsequent to that agreement, the two parties entered into a Management Services Agreement whereby a wholly-owned subsidiary of Tanzanian Royalty will carry out field and exploration work on the Kisunge and Shilalo Hills targets within the Luhala Project Area. The Management Services Agreement expired in May 2008.

At Luhala, three principal mineralized zones have been identified: Kisunge Hill, Shilalo South, and Shilalo West. Gold mineralization is associated with zones of diffuse silicification, localized around small scale fractures within competent chert and felsic volcanic rock units. There has been no exploration field work carried out by the Company on the Luhala Property during the fiscal year ended August 31,

2008. No significant exploration-related expenditures were incurred by Sloane on the Luhala property during the fiscal year ended August 31, 2008.

The Company has incurred total net costs (after any recoveries) of \$4,116,047 on the Luhala Property to August 31, 2008.

### ***Mineralization***

At Luhala, gold mineralization is associated with zones of diffuse silicification, localized around small cm and mm scale fractures within competent chert and felsic volcanic rock units. Major discordant vein structures are not identified and planar high strain zones are absent.

No specific gravity data have been calculated for any of the rocks cored in these intervals and without strong cross sectional control, no reliable resource estimates for any of the principal mineralized zones at Kisunge, Shilalo South and Shilalo West may be calculated.

### ***Drilling***

The Phase 7 drill program at Luhala was completed in August 2006 and consisted of nine diamond drill holes aggregating 991 metres. All the holes tested the eastern limb of the Kisunge Main Zone. Among the better intercepts reported from this program was 3.07 metres grading 6.87 g/t. Within this intercept was a 1.44 metres interval averaging 10.95 g/t. Invaluable structural information was obtained from the Phase 7 diamond drilling program which will be utilized in the planning process for follow-up exploration.

THE LUHALA PROPERTY IS WITHOUT KNOWN MINERAL RESERVES AND ANY PROPOSED EXPLORATION PROGRAM IS AN EXPLORATORY SEARCH FOR ORE.

### **Lunguya Project Area**

#### ***Property Description and Location***

The Lunguya Property is located in the Kahama District of Tanzania (*see property location map*), and the Company's interest therein is held indirectly through Tanzam. The Lunguya Property is situated in the Lake Victoria Greenstone Belts, approximately 100 kms by air to the southwest of Mwanza and about 15 kms south of Bulyanhulu. The Lunguya Property consists of nine (9) prospecting licenses (namely, the Lunguya 1766/01, 4594/07, Lunguya East 1887/02 and 3273/05, Shilela North 2059/02 and 4074/06, Shilela 2472/04 and Lunguya West 2193/03 and 4273/07). These prospecting licenses are in good standing with respect to required filings and payments with the Government of Tanzania.

With respect to Lunguya PL 1766/01 in January, 2003, a Shareholder's Agreement was entered into wherein a new company, Lunguya Mining Company Limited ("LMC"), was created to form a joint venture between Northern Mining and Consultancy Company Limited ("NMCCL"), Tanzam and LMC. Tanzam has a 60% shareholding and NMCCL has the remaining 40% shareholding in LMC.

The Lunguya Property currently covers an area of 211 square kilometres. There are no work requirements, and property payments on each of licenses are as follows:

| <b>Prospecting License</b>                                 | <b>Annual Rentals</b>    | <b>Minerals Covered</b>                |
|------------------------------------------------------------|--------------------------|----------------------------------------|
| <b>Lunguya</b><br>PL 1766/01**** (HQP-18984)<br>PL 4594/07 | US\$357.20<br>US\$375.20 | All except building materials and gems |

| <b>Prospecting License</b>                                                                  | <b>Annual Rentals</b>        | <b>Minerals Covered</b>                   |
|---------------------------------------------------------------------------------------------|------------------------------|-------------------------------------------|
| <b>Lunguya East</b><br>PL 1887/02*** (Appl. 4818)<br>PL 3273/05** (HQG-15501;<br>HQP-18233) | US\$848.00<br>US\$636.00     | All except building materials and<br>gems |
| <b>Shilela North</b><br>PL 2059/02*** (HQG-15269;<br>HQP-17760)PL 4074/06                   | US\$426.50<br>US\$342.80     | All except building materials and<br>gems |
| <b>Shilela</b><br>PL 2472/04*                                                               | US\$771.30                   | All except building materials and<br>gems |
| <b>Lunguya West</b><br>PL 2193/03*** (HQG-15443;<br>HQP-17986)<br>PL 4273/07                | US\$607.50<br><br>US\$811.40 | All except building materials and<br>gems |

\* First renewal annual rental fees = US\$30/sq.km.

\*\* Second renewal annual rental fees = US\$50/sq.km.

\*\*\*While the license has expired, the Company has applied for a new license and has no reason to believe that such new licence will not be granted in the ordinary course.

Through prospecting and mining option agreements, the Company has options to acquire interests ranging from 60% to 75% in the nine (9) licenses. To maintain the options, the Company is required to make certain expenditures and fund all exploration costs of the properties. At Shilela North, through a Prospecting and Mining Option Agreement signed by Tanzam dated June 25, 1999, the Company has a right to obtain a 70% working interest in this project and no royalties are required. The payment schedule is identical at Shilela. At Lunguya East, the Company can earn up to a 70% interest and no royalty is required.

### ***Accessibility, Climate, Local Resources, Infrastructure and Physiography***

The Lunguya Property can be reached by plane from Mwanza to an airstrip accommodating Bulyanhuylyu or by road via Geita up to the Bulyanhulu/Kahama road intersection. From Kahama, the property is located approximately 8 kms to the south, toward Lunguya village. Secondary roads and trails traverse the property. The Nyamakwenge Reef, located in the northeastern part of the property, can be accessed using a 12 kms dirt tract passing to the north of the property. Climate and elevation are similar to the Luhala Property.

Very little outcrop (less than 1%) has been identified at Lunguya. The entire property is flat and covered largely by granitic sands and grey orange laterites derived from granitic sources. Like Luhala, Lunguya is actively cultivated, but also is being actively mined by a few score artisanal miners along the trend of the Nyamakwenge Reefs. No significant infrastructure, power or water is available on site. However, the entire infrastructure of the region including electricity, air transport, health clinics, schools, and improved road networks, have been greatly improved due to the proximity to Barrick's Bulyanhulu mine, some 20 kms to the north.

### ***History***

The project was acquired by the Company in 2001 and a program of bulk leach extractable gold (BLEG) sampling, geological mapping, rock sampling, reverse circulation (RC) and diamond drilling was initiated.

## ***Geology***

The very limited outcrop exposures on the Lunguya concession necessitate development of a geological and interpretive environment largely based on geophysical interpretations.

Regionally, Lunguya is located near the eastern terminus of the inner volcanic arc, lower Nyanzian, of the Sukumaland Greenstone belt. The succession is dominated by tholeiitic volcanic rocks containing lesser felsic tuffaceous rocks and argillaceous horizons cut by thin quartz porphyry dykes and sills. The thick, banded iron formation and felsic flows characteristic of the outer arc Upper Nyanzian sequence are absent. Most of the map scale granite – greenstone contacts strike north-south. No information is available with respect to the orientation of sub-surface contacts.

At Lunguya, all currently known, auriferous structural zones track at an oblique angle, the eastern granodiorite-mafic volcanic contact. Auriferous veins strike at 020° to 030° with the dominant intrusive volcanic contact trending at approximately 360°. On the property scale, two 330° trending fault structures are interpreted to offset the Lunguya vein into two fault repeated vein segments, having strike lengths of approximately 180 and 300 m. A few score artisanal miners have exploited these veins to a depth not exceeding 30 vertical m's subsurface. A second set of auriferous reefs, the Nyikoboko Reefs, are located 12 kilometres to the south. This area is associated with a smaller set of largely inactive artisanal dumps and workings.

Based on the aeromagnetic data a model has been proposed whereby a large NS trending shear zone is believed to exist below a thick black cotton soil (mbuga) cover. The thin veins associated with the Nyikoboko and Nyamakwengwe reefs probably represent secondary structures from the main shear. This idea has been tested using biogeochemistry.

## ***Mineralization***

Lunguya is a mineralized brittle ductile strain zone, developing internal to a major granite-greenstone contact. Gold is associated with one fault offset vein which is likely broken into two segments, the Western and Eastern reefs. Lesser veins are also present. Initial sampling of artisanal vein waste dumps indicated the presence of well mineralized dump samples. The site contained greater than 200 of these small pits-shafts ranging from 1 to 20 metres deep.

Diamond drill and RC programs at Lunguya have demonstrated geological continuity of the Nyamakwenge West and East Reefs but weaker continuity of grade. The difficulty in obtaining representative gold grades from small core samples of vein material containing coarse particulate gold is a well documented phenomenon. Significant assays obtained during the 2002 diamond drill program at Lunguya are summarized in Table 2 of the Revised Luhala and Lunguya 2002 Report. Widths in these boreholes are approximately true widths and the boreholes have been collared roughly perpendicular to the strike and dip of the mineralized structural zones.

## ***Drilling***

Two programs of drilling were initiated on the Lunguya property during 2002. This included a seven hole RC program totaling 535 metres completed in late August 2002. A follow-up diamond drill program consisting of 1175 metres, in 18 boreholes was completed in November and December of 2002.

Core recovery measurements were made on site by geotechnician of the Company. RC boreholes (LGRC 01 – 07) utilized the same grid system as the diamond drill program. The location of all drill collars were marked with concrete monuments. Drilling was concentrated on the Lunguya Reefs (11 boreholes) with three boreholes completed on the Nyikoboko Reefs. A series of geological cross-sections and plans (Figures 10 to Figure 18 in the Revised Luhala and Lunguya 2002 Report), summarize the results of these

programs. Both RC and diamond drill data are combined on these sections. Drill collar locations for 12 diamond holes and 7 RC holes on the Nyamakwenge Reefs are shown on Figure 9 of the Revised Luhala and Lunguya 2002 Report. Drill logs for diamond drill holes are compiled on Appendix III and for RC holes in Appendix IV of the Revised Luhala and Lunguya 2002 Report. Assay results for diamond drill holes are compiled in Appendix V and RC assay data in Appendix VI of the Revised Luhala and Lunguya 2002 Report.

### ***Exploration***

Limited exploration activities were carried out on the Lunguya property during fiscal 2008, including a total of eleven Induced Polarization (IP) gradient grids comprising 82.5 line kilometers. As well, two soil geochemical grids totaling 413 samples were completed. During the last fiscal quarter, the project was reviewed and exploratory field work is ongoing.

The Company has deferred total net costs (after any recoveries and write offs) of \$2,762,264 on the Lunguya Property to August 31, 2008.

THE LUNGUYA PROPERTY IS WITHOUT KNOWN MINERAL RESERVES AND ANY EXPLORATION PROGRAM IS AN EXPLORATORY SEARCH FOR ORE.

### **Biharamulo/Tulawaka Project Area**

The Tulawaka Project is located in the Biharamulo District of Kagera Region of Tanzania and is approximately 160 kilometres west-southwest of Mwanza. The Biharamulo/Tulawaka Project consists of sixteen (16) prospecting licenses. These prospecting licenses are in good standing with respect to required filings and payments with the Government of Tanzania. Six of the Biharamulo/Tulawaka prospecting licences are under option to MDN. The Company has incurred \$18,519 in total costs on the Biharamulo Project to August 31, 2008.

The Biharamulo/Tulawaka Project covers an area of approximately 357 square kilometres. The property lies on an east-west magnetic trend, between the Kakindu gold discovery (Ashanti) and the Tulawaka gold discovery (Pangea). RAB (rotary air blast) drilling on the Mnekezi property intersected mineralized chert sequences which included intersections of 5 metres @ 0.26 grams/tonne gold, 3 metres @ 0.24 grams/tonne gold and 1 metre @ 0.37 grams/tonne gold.

### ***Exploration***

Some notable exploration successes were reported during the report period by MDN Inc. which has a number of licenses under option from Tanzanian Royalty in the Tulawaka area of Tanzania. In September and October of 2006, MDN tested several gold targets on its 102.9 km<sup>2</sup> Nyantimba licenses 15 kilometres north of the Tulawaka gold mine. A total of 53 RC holes were drilled as a follow-up to the previous year's rotary air blast (RAB) program which produced a significant discovery of mineralization in the Viyenza zone. Assay results from the 2,689 metres of drilling included 2.0 metres grading 35.95 g/t, 3.0 metres averaging 17.15 g/t and 2.0 metres of 13.18 g/t.

A second discovery of mineralization was made by MDN on ground optioned from Tanzanian Royalty in the Mnezeki area 20 kilometres east of the Tulawaka Gold Mine. This discovery returned one of the highest grade gold intercepts reported from the region in recent years: 30.08 g/t gold over 6.0 metres. Further assay results were reported by MDN from the Mnezeki area in August 2007 including 8.0 metres averaging 2.41 g/t. A total of 1,736 metres of RC drilling and 1,252 metres of RAB drilling have been completed on the Mnezeki Project.

A soil geochemical program conducted by MDN Inc. on the Viyonzu Project in 2007 significantly increased the size of the area previously targeted for exploration. The 102.9 km<sup>2</sup> Viyonzu Project is located approximately 15 km north of the Tulawaka Gold Mine in Tanzania and is the subject of an option agreement with Tanzanian Royalty.

The Company has deferred total net costs (after any recoveries and write offs) of \$673,612 on the Tulawaka Property to August 31, 2008.

THE TULAWAKA PROPERTY IS WITHOUT KNOWN MINERAL RESERVES AND ANY EXPLORATION PROGRAM IS AN EXPLORATORY SEARCH FOR ORE.

### **Lake Victoria Goldfield Properties**

The following discussion regarding the Lake Victoria Goldfield Properties below is summarized in part from a technical report prepared in accordance with the requirements of NI 43-101F dated March 21, 2002 entitled, "Project Technical Review on 52 Prospecting Licenses, Lake Victoria Goldfields Tanzania" by Stephen R. McMullan, P. Geo. of Poseidon Geophysics (Pty) Ltd. (the "52 PL Report"). The reader is referred to the complete text of the 52 PL Report, which is available at [www.sedar.com](http://www.sedar.com), filed on March 28, 2002 under the heading, "Technical Reports".

### ***Property Description and Location***

Tanzam, a mineral investment company wholly-owned by the Company, currently holds various interests in 136 prospecting licenses in the Lake Victoria Goldfields Belts (the "LVGB") of north-western Tanzania in order to explore for economic mineral deposits.

Tanzam engaged Geodass (Pty) Limited of Johannesburg, South Africa (now Fugro Airborne Surveys (Pty) Limited) to undertake and manage an integrated mineral exploration program in the LVGB in August 1999. The exploration program was designed primarily to explore for gold mineralisation, without bias for mode of occurrence. Other commodities including base metals, diamonds and industrial minerals were also considered and suitable exploration methods were adopted for a multi-commodity approach.

As of the date hereof, Tanzam and Tancan hold interests in the following licenses and new and renewal applications:

| <b>Book #</b> | <b>Licence Holder/Partner</b> | <b>%</b> | <b>Project Area</b> | <b>Old PL#</b> | <b>New PL# or Application #</b> | <b>Sq Km</b> |
|---------------|-------------------------------|----------|---------------------|----------------|---------------------------------|--------------|
| 1             | Wazawa Limited                | 65%      | Tulawaka            | 1846/01        | 1846/01                         | 9.07         |
| 215           | Wazawa Limited                | 65%      | Tulawaka            | 1846/01        | 4911/08                         | 3.35         |
| 217           | Wazawa Limited                | 65%      | Tulawaka            | 1846/01        | 4962/08                         | 5.54         |
| 2             | Martedo Investment            | 65%      | Tulawaka            | 1795/01        | 1795/01                         | 6.13         |
| 3             | Afrigold Limited              | 65%      | Tulawaka            | 1798/01        | 1798/01                         | 18.17        |
| 4             | Tanzam                        | 100%     | Tulawaka            | 1946/02        | HQ-G15048                       | 18           |
| 175           | Tancan                        | 100%     | Tulawaka            | 1/2 PL 1946/02 | 3496/05                         | 36.18        |
| 7             | Tese Mining/F-B Minerals      | 51%      | Biharamulo          | 2102/02        | HQG-15329                       | 22.5         |
| -7            | Tese Mining/F-B Minerals      | 51%      | Biharamulo          | ½ PL 2102/02   | HQP-17459                       | 22.25        |
| 8             | Joje Business                 | 65%      | Biharamulo          | 2448/04        | 2448/04                         | 39.4         |
| 9             | Joje Business                 | 65%      | Biharamulo          | 2182/03        | HQG-15430                       | 20.0         |
|               | Joje Business                 | 65%      | Biharamulo          | ½ 2182/03      | HQP-17979                       | 20.9         |
| 186           | Tanzam (Joje Business)        | 65%      | Biharamulo          | 1/2 PL 2182/03 | 4201/07                         | 41.16        |
| 15            | Tese Mining/ F-B Minerals     | 51%      | Kigosi              | 2040/02        | HQG-15254                       | 20.0         |
| -15           | Tese Mining/ F-B Minerals     | 51%      | Kigosi              | ½ 2040/02      | HQP-17063                       | 21.0         |

| Book # | Licence Holder/Partner          | %    | Project Area | Old PL#        | New PL# or Application # | Sq Km  |
|--------|---------------------------------|------|--------------|----------------|--------------------------|--------|
| 187    | Tanzam (Tese Mining)            | 51%  | Kigosi       | 1/2 PL 2040/02 | 4275/07                  | 42.0   |
| 16     | Bazo Enterprises                | 65%  | Kigosi       | 1775/01        | 1775/01                  | 10.06  |
| 207    | Bazo Enterprises                | 65%  | Kigosi       | 1/2 PL 1775/01 | 4632/07                  | 9.86   |
| 157    | Y. Shekwavi (Bazo Enterprises)  | 65%  | Kigosi       | 2927/04        | HQG-15322                | 9.82   |
| -157   | Y. Shekwavi (Bazo Enterprises)  | 65%  | Kigosi       | ½ 2927/04      | HQP-17391                | 9.98   |
| 17     | Afrigold Limited                | 65%  | Kigosi       | 1796/01        | HQP-19259                | 21.43  |
| 212    | Afrigold Limited                | 65%  | Kigosi       | 1/2 PL 1796/01 | 4838/07                  | 19.79  |
| 149    | Hasanet Ltd. (Afrigold Limited) | 65%  | Kigosi       | 2925/04        | HQG-15320                | 20.23  |
| -149   | Hasanet Ltd. (Afrigold Limited) | 65%  | Kigosi       | ½ 2925/04      | HQP-17355                | 21.60  |
| 18     | Martedo Investment              | 65%  | Kigosi       | 2449/04        | 2449/04                  | 17.14  |
| -18    | Martedo Investment              | 65%  | Kigosi       | 2449/04        | Appl. 4835               | 17.1   |
| 19     | Tanzam                          | 100% | Kigosi       | 2191/03        | HQG-15445                | 35.9   |
| -19    | Tanzam                          | 100% | Kigosi       | ½ 2191/03      | HQP-17983                | 38.0   |
| 192    | Tanzam                          | 100% | Kigosi       | 1/2 PL 2191/03 | 4278/07                  | 73.41  |
| 20     | Abby's Mining Co                | 65%  | Kigosi       | 1854/2001      | 1854/2001                | 33.93  |
| 216    | Abby's Mining Co                | 65%  | Kigosi       | 1/2 PL 1854/01 | 4938/08                  | 33.77  |
| 159    | Tanzam (Abby's Mining Co.)      | 65%  | Kigosi       | 3178/05        | HQG-15482                | 42.0   |
| -159   | Tanzam (Abby's Mining Co.)      | 65%  | Kigosi       | ½ 3178/05      | HQP-18148                | 44.0   |
| 21     | Tanzam (Madaba Minerals Ltd.)   | 70%  | Lunguya      | 1887/02        | 5123/08                  | 42.20  |
| 164    | Tanzam (Madaba Minerals Ltd.)   | 70%  | Lunguya      | 3273/05        | HQG-15501                | 21.2   |
| -164   | Tanzam (Madaba Minerals Ltd.)   | 70%  | Lunguya      | ½ 3273/05      | HQP-18233                | 21.2   |
| 96     | Tanzam (Charles Shumbi)         | 70%  | Kigosi       | 2833/04        | HQG-15247                | 8.59   |
|        | Tanzam (Charles Shumbi)         | 70%  | Kigosi       | ½ 2833/04      | HQP-17012                | 8.69   |
| 28     | Northern Mining and Consultancy | 60%  | Lunguya      | 1766/01        | 1766/01                  | 17.855 |
| 203    | Northern Mining and Consultancy | 60%  | Lunguya      | 1/2 PL 1766/01 | 4594/07                  | 17.86  |
| 174    | Tanzam (Reapa Bus. Assoc)       | 65%  | Mbogwe       | 3495/05        | HQG-15641                | 38.38  |
| -174   | Tanzam (Reapa Bus. Assoc)       | 65%  | Mbogwe       | ½ PL 3495/05   | HQP-19023                | 38.38  |
| 30     | Tanzam (Abby's Mining Co.)      | 65%  | Lunguya      | 2193/03        | HQG-15443                | 20.25  |
| -30    | Tanzam (Abby's Mining Co.)      | 65%  | Lunguya      | ½ 2193/03      | HQP-17986                | 20.3   |
| 191    | Tancan (Abby's Mining Co.)      | 65%  | Lunguya      | 1/2 PL 2193/03 | 4273/07                  | 40.57  |
| 31     | Tanzam (Abby's Mining Co.)      | 65%  | Mbogwe       | 2194/03        | HQG-15444                | 34.5   |
| -31    | Tanzam (Abby's Mining Co.)      | 65%  | Mbogwe       | ½ 2194/03      | HQP-17985                | 35.2   |
| 32     | Tanzam (Abby's Mining Co.)      | 65%  | Mbogwe       | 2195/03        | HQG-15442                | 41.1   |
| -32    | Tanzam (Abby's Mining Co.)      | 65%  | Mbogwe       | ½ 2195/03      | HQP-17984                | 41.0   |
| 189    | Tancan (Abby's Mining Co.)      | 65%  | Mbogwe       | 1/2 PL 2195/03 | PL 4274/07               | 78.87  |
| 33     | Tanzam (JSN Limited)            | 70%  | Itetemia     | 1300/99        | 2374/03                  | 6.57   |
| 239    | Barrick (Tanzam/JSN Limited)    | 70%  | Itetemia     | ½ PL 2374/03   | 5050/08                  | 6.54   |
| 34     | Dalles & Shamwada               | 65%  | Biharamulo   | 2510/04        | 2510/04                  | 51.45  |
| -34    | Dalles & Shamwada               | 65%  | Biharamulo   | 2510/04        | HQ-P15389                | 51.4   |
| 35     | Germina Lukuvi                  | 65%  | Kanegele     | 1815/01        | 1815/01                  | 9.254  |
| 36     | Zahabu Investments              | 70%  | Lunguya      | 2059/02        | HQG-15269                | 8.56   |
| -36    | Zahabu Investments              | 70%  | Lunguya      | ½ PL 2059/02   | HQP-17760                | 8.56   |
| 183    | Tanzam (Zahabu Investments)     | 70%  | Lunguya      | 1/2 PL 2059/02 | 4074/06                  | 17.14  |
| 37     | Fenites Limited                 | 70%  | Lunguya      | 1307/99        | 2472/04                  | 25.71  |
| 229    | Fenites Limited                 | 70%  | Lunguya      | ½ PL 1307/99   | 5289/08                  | 25.58  |
| 38     | JSN (Afrigold Limited)          | 70%  | Mbogwe       | 2455/04        | 5127/08                  | 72.49  |
| 227    | Afrigold Limited                | 70%  | Mbogwe       | 1/2 PL 2455/04 | 5277/08                  | 70.21  |

| <b>Book #</b> | <b>Licence Holder/Partner</b>          | <b>%</b> | <b>Project Area</b> | <b>Old PL#</b> | <b>New PL# or Application #</b> | <b>Sq Km</b> |
|---------------|----------------------------------------|----------|---------------------|----------------|---------------------------------|--------------|
| 42            | JSN Limited                            | 65%      | Kanegele            | 2056/02        | HQG-15268                       | 5.55         |
| -42           | JSN Limited                            | 65%      | Kanegele            | ½ 2056/02      | HQP-17194                       | 5.68         |
| 184           | Tanzam (JSN Limited)                   | 65%      | Kanegele            | 1/2 PL 2056/02 | 4075/06                         | 11.77        |
| 43            | Afrigold Limited                       | 65%      | Kanegele            | 2502/04        | 2502/04                         | 24.62        |
| -43           | Afrigold Limited                       | 65%      | Kanegele            | 1/2 PL 2502/04 | HQ-P15349                       | 25.7         |
| 45            | Sigo Gems                              | 65%      | Kigosi              | 1853/2001      | 1853/2001                       | 5.466        |
| 224           | Tanzam (Sigo Gems)                     | 65%      | Kigosi              | 1/2 PL 1853/01 | 5094/08                         | 4.94         |
| 162           | Tanzam (Sigo Gems)                     | 65%      | Kigosi              | 3181/05        | HQG-15480                       | 5.5          |
| -162          | Tanzam (Sigo Gems)                     | 65%      | Kigosi              | ½ 3181/05      | HQP-18147                       | 5.5          |
| 50            | Tanzam (Tamo Geo-Consult)              | 80%      | Ushirombo           | 1401/99        | 1401/99                         | 38.09        |
| 81            | Tanzam (Tamo Geo-Consult)              | 80%      | Ushirombo           | 2466/04        | 2466/04                         | 37.14        |
| 218           | Tancan (Tamo Geo-Consult)              | 80%      | Ushirombo           | 1/2 PL 2466/04 | 5134/08                         | 37.19        |
| 180           | Barrick (Tanzam)<br>(Tamo Geo-Consult) | 80%      | Ushirombo           | 3073/05        | HQG-15408                       | 18.21        |
| -180          | Barrick (Tanzam)<br>(Tamo Geo-Consult) | 80%      | Ushirombo           | ½ PL 3073/05   | HQP-17777                       | 18.74        |
| 51            | Tanzam (Tamo Geo-Consult)              | 80%      | Ushirombo           | 1402/99        | 4966/08                         | 21.81        |
| 74            | Tanzam (Tamo Geo-Consult)              | 80%      | Ushirombo           | 3102/05        | HQG-15418                       | 10.6         |
| -74           | Tanzam (Tamo Geo-Consult)              | 80%      | Ushirombo           | ½ PL 3102/05   | HQP-17892                       | 11.1         |
| 82            | Tanzam (Tamo Geo-Consult)              | 80%      | Ushirombo           | 2467/04        | 5136/08                         | 43.36        |
| 53            | Tangulf Express Ltd.                   | 85%      | Majimoto            | 2070/02        | HQG-15278                       | 12.64        |
| -53           | Tangulf Express Ltd.                   | 85%      | Majimoto            | ½ 2070/02      | HQP-17208                       | 12.21        |
| 182           | Tanzam (Tangulf Express Ltd.)          | 85%      | Majimoto            | 1/2 PL 2070/02 | 4073/06                         | 25.41        |
| 54            | Tanzam (RSR (T) Ltd.)                  | 90%      | Mwadui              | 2513/04        | 2513/04                         | 3.743        |
| -54           | Tanzam (RSR (T) Ltd.)                  | 90%      | Mwadui              | 1/2 PL 2513/04 | HQ-P15476                       | 3.7          |
| 55            | Tanzam (RSR (T) Ltd.)                  | 85%      | Kanegele            | 2514/04        | 2514/04                         | 29.71        |
| -55           | Tanzam (RSR (T) Ltd.)                  | 85%      | Kanegele            | 1/2 PL 2514/04 | HQ-P15475                       | 29.70        |
| 56            | Teddy & Co.                            | 90%      | Igunga              | 2541/04        | 2541/04                         | 29.12        |
| -56           | Teddy & Co.                            | 90%      | Igunga              | 1/2 PL 2541/04 | HQ-P15568                       | 29.05        |
| 57            | Hasanet Limited                        | 90%      | Mwadui              | 2285/03        | HQG-15584                       | 25.6         |
| -57           | Hasanet Limited                        | 90%      | Mwadui              | ½ PL 2285/03   | HQP-18814                       | 25.8         |
| 196           | Hasanet Limited                        | 90%      | Mwadui              | 1/2 PL 2285/03 | 4515/07                         | 51.08        |
| 58            | State Mining Co.                       | 80%      | Nzega               | 2576/04        | 2576/04                         | 41.84        |
| -58           | State Mining Co.                       | 80%      | Nzega               | 1/2 PL 2576/04 | HQ-P16107                       | 50.0         |
| 60            | F. Mjasambu & Partners                 | 90%      | Mwadui              | 2701/04        | HQ-G15183                       | 12.97        |
| -60           | F. Mjasambu & Partners                 | 90%      | Mwadui              | 1/2 PL 2701/04 | HQ-P16785                       | 14.4         |
| 61            | Tanzam                                 | 100%     | Mwadui              | 2704/04        | HQ-G15180                       | 7.34         |
| -61           | Tanzam                                 | 100%     | Mwadui              | 1/2 PL 2704/04 | HQ-P16789                       | 7.4          |
| 62            | Tanzam                                 | 100%     | Mwadui              | 2705/04        | HQ-G15181                       | 45.67        |
| -62           | Tanzam                                 | 100%     | Mwadui              | 1/2 PL 2705/04 | HQ-P16786                       | 71.5         |
| 63            | Tanzam                                 | 100%     | Kabanga             | PLR 2707/04    | 4673/07                         | 198.4        |
| 64            | Tanzam                                 | 100%     | Kabanga             | 2708/04        | HQ-G15182                       | 30.2         |
| -64           | Tanzam                                 | 100%     | Kabanga             | 1/2 PL 2708/04 | HQ-P16788                       | 33.5         |
| 65            | Abby's Mining Co.                      | 90%      | Kanegele            | 2688/04        | HQ-G15164                       | 7.0          |
| -65           | Abby's Mining Co.                      | 90%      | Kanegele            | 1/2 PL 2688/04 | HQ-P16587                       | 7.0          |
| 66            | Tanzam                                 | 100%     | Kabanga             | PLR 2827/04    | 4586/07                         | 146.2        |
| 67            | Tanzam                                 | 100%     | Kabanga             | PLR 2831/04    | 4676/07                         | 113.7        |

| <b>Book #</b> | <b>Licence Holder/Partner</b> | <b>%</b> | <b>Project Area</b> | <b>Old PL#</b>      | <b>New PL# or Application #</b> | <b>Sq Km</b> |
|---------------|-------------------------------|----------|---------------------|---------------------|---------------------------------|--------------|
| 68            | Hydro-Geos Consulting         | 90%      | Mwadui              | PLR 2813/04         | 4674/07                         | 200          |
| 69            | Tanzam                        | 100%     | Kabanga             | PLR 2706/04         | 4675/07                         | 193.6        |
| 70            | Assalaam Almasi               | 85%      | Mwadui              | 2843/04             | HQG-15257                       | 35.82        |
| -70           | Assalaam Almasi               | 85%      | Mwadui              | ½ 2843/04           | HQP-17073                       | 36.0         |
| 71            | Givex Company Limited         | 90%      | Kibara              | 2785/04             | HQG-15249                       | 45.16        |
| -71           | Givex Company Limited         | 90%      | Kibara              | ½ 2785/04           | HQP-17009                       | 46.05        |
| 73            | B. Nguka                      | 85%      | Kanagele            | 3098/05             | HQG-15419                       | 28.23        |
| -73           | B. Nguka                      | 85%      | Kanagele            | ¼ 3098/05           | HQP-17893                       | 12.96        |
| -73           | B. Nguka                      | 85%      | Kanagele            | ¼ 3098/05           | HQP-17891                       | 16.28        |
| 75            | F.Mbaga                       | 85%      | Kibara              | 2931/04             | HQG-15323                       | 63.5         |
| -75           | F.Mbaga                       | 85%      | Kibara              | ½ 2931/04           | HQP-17392                       | 64.0         |
| 76            | Tanzam                        | 100%     | Igunga              | 3112/05             | HQG-15427                       | 12.72        |
| -76           | Tanzam                        | 100%     | Igunga              | ½ 3112/05           | HQP-17961                       | 13.26        |
| 77            | Tanzam                        | 100%     | Mwadui              | 3113/05             | HQG-15428                       | 10.6         |
| -77           | Tanzam                        | 100%     | Mwadui              | ½ 3113/05           | HQP-17960                       | 12.1         |
| 78            | Mdabwa/Yusufu                 | 90%      | Kibara              | 3146/05             | HQG-15471                       | 50           |
| -78           | (Mdabwa/Yusufu                | 90%      | Kibara              | ½ 3146/05           | HQP-18109                       | 53.0         |
| 150           | RSR (Tanzania) Limited        | 85%      | Mwadui              | 2462/04             | 5138/08                         | 50.16        |
| 151           | F. Mbaga                      | 85%      | Nzega               | 2930/04             | HQG-15324                       | 31.97        |
| -151          | F. Mbaga                      | 85%      | Nzega               | ½ 2930/04           | HQP-17393                       | 32.38        |
| 156           | Tanzam                        | 100%     | Kabanga             | PLR 2966/04         | 4720/07                         | 192.4        |
| 222           | Tanzam                        | 100%     | Kabanga             | Portion 2966/04     | 5105/08                         | 183.07       |
| 225           | Tanzam                        | 100%     | Kabanga             | Portion 2966/04     | 5082/08                         | 69.07        |
| 158           | B. Nguka                      | 85%      | Mwadui              | 3172/05             | HQG-15479                       | 49.55        |
| -158          | B. Nguka                      | 85%      | Mwadui              | ½ 3172/05           | HQP-18150                       | 50.2         |
| 160           | Tanzam                        | 100%     | Mwadui              | 3179/05             | HQG-15481                       | 53.0         |
| -160          | Tanzam                        | 100%     | Mwadui              | ½ 3179/05           | HQP-18149                       | 54.0         |
| 163           | Tanzam                        | 100%     | Kabanga             | PLR 3272/05         | 4897/08                         | 198.9        |
| -163          | Tanzam                        | 100%     | Kabanga             | PLR 3272/05         | HQP-15711                       | 198          |
| -163          | Tanzam                        | 100%     | Kabanga             | PLR 3272/05         | HQP-15721                       | 199          |
| -163          | Tanzam                        | 100%     | Kabanga             | PLR 3272/05         | HQP-15722                       | 121          |
| 226           | Tanzam                        | 100%     | Kabanga             | Portion PLR 3272/05 | 5283/08                         | 192.97       |
| 230           | Tanzam                        | 100%     | Kabanga             | Portion PLR 3272/05 | 5290/08                         | 193.8        |
| 231           | Tanzam                        | 100%     | Kabanga             | Portion PLR 3272/05 | 5291/08                         | 189.99       |
| 232           | Tanzam                        | 100%     | Kabanga             | Portion PLR 3272/05 | 5292/08                         | 196.37       |
| 233           | Tanzam                        | 100%     | Kabanga             | Portion PLR 3272/05 | 5293/08                         | 189.98       |
| 234           | Tanzam                        | 100%     | Kabanga             | Portion PLR 3272/05 | 5294/08                         | 152.03       |
| 235           | Tanzam                        | 100%     | Kabanga             | Portion PLR 3272/05 | 5295/08                         | 193.77       |
| 236           | Tanzam                        | 100%     | Kabanga             | Portion PLR 3272/05 | 5300/08                         | 198.96       |
| 237           | Tanzam                        | 100%     | Kabanga             | Portion PLR 3272/05 | 5301/08                         | 160.88       |
| 238           | Tanzam                        | 100%     | Kabanga             | Portion PLR 3272/05 | 5303/08                         | 159.52       |
| 168           | Tanzam                        | 100%     | Kibara              | 3314/05             | HQG-15544                       | 1.39         |
| -168          | Tanzam                        | 100%     | Kibara              | ½ 3314/05           | HQP-18524                       | 1.40         |
| 171           | Trust Marck Investment Ltd.   | 90%      | Manonga             | 2069/02             | HQG-15297                       | 15.69        |
| -171          | Trust Marck Investment Ltd.   | 90%      | Manonga             | ½ 2069/02           | HQP-17209                       | 15.69        |
| 181           | Trust Marck Investment Ltd.   | 90%      | Manonga             | 1/2 PL 2069/02      | 4072/06                         | 30.59        |
| 198           | Tanzam                        | 100%     | Kabanga             |                     | 4571/07                         | 188.8        |

| <b>Book #</b> | <b>Licence Holder/Partner</b>     | <b>%</b> | <b>Project Area</b> | <b>Old PL#</b>  | <b>New PL# or Application #</b> | <b>Sq Km</b> |
|---------------|-----------------------------------|----------|---------------------|-----------------|---------------------------------|--------------|
| 199           | Tanzam                            | 100%     | Kabanga             |                 | 4572/07                         | 120.2        |
| 200           | Tanzam                            | 100%     | Kabanga             |                 | 4573/07                         | 193.6        |
| 101           | Itetemia Mining Co. Ltd.          | 90%      | Itetemia            | 1450/00         | 4824/07                         | 9.24         |
| 166           | Tancan (Itetemia Mining Co. Ltd.) | 90%      | Itetemia            | 3308/05         | HQG-15543                       | 4.6          |
| -166          | Tancan (Itetemia Mining Co. Ltd.) | 90%      | Itetemia            | ½ 3308/05       | HQP-18525                       | 4.7          |
| 84            | Itetemia Mining Co. Ltd.          | 90%      | Itetemia            | 2523/04         | 2523/04                         | 9.28         |
| -84           | Itetemia Mining Co. Ltd.          | 90%      | Itetemia            | 1/2 2523/04     | HQ-P15478                       | 9.28         |
| 102           | Tancan                            | 100%     | Luhala              | 1451/00         | Appl. 4922                      | 13.93        |
| 169           | Tanzam (Tancan)                   | 100%     | Luhala              | 3315/05         | HQG-15545                       | 6.9          |
| -169          | Tanzam (Tancan)                   | 100%     | Luhala              | ½ 3315/05       | HQP-18526                       | 7.0          |
| 83            | Tancan                            |          | Luhala              | 2519/04         | 2519/04                         | 13.86        |
| -83           | Tancan                            |          | Luhala              | 1/2 PL 2519/04  | HQ-P15477                       | 13.9         |
| 104           | Tancan                            | 100%     | Itetemia            | 2038/02         | HQG-15255                       | 4.21         |
| -104          | Tancan                            | 100%     | Itetemia            | ½ 2038/02       | HQP-17062                       | 4.28         |
| 194           | Tancan                            | 100%     | Itetemia            | 1/2 PL 2038/02  | 4517/07                         | 8.573        |
| 106           | Tancan                            | 100%     | Itetemia            | 1612/00         | HQ-P16413                       | 5.8          |
| 85            | Tancan                            | 100%     | Itetemia            | 2578/04         | HQ-G15061                       | 2.94         |
| 108           | Widescope Promotion               | 100%     | Luhala              | 1559/00         | HQ-P15927                       | 6.0          |
| 109           | Widescope Promotion               | 100%     | Luhala              | 1560/00         | HQ-P15928                       | 10.29        |
| 110           | Tancan                            | 100%     | Luhala              | 1/2 PL 2297/03  | 4575/07                         | 1.895        |
| -110          | Tancan                            | 100%     | Luhala              | ½ 2297/03       | HQP-15138                       | 1.86         |
| 113           | Dia Consult Ltd.                  | 100%     | Tulawaka            | 2473/04         | 2473/04                         | 22.83        |
| 221           | Tanzam (Dia)                      | 100%     | Tulawaka            | 1/2 PL 2473/04  | 5139/08                         | 27.0         |
| 98            | Dia Consult Ltd.                  | 100%     | Tulawaka            | 2803/04         | HQG-15250                       | 27.6         |
| -98           | Dia Consult Ltd.                  | 100%     | Tulawaka            | ½ 2803/04       | HQP-17010                       | 28.28        |
| 124           | Charles Shumbi                    | 90%      | Kanagele            | 1375/99         | 4552/07                         | 5.26         |
| 92            | Tancan (Charles Shumbi)           | 90%      | Kanagele            | 2699/04         | HQ-G15184                       | 2.56         |
| -92           | Tancan (Charles Shumbi)           | 90%      | Kanagele            | 1/2 PL 2699/04  | HQ-P16787                       | 2.8          |
| 99            | Tancan (Charles Shumbi)           | 90%      | Kanagele            | 2883/04         | HQG-15301                       | 4.71         |
| -99           | Tancan (Charles Shumbi)           | 90%      | Kanagele            | ½ 2883/04       | HQP-17279                       | 5.26         |
| 125           | Mega Deposit Explorers            | 90%      | Kigosi              | 3507/05         | HQG-15666                       | 87.5         |
| -125          | Mega Deposit Explorers            | 90%      | Kigosi              | ½ 3507/05       | HQP-19131                       | 87.7         |
| 72            | Tancan (Mega Deposit Explorers)   | 90%      | Kigosi              | 3070/05         | Appl. 4790                      | 163.0        |
| -72           | Tancan (Mega Deposit Explorers)   | 90%      | Kigosi              | 1/21 PL 3070/05 | Appl. 4791                      | 152.0        |
| 130           | Dismas Calist                     | 90%      | Shinyanga           | 2217/03         | HQG-15496                       | 30.5         |
| -130          | Dismas Calist                     | 90%      | Shinyanga           | ½ 2217/03       | HQP-18192                       | 31.8         |
| 131           | Makweba/Kusundwa                  | 90%      | Tulawaka            | 2295/03         | HQP-15602                       | 6.3          |
| -131          | Makweba/Kusundwa                  | 90%      | Tulawaka            | ½ 2295/03       | HQP-18892                       | 6.4          |
| 132           | Eb-Hance Co.                      | 90%      | Kibara              | 2308/03         | HQP-15642                       | 13.24        |
| -132          | Eb-Hance Co.                      | 90%      | Kibara              | ½ 2308/03       | HQP-19022                       | 10.2         |
| 206           | Eb-Hance Co.                      | 90%      | Kibara              | 1/2 PL 2308/03  | 4606/07                         | 28.52        |
| 133           | Mussah Mussah                     | 90%      | Nyanzaga North      | 2279/03         | HQG-15583                       | 8.9          |
| -133          | Mussah Mussah                     | 90%      | Nyanzaga North      | ½ 2279/03       | HQP-18815                       | 9.1          |
| 134           | Hasanet Ltd.                      | 90%      | Manonga             | 2272/03         | HQG-15585                       | 13.6         |
| -134          | Hasanet Ltd.                      | 90%      | Manonga             | ½ 2272/03       | HQP-18816                       | 13.6         |
| 197           | Hasanet Ltd.                      | 90%      | Manonga             | 1/2 PL 2272/03  | 4542/07                         | 27.41        |
| 135           | Trust Marck Investments           | 90%      | Manonga             | 2007/02         | HQG-15225                       | 2.5          |
| -135          | Trust Marck Investments           | 90%      | Manonga             | ½ 2007/02       | HQP-16951                       | 2.8          |

| Book # | Licence Holder/Partner           | %    | Project Area | Old PL#         | New PL# or Application # | Sq Km |
|--------|----------------------------------|------|--------------|-----------------|--------------------------|-------|
| 179    | Tancan (Trust Marck Investments) | 90%  | Manonga      | 1/2 PL 2007/02  | PL 3819/05               | 5.402 |
| 136    | Mbonimpa, J&F                    | 90%  | Manonga      | 2461/04         | 2461/04                  | 56.03 |
| 228    | Mbonimpa, J&F                    | 90%  | Manonga      | 1/2 PL 2461/04  | 5288/08                  | 60.17 |
| 137    | Bey & Daniel                     | 90%  | Manonga      | 1817/01         | 1817/01                  | 9.593 |
| 214    | Bey & Daniel                     | 90%  | Manonga      | 1817/01         | 4862/07                  | 9.38  |
| 154    | Tancan (Bey & Daniel)            | 90%  | Manonga      | 2969/04         | 2969/04                  | 9.42  |
| -154   | Tancan (Bey & Daniel)            | 90%  | Manonga      | ½ 2969/04       | HQP-17488                | 9.48  |
| 138    | Hasanet                          | 90%  | Manonga      | 2487/04         | 2487/04                  | 10.28 |
| -138   | Hasanet                          | 90%  | Manonga      | 1/2 PL 2487/04  | HQ-P15040                | 10.28 |
| 139    | Dismast Calist                   | 90%  | Igunga       | 2458/04         | 2458/04                  | 75.36 |
| 220    | Tancan (Dismast Calist)          | 90%  | Igunga       | 1/2 PL 2458/04  | 5137/08                  | 71.58 |
| 140    | Tancan                           | 100% | Manonga      | 2655/04         | 2655/04                  | 26.73 |
| -140   | Tancan                           | 100% | Manonga      | 1/2 PL 2655/04  | HQ-P16464                | 47.0  |
| 142    | Tancan                           | 100% | Manonga      | 2657/04         | 2657/04                  | 59.55 |
| -142   | Tancan                           | 100% | Manonga      | 1/2 PL 2657/04  | HQ-P16463                | 61.0  |
| 143    | Tancan                           | 100% | Manonga      | 2658/04         | 2658/04                  | 48.0  |
| -143   | Tancan                           | 100% | Manonga      | 2658/04         | HQ-P16462                | 52.0  |
| 144    | Tancan                           | 100% | Manonga      | 2667/04         | HQ-G15133                | 3.6   |
| 145    | Tancan                           | 100% | Igunga       | 2668/04         | HQ-G15129                | 10.22 |
| -145   | Tancan                           | 100% | Igunga       | 1/2 PL 2668/04  | HQ-P16461                | 19.70 |
| 146    | Tancan                           | 100% | Manonga      | 2669/04         | HQ-G15131                | 42.24 |
| -146   | Tancan                           | 100% | Manonga      | 1/2 PL 2669/04  | HQ-P16465                | 49.0  |
| 147    | Tancan                           | 100% | Igunga       | PLR 2670/04     | 4672/07                  | 110.6 |
| 205    | Tancan                           | 100% | Igunga       | 1/2 PLR 2670/04 | 4605/07                  | 108.8 |

The total land area currently held under license and pending applications is approximately 10,000 km<sup>2</sup>.

## History

Prior to Tanzam's acquisition of the original fifty-two prospecting licenses ("PL"), little systematic work using modern exploration methods had been undertaken on the licenses. Tanzam acquired the licenses through negotiation with local vendors and prospectors, and by direct application to the Geological Survey (Madini), within the Mineral Resources Department of the Ministry of Water, Energy and Minerals of Tanzania.

Tanzam's interest in the prospecting licenses is variable, depending on the agreements with the individual vendors. However, it is common to all agreements with the vendors that Tanzam has exclusive rights to sell the project to a third party without restraint. Compensation to the vendors remains the responsibility of Tanzam.

Tanzam has granted to BEAL an option to acquire all of the right, title and interest held by Tanzam in prospecting license PL 2374/03. If such option is exercised, Tanzam is entitled to (i) certain payments after the Commercial Production Date (as defined) with respect to the first mine constructed by BEAL on any property covered by the license; and (ii) a 1.5% net smelter return (which may, in certain circumstances, be reduced).

## **Mineralisation**

### **Lake Victoria Goldfields Belt**

The Lake Victoria Goldfields have produced the greatest proportion of Tanzania's mineral wealth and are still the most fertile and prospective for gold exploration. Ninety percent of Tanzania's gold production to 1991 had come from the district and new production is likely. Significant gold resources have been discovered in the Lake Victoria Goldfields in the last decade by other third parties.

### **Artisanal Gold Mining**

Official estimates indicate that artisanal gold mining in Tanzania produces 8 to 15 tonnes of gold per annum. Black market dealers have previously purchased most of this production, but Meremeta (a state-owned gold company) has set up regional buying centres to capture most of this production. The net benefit is both to the State in gaining foreign currency, and to the artisanal miners who can sell gold at set prices based on world commodity markets.

Historically, artisanal miners have only operated on a cash basis, i.e. where the gold grade was less than approximately 40g/t, the artisanals could not profitably mine the ore. Artisanals actively explored the Lake Victoria Goldfields, and have discovered several significant deposits that are currently being developed commercially by other mining companies.

## ***Geology***

Tanzania is underlain by the Tanzanian Craton, a crustal block of predominately Archaean (>2,500 Ma) rocks surrounded and overlain by younger sediments and mobile belts. It is one of the core blocks of Africa, and is essentially a continuation of the Congo Craton.

The Lake Victoria Goldfields consist of a granite greenstone terrain that extends northwards into SW Kenya. The internal stratigraphy of the greenstone belts is reasonably well constrained. It consists of a lower, essentially mafic, volcanic unit in which ultramafic rocks are rare, overlain by chemical and classic sediments and then felsic volcanics. This assemblage is called the Nyanzian Group. The Nyanzian Group is unconformably overlain by a classic sedimentary sequence, also Archean, known as the Kavirondian Group. These sediments contain clasts of all Nyanzian lithologies, some of which appear to have been deformed before erosion. In addition they contain debris of some granitoids. However, the main period of granitoid emplacement post-dates the Kavirondian. Although there was early tectonism, the main pervasive deformation post-dates the bulk of the granites, imparting a foliation to all these lithologies. Some Archaean granitoids of the Belt appear to post-date this foliation. Further discussion on the regional and local geology is set out above, under the section on "Geology" for the Itetemia Property.

## ***Exploration***

### **Kigosi Project**

The Kigosi Property forms part of the greenschist-amphibolite facies metamorphic belts of the Kigosi-Miyabi Granite-Greenstone Terrain situated in the southwestern Sukumaland Greenstone Belt. The terrain is bounded to the south by the Kigosi-Haneti Granitoid Tectonic Zone of extensive granite intrusions and deep-seated lineaments.

The Kigosi Project was the primary focus of the Company's exploration activities during the 2008 reporting year. After repurchasing its rights to Kigosi from AngloGold Ashanti in September 2006, the Company conducted a detailed assessment of the exploration database received from AngloGold Ashanti which was accumulated over roughly a three year period.

Follow-up exploration began at Kigosi in November 2006 with the implementation of selected IP traverses over artisanal workings in two highly prospective areas, Luhwaika and Igunda. Drilling

commenced later in the same month. A few holes were lost after encountering artisanal mine workings which are common throughout the region. In addition, mechanical difficulties with the drill rig slowed progress as did heavy rain which denied access to the Igunda prospect.

Assay results from the first six RC holes confirmed the Company's initial expectations for the Kigosi property. Drilling within the Luhwaika Main Reef indicated that the reef dipped gently towards the southwest with a true thickness of 1-2 metres. The mineralization is hosted within a sheared, highly silicified and sericitized granite, with gold values ranging from 1.11 to 6.13 g/t. The Luhwaika West Reef, located approximately 200 metres to the southwest of the Luhwaika Main Reef, returned gold values ranging from 3.51 to 11.63 g/t across a true thickness of 2-3 metres.

Drilling at Kigosi resumed the second week of March 2007, and despite several delays because of mechanical problems with the drill rig, the program has been proceeding almost continuously since that time. The program's objective was to test the strike continuity of the Luhwaika reef system which had never been drilled before. It also provided the Company with an opportunity to evaluate surrounding gold-in-soil and geophysical anomalies. On July 13, 2007 a daily record of 261 metres was reported by drill crews, the majority of whom are indigenous Tanzanians.

Results from the Phase 2 RC drilling program at Kigosi were released in early June 2007 and confirmed the presence of two previously interpreted vein systems along with high grade gold values. The program consisted of 109 holes aggregating 4,057 metres and focused on an area immediately adjacent to artisanal workings within the Luhwaika prospect area. Drilling within the Luhwaika Main Reef indicates a dip of -22 degrees towards the southwest and a true thickness of 1-2 metres. Mineralization is hosted by a sheared, highly silicified and sericitized granite with gold values ranging up to 23.0 g/t (0.67 oz/t). The Luhwaika West Reef, which sub-outcrops approximately 200 metres to the southwest of the Luhwaika Main Reef, is essentially a mineralized quartz vein, dipping 30 degrees to the southwest with a true thickness of 2-3 metres and with gold values ranging up to 11.63 g/t (0.34 oz/t).

In September 2007, the Company announced results from a Phase 3 drill program at Kigosi which confirmed the presence of several high grade gold shoots within two previously established shear zones. Among the higher grade gold intercepts reported was 2.0 metres grading 34.25 g/t; 2.0 metres at 7.25 g/t; 2.0 metres averaging 6.65 g/t (0.2 oz/ton); 1.0 metre averaging 13.15 g/t; and 1.0 metre grading 7.31 g/t. The objective of the Phase 3 program was to test the strike continuity of the Luhwaika reef system to the southeast, infill drill the mineralization previously identified towards the northwest, and establish the controls and trends for gold mineralization that extends along a strike length of 900 metres. A total of 126 holes aggregating 5,362 metres were completed in the Phase 3 drill program. The two shear zones hosting the high grade shoots were traced along a strike length of 1.2 kilometres. Both shear zones remain open towards the northwest where an Induced Polarization (IP) survey indicates they could extend for at least 4.0 kilometres along strike.

A follow-up Phase 4 Reverse Circulation (RC) drill program returned record high gold values including 101.25 g/t gold (3.0 oz/t) over 1.0 metre in Hole KG20RC271 within the Bateleur gold shoot. This particular sample had excellent "repeatability" during the umpire assay verification process at the Humac laboratory in Mwanza, Tanzania with values recorded of 177.0 g/t ( 5.1 oz/t) ; 143.77g/t (4.2 oz/t) and 153.75g/t (4.5 oz./t). The averaged value from the Humac laboratory for this particular sample is 158.17g/t (4.4 oz/t).

The primary objective of this fourth phase of drilling was to test the strike continuity of the Luhwaika reef system to the northwest on two 200 metres spaced lines, and to drill infill holes down-dip and along strike of mineralization identified in previous drilling in the northwest area. Drill hole spacing was 30 metres.

In addition, the road network into Kigosi was upgraded to facilitate access into areas that were scheduled to be drilled during the rainy season.

The Phase 5 RC program was completed in December 2007 along nine control lines with a central baseline having a strike length of 2.8 kilometres. Hole spacing was 30 metres. The two shear zones hosting the high grade shoots were traced along a strike length of 2.2 kilometres and were determined to be open towards the northwest and southeast.

The Phase 6 RC drill program was completed on June 3, 2008 and generated near-surface, high grade gold values in previously established gold shoots, along with some of the best grades ever reported from new IP/soil anomalies northeast of the Luhwaika area. Among the exceptional gold values reported from this new target area was 3.0 metres grading 22.24 g/t (0.64 oz/t) and 1.0 metre averaging 66.06 g/t (2.0 oz/t).

The infill drilling on Luhwaika Main and West reefs allowed the Company to interpret the high grade shoots as steepening in pitch towards the northwest which put them beyond the depth capacity of the Company's RC drill rig. Subsequently, tender documents were sent out to various drilling companies in East Africa for a rig with deeper drilling capacity. Due to heavy rains, limited access was available so the Company also drilled three new IP/soil targets 200 metres, 600 metres and 1,300 metres to the northeast of the Luhwaika Main shoot which have a similar trend to Luhwaika Main.

During the month of August 2008, a short phase RC drilling program was conducted on the Igunda artisanal workings 2.2 kilometres southwest of the main Luhwaika discovery area and along strike. That program intersected high grade gold mineralization within the Igunda Main Shear system (IGM) where two closely spaced (18 metres) reefs produced very encouraging high grade gold intersections with up to 30.58g/t. This high-grade gold mineralization appeared to be confined to quartz-veined chlorite schist shears that are up to 4.0 metres in width down hole.

The Company has incurred total net costs (after any recoveries) of \$6,031,366 on the Kigosi Project to August 31, 2008.

THE KIGOSI PROJECT IS WITHOUT KNOWN MINERAL RESERVES AND ANY EXPLORATION PROGRAM IS AN EXPLORATORY SEARCH FOR ORE.

### **Other Lake Victoria Goldfield Properties**

Limited exploration programs were conducted on the Kanagele, Ushirombo, Mbogwe, Kibara, Manonga and other Lake Victoria goldfield properties during the year ended August 31, 2008.

Exploration centered on biogeochemistry ("BGC") follow-up programs in the form of soil sampling and augering. A total of 4,929 samples were submitted to the analytical laboratories, including quality control blanks, standards and duplicates. Ground IP gradient surveys were carried over several BGC anomalies to identify structures/mineralisation. A total of 142 line kilometers was completed. A total of 92 line kilometers of ground magnetic survey was carried on two licenses in the Igunga project area.

During the year ended August 31, 2008, the Company has entered into several Confidentiality Agreements with interested parties covering several Lake Victoria Goldfield Project areas.

THE LAKE VICTORIA GOLDFIELDS PROPERTIES ARE WITHOUT KNOWN MINERAL RESERVES AND ANY EXPLORATION PROGRAM IS AN EXPLORATORY SEARCH FOR ORE.

### **Kabanga/Kagera Nickel Belt**

Four years ago, management recognized that base metal prices - especially nickel - were destined to move substantially higher based on demand from China which has been industrializing at a pace that is

arguably without historical precedent.

With this positive demand outlook as an economic driver, the Company applied for open ground within the Kabanga Nickel Belt that was considered to be favorable for hosting magnetic anomalies or differences in the earth's magnetic field. These magnetic anomalies are often associated with economic mineral deposits, one of which has been discovered in the belt to date.

The Kabanga Nickel Belt hosts the Kabanga nickel deposit (Barrick Gold/Xstrata plc) which is presently in the feasibility stage and was discovered by the United Nations Development Program (UNDP) during the 1970s. The actual discovery was made following a comprehensive geochemical and geophysical program that identified a chain of coincident airborne magnetic and geochemical anomalies within a 20-30 kilometres wide northeasterly trending belt that extends for over 200 kilometres.

The prospecting licenses acquired by the Company cover an area of approximately 4,434 square kilometres within the Kibara Fold Belt of northwestern Tanzania. One of the prospecting licenses is located within a zone of two parallel magnetic highs that extends down to the Kabanga Nickel deposit, while another license hosts a 50 kilometres long magnetic anomaly whose geophysical signature is of similar intensity to the Kabanga nickel deposit. Moderate nickel-in-soil anomalies are evident on some of the licenses as well.

Early in the reporting year following a detailed examination of historical data from the prospecting licenses, the Company began prioritizing exploration targets on its holdings in the Kabanga Nickel Belt. However, before the Company initiated exploration work on its holdings, a Chinese corporate entity and a number of international mineral explorers expressed interest in joint venturing the prospecting licenses. Several parties have been evaluating technical data from the properties with a view to formalizing an agreement that would see staged exploration work conducted on prospective areas within our core nickel holdings.

During the year ended August 31, 2008, the Company has entered into several Confidentiality Agreements with interested parties covering the Kabanga Project area.

THE KABANGA/KAGERA NICKEL BELT PROPERTIES ARE WITHOUT KNOWN MINERAL RESERVES AND ANY EXPLORATION PROGRAM IS AN EXPLORATORY SEARCH FOR ORE.

The Company has deferred total net costs of \$24,360,343 on all properties to August 31, 2008.

### **Biogeochemistry**

A key component in the Company's optimization of its exploration process is the deployment of BGC techniques in its field programs. One of the major problems confronting mineral explorers in the Lake Victoria Greenstone Belt - and for that matter in most other greenstone belts in the world - is the presence of deep overburden which frequently masks the existence of favorable host rocks for gold, diamonds and other mineral commodities.

Biogeochemical protocols have been developed relating to the selection and analysis of sample materials and specially-trained crews have been put into the field to gather samples for analysis. In addition, a biogeochemistry laboratory has been established in Mwanza for the preparation of sample materials which are then sent to independent laboratories. The BGC program has now been completed and follow-up programs in the form of soil sampling and auguring are presently underway.

### **Item 5. Operating and Financial Review and Prospects**

This discussion and analysis of the operating results and the financial position of the Company for the years ended August 31, 2008, 2007, and 2006, and should be read in conjunction with the consolidated financial statements and the related notes attached hereto.

## **Critical Accounting Policies**

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral deposits that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred costs are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to explore and develop the properties, and upon future profitable production or proceeds from disposition of the mineral properties.

In accordance with Canadian generally accepted accounting principles, acquisition costs and exploration and development costs relating to mineral properties are deferred until the properties are brought into production, at which time they are amortized on a unit-of-production basis, or until the properties are abandoned or sold or management determines that the mineral property is not economically viable, at which time the deferred costs are written off. Option payments on mineral properties are exercisable at the discretion of the Company and, accordingly, are only recognized as paid.

Amounts recovered from third parties to earn an interest in the Company's mineral properties are applied as a reduction of the deferred exploration costs. The amounts shown as deferred expenditures and property acquisition costs represent net costs to date, less amounts amortized and/or written off, and do not necessarily represent present or future values.

Overhead costs directly related to exploration are allocated to the mineral properties explored during the year and are deferred and amortized using the same method applied to property-specific exploration costs. All other overhead and administration costs are expensed in the year they are incurred.

For the purposes of United States generally accepted accounting principles ("US GAAP"), the Company expenses all exploration expenditures made prior to commercially mineable deposits being identified. Property acquisition costs are capitalized as incurred and are subject to impairment analysis on occurrence of a triggering event. See Note 11(a) of the Consolidated Financial Statements of the Company.

The Consolidated Financial Statements utilize estimates and assumptions principally regarding mineral properties, going concern and future income taxes and stock-based compensation, that reflect management's expectations at the date of preparation. Events or circumstances in the future, many of which are beyond the control of the Company, may impact these expectations and accordingly could lead to different assumptions and estimates from those utilized. Factors that could impact the estimates and assumptions that were made at the date of preparation of the Consolidated Financial Statements have been previously discussed under the heading "Risk Factors".

### **A. Operating Results**

The loss before income tax in 2008 was \$3,698,000 a \$223,000 decrease from last year's loss before income taxes of \$3,921,000. The decreased in loss before income taxes in 2008 was due to decreases of write off of mineral properties and deferred exploration costs of \$593,000, offset by an increase in salaries and benefit expense of \$381,000. The increase in salaries and benefit is due to the government of Tanzania implementing a minimum wage program in January 2008.

During the year, the Company earned \$88,000 (2007 - Nil) of Consulting income from a service agreement entered into with Sloane Developments Ltd. The Foreign exchange loss has decreased by \$51,800 from \$125,000 for the year ended August 31, 2007 to \$74,000 for the year ended August 31, 2008 due to the strength of the Canadian dollar in 2008. There was no gain on sale of investment as the Company did not receive any option payments in shares. Net interest earned decreased in 2008 by \$5,000 as there was a decrease in cash and cash equivalent throughout the year. During 2008, the Company has hired the Scowcroft Group to assist in identifying and negotiating partnership arrangements with qualified third

parties. This increased the consulting and management fee to \$230,000. Press release expense decreased by \$38,000 to \$17,000 due to a change in news wire distribution agency.

Property investigation costs was \$83,000 for the year ended August 31, 2008. The increase of \$52,000 resulted from operations in areas where the Company has determined that it will not continue exploration. Promotion and shareholder relations expense has decrease by \$33,000 due to discontinuation of advertising in mining journals. Transfer agent and listing fees increased from \$129,000 in 2007 to \$203,000 in 2008 due to four private placements during 2008. In 2008, the directors' fee increased by \$58,000 and stock based compensation decreased by \$29,000, due to an increase in new RSUs and directors fees.

For the years ended August 31, 2008 and 2007, the Company did not record any income tax expense or recovery.

#### ***Fiscal year ended August 31, 2007 compared to fiscal year ended August 31, 2006***

The loss before income tax in 2007 was \$3,921,000 a \$406,000 decrease from last year's loss before income taxes of \$4,327,000. The major reason for the decreased loss before income taxes in 2007 was due to decreases of write off of mineral properties and deferred exploration costs of \$425,000, professional fees of \$106,000, transfer agent and listing fees of \$76,000, partially offset by an increase in stock-based compensation expense of \$103,000, and directors' fees of \$199,000.

During the year, the fee payable to the Company's auditors increased by \$130,000 due to new internal control audit requirements. This was offset by a decrease in legal fees of \$212,000. The decreased legal fees were a result of no associated costs relating to the issuance of Restricted Stock Units ("RSUs") and no legal proceedings in current year. The 2007 foreign exchange loss of \$125,000 is consistent with that of 2006. Net interest earned was \$20,000 for the year ended August 31, 2007, a decrease of \$2,000 from 2006. Transfer agent and listing fees decreased from \$205,000 in 2006 to \$129,000 in 2007 due to fewer private placements during 2007. In 2007, the directors fees increased by \$199,000 from \$180,000 to \$379,000 due to issuance of new RSUs and a 25% increase for directors fees.

For the years ended August 31, 2007 and 2006, the Company did not record any income tax expense or recovery.

#### ***Inflation***

Historically, inflation has not affected the Company's business in the current locations where it is doing business and the Company does not expect it to affect the Company's operations in the future.

#### ***Foreign Exchange***

The Company's financial assets and liabilities consist of cash and cash equivalents, accounts and other receivables, accounts payable and accrued liabilities and obligations under the capital lease, of which a portion are held in different currencies. The Company does not engage in any hedging activities relating to these foreign denominated assets and liabilities.

### **B. Liquidity and Capital Resources**

The Company had \$1,195,000 in cash at August 31, 2008, compared to \$1,602,000 as at August 31, 2007. The Company had working capital of \$1,265,000 at August 31, 2008, compared to \$1,546,000 at August 31, 2007. Although the Company believes it has enough resources through working capital and share subscription agreements to finance operations for its 2009 fiscal year, ultimately the Company will need to obtain additional financing to sustain operations at the present rate of activity. The cash position at August 31, 2008 is expected to sustain operations for a period of 4-5 months. Historically, the Company

has raised funds through equity financing, entering into joint venture or royalty agreements with other mining companies, and the exercise of options and warrants to fund its operations. The Company's funding requirements by major expenditure category, listed in order of priority are:

- (a) exploration work,
- (b) new property investigations, and
- (c) general and administrative costs.

Exploration work and new property investigations can generally be deferred until adequate capital resources are available, and general and administrative costs can be reduced during periods when funding is not available.

At this time, the Company has no operating revenues, and does not anticipate any operating revenues unless the Company is able to find, acquire, place in production and operate a profitable mining property.

On September 30, 2005 the Company completed a \$950,000 private placement pursuant to a separate Subscription Agreement with James E. Sinclair, the Company's Chairman and C.E.O. for the purchase of 442,478 common shares at a price of \$2.147 per share.

On February 23, 2006 the Company completed a US\$1.25 million private placement pursuant to a separate Subscription Agreement between the Company and James E. Sinclair, Chairman and C.E.O. for 183,440 common shares at a price of C\$7.844 per share.

On March 8, 2006 the Company completed a US\$1.25 million private placement pursuant to a Subscription Agreement between the Company and Guild Investment Management, Inc. for 215,820 common shares at a price of C\$6.667 per share.

On May 12, 2006 the Company completed a \$1,000,000 private placement pursuant to a separate Subscription Agreement between the Company and James E. Sinclair, Chairman and C.E.O. for 107,124 common shares at a price of \$9.335 per share.

On August 8, 2006 the Company entered into private placement subscription agreement with James E. Sinclair, Chairman and C.E.O. for the purchase of an aggregate of \$3,000,000 worth of common shares of the Company in eight separate quarterly tranches of \$375,000 each. The initial quarterly period commenced February 1, 2007. As at August 31, 2008 the Company has completed six (6) of the eight (8) tranche private placement:

- (a) May 28, 2007 – 66,254 common shares at a price at a price of \$5.66 per share;
- (b) August 14, 2007 – 63,345 common shares at a price of \$5.267 per share;
- (c) November 13, 2007 – 63,993 common shares at a price of \$5.86 per share;
- (d) February 19, 2008 – 61,871 common shares at a price of \$6.061 per share;
- (e) May 14, 2008 – 71,268 common shares at a price of \$5.189 per share;
- (f) August 14, 2008 – 73,242 common shares at a price of \$5.12 per share.

On February 13, 2007, the Company completed the eighth (8) tranche of an eight (8) tranche private placement pursuant to a Subscription Agreement dated January 13, 2005 made between the Company and James E. Sinclair, Chairman and C.E.O. for the purchase of 976,353 common shares for \$3,000,000.

On October 26, 2007 the Company completed a \$2 million private placement pursuant to a subscription agreement dated October 11, 2007 with James E. Sinclair, Chairman and C.E.O. for the purchase of 347,222 common shares at a price of \$5.76 per share.

On February 19, 2008 the Company completed a \$1,000,000 private placement pursuant to a subscription agreement dated February 4, 2008 with James E. Sinclair, Chairman and C.E.O. for the purchase of 167,196 common shares at a price of \$5.981 per share.

On May 14, 2008 the Company completed a \$1,725,000 private placement pursuant to a subscription agreement dated May 1, 2008 with James E. Sinclair, Chairman and C.E.O. for the purchase of 332,434 common shares at a price of \$5.189 per share.

On August 7, 2008 the Company completed a \$1,000,000 private placement pursuant to a subscription agreement dated July 15, 2008 with James E. Sinclair, Chairman and C.E.O. for the purchase of 184,843 common shares at a price of \$5.41 per share.

**Subsequent To August 31, 2008:**

On October 10, 2008 the Company completed a \$1,000,000 private placement pursuant to a subscription agreement dated October 1, 2008 with James E. Sinclair, Chairman and C.E.O. for the purchase of 327,225 common shares at a price of \$3.056 per share.

The Company entered into a private placement subscription agreement with Van Tongeren Management LLC dated October 29, 2008 to issue 352,381 common shares at a price of \$2.10 per share for total proceeds of \$740,000. The proposed private placement is subject to regulatory approval.

**Mineral Property Projects:**

As at August 31, 2008 amounts capitalized in respect of mineral properties were \$24,360,343 an increase from August 31, 2007 when the balance was \$22,459,627, and an increase from August 31, 2006 when the balance was \$20,593,948.

During the fiscal year ended August 31, 2008, the Company capitalized mineral property exploration costs of \$2,573,194 (net of option payments received of \$390,246 on its mineral resource properties. The Company wrote off \$672,478 in exploration expenditures on areas abandoned in the year ended August 31, 2008.

For information on the Company's commitments for property and rental payments, refer to Item 4.

**C. Research and Development, Patents and License, etc.**

Not Applicable.

**D. Trend Information**

No known trend.

**E. Off Balance Sheet Arrangements**

The Company has no material off balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition.

## F. Tabular Disclosure of Contractual Obligations

The following table sets out the Company's known contractual obligations as of the latest fiscal year end:

| <b>Contractual Obligations</b> | <b>Payments Due by Period</b> |                         |                  |                |                          |
|--------------------------------|-------------------------------|-------------------------|------------------|----------------|--------------------------|
|                                | <b>Total</b>                  | <b>Less than 1 year</b> | <b>2-3 years</b> | <b>4 years</b> | <b>More than 5 years</b> |
| Capital Lease                  | US\$82,088 <sup>(1)</sup>     | US\$44,311              | US\$37,777       | Nil            | Nil                      |

<sup>(1)</sup> Includes finance charges

## Item 6. Directors, Senior Management and Employees

### A. Directors and Senior Management

The following is a list of the Company's current directors and officers. The directors named below were elected or re-elected by the Company's shareholders on February 29, 2008.

| <b>Name, Municipality of Residence and Position With the Company</b>                              | <b>Principal occupation or employment and, if not a previously elected director, occupation during the past 5 years</b> | <b>Served as a Director Continuously Since</b> |
|---------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|
| <b>James E. Sinclair</b><br>Sharon, Connecticut<br>Chairman, Chief Executive Officer and Director | Chairman and CEO of the Company                                                                                         | April 30, 2002                                 |
| <b>Jonathan G. Deane</b><br>Mwanza, Tanzania<br>Director, President                               | President of the Company since 2004;<br>Exploration Manager of the Company since 1996                                   | September 1, 2006                              |
| <b>Marek J. Kreczmer</b><br>West Vancouver,<br>British Columbia<br>Director                       | President, CEO and Director of NWT Uranium Corp.                                                                        | July 24, 1991                                  |
| <b>Ulrich E. Rath</b><br>Toronto, Ontario<br>Director                                             | President and CEO and Director of Chariot Resources Ltd.                                                                | October 7, 2003                                |
| <b>Anton Esterhuizen</b><br>Johannesburg, South Africa<br>Director                                | Managing Director, Pangea Exploration (Pty)                                                                             | January, 2001                                  |
| <b>William Harvey</b><br>Sharon, Connecticut<br>Director                                          | Psychologist                                                                                                            | April 30, 2002                                 |
| <b>Rosalind Morrow</b><br>Toronto, Ontario<br>Director                                            | Lawyer; Partner, Borden Ladner Gervais LLP                                                                              | October 20, 2003                               |

| <b>Name, Municipality of Residence and Position With the Company</b>               | <b>Principal occupation or employment and, if not a previously elected director, occupation during the past 5 years</b>                                                                                                                                                      | <b>Served as a Director Continuously Since</b> |
|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|
| <b>Dr. Norman Betts</b><br>Storeytown, New Brunswick<br>Director                   | Associate Professor, Faculty of Business Administration, University of New Brunswick and a Chartered Accountant                                                                                                                                                              | January 4, 2005                                |
| <b>Joseph Kahama</b><br>Dar es Salaam, Tanzania<br>Director, Senior Vice President | President, Tanzania American International Development Corporation 2000 Limited                                                                                                                                                                                              | February 29, 2008                              |
| <b>Regina Kuo-Lee</b><br>Toronto, Ontario<br>Chief Financial Officer               | Chief Financial Officer of the Company since September 2006; Chief Financial Officer and Vice President of Finance of Trimin Capital Corp. from 2004 to January 2006; Controller of Tektronix Canada Inc. 2003 to 2004; Controller of Evertz Microsystems Inc. 2000 to 2002. | Not a Director                                 |
| <b>Florian Ngunangwa</b><br>Dar es Salaam, Tanzanian<br>Vice President East Africa | Vice President East Africa of the Company                                                                                                                                                                                                                                    | Not a Director                                 |
| <b>Helen Hansen</b><br>Corporate Secretary                                         | Office Manager of the Company                                                                                                                                                                                                                                                | Not a Director                                 |

Mrs. Victoria Luis resigned as a director of the Company effective April 1, 2008.

### **Directors and Senior Management**

#### **James E. Sinclair**

*Chairman, Chief Executive Officer and Director*

Mr. Sinclair became Chairman and CEO of the Company following the Company's acquisition in April, 2002 of Tanzam, a Tanzanian gold exploration company formerly controlled by the Sinclair family. Mr. Sinclair, aged 67, devotes his full time to the business and affairs of the Company.

Mr. Sinclair is a precious metals specialist and a commodities and foreign currency trader. His past experience includes that of founder of the Sinclair Group of Companies (1977), which offered full brokerage services in stocks, bonds, and other investment vehicles. The companies, which operated branches in New York, Kansas City, Toronto, Chicago, London and Geneva, were sold in 1983. Mr. Sinclair served as a Precious Metal Advisor to Hunt Oil and the Hunt family from 1981 to 1984 for the liquidation of their silver position. Mr. Sinclair was a general partner and member of the executive committee of two New York Stock Exchange firms and also President of Sinclair Global Clearing Corporation (Commodity clearing firm) and Global Arbitrage (derivative dealer in metals and currencies). Mr. Sinclair was President of James Sinclair Financial Research SARL in Luxembourg. Mr. Sinclair held the position of Chairman of Sutton Resources from 1989 to 1995.

Mr. Sinclair is the author of numerous magazine articles and three books, which deal with a variety of investment subjects, including precious metals, trading strategies and geopolitical events and their relationship to world economics and the markets.

**Regina Kuo-Lee, C.A.***Chief Financial Officer*

Ms. Kuo-Lee was appointed Chief Financial Officer effective September 1, 2006. Ms. Kuo Lee, a Chartered Accountant, has more than 18 years experience in the accounting field. Prior to joining the Company she was CFO and Vice President of Finance for Trimin Capital Corp., a management company with large equity interests in operating businesses. She also has several years experience as a Controller in the technology sector and worked as an internal auditor in the brokerage industry after four years with Deloitte & Touche, Chartered Accountants in Toronto. Ms. Kuo-Lee, aged 42, devotes her full time to the business and affairs of the Company.

**Jonathan G. Deane, M.Sc. (Geol.), B.Sc. (Honors)***Director and President*

Mr. Jonathan G. Deane was appointed to the Board of Directors effective September 1, 2006. Mr. Deane retains his position as President of the Company, including responsibility for all its exploration activities in Tanzania. Prior to his association with the Company, he held various positions with Gold Fields Namibia, including Senior Exploration Geologist, from 1988 to 1994 and Senior Mine Geologist with Otjihase Copper Mine, Central Namibia from April, 1994 to July, 1996. Mr. Deane, aged 47, devotes his full time to the business and affairs of the Company.

**Marek J. Kreczmer, M.Sc. (Geol.), B.Sc. (Geol.)***Director*

Mr. Kreczmer a director of Hana Mining Inc., a Canadian company exploring for minerals in Botswana. Mr. Kreczmer was the President of the Company since its inception in 1991 until December 31, 2003. He established the Company's operating subsidiary in Tanzania, Tancan Mining Company Limited ("Tancan"). Mr. Kreczmer has initiated, formed and operated several exploration joint ventures with senior gold companies. He is responsible for representing the Company's interests in various management and technical committees required to operate these joint ventures, and is currently the Chairman of the Technical Committee of the Company.

Mr. Kreczmer has an extensive background in the mineral exploration business. He was a project geologist for two leading Canadian explorers, Cameco and Granges Exploration. The exploration focus for these companies included base metals, uranium and gold. His responsibilities included all aspects of administering the exploration budget, on-site field management, and the set-up and establishment of an exploration team to deal with specific project objectives. Mr. Kreczmer, aged 57, devotes approximately 10% of his time to the business and affairs of the Company.

**Ulrich E. Rath***Director*

Mr. Rath has a wide range of experience in the mining industry, and has specific experience in South Africa and Peru. Currently Mr. Ulrich Rath is the President and CEO and Director of Chariot Resources Ltd., a junior resource company focused on the exploration, acquisition and development of copper and precious metal mineral deposits in the Andes region of Latin America. As the former President, CEO and Director of Chimera Gold Corp. (previously known as EAGC Ventures). Ulrich Rath was responsible for facilitating the \$US67 million acquisition of gold operations in the East Rand region of South Africa that now produce more than 200,000 ounces gold per annum. Subsequently, the Board of Chimera agreed to a 1:1 merger with Bema Gold Corp. He was formerly CEO and director of Compania Minera Milpo a medium sized Peruvian zinc mining company. Mr. Rath was also formerly Vice-President, Corporate Development, for Rio Algom Ltd. from December 1992 to October 1998. Rio Algom Ltd. was a U.S. reporting issuer, whose common shares were listed on the American Stock Exchange. Mr. Rath, aged 62, devotes approximately 10% of his time to the business and affairs of the Company.

**Anton Esterhuizen***Director*

Mr. Esterhuizen is an experienced geologist working extensively in Africa. Among his career highlights, he is credited with the discovery and evaluation of the Xstrata Group's world-class, high-grade Rhovan vanadium deposit in South Africa, the re-evaluation of the sizeable Burnstone gold deposit, also in South Africa, and a number of Tanzanian gold deposits, including the Tulawaka deposit, which attracted major players into Tanzania. He is responsible for the discovery of a number of titanium-zirconium mineral sand deposits including the world class Corridor Sands deposit in Mozambique and the Kwale deposit in Kenya. At present, Mr. Esterhuizen is Managing Director of Pangea Exploration (Pty) Limited in Johannesburg and a director of Northwestern Mineral Ventures Inc. Mr. Esterhuizen is a fellow of the Geological Society of South Africa and the first recipient of the Des Pretorius Memorial Award for outstanding work in economic geology in Africa. He also received the Dreyer Award from the Society for Mining Metallurgy and Exploration Inc. for outstanding achievements in applied economic geology. Mr. Esterhuizen, aged 57 devotes approximately 5% of his time to the business and affairs of the Company.

**Dr. William Harvey, B.A., Ph.D.***Director*

Dr. Harvey is a Clinical Psychologist, who for over thirty years has served as a consultant and technical expert on matters relating to substance abuse prevention and mental health promotion to a wide variety of private and governmental programs and agencies in the United States. These include the National Institute of Drug Abuse, the National Institute of Alcoholism and Alcohol Abuse, the Office of Juvenile Justice & Delinquency Prevention, and the National Mental Health Association. Formerly, an Adjunct Professor in the Department of Sociology at Washington University, his current academic affiliation is that of Senior Research Scientist at the Missouri Institute of Mental Health. He continues to be involved in the formulation of new programs and policies aimed at the betterment of society. The Sinclair family has already made a significant donation to a private trust, The Tanzanian Relief Fund, which in turn has funded the hospital at Bulyanhulu. Dr. Harvey will expand the role which the Company has at the local level to ensure that stakeholder interests are addressed. Dr. Harvey, aged 75, devotes approximately 10% of his time to the business and affairs of the Company.

**Rosalind Morrow, B.A., B.Ed., LL.B.***Director*

Ms. Morrow specializes in corporate and securities law with a particular emphasis on financings, including government and structured finance, corporate governance and mergers and acquisitions. She has advised Canadian and international corporations in a number of major projects in the financial, communications and resource sectors. Ms. Morrow, aged 54, devotes approximately 10% of her time to the business and affairs of the Company.

**Dr. Norman Betts, Ph.D.***Director*

Dr. Betts is an associate professor, Faculty of Business Administration, University of New Brunswick (UNB) and a Chartered Accountant Fellow (FCA). Dr. Betts serves as a Chair of the board of directors Starfield Resources Inc. and as a director and member of the audit committees of Tembec Inc, New Brunswick Power Corporation, Export Development Canada, Adex Mining Inc and Rtica Corporation and as a director and officer of Chairman Capital Corporation, a capital pool corporation. He is a co-chair of the board of trustees of the UNB Pension Plan for Academic Employees and is a director of the Nature Conservancy for the Atlantic region. He is a former Finance Minister and Minister of Business New Brunswick with the Province of New Brunswick. He was awarded a PhD in Management from the School

of Business at Queen's University in 1992. Dr. Betts devotes approximately 10% of his time to the business and affairs of the Company.

**Joseph Kahama,**

*Director and Senior Vice President*

Joseph Kahama became a director of Tanzanian Royalty Exploration Corporation in February 2008. Mr. Kahama has served as Senior Vice President of the Corporation since July 2007. A native of Tanzania, Mr. Kahama has served as president and director of the Company's wholly-owned subsidiary, Tanzania American International Development Corporation 2000 Ltd. ("Tanzam 2000"), since 1997. In his capacity as president of Tanzam 2000, Mr. Kahama has been responsible for corporate administration and also for maintaining good relations with government, vendors, and the Company's various business partners in Tanzania. Mr. Kahama is a councilor at the Tanzania Chamber of Energy & Minerals (TCME) where he represents the Company and its various Tanzanian subsidiaries. In 2007, he was appointed to the Tanzania National Business Council (TNBC) and the Local Investors Roundtable (LIRT). In 2006, Mr. Kahama was appointed as a member and advisor to the China Africa Business Council (CABC) which is headquartered in Beijing, Peoples Republic of China. Mr. Kahama, aged 40, devotes his full time to the business and affairs of the Company.

**Victoria Luis, M.B.A., CSCPA and AICPA Member**

*Corporate Accountant*

Mrs. Luis focuses her energies and experience on strategic planning and other corporate issues. Prior to her association with the Company, she was a board member of Tanzam in addition to being its Chief Financial Officer, a position she also held with an associated company, Sinclair Financial. Before joining Tanzam, Mrs. Luis held various management positions with General Electric Capital Corporation where she was part of a team that facilitated the amalgamation of companies acquired by GE. She earned her Masters of Business Administration with a specialization in Accounting in 1998 and her Bachelors of Science in Finance in 1990. Ms. Luis, aged 39, devotes her full time to the business and affairs of the Company.

**Patrick Charles, M.Sc.**

*Exploration Manager*

Patrick Charles is the Company's Exploration Manager for Tanzania effective January, 2008. Mr. Charles holds an M.Sc. in geology from the University of Paris and has completed a Business Management Course (MDP) from the University of Stellenbosch in South Africa. He has over 20 years work experience in the exploration industry in various African countries including the Central African Republic, Mali, Mozambique, Namibia, Niger, Burkina Faso, South Africa and Ghana. During 2000 and 2001 he was the Assistant to the Senior Vice President Exploration of Anglo American Corporation, Acquisition Division-Africa. Mr. Charles, aged 53, devotes all of his time to the business and affairs of the Company.

**Penalties or Sanctions**

No directors or officers of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has:

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- (b) been subject to an other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision;

except for Mr. James E. Sinclair who entered into a settlement agreement dated July 22, 1998 with the British Columbia Securities Commission and paid a fine of \$2,000 in connection with the issuance of a news release and proxy circular prepared in connection with a proxy contest for Sutton Resources Ltd. (“Sutton”), a reporting issuer of which Mr. Sinclair was a director, which contained a statement which was not accurate, since the statement was not properly qualified to distinguish between the acquisition cost and current market cost of the Sutton shares in question.

## Personal Bankruptcies

No director or officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, or a personal holding company of any such persons has, within the 10 years before the date of this Annual Report, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets of the director or officer.

## Conflicts of Interest

There is no existing material conflict or interest between the Company or its subsidiaries and a director or officer of the Company or its subsidiaries. However, certain directors and officers of the Company are and may continue to be involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interests of the Company. As required by law, each of the directors of the Company is required to act honestly, in good faith and in the best interests of the Company. Any conflicts which arise shall be disclosed by the directors and officers in accordance with the *Business Corporation Act* (Alberta) and they will govern themselves in respect thereof to the best of their ability with the obligations imposed on them by law.

## B. Compensation

The Company has three (3) executive officers, namely James E. Sinclair, Chief Executive Officer of the Company, Regina Kuo-Lee, Chief Financial Officer of the Company, and Jonathan G. Deane, President of the Company.

The following table sets forth particulars concerning the compensation since their appointments of the executive officers, as defined in Form 51-102F6 prescribed by the “Regulations” under the *Securities Act* of the Province of Alberta, for the Company’s last three fiscal years ended August 31, 2008:

| Name and Principal Position                | Fiscal Year | Annual Compensation |            |                                | Long Term Compensation                            |                                                |              | All Other Compensation (\$) |
|--------------------------------------------|-------------|---------------------|------------|--------------------------------|---------------------------------------------------|------------------------------------------------|--------------|-----------------------------|
|                                            |             | Salary (\$)         | Bonus (\$) | Other Annual Compensation (\$) | Awards                                            | Shares or Units Subject to Resale Restrictions | Payouts      |                             |
|                                            |             |                     |            |                                | Securities under Options (RSUs) /SARs Granted (#) |                                                | LTIP Payouts |                             |
| (a)                                        | (b)         | (c)                 | (d)        | (e)                            | (f)                                               | (g)                                            | (h)          | (i)                         |
| James E. Sinclair, Chief Executive Officer | 2008        | Nil                 | Nil        | Nil                            | N/A                                               | Nil                                            | Nil          | Nil                         |
|                                            | 2007        | Nil                 | Nil        | Nil                            | N/A                                               | Nil                                            | Nil          | Nil                         |
|                                            | 2006        | Nil                 | Nil        | \$6,250                        | N/A                                               | Nil                                            | Nil          | Nil                         |

| Name and Principal Position<br>(a)      | Fiscal Year<br>(b) | Annual Compensation |                   |                                       | Long Term Compensation                                   |                                                       |                     | All Other Compensation (\$)<br>(i) |
|-----------------------------------------|--------------------|---------------------|-------------------|---------------------------------------|----------------------------------------------------------|-------------------------------------------------------|---------------------|------------------------------------|
|                                         |                    | Salary (\$)<br>(c)  | Bonus (\$)<br>(d) | Other Annual Compensation (\$)<br>(e) | Awards                                                   | Shares or Units Subject to Resale Restrictions<br>(g) | Payouts             |                                    |
|                                         |                    |                     |                   |                                       | Securities under Options (RSUs) /SARs Granted (#)<br>(f) |                                                       | LTIP Payouts<br>(h) |                                    |
| Regina Kuo-Lee, Chief Financial Officer | 2008               | \$90,000            | \$7,500           | Nil                                   | 7,220                                                    | Nil                                                   | \$4,500             | Nil                                |
|                                         | 2007               | \$90,000            | \$7,500           | Nil                                   | 4,480                                                    | Nil                                                   | \$4,500             | Nil                                |
|                                         | 2006               | \$9,800             | Nil               | Nil                                   | Nil                                                      | Nil                                                   | N/A                 | N/A                                |
| Jonathan G. Deane, President            | 2008               | \$144,586           | \$750             | \$3,000                               | 12,410                                                   | Nil                                                   | \$54,629            | Nil                                |
|                                         | 2007               | \$115,113           | \$6,304           | \$4,700                               | 11,201                                                   | Nil                                                   | \$5,748             | Nil                                |
|                                         | 2006               | \$118,071           | \$4,658           | \$5,450                               | 6,964                                                    | Nil                                                   | \$5,907             | Nil                                |

The Company has not set aside or accrued any funds for pension, retirement or similar benefits.

### Long Term Incentive Plan Awards to Named Executive Officers

The Company has made long-term incentive plan awards during the fiscal year ended August 31, 2008, to executive officers of the Company. See “Restricted Stock Unit Plan” and “Employee Share Ownership Plan”.

### Restricted Stock Units (“RSUs”) and SAR’s Exercised by Named Executive Officers

The following RSUs were exercised/granted during the fiscal year ended August 31, 2008 by the named executive officers:

| Name<br>(a)                             | Securities Acquired on Exercise<br>(#)<br>(b) | Aggregate Value Realized<br>(\$)<br>(c) | Unexercised RSUs /SARs at August 31, 2008<br>(#)<br>Exercisable/<br>Unexercisable<br>(d) | Value of Unexercised in-the-Money RSUs /SARs at August 31, 2008<br>(\$)<br>Exercisable/<br>Unexercisable<br>(e) |
|-----------------------------------------|-----------------------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| James E. Sinclair, CEO                  | Nil                                           | N/A                                     | N/A                                                                                      | N/A                                                                                                             |
| Regina Kuo-Lee, Chief Financial Officer | N/A                                           | N/A                                     | 11,700                                                                                   | \$65,000                                                                                                        |
| Jonathan Deane, President               | N/A                                           | N/A                                     | 23,611                                                                                   | \$131,250                                                                                                       |

### Directors’ Fees, Restricted Stock Unit Plan, Stock Option Plan and Employee Share Ownership Plan

The Restricted Stock Unit Plan (the “RSU Plan”) was approved by the shareholders at the Annual Meeting held February 27, 2006. The Board of Directors implemented the RSU Plan under which employees and outside directors 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 \$3,437.50 per year for serving as Chair of a Committee. At the election of each individual director, up to one- third of the annual compensation may be received in cash, paid quarterly. The remainder of the director’s annual

compensation (at least two-thirds, and up to 100%) will be awarded as Restricted Stock Units (“RSUs”) in accordance with the terms of the RSU Plan and shall vest within a minimum of one (1) year and a maximum of three (3) years, at the election of the director, subject to the conditions of the RSU Plan with respect to earlier vesting.

At the election of each Director, Directors’ fees of \$112,898 were paid to directors during the fiscal year ended August 31, 2008. Under the RSU Plan, outside directors were granted 85,177 RSUs during the fiscal year ended August 31, 2008.

#### Restricted Stock Unit Plan

The RSU Plan is intended to enhance the Corporation’s and its Affiliates’ ability 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 Corporation and its Affiliates and to expend maximum effort to improve the business results and earnings of the Corporation, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Corporation. To this end, the RSU Plan provides for the grant of restricted stock units. Any of these awards of restricted stock units 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.

#### Employee Share Ownership Plan

By an agreement dated May 1, 2003, the Company appointed Olympia Trust Company of Calgary, Alberta, as trustee (the “Trustee”) to manage and administer an employee share ownership plan (“ESOP”). Under the ESOP, eligible employees, directors, and consultants can elect to contribute up to 30% of their salary or compensation on a monthly basis for investment by the Trustee in shares of the Company. The Company will contribute funds equal to 100% of the employee’s contribution up to an amount equal to 5% or less of the employee’s salary. The Company will contribute funds equal to 50% of the employee’s contribution for the next 6% to 30% inclusive of the employee’s salary. All share purchases will be at market prices at the time of purchase, through the facilities of the Toronto Stock Exchange using registered representatives. During fiscal 2008, fourteen participants, together with Company contributions, have purchased 24,496 common shares under the ESOP. The average monthly participant contributions are \$5,214 and the Company’s matching contribution is \$4,960 per month.

#### **Employment Agreements**

There are currently no service or employment contracts with directors or officers of the Company, except for the employment contract dated June 8, 2004 with Jonathan Deane, which provides for a remuneration of US\$375 per day, on an after tax basis, and payable monthly, plus employee benefits including accommodation and board in Mwanza at the Company’s staff house.

#### **C. Board Practices**

The directors of the Company serve a one year term and are elected at the Annual General Meeting of shareholders. At the last Annual General and Special Meeting, held on February 29, 2008, the shareholders elected James E. Sinclair, Marek J. Kreczmer, Victoria Luis, Anton Esterhuizen, William Harvey, Rosalind Morrow, Norman Betts, Ulrich E. Rath, Jonathan Deane and Joseph Kahama as directors. Mrs. Luis resigned as a director effective April 1, 2008. The officers of the Company are elected by the Board serve at the pleasure of the Board.

The Company has an audit committee (the “Audit Committee”) consisting of Ulrich E. Rath, William Harvey and Dr. Norman Betts. The roles and responsibilities of the audit committee have been specifically defined as described below under Audit Committee Information, and include responsibilities

for overseeing management reporting on internal control. The audit and compensation committee has direct communication channels with the external auditors.

The Company also has a compensation committee (the “Compensation Committee”) comprised of Ulrich E. Rath, William Harvey and Dr. Norman Betts. The Compensation Committee periodically reviews the compensation paid to directors, management, and employees based on such factors as time commitment, comparative fees paid by other companies in the industry in North America and Africa, level of responsibility and the Company’s current position as an exploration company with limited operating revenue.

The Company also has a nominating committee (the “Nominating Committee”) comprised of Ulrich E. Rath, William Harvey and Dr. Norman Betts. The Nominating Committee considers the size of the Board each year when it considers the number of directors to recommend to shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board’s duties effectively and to maintain a diversity of view and experience. When a vacancy on the Board arises, the independent directors of the Nominating Committee will be encouraged to bring forward any potential nominees that have the necessary skills and knowledge to serve on the Corporation’s Board.

The Company has a Technical Committee comprised of Marek J. Kreczmer (Chairman), Ulrich E. Rath, Anton Esterhuizen, and Jonathan Deane. The Technical Committee reviews the definitive exploration policy for the Company and reports directly to the Board of Directors.

## **AUDIT COMMITTEE INFORMATION**

Under Multilateral Instrument 52-110 – Audit Committees (“MI 52-110”) reporting issuers in those jurisdictions which have adopted MI 52-110 are required to provide disclosure with respect to its Audit Committee including the text of the Audit Committee’s Charter, composition of the Committee, and the fees paid to the external auditor. The Company is a reporting issuer in Alberta, B.C. and Ontario. MI 52-110 has not been adopted in B.C., but it has been adopted in Alberta and Ontario. Accordingly, the Company provides the following disclosure with respect to its Audit Committee:

### **1. The Audit Committee’s Charter**

#### **1.0 Purpose of the Committee**

- 1.1 The purpose of the Audit Committee is to assist the Board in its oversight of the integrity of the Corporation's financial statements and other relevant public disclosures, the Corporation's compliance with legal and regulatory requirements relating to financial reporting, the external auditors' qualifications and independence and the performance of the internal audit function and the external auditors.

#### **2.0 Compensation**

- 2.1 The adequacy and form of director and officer compensation is reviewed on an annual basis by the Board. The Audit Committee recommends to the Board any adjustments to the compensation payable to directors, officers, and senior staff. The Audit Committee meet to discuss salary and bonus incentive matters as required.

#### **3.0 Members of the Audit Committee**

- 3.1 All of the members of the Audit Committee must be "financially literate" as defined under MI 52-110, *Audit Committees*, having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth

and level of complexity of the accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

3.2 The Audit Committee shall consist of no less than three Directors.

3.3 All of the members of the Audit Committee shall be "independent" as defined under MI 52-110.

#### **4.0 Relationship with External Auditors**

4.1 The external auditors are the independent representatives of the shareholders, but the external auditors are also accountable to the Board of Directors and the Audit Committee.

4.2 The external auditors must be able to complete their audit procedures and reviews with professional independence, free from any undue interference from the management or directors.

4.3 The Audit Committee must direct and ensure that the management fully co-operates with the external auditors in the course of carrying out their professional duties.

4.4 The Audit Committee will have direct communications access at all times with the external auditors.

4.5 The Audit Committee will ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.

4.6 The Audit Committee will recommend to the Board of Directors policies for the Corporation's hiring of employees or former employees of the external auditors who participated in any capacity in the audit of the Corporation.

#### **5.0 Non-Audit Services**

5.1 The external auditors are prohibited from providing any non-audit services to the Corporation, without the express written consent of the Audit Committee. In determining whether the external auditors will be granted permission to provide non-audit services to the Corporation, the Audit Committee must consider that the benefits to the Corporation from the provision of such services, outweighs the risk of any compromise to or loss of the independence of the external auditors in carrying out their auditing mandate.

5.2 Notwithstanding section 5.1, the external auditors are prohibited at all times from carrying out any of the following services, while they are appointed the external auditors of the Corporation:

- (i) acting as an agent of the Corporation for the sale of all or substantially all of the undertaking of the Corporation; and
- (ii) performing any non-audit consulting work for any director or senior officer of the Corporation in their personal capacity, but not as a director, officer or insider of any other entity not associated or related to the Corporation.

## **6.0 Appointment of Auditors**

- 6.1 The external auditors will be appointed each year by the shareholders of the Corporation at the annual general meeting of the shareholders.
- 6.2 The Audit Committee will nominate the external auditors for appointment, such nomination to be approved by the Board of Directors.

## **7.0 Evaluation of Auditors**

- 7.1 The Audit Committee will review the performance of the external auditors on at least an annual basis, and notify the Board and the external auditors in writing of any concerns in regards to the performance of the external auditors, or the accounting or auditing methods, procedures, standards, or principles applied by the external auditors, or any other accounting or auditing issues which come to the attention of the Audit Committee.

## **8.0 Remuneration of the Auditors**

- 8.1 The remuneration of the external auditors will be determined by the Board of Directors, upon the annual authorization of the shareholders at each general meeting of the shareholders.
- 8.2 The remuneration of the external auditors will be determined based on the time required to complete the audit and preparation of the audited financial statements, and the difficulty of the audit and performance of the standard auditing procedures under generally accepted auditing standards and generally accepted accounting principles of Canada.

## **9.0 Termination of the Auditors**

- 9.1 The Audit Committee has the power to terminate the services of the external auditors, with or without the approval of the Board of Directors, acting reasonably.

## **10.0 Funding of Auditing and Consulting Services**

- 10.1 Auditing expenses will be funded by the Corporation. The auditors must not perform any other consulting services for the Corporation, which could impair or interfere with their role as the independent auditors of the Corporation.

## **11.0 Role and Responsibilities of the Internal Auditor**

- 11.1 At this time, due to the Corporation's size and limited financial resources, the Chief Financial Officer of the Corporation shall be responsible for implementing internal controls and performing the role as the internal auditor to ensure that such controls are adequate.

## **12.0 Oversight of Internal Controls**

- 12.1 The Audit Committee will have the oversight responsibility for ensuring that the internal controls are implemented and monitors, and that such internal controls are effective.

## **13.0 Continuous Disclosure Requirements**

- 13.1 At this time, due to the Corporation's size and limited financial resources, the Chief Financial Officer of the Corporation is responsible for ensuring that the Corporation's continuous reporting requirements are met and in compliance with applicable regulatory requirements.

#### **14.0 Other Auditing Matters**

- 14.1 The Audit Committee may meet with the Auditors independently of the management of the Corporation at any time, acting reasonably.
- 14.2 The Auditors are authorized and directed to respond to all enquiries from the Audit Committee in a thorough and timely fashion, without reporting these enquiries or actions to the Board of Directors or the management of the Corporation.

#### **15.0 Annual Review**

- 15.1 The Audit Committee Charter will be reviewed annually by the Board of Directors and the Audit Committee to assess the adequacy of this Charter.

#### **16.0 Independent Advisers**

- 16.1 The Audit Committee shall have the power to retain legal, accounting or other advisors to assist the Committee.

#### **17.0 Reports of Fraud and Misconduct**

- 17.1 The Audit Committee will review, investigate and evaluate all reports of fraud and misconduct. Refer to the Corporation's *Whistle Blower Policy and Procedures*.

#### **18.0 Changes in Accounting Policies**

- 18.1 The Audit Committee will review and maintain Accounting Policies including the selection, documentation and changes in Accounting Policies.

#### **19.0 Nominating Committee**

- 19.1 The Nominating Committee considers the size of the Board of Directors each year when it considers the number of directors to recommend to shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board's duties effectively and to maintain a diversity of view and experience. When a vacancy on the Board arises, the independent directors of the Nominating Committee will be encouraged to bring forward any potential nominees that have the necessary skills and knowledge to serve on the Corporation's Board.

## 2. Composition of the Audit Committee

Following are the members of the Audit Committee:

|                      |                            |                                     |
|----------------------|----------------------------|-------------------------------------|
| Ulrich Rath          | Independent <sup>(1)</sup> | Financially literate <sup>(2)</sup> |
| William Harvey       | Independent <sup>(1)</sup> | Financially literate <sup>(2)</sup> |
| Norman Betts (Chair) | Independent <sup>(1)</sup> | Financial expert <sup>(3)</sup>     |

<sup>(1)</sup> A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgment.

<sup>(2)</sup> An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

<sup>(3)</sup> An Audit Committee Financial Expert must possess five attributes: (i) an understanding of GAAP and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements, or experience actively supervising one or more persons engaged in such activities; (iv) an understanding of internal controls and procedures for financial reporting; and (v) an understanding of audit committee functions.

## 3. Relevant Education and Experience

Dr. Betts is the Chair of the Committee. He is the former Minister of Finance of New Brunswick and current Associate Professor of Business Administration, University of New Brunswick; Mr. Rath is the President and CEO of a Canadian resource company; and Dr. William Harvey is a psychologist and businessman.

## 4.- 6. Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of MI 52-110 (De Minimis Non-audit Services), Section 3.3(2) (Controlled Companies), Section 3.6 (Temporary Exemption for Limited and Exceptional Circumstances), or an exemption from MI 52-110, in whole or in part, granted under Part 8 of Multilateral Instrument 52-110. Nor has the Company relied on Section 3.8 (Acquisition of Financial Literacy) of MI 52-110.

## 7. Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

## 8. Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board of Directors to review the performance of the Company's external auditors and approve in advance the provision of services other than auditing and to consider the independence of the external auditors, including a review of the range of services provided in the context of all consulting services bought by the Company. The Audit Committee is authorized to approve in writing any non-audit services or additional work which the Chairman of the Audit Committee deems is necessary, and the Chairman will notify the other members of the Audit Committee of such non-audit or additional work and the reasons for such non-audit work for the Committee's consideration, and if

thought fit, approval in writing.

## 9. External Auditor Service Fees

The fees billed by the Company's external auditors in each of the last two fiscal years for audit and non-audit related services provided to the Company or its subsidiaries (if any) are as follows:

| <b>Financial Year<br/>Ending August 31</b> | <b>Audit Fees</b>                          | <b>Audit Related<br/>Fees</b> | <b>Tax Fees</b> | <b>Non-Audit<br/>Fees</b> |
|--------------------------------------------|--------------------------------------------|-------------------------------|-----------------|---------------------------|
| 2008                                       | Canada – \$172,500<br>Tanzania - US\$4,000 | Nil<br>Nil                    | Nil<br>Nil      | Nil<br>Nil                |
| 2007                                       | Canada - \$150,000<br>Tanzania – US\$5,000 | \$16,250<br>Nil               | Nil<br>Nil      | \$57,400<br>Nil           |

## D. Employees

The Company has one (1) full time employee located in Vancouver, British Columbia, Canada, one (1) full time employee located in Toronto, Ontario, Canada, 46 full time employees located in Mwanza, Tanzania, and two (2) full time employees located in Dar es Salaam, Tanzania.

The Company also contracts three or more persons on a full time or part time basis as dictated by the exploration activities on its properties. The full time and temporary employees of the Company as at the most recent fiscal year end can be grouped according to main category of activity and geographic location as follows:

| <b>Location</b>            | <b>Category</b> | <b>Full Time<br/>Employees</b> | <b>Temporary<br/>Employees</b> | <b>Full Time<br/>Consultants</b> | <b>Part Time<br/>Consultants</b> |
|----------------------------|-----------------|--------------------------------|--------------------------------|----------------------------------|----------------------------------|
| Vancouver, Canada          | Administration  | 1                              | Nil                            | Nil                              | 1                                |
| Toronto, Canada            | Administration  | 1                              | Nil                            | Nil                              | Nil                              |
| Mwanza, Tanzania           | Administration  | 3                              | Nil                            | Nil                              | Nil                              |
|                            | Exploration     | 43                             | Nil                            | 2                                | 1                                |
| Dar es Salaam,<br>Tanzania | Administration  | 2                              | Nil                            | 1                                | Nil                              |
|                            | Exploration     | Nil                            | Nil                            | Nil                              | Nil                              |
| Connecticut, USA           | Administration  | Nil                            | Nil                            | 2                                | 1                                |
|                            | Exploration     | Nil                            | Nil                            | Nil                              | Nil                              |

## E. Share Ownership

The following table sets forth the share ownership of the directors and officers of the Company as of August 31, 2008:

| <b>Name of Owner</b> | <b>Number of Shares</b> | <b>Percent</b> |
|----------------------|-------------------------|----------------|
| James E. Sinclair    | 3,171,177               | 3.5%           |
| Jonathan G. Deane    | 29,653                  | <0.01%         |
| Marek J. Kreczmer    | 335,348                 | 0.3%           |
| Ulrich E. Rath       | 11,463                  | <0.01%         |
| Anton Esterhuizen    | 71,159                  | <0.01%         |
| William Harvey       | 343,512                 | 0.3%           |
| Rosalind Morrow      | 355,981                 | 0.4%           |

| Name of Owner     | Number of Shares | Percent |
|-------------------|------------------|---------|
| Norman Betts      | 10,501           | <0.01%  |
| Joseph Kahama     | 9,000            | <0.01%  |
| Florian Ngunangwa | 37,344           | <0.01%  |
| Regina Kuo-Lee    | 2,758            | <0.01%  |
| Helen Hansen      | 2,560            | <0.01%  |

*RSUs Granted to Directors and Officers During the Fiscal Year Ended August 31, 2008:*

| Name                                            | No. of RSUs    | Date of Grant | Vesting Period <sup>(1)</sup> | Expiration Date |
|-------------------------------------------------|----------------|---------------|-------------------------------|-----------------|
| Jonathan G. Deane                               | 12,410         | May 20, 2008  | 3 years                       | May 20, 2011    |
| Marek J. Kreczmer                               | 9,947          | May 20, 2008  | 1 year                        | May 20, 2009    |
| Ulrich E. Rath                                  | 9,100          | May 20, 2008  | 1 year                        | May 20, 2009    |
| Anton Esterhuizen                               | 11,485         | May 20, 2008  | 1 year                        | May 20, 2009    |
| William Harvey                                  | 9,589          | May 20, 2008  | 1 year                        | May 20, 2009    |
| Rosalind Morrow                                 | 12,410         | May 20, 2008  | 3 years                       | May 20, 2011    |
| Norman Betts                                    | 10,661         | May 20, 2008  | 1 year                        | May 20, 2009    |
| Joseph Kahama                                   | 12,410         | May 20, 2008  | 3 years                       | May 20, 2011    |
| Helen Hansen                                    | 7,220          | May 20, 2008  | 3 years                       | May 20, 2011    |
| Regina Kuo-Lee                                  | 7,220          | May 20, 2008  | 3 years                       | May 20, 2011    |
| RSUs held by officers and directors as a group: | <b>102,452</b> |               |                               |                 |

<sup>(1)</sup> Subject to the conditions of the RSU Plan with respect to earlier vesting

*Outstanding RSUs*

RSUs granted to directors and officers during fiscal year 2008 are outstanding as at August 31, 2008.

The following RSUs granted to Directors (and former Directors) during the fiscal year ended August 31, 2007 vested during fiscal year ended August 31, 2008 and 52,344 shares were issued on April 28, 2008:

| Name                            | No. of Shares | Date of Grant  | Vesting Period | Expiration Date |
|---------------------------------|---------------|----------------|----------------|-----------------|
| Marek J. Kreczmer               | 8,587         | April 26, 2007 | 1 year         | April 26, 2008  |
| Ulrich E. Rath                  | 9,095         | April 26, 2007 | 1 year         | April 26, 2008  |
| Anton Esterhuizen               | 10,170        | April 26, 2007 | 1 year         | April 26, 2008  |
| William Harvey                  | 8,289         | April 26, 2007 | 1 year         | April 26, 2008  |
| Norman Betts                    | 8,587         | April 26, 2007 | 1 year         | April 26, 2008  |
| Victoria Luis (former director) | 7,616         | April 26, 2007 | 1 year         | April 26, 2008  |

The following RSUs granted to Outside Directors during the fiscal year ended August 31, 2006 vested during fiscal year ended August 31, 2008 and 6,964 shares were issued on May 12, 2008:

| Name           | No. of Shares | Date of Grant  | Vesting Period <sup>(2)</sup> | Expiration Date |
|----------------|---------------|----------------|-------------------------------|-----------------|
| Jonathan Deane | 6,964         | April 11, 2006 | Vested                        | May 12, 2008    |

<sup>(2)</sup> Vested on satisfaction of performance goals specified in Award Agreement

## Item 7. Major Shareholders and Related Party Transactions

### A. Major Shareholders

As far as it is known to the Company, it is not directly or indirectly owned or controlled by any other corporation or by the Canadian Government, or any foreign government. The Company has no knowledge of any arrangements which at a subsequent date would result in a change of control. All of the Company's issued common shares rank equally as to voting rights, dividends, and any distribution of assets on winding-up or liquidation.

As of August 31, 2008, the Company knows of no person who owned more than five (5%) of the outstanding shares of each class of the Company's voting securities.

The following table sets out the portion of common shares of the Company held by registered shareholders in Canada, the United States of America, and all other countries by total number of holders, total shareholdings, percentage of total issued shares, and percentage of total holders as at August 31, 2008:

| Jurisdiction Shareholders of Record | Number of Shareholders | Number of Common Shares | Percentage of Total Issued Shares | Percentage of Total Holders |
|-------------------------------------|------------------------|-------------------------|-----------------------------------|-----------------------------|
| United States                       | 926                    | 37,621,716              | 43%                               | 83%                         |
| Canada                              | 127                    | 49,274,069              | 56%                               | 11%                         |
| Other Countries                     | 69                     | 1,218,567               | 1%                                | 6%                          |
| <b>TOTAL</b>                        | <b>1,122</b>           | <b>88,114,352</b>       | <b>100%</b>                       | <b>100%</b>                 |

### B. Related Party Transactions

#### Financing

On September 30, 2005 the Company completed a \$950,000 private placement pursuant to a separate Subscription Agreement with James E. Sinclair, the Company's Chairman and C.E.O. for the purchase of 442,478 common shares at a price of \$2.147 per share.

On February 23, 2006 the Company completed a US\$1.25 million private placement pursuant to a separate Subscription Agreement between the Company and James E. Sinclair, Chairman and C.E.O. for 183,440 common shares at a price of C\$7.844 per share.

On May 12, 2006 the Company completed a \$1,000,000 private placement pursuant to a separate Subscription Agreement between the Company and James E. Sinclair, Chairman and C.E.O. for 107,124 common shares at a price of \$9.335 per share.

On August 8, 2006 the Company entered into private placement subscription agreement with James E. Sinclair, Chairman and C.E.O. for the purchase of an aggregate of \$3,000,000 worth of common shares of the Company in eight separate quarterly tranches of \$375,000 each. The initial quarterly period

commenced February 1, 2007. As at August 31, 2008 the Company has completed six (6) of the eight (8) tranche private placement:

- (a) May 28, 2007 – 66,254 common shares at a price at a price of \$5.66 per share;
- (b) August 14, 2007 – 63,345 common shares at a price of \$5.267 per share;
- (c) November 13, 2007 – 63,993 common shares at a price of \$5.86 per share;
- (d) February 19, 2008 – 61,871 common shares at a price of \$6.061 per share;
- (e) May 14, 2008 – 71,268 common shares at a price of \$5.189 per share;
- (f) August 14, 2008 – 73,242 common shares at a price of \$5.12 per share.

On February 13, 2007, the Company completed the eighth (8) tranche of an eight (8) tranche private placement pursuant to a Subscription Agreement dated January 13, 2005 made between the Company and James E. Sinclair, Chairman and C.E.O. for the purchase of 976,353 common shares for \$3,000,000.

On October 26, 2007 the Company completed a \$2 million private placement pursuant to a subscription agreement dated October 11, 2007 with James E. Sinclair, Chairman and C.E.O. for the purchase of 347,222 common shares at a price of \$5.76 per share.

On February 19, 2008 the Company completed a \$1,000,000 private placement pursuant to a subscription agreement dated February 4, 2008 with James E. Sinclair, Chairman and C.E.O. for the purchase of 167,196 common shares at a price of \$5.981 per share.

On May 14, 2008 the Company completed a \$1,725,000 private placement pursuant to a subscription agreement dated May 1, 2008 with James E. Sinclair, Chairman and C.E.O. for the purchase of 332,434 common shares at a price of \$5.189 per share.

On August 7, 2008 the Company completed a \$1,000,000 private placement pursuant to a subscription agreement dated July 15, 2008 with James E. Sinclair, Chairman and C.E.O. for the purchase of 184,843 common shares at a price of \$5.41 per share.

#### **Subsequent to August 31, 2008:**

On October 10, 2008 the Company completed a \$1,000,000 private placement pursuant to a subscription agreement dated October 1, 2008 with James E. Sinclair, Chairman and C.E.O. for the purchase of 327,225 common shares at a price of \$3.056 per share.

#### **AMEX COMPANY GUIDE SECTION 110 DISCLOSURE:**

The Company entered into a private placement and subscription agreement with Mr. Sinclair, Chairman and Chief Executive Officer of the Company, dated as of August 8, 2006 (the "Subscription Agreement"). Pursuant to the terms of the Subscription Agreement, Mr. James E. Sinclair has agreed to purchase and the Company has agreed to issue to Mr. Sinclair, CDN. \$3,000,000 worth of common shares in the capital of the Company in eight quarterly instalments commencing with the quarter ended April 30, 2007 (the "Private Placement"). The price per common share in respect of each quarterly instalment will be equal to the five-day weighted average trading price of the Company's common shares for the last five consecutive trading days of each quarterly period immediately preceding the relevant closing date or the closing price on the last trading day of the particular quarter, whichever is greater.

Pursuant to the terms of the AMEX Company Guide, because shares are being issued to a director and officer of the Company, the Company would be required to obtain shareholder approval for the Private Placement. However, unlike the AMEX Company Guide, the TSX Company Manual requires shareholder approval of a private placement that involves more than 10% of the shares of the issuer being issued to a director or officer in any six month period. Since the Private Placement does not involve the

issuance of more than 10% of the shares of the Company to Mr. Sinclair during any six month period, shareholder approval is not required under the TSX Company Manual. The Company will proceed with the Private Placement in compliance with the TSX Company Manual and accordingly will not be seeking shareholder approval. This approval requirement is the only significant difference between the requirements of the AMEX Company Guide and the TSX Company Manual in respect of the Private Placement.

### **Other Financing**

The Company entered into a private placement subscription agreement with Van Tongeren Management LLC dated October 29, 2008 to issue 352,381 common shares at a price of \$2.10 per share for total proceeds of \$740,000. The proposed private placement is subject to regulatory approval.

On March 8, 2006 the Company completed a US\$1.25 million private placement pursuant to a Subscription Agreement between the Company and Guild Investment Management, Inc. for 215,820 common shares at a price of \$6.667 per share.

### **Other**

During the year ended August 31, 2008 \$437,567(2007 - \$379,584) was paid or payable by the Company to directors for directors' fees. Directors were paid \$112,898 (2007 -\$102,473) in cash and \$303,883 (2007 - \$260,312) in non cash equivalent RSUs.

The company engages a legal firm for professional services in which one of the Company's directors is a partner. During the year ended August 31, 2008, the legal expense charged by this firm was \$152,583(2007 - \$82,404), of which \$20,761 remains payable at year end.

At August 31, 2008, the Company has a payable of \$10,478 to Mr. J. Sinclair, the Company's CEO.

### **C. Interest of Experts and Counsel**

Not Applicable.

## **Item 8. Financial Statements**

### **A. Consolidated Statements and Other Financial Information**

This Annual Report contains the audited consolidated financial statements of the Company for the fiscal years ended August 31, 2008, 2007 and 2006 with the Report of Independent Registered Public Accounting Firm, comprised of:

- (a) Consolidated Balance Sheets as of August 31, 2008 and 2007;
- (b) Consolidated Statements of Operations and Deficit for the years ended August 31, 2008, 2007 and 2006;
- (c) Consolidated Statements of Cash Flows for the years ended August 31, 2008, 2007 and 2006; and
- (d) Notes to the consolidated financial statements.

### *Dividend Policy*

The Company has never paid dividends and does not intend to in the near future.

## *Litigation*

As at August 31, 2008 there were no legal proceedings which may have or have had a significant effect on the Company's financial position or profitability.

### **B. Significant Changes**

None.

## **Item 9. The Offering and Listing**

### **A. Offering and Listing Details**

The common stock of the Company was listed on the Toronto Stock Exchange (TSX") under the symbol "TNX" on October 29, 2001, and prior to that date the Company's common stock was listed on the Canadian Venture Exchange, now known as the TSX Venture Exchange.

The common stock of the Company was listed on the American Stock Exchange ("AMEX") (now NYSE Alternext US LLC ("NYSE Alternext") under the symbol "TRE" on May 12, 2005.

As at August 31, 2008 there were 926 registered shareholders in the United States holding 43% of the Company's outstanding common stock, representing approximately 83% of the total number of shareholders. The Company's Common stock is issued in registered form and the percentage of shares reported to be held by registered holders in the United States is taken from the records of the Computershare Trust Company of Canada in the City of Vancouver, the registrar and transfer agent for the common stock.

The number of registered shareholders resident in the United States is attributed as to 0.2% to directors and officers of the Company who are United States residents; a further 0.2% held by United States residents who are immediate family members of a director and officer of the Company; and the balance of 42.6% are United States residents who have purchased shares in the secondary market, through the facilities of the Toronto Stock Exchange or NYSE Alternext.

The high and low prices expressed in Canadian dollars on the Toronto Stock Exchange for the Company's common stock for the last six months and for each quarter for the last three fiscal years:

| <b>Toronto Stock Exchange<br/>(Canadian Dollars)</b> |                    |                   |                      |
|------------------------------------------------------|--------------------|-------------------|----------------------|
| <b><u>Last Six Months</u></b>                        | <b><u>High</u></b> | <b><u>Low</u></b> | <b><u>Volume</u></b> |
| October 2008                                         | \$3.65             | \$1.99            | 3,239,586            |
| September 2008                                       | \$4.39             | \$2.15            | 3,785,131            |
| August 2008                                          | \$5.29             | \$3.79            | 1,129,847            |
| July 2008                                            | \$5.60             | \$4.15            | 1,703,398            |
| June 2008                                            | \$5.38             | \$4.40            | 1,305,093            |
| May 2008                                             | \$5.62             | \$4.95            | 1,185,158            |
| <b><u>2007-2008</u></b>                              | <b><u>High</u></b> | <b><u>Low</u></b> | <b><u>Volume</u></b> |
| Fourth Quarter ended August 31, 2008                 | \$5.60             | \$3.79            | 4,138,338            |
| Third Quarter ended May 31, 2008                     | \$6.32             | \$4.85            | 4,686,810            |
| Second Quarter ended February 28, 2008               | \$7.20             | \$5.57            | 4,627,802            |
| First Quarter ended November 30, 2007                | \$6.52             | \$4.99            | 5,919,488            |
| <b><u>2006-2007</u></b>                              | <b><u>High</u></b> | <b><u>Low</u></b> | <b><u>Volume</u></b> |

**Toronto Stock Exchange  
(Canadian Dollars)**

|                                        |        |        |           |
|----------------------------------------|--------|--------|-----------|
| Fourth Quarter ended August 31, 2007   | \$6.38 | \$4.72 | 5,057,815 |
| Third Quarter ended May 31, 2007       | \$6.73 | \$5.15 | 5,160,339 |
| Second Quarter ended February 28, 2007 | \$8.24 | \$5.88 | 8,517,368 |
| First Quarter ended November 30, 2006  | \$8.22 | \$5.00 | 9,056,654 |

|                                        |                    |                   |                      |
|----------------------------------------|--------------------|-------------------|----------------------|
| <b><u>2005-2006</u></b>                | <b><u>High</u></b> | <b><u>Low</u></b> | <b><u>Volume</u></b> |
| Fourth Quarter ended August 31, 2006   | \$9.25             | \$6.75            | 11,486,139           |
| Third Quarter ended May 31, 2006       | \$10.08            | \$6.55            | 11,316,509           |
| Second Quarter ended February 28, 2006 | \$8.75             | \$3.69            | 19,740,648           |
| First Quarter ended November 30, 2005  | \$4.42             | \$2.00            | 18,045,485           |

|                                      |                    |                   |  |
|--------------------------------------|--------------------|-------------------|--|
| <b><u>Last Five Fiscal Years</u></b> | <b><u>High</u></b> | <b><u>Low</u></b> |  |
| 2008                                 | \$6.52             | \$3.79            |  |
| 2007                                 | \$8.24             | \$4.72            |  |
| 2006                                 | \$10.08            | \$2.00            |  |
| 2005                                 | \$2.11             | \$0.88            |  |
| 2004                                 | \$2.10             | \$0.99            |  |

**NYSE Alternext  
(US Dollars)**

|                               |                    |                   |                      |
|-------------------------------|--------------------|-------------------|----------------------|
| <b><u>Last Six Months</u></b> | <b><u>High</u></b> | <b><u>Low</u></b> | <b><u>Volume</u></b> |
| October 2008                  | 3.05               | 1.58              | 8,834,600            |
| September 2008                | \$3.94             | \$2.00            | 13,233,400           |
| August 2008                   | \$5.17             | \$3.55            | 5,114,500            |
| July 2008                     | \$5.55             | \$4.43            | 5,496,700            |
| June 2008                     | \$5.35             | \$4.35            | 5,324,900            |
| May 2008                      | \$5.70             | \$4.90            | 3,816,900            |

|                                        |                    |                   |                      |
|----------------------------------------|--------------------|-------------------|----------------------|
| <b><u>2007-2008</u></b>                | <b><u>High</u></b> | <b><u>Low</u></b> | <b><u>Volume</u></b> |
| Fourth Quarter ended August 31, 2008   | \$5.55             | \$3.55            | 15,936,100           |
| Third Quarter ended May 31, 2008       | \$6.35             | \$4.77            | 17,084,400           |
| Second Quarter ended February 28, 2008 | \$7.25             | \$5.50            | 19,660,000           |
| First Quarter ended November 30, 2007  | \$6.77             | \$4.80            | 23,297,200           |

|                                        |                    |                   |                      |
|----------------------------------------|--------------------|-------------------|----------------------|
| <b><u>2006-2007</u></b>                | <b><u>High</u></b> | <b><u>Low</u></b> | <b><u>Volume</u></b> |
| Fourth Quarter ended August 31, 2007   | \$6.10             | \$4.51            | 19,584,600           |
| Third Quarter ended May 31, 2007       | \$5.76             | \$4.78            | 16,972,200           |
| Second Quarter ended February 28, 2007 | \$7.22             | \$4.94            | 21,306,700           |
| First Quarter ended November 30, 2006  | \$7.24             | \$4.44            | 29,923,600           |

|                                        |                    |                   |                      |
|----------------------------------------|--------------------|-------------------|----------------------|
| <b><u>2005-2006</u></b>                | <b><u>High</u></b> | <b><u>Low</u></b> | <b><u>Volume</u></b> |
| Fourth Quarter ended August 31, 2006   | \$8.20             | \$6.18            | 26,997,700           |
| Third Quarter ended May 31, 2006       | \$8.87             | \$5.70            | 52,771,300           |
| Second Quarter ended February 28, 2006 | \$7.24             | \$3.30            | 74,499,700           |
| First Quarter ended November 30, 2005  | \$3.57             | \$1.82            | 46,454,200           |

**B. Plan of Distribution**

Not Applicable.

**C. Markets**

The Company's common stock is listed on the Toronto Stock Exchange under the trading symbol "TNX" and on the NYSE Alternext under the trading symbol "TRE".

**D. Selling Shareholders**

Not Applicable.

**E. Dilution**

Not Applicable.

**F. Expenses of the Issue**

Not Applicable.

**Item 10. Additional Information**

**A. Share Capital**

The Corporation's Restated Articles of Incorporation authorized the Corporation to issue an unlimited number of common shares. As of January 9, 2008 the Board resolved that the Company authorize for issuance up to a maximum of 96,000,000 common shares, subject to further resolutions of the Company's Board of Directors, from time to time. Of the 96,000,000 common shares authorized, without par value, 88,114,352 shares were issued and outstanding as of August 31, 2008.

Each of the common shares has equal dividend, liquidation and voting rights. Voters of the common shares are entitled to one vote per share on all matters that may be brought before them. Holders of the common shares are entitled to receive dividends when declared by the Board from funds legally available therefor. The common shares are not redeemable, have no conversion rights and carry no pre-emptive or other rights to subscribe for additional shares. The outstanding common shares are fully paid and non-assessable.

The following table reconciles the total number of shares outstanding for the last three fiscal years:

|                                                   | <b>No. of<br/>Shares</b> | <b>Amount</b>            |
|---------------------------------------------------|--------------------------|--------------------------|
| <b>Total Outstanding as at August 31, 2006</b>    | <b><u>86,241,075</u></b> | <b><u>51,397,278</u></b> |
| <i>Add:</i> Stock Options Exercised for cash      | 75,000                   | \$59,250                 |
| Issued for cash                                   | 129,599                  | \$750,000                |
| Issued for share subscription previously received | 110,525                  | \$750,000                |
| Issued pursuant to Restricted Stock Unit Plan     | 32,242                   | \$231,627                |
| Issued for mineral property acquisition           | 160,052                  | \$925,124                |

|                                                   | No. of<br>Shares         | Amount                     |
|---------------------------------------------------|--------------------------|----------------------------|
| <b>Total Outstanding as at August 31, 2007</b>    | <b><u>86,748,493</u></b> | <b><u>\$54,113,279</u></b> |
| Add: Issued for private placements                | 1,031,695                | 5,724,997                  |
| Issued pursuant to share subscriptions agreements | 271,374                  | 1,500,000                  |
| Issued pursuant to Restricted Stock Unit Plan     | 62,790                   | 367,124                    |
| <b>Total Outstanding as at August 31, 2008</b>    | <b><u>88,114,352</u></b> | <b><u>\$61,705,400</u></b> |

Shares are issued by the Company with the regulatory acceptance of the Toronto Stock Exchange and NYSE Alternext, upon resolution of the Board of Directors of the Company. There are a total of 88,114,352 common shares issued and a further 404,968 common shares reserved for issuance under outstanding RSUs as at August 31, 2008.

## **B. Articles of Association and Bylaws**

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 Articles of 424547 Alberta Ltd. were amended on August 13, 1991 as follows:

- the name of the Company was changed to “*Tan Range Exploration Corporation*”;
- the restriction on the transfer of shares was removed; and
- a new paragraph regarding the appointment of additional directors was added as follows:

*“(b) The Directors, may, between annual general meetings, appoint one or more additional directors of the Company to serve until the next annual general meeting, but the number of additional Directors shall not at any time exceed one-third (1/3) of the number of Directors who held office at the expiration of the last annual meeting of the corporation.”*

The Company was registered in the Province of British Columbia as an extra provincial company under the *Company Act* (British Columbia) on August 5, 1994.

The Articles of the Company were further amended on February 15, 1996 as follows:

- the provisions of the Articles authorizing the issue of Class “B” Voting shares, Class “C” Non-Voting shares and Class “D” Preferred shares were deleted;
- Class “A” voting shares were redesignated as Common shares; and
- a provision was added to allow meetings of shareholders to be held outside Alberta in either of the cities of Vancouver, British Columbia or Toronto, Ontario.

The Articles of the Company were further amended on February 28, 2006 as follows:

- the name of the Company was changed to its present name, “*Tanzanian Royalty Exploration Corporation*”.

The Articles of the Company were further amended on February 29, 2008 as follows:

- Pursuant to Section 173(1)(l) of the Business Corporations Act (*Alberta*), Item 5 of the Articles of the Corporation was amended by changing the maximum number of directors from 9 to 11.

## **Common Shares**

All issued and outstanding common shares are fully paid and non-assessable. Each holder of record of common shares is entitled to one vote for each common share so held on all matters requiring a vote of shareholders, including the election of directors. The holders of common shares will be entitled to dividends on a pro-rata basis, if and when as declared by the board of directors. There are no preferences, conversion rights, preemptive rights, subscription rights, or restrictions or transfers attached to the common shares. In the event of liquidation, dissolution, or winding up of the Company, the holders of common shares are entitled to participate in the assets of the Company available for distribution after satisfaction of the claims of creditors.

The rights of shareholders cannot be changed without a special resolution of at least 2/3 of the votes cast by the shareholders who voted in respect of the resolution, and separate classes of shareholders are entitled to separate class votes. Any such alteration of shareholder's rights would also require the regulatory acceptance of the Toronto Stock Exchange. There are no provisions of the Company's Articles or Bylaws that would have the effect of delaying, deferring, or preventing a change of control of the Company, and that would operate only with respect to a merger, acquisition, or corporate restructuring involving the Company (or any of its subsidiaries).

## **Powers and Duties of Directors**

The directors shall manage or supervise the management of the affairs and business of the Company and shall have authority to exercise all such powers of the Company as are not, by the Business Corporations Act (Alberta) or by the Articles or Bylaws, required to be exercised by the Company in a general meeting.

Directors will serve as such until the next annual meeting. In general, a director who is, in any way, directly or indirectly interested in an existing or proposed contract or transaction with the Company whereby a duty or interest might be created to conflict with his duty or interest director, shall declare the nature and extent of his interest in such contract or transaction or the conflict or potential conflict with his duty and interest as a director. Such director shall not vote in respect of any such contract or transaction with the Company in which he is interested and if he shall do so, his vote shall not be counted, but he shall be counted in the quorum present at the meeting at which such vote is taken. However, notwithstanding the foregoing, directors shall have the right to vote on determining the remuneration of the directors.

The directors may from time to time on behalf of the Company: (a) borrow money in such manner and amount from such sources and upon such terms and conditions as they think fit; (b) issue bonds, debentures and other debt obligations; or (c) mortgage, charge or give other security on the whole or any part of the property and assets of the Company.

At least one-quarter of the directors of the Company should be persons ordinarily resident in Canada and all must be at least 18 years of age. There is no minimum share ownership to be a Director. No person shall be a Director of the Company who is not capable of managing their own affairs; is an undischarged bankrupt or who is a person who is not an individual.

## **Shareholders**

An annual general meeting shall be held once in every calendar year at such time and place as may be determined by the directors. A quorum at an annual general meeting and special meeting shall be two shareholders or one or more proxy holder representing two shareholders, or one shareholder and a proxy holder representing another shareholder. There is no limitation imposed by the laws of Canada or by the charter or other constituent documents of the Company on the right of a non-resident to hold or vote the

common shares, other than as provided in the Investment Canada Act, (the “Investment Act”) discussed below under “Item 10. Additional Information, D. Exchange Controls.”

In accordance with Alberta law, directors shall be elected by an “ordinary resolution” which means (a) a resolution passed by the shareholders of the Company in general meeting by a simple majority of the votes cast in person or by proxy, or (b) a resolution that has been signed by all shareholders entitled to vote on the resolution.

Under Alberta law certain items such as an amendment to the Company’s articles or entering into a merger, requires approval by a special resolution, which means (a) a resolution passed by a majority of not less than 2/3 of the votes cast by the shareholders of the Company who, being entitled to do so, vote in person or by proxy at a general meeting of the company (b) a resolution consented to in writing by every shareholder of the Company who would have been entitled to vote in person or by proxy at a general meeting of the Company, and a resolution so consented to is deemed to be a special resolution passed at a general meeting of the Company.

### C. Material Contracts

The following are the material contracts of the Company (other than contracts in the ordinary course of business) entered into within the last two years:

| Date             | Names of Parties                            | Description of General Nature of the Contract                                                                                   | Consideration Paid; Terms and Conditions                                                                                                                                                                                                                                                                  |
|------------------|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| October 29, 2008 | Van Tongeren Management LLC and the Company | Subscription Agreement for purchase of 352,381 common shares. The proposed private placement is subject to regulatory approval. | \$2.10 per share for a total of \$740,000                                                                                                                                                                                                                                                                 |
| October 1, 2008  | James E. Sinclair and the Company           | Subscription Agreement for purchase of 327,225 common shares                                                                    | \$3.056 per share for a total of \$1,000,000                                                                                                                                                                                                                                                              |
| July 15, 2008    | James E. Sinclair and the Company           | Subscription Agreement for purchase of 184,843 common shares                                                                    | \$5.41 per share for a total of \$1,000,000                                                                                                                                                                                                                                                               |
| May 1, 2008      | James E. Sinclair and the Company           | Subscription Agreement for purchase of 332,434 common shares                                                                    | \$5.189 per share for a total of \$1,725,000                                                                                                                                                                                                                                                              |
| February 4, 2008 | James E. Sinclair and the Company           | Subscription Agreement for purchase of 167,196 common shares                                                                    | \$5.981 per share for a total of \$1,000,000                                                                                                                                                                                                                                                              |
| October 11, 2007 | James E. Sinclair and the Company           | Subscription Agreement for purchase of 347,222 common shares                                                                    | \$5.76 per share for a total of \$2,000,000                                                                                                                                                                                                                                                               |
| January 25, 2007 | Sloane Developments Ltd.                    | Option royalty agreement granting Sloane the right to earn a beneficial interest in the Company’s Itetemia and Luhala Projects. | Initial US\$100,000 paid to the Company, up to US\$770,000 plus \$10,000 to US\$35,000 for each licence held in excess of one, over the next 6 years; incur expenditures aggregating \$1 million before the second anniversary; and up to 30,000 metres in diamond drilling on or before 3rd anniversary. |

| <b>Date</b>        | <b>Names of Parties</b>                           | <b>Description of General Nature of the Contract</b>                                                                                                           | <b>Consideration Paid; Terms and Conditions</b>                                                                                                                                                                                            |
|--------------------|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| September 26, 2006 | Ashanti Goldfields (Cayman) Limited               | Purchase and Sale Agreement to purchase interest of Ashanti Goldfields (Cayman) Limited in Kigosi and Dongo properties                                         | 180,058 common shares of the Company with a deemed value of US\$900,000 based on the weighted average trading price of the Company's common shares for the five consecutive trading days preceding the date of execution of the Agreement. |
| August 8, 2006     | James E. Sinclair and the Company                 | Subscription Agreement for purchase of \$3,000,000 worth of common shares over a two year period, in 8 separate quarterly tranches commencing February 1, 2007 | The pricing of each quarterly tranche will be based on the weighted average trading price of the Company's common shares for the last five consecutive trading days of each quarterly period.                                              |
| May 2, 2006        | James E. Sinclair and the Company                 | Subscription Agreement for purchase of 107,124 common shares                                                                                                   | \$9.335 per share for a total of \$1,000,000                                                                                                                                                                                               |
| January 25, 2006   | James E. Sinclair and the Company                 | Subscription Agreement for purchase of 183,440 common shares                                                                                                   | \$7.844 per share for a total of \$1,438,903.36 (US\$1,250,000)                                                                                                                                                                            |
| January 25, 2006   | Guild Investment Management, Inc. and the Company | Subscription Agreement for purchase of 215,820 common shares                                                                                                   | \$6.667 per share for a total of \$1,438,871.94 (US\$1,250,000)                                                                                                                                                                            |

#### **D. Exchange Controls**

##### **Canada**

There is no law, governmental decree or regulation in Canada that restricts the export or import of capital or affects the remittance of dividends, interest or other payments to a non-resident holder of common shares other than withholding tax requirements. Any such remittances to United States residents are subject to withholding tax. See "Taxation."

There is no limitation imposed by the laws of Canada or by the charter or other constituent documents of the Company on the right of a non-resident to hold or vote the common shares, other than as provided in the Investment Act. The following discussion summarizes the principal features of the Investment Act for a non-resident who proposes to acquire the common shares.

The Investment Canada Act generally prohibits implementation of a reviewable investment by an individual, government or agency thereof, corporation, partnership, trust or joint venture (each an "entity") that is not a "Canadian" as defined in the Investment Canada Act (a "non-Canadian"), unless after review, the Director of Investments appointed by the minister responsible for the Investment Canada Act is satisfied that the investment is likely to be of net benefit to Canada. An investment in the common shares by a non-Canadian other than a "WTO Investor" (as that term is defined by the Investment Canada Act, and which term includes entities which are nationals of or are controlled by nationals of member states of the World Trade Organization) when the Company was not controlled by a WTO Investor, would be reviewable under the Investment Canada Act if it was an investment to acquire control of the Company and the value of the assets of the Company, as determined in accordance with the regulations promulgated under the Investment Canada Act, was \$5,000,000 or more, or if an order for review was made by the federal cabinet on the grounds that the investment related to Canada's cultural heritage or national identity, regardless of the value of the assets of the Company. An investment in the common shares by a WTO

Investor, or by a non-Canadian when the Company was controlled by a WTO Investor, would be reviewable under the Investment Canada Act if it was an investment to acquire control of the Company and the value of the assets of the Company, as determined in accordance with the regulations promulgated under the Investment Canada Act was not less than a specified amount, which as specified in 2005 was any amount in excess of \$237 million. A non-Canadian would acquire control of the Company for the purposes of the Investment Canada Act if the non-Canadian acquired a majority of the common shares. The acquisition of one third or more, but less than a majority of the common shares would be presumed to be an acquisition of control of the Company unless it could be established that, on the acquisition, the Company was not controlled in fact by the acquirer through the ownership of the common shares.

Certain transactions relating to the common shares would be exempt from the Investment Canada Act, including: (a) an acquisition of the common shares by a person in the ordinary course of that person's business as a trader or dealer in securities; (b) an acquisition of control of the Company in connection with the realization of security granted for a loan or other financial assistance and not for a purpose related to the provisions of the Investment Canada Act; and (c) an acquisition of control of the Company by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of the Company, through the ownership of the common shares, remained unchanged.

### **Foreign Investments and Exchange in Tanzania**

The Tanzania Investment Centre (TIC) issues certificates of Approval to Foreign and Local Companies wishing to invest in Tanzania. Possession of Certificate of Approval entitles the investor to the following Tax Incentives under the Income Tax Act.

- (i) maximum Corporate Tax Rate of 30% (Residents and Non Residents)
- (ii) Withholding Tax on Dividends = 10%
- (iii) Withholding Tax on Interest = 10%
- (iv) 50% write – off of capital expenditure incurred during the year of expenditure of the project.
- (v) Carry forward of losses for unlimited period of time.

In 1992, the stringent foreign exchange legislation was repealed and the restriction on foreign commercial banks abolished. Any person whether resident or not may establish foreign currency accounts with any of the commercial banks and transfer foreign currency outside Tanzania without restriction. The Bank of Tanzania regulates commercial banks and approves the establishment of offshore foreign currency accounts by residents. There are no controls on foreign exchange rates or interest rate on loans and overdrafts.

## **E. Taxation**

### **Canadian Federal Income Tax Consequences**

The following summarizes the principal Canadian federal income tax consequences applicable to the holding and disposition of common shares in the capital of the Company by a United States resident, a corporation or partnership created or organized in or under the laws of the United States or of any political subdivision thereof, an entity created or organized in or under the laws of the United States or of any political subdivision thereof, which has elected to be treated as a corporation for U.S. federal income tax purposes, an estate whose income is taxable in the U.S. irrespective of source, or a trust subject to primary supervision of a court within the U.S. and control of a U.S. fiduciary, and who holds common shares solely as capital property and who owns (directly and indirectly) no more than 5% of the value of the total outstanding stock of the Company (a "U.S. Holder"). This summary is based on the current provisions of the Income Tax Act (Canada) (the "Tax Act"), the regulations thereunder, all amendments thereto publicly proposed by the government of Canada, the published administrative practices of Canada Revenue Agency, and on the current provisions of the Canada-United States Income Tax Convention, 1980, as amended (the "Treaty"). Except as otherwise expressly provided, this summary does not take into account any provincial,

territorial or foreign (including without limitation, any U.S.) tax law or treaty. It has been assumed that all currently proposed amendments will be enacted substantially as proposed and that there is no other relevant change in any governing law or practice, although no assurance can be given in these respects.

Each U.S. Holder is advised to obtain tax and legal advice applicable to such U.S. Holder's particular circumstances.

Every U.S. Holder is liable to pay a Canadian withholding tax on every dividend that is or is deemed to be paid or credited to the U.S. Holder on the U.S. Holder's common shares. The statutory rate of withholding tax is 25% of the gross amount of the dividend paid. The Treaty reduces the statutory rate with respect to dividends paid to a U.S. Holder for the purposes of the Treaty. Where applicable, the general rate of withholding tax under the Treaty is 15% of the gross amount of the dividend, but if the U.S. Holder is a corporation that owns at least 10% of the voting stock of the Company and beneficially owns the dividend, the rate of withholding tax is 5% for dividends paid or credited after 1996 to such corporate U.S. Holder. The Company is required to withhold the applicable tax from the dividend payable to the U.S. Holder, and to remit the tax to the Receiver General of Canada for the account of the U. S. Holder.

Pursuant to the Tax Act, a U.S. Holder will not be subject to Canadian capital gains tax on any capital gain realized on an actual or deemed disposition of a common share, including a deemed disposition on death, provided that the U.S. Holder did not hold the common share as capital property used in carrying on a business in Canada, and that neither the U. S. Holder nor persons with whom the U.S. Holder did not deal at arms length (alone or together) owned or had the right or an option to acquire 25% or more of the issued shares of any class of the Company at any time in the five years immediately preceding the disposition.

### **United States Federal Income Tax Consequences**

The following is, in the opinion of the Company after consultation with its professional advisors, a discussion of material United States federal income tax consequences, under current law, generally applicable to a U.S. Holder (as defined above) of common shares of the Company. This discussion does not address all potentially relevant federal income tax matters and it does not address consequences peculiar to persons subject to special provisions of federal income tax law. In addition, this discussion does not cover any state, local or foreign tax consequences. (See "Taxation – Canadian Federal Income Tax Consequences" above). Accordingly, holders and prospective holders of common shares of the Company are urged to consult their own tax advisors about the specific federal, state, local, and foreign tax consequences to them of purchasing, owning and disposing of common shares of the Company, based upon their individual circumstances.

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, published Internal Revenue Service ("IRS") rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time and which are subject to differing interpretations. This discussion does not consider the potential effects, both adverse and beneficial, of any proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time.

#### *Passive Foreign Investment Company.*

The Company believes that it could be a passive foreign investment company ("PFIC") for United States federal income tax purposes with respect to a U.S. Holder (as defined above). The Company will be a PFIC with respect to a U.S. Holder if, for any taxable year in which such U.S. Holder held the Company's shares, either (i) at least 75% of the gross income of the Company for the taxable year is passive income, or (ii) on average, at least 50% of the Company's assets are attributable to assets that produce or are held for the production of passive income. In each case, the Company must take into account a pro rata share of the

income and the assets of any corporation in which the Company owns, directly or indirectly, 25% or more of the stock by value (the “look-through” rules). Passive income generally includes dividends, interest, royalties, rents (other than rents and royalties derived from the active conduct of a trade or business and not derived from a related person), annuities, and gains from assets that produce passive income. As a publicly traded corporation, the Company would apply the 50% asset test based on the value of the Company’s assets.

Because the Company may be a PFIC, unless a U.S. Holder who owns shares in the Company (i) elects (a section 1295 election) to have the Company treated as a “qualified electing fund” (a “QEF”) (described below), or (ii) marks the stock to market (described below), the following rules apply:

1. Distributions made by the Company during a taxable year to a U.S. Holder who owns shares in the Company that are an “excess distribution” (defined generally as the excess of the amount received with respect to the shares in any taxable year over 125% of the average received in the shorter of either the three previous years or such U.S. Holder’s holding period before the taxable year) must be allocated ratably to each day of such shareholder’s holding period. The amount allocated to the current taxable year and to years when the Company was not a PFIC must be included as ordinary income in the shareholder’s gross income for the year of distribution. The remainder is not included in gross income but the shareholder must pay a deferred tax on that portion. The deferred tax amount, in general, is the amount of tax that would have been owed if the allocated amount had been included in income in the earlier year, plus interest. The interest charge is at the rate applicable to deficiencies in income taxes. For a U.S. Holder that is not a corporation, the interest charge is wholly non-deductible.

2. The entire amount of any gain realized upon the sale or other disposition of the shares will be treated as an excess distribution made in the year of sale or other disposition and as a consequence will be treated as ordinary income and, to the extent allocated to years prior to the year of sale or disposition, will be subject to the interest charge described above.

A shareholder that makes a section 1295 election will be currently taxable on his or her pro rata share of the Company’s ordinary earnings and net capital gain (at ordinary income and long term capital gains rates, respectively) for each taxable year of the Company, regardless of whether or not distributions were received. The shareholder’s basis in his or her shares will be increased to reflect taxed but undistributed income. Distributions of income that had previously been taxed will result in a corresponding reduction of basis in the shares and will not be taxed again as a distribution to the shareholder.

A shareholder may make a section 1295 election with respect to a PFIC for any taxable year of the shareholder (shareholder’s election year). A section 1295 election is effective for the shareholder’s election year and all subsequent taxable years of the shareholder. Procedures exist for both retroactive elections and filing of protective statements. Once a section 1295 election is made it remains in effect, although not applicable, during those years that the Company is not a PFIC. Therefore, if the Company re-qualifies as a PFIC, the section 1295 election previously made is still valid and the shareholder is required to satisfy the requirements of that election. Once a shareholder makes a section 1295 election, the shareholder may revoke the election only with the consent of the Commissioner. Nevertheless, the Commissioner in his discretion may invalidate or terminate a section 1295 election applicable to a shareholder, if the shareholder and the Company fail the annual reporting requirements of the section 1295 election.

If a shareholder makes the section 1295 election for the first taxable year of the Company as a PFIC that is included in the shareholder’s holding period of the PFIC shares, the PFIC qualifies as a pedigreed QEF with respect to the shareholder. If a QEF is an unpedigreed QEF with respect to the shareholder, the shareholder is subject to both the non-QEF and QEF regimes. Under the proposed regulations, a PFIC that qualifies as a pedigreed QEF with respect to the shareholder would be taxed currently on his or her share of the PFIC’s earnings and profits, whether distributed or not. On the other hand, a PFIC that qualifies as an unpedigreed QEF with respect to the shareholder would be taxed currently on his or share of the PFIC’s earnings and profits, whether distributed or not, during the period the PFIC shares qualify as a QEF; and

would be taxed under the “excess distribution” and “interest charge” rules during the period the PFIC shares do not qualify as a QEF. Certain elections are available which enable shareholders to convert an unpedigreed QEF into a pedigreed QEF thereby avoiding such dual application.

A shareholder making the section 1295 election must make the election on or before the due date, as extended, for filing the shareholder’s income tax return for the first taxable year to which the election will apply. A shareholder must make a section 1295 election by completing a Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund (the “Form”); attaching said Form to its federal income tax return; and reflecting in the Form the information provided in the PFIC Annual Information Statement or if the shareholder calculated the financial information, a statement to that effect. The PFIC Annual Information Statement must include the shareholder’s pro rata shares of the ordinary earnings and net capital gain of the PFIC for the PFIC’s taxable year or information that will enable the shareholder to calculate its pro rata shares. In addition, the PFIC Annual Information Statement must contain information about distributions to shareholders and a statement that the PFIC will permit the shareholder to inspect and copy its permanent books of account, records, and other documents of the PFIC necessary to determine that the ordinary earnings and net capital gain of the PFIC have been calculated according to federal income tax accounting principles. A shareholder may also obtain the books, records and other documents of the foreign corporation necessary for the shareholder to determine the correct earnings and profits and net capital gain of the PFIC according to federal income tax principles and calculate the shareholder’s pro rata shares of the PFIC’s ordinary earnings and net capital gain. In that case, the PFIC must include a statement in its PFIC Annual Information Statement that it has permitted the shareholder to examine the PFIC’s books of account, records, and other documents necessary for the shareholder to calculate the amounts of ordinary earnings and net capital gain. A shareholder that makes a Section 1295 election with respect to a PFIC held directly or indirectly, for each taxable year to which the Section 1295 election applies, must comply with the foregoing submissions.

Because the Company’s stock is “marketable” under section 1296(e), a U.S. Holder may elect to mark the stock to market each year. In general, a PFIC shareholder who elects under section 1296 to mark the marketable stock of a PFIC includes in ordinary income each year an amount equal to the excess, if any, of the fair market value of the PFIC stock as of the close of the taxable year over the shareholder’s adjusted basis in such stock. A PFIC shareholder is also generally allowed an ordinary deduction for the excess, if any, of the adjusted basis of the PFIC stock over the fair market value as of the close of the taxable year. Deductions under this rule, however, are allowable only to the extent of any net mark to market gains with respect to the stock included by the PFIC shareholder for prior taxable years. While the interest charge regime under the PFIC rules generally does not apply to distributions from and dispositions of stock of a PFIC where the U.S. Holder has marked to market, coordination rules for limited application will apply in the case of a U.S. Holder that marks to market PFIC stock later than the beginning of the shareholder’s holding period for the PFIC stock, unless the PFIC stock was a QEF with respect to the U.S. Holder.

Special rules apply with respect to the calculation of the amount of the foreign tax credit with respect to excess distributions by a PFIC or current income inclusions under a QEF.

#### *Distribution on Common Shares of the Company*

In general, U.S. Holders receiving dividend distributions (including constructive dividends) with respect to common shares of the Company are required to include in gross income for United States federal income tax purposes the gross amount of such distributions, equal to the U.S. dollar value of such distributions on the date of receipt (based on the exchange rate on such date), to the extent that the Company has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder’s federal income tax liability or, alternatively, may be deducted in computing the U.S. Holder’s federal taxable income. (See more detailed discussion at “Foreign Tax Credit” below). To the extent that distributions exceed current or accumulated earnings and profits of the Company, they will be treated first as a tax-free return of capital up to the U.S. Holder’s adjusted basis in the common

shares and thereafter as gain from the sale or exchange of property. Preferential tax rates for long-term capital gains are applicable to a U.S. Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder which is a corporation.

In the case of foreign currency received as a dividend that is not converted by the recipient into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Generally any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for U.S. dollars, will be ordinary income or loss. However, an individual whose realized gain does not exceed \$200 will not recognize that gain, provided that there are no expenses associated with the transaction that meet the requirements for deductibility as a trade or business expense (other than travel expenses in connection with a business trip) or as an expense for the production of income.

Dividends paid on the common shares of the Company generally will not be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations. A U.S. Holder which is a corporation and which owns shares representing at least 10% of the voting power and value of the Company may, under certain circumstances, be entitled to a 70% (or 80% if the U.S. Holder owns shares representing at least 20% of the voting power and value of the Company) deduction equal to the United States source portion of dividends received from the Company (unless the Company qualifies as a “passive foreign investment company” (a PFIC) as defined above). The Company does not anticipate that it will earn any U.S. source income, however, and therefore does not anticipate that any U.S. Holder which is a corporation will be eligible for the dividends received deduction.

#### *Foreign Tax Credit*

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of common shares of the Company may be entitled, at the option of the U.S. Holder, to either receive a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer’s income subject to tax. This election is made on a year-by-year basis and generally applies to all foreign taxes paid by (or withheld from) the U.S. Holder during that year. There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder’s United States income tax liability that the U.S. Holder’s foreign source income bears to his or its worldwide taxable income. In the determination of the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. In addition, this limitation is calculated separately with respect to specific classes of income such as “passive income”, “high withholding tax interest,” “financial services income,” “shipping income,” and certain other classifications of income. Dividends distributed by the Company will generally constitute “passive income” or, in the case of certain U.S. Holders, “financial services income” for these purposes. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific, and U.S. Holders of common shares of the Company should consult their own tax advisors regarding their individual circumstances. U.S. Holders should be aware that recently enacted legislation eliminates the “financial services income” category for taxable years beginning after December 31, 2006. Under the recently enacted legislation, the foreign tax credit limitation categories are limited to “passive category income” and “general category income”.

#### *Disposition of Common Shares of the Company*

In general, U.S. Holders will recognize gain or loss upon the sale of common shares of the Company equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received, and (ii) the shareholder’s tax basis in the common shares of the Company. Preferential tax rates apply to long-term capital gains of U.S. Holders which are individuals, estates or trusts. In general,

gain or loss on the sale of common shares of the Company will be long-term capital gain or loss if the common shares are a capital asset in the hands of the U.S. Holder and are held for more than one year. Deductions for net capital losses are subject to significant limitations. For a U.S. Holder that is an individual, estate, or trust, capital losses may be used to offset capital gains and up to US\$3,000 of ordinary income and any unused portion of net capital loss may be carried over to be used in later taxable years until such net capital loss is thereby exhausted. For U.S. Holders that are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

#### *Controlled Foreign Corporations.*

Sections 951 through 964 and Section 1248 of the Code relate to controlled foreign corporations (“CFCs”). A foreign corporation that qualifies as a CFC will not be treated as a PFIC with respect to a shareholder during the portion of the shareholder’s holding period after December 31, 1997, during which the shareholder owns, directly or indirectly, 10% or more of the total voting power of the outstanding shares of the Company (a “10% Shareholder”) and the corporation is a CFC. A CFC is a foreign corporation where more than 50% of the corporation’s voting stock or value is owned by U.S. shareholders on any day during the foreign corporation’s taxable year. The PFIC provisions continue to apply in the case of PFIC that is also a CFC with respect to shareholders that are not 10% Shareholders.

The 10% Shareholders of a CFC are subject to current U.S. tax on their pro rata shares of certain income of the CFC and their pro rata shares of the CFC’s earnings invested in certain U.S. property. The effect is that the CFC provisions may impute some portion of such a corporation’s undistributed income to certain shareholders on a current basis and convert into dividend income some portion of gains on dispositions of stock, which would otherwise qualify for capital gains treatment.

The Company does not believe that it will be a CFC. It is possible that the Company could become a CFC in the future. Even if the Company were classified as a CFC in a future year, however, the CFC rules referred to above would apply only with respect to 10% Shareholders.

#### *U.S. Information Reporting and Backup Withholding.*

Payments made within the United States, or by a U.S. payor or U.S. middleman, of dividends or proceeds arising from certain sales or other taxable dispositions of the common shares of the Company are generally subject to the information reporting requirements of the Code. Dividends may be subject to backup withholding at the rate of 28% unless the holder provides a taxpayer identification number on a properly completed Form W-9 or otherwise establishes an exemption. U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules.

The amount of any backup withholding will not constitute additional tax and will be allowed as a credit against the U.S. Holder's federal income tax liability, provided the required information is furnished to the IRS.

#### *Filing of Information Returns.*

Under a number of circumstances, a U.S. Holder acquiring shares of the Company may be required to file an information return. In particular, any U.S. Holder who becomes the owner, directly or indirectly, of 10% or more of the shares of the Company will be required to file such a return. Other filing requirements may apply, and U.S. Holders should consult their own tax advisors concerning these requirements.

## Tanzania

### Taxation

Tax in Tanzania is levied on the income of any person which is deemed to have accrued in or was derived in Tanzania, in the case of individuals, if he was resident in Tanzania during the year of income for periods amounting in aggregate to 183 days or more; or if he was in the United Republic in that year of income and each of the two proceeding years of income for periods averaging more than 122 days in each such year of income. The annual income tax threshold is TShs. 960,000 per annum or TShs. 80,000 per month. Income Tax Rates vary from NIL up to 30%. Prevailing corporate income tax rate is 30%.

### Value Added Tax ("VAT")

| <b>Taxable Supplies</b>                             | <b>Rate</b> |
|-----------------------------------------------------|-------------|
| Supply of goods and services in Mainland Tanzania   | 20%         |
| Import of goods and services in Mainland Tanzania   | 20%         |
| Export of goods and services from Mainland Tanzania | 0%          |

VAT registrable threshold is TShs. 40 Million (or about US\$30,000 at prevailing exchange rates).

### Withholding Tax

Withholding tax is charged at the rates specified below:

|                                   | <b>Resident</b> | <b>Non-Resident</b> |
|-----------------------------------|-----------------|---------------------|
| Dividend                          | 10%             | 10%                 |
| Interest                          | 10%             | 10%                 |
| Royalties                         | 0%              | 15%                 |
| Management Fees                   | 0%              | 15%                 |
| Professional Fees                 | 5%              | 15%                 |
| Rent, Premium for Use of Property | 10%             | 15%                 |
| Pension/Retirement Annuity        | 10%             | 15%                 |

### Special Rates for Persons Engaged in "Mining Operations" Rates

|                                                                                                               | <b>Resident</b> | <b>Non-Resident</b> |
|---------------------------------------------------------------------------------------------------------------|-----------------|---------------------|
| Technical Services to Mining Operations                                                                       | 5%              | 15%                 |
| Management Fee                                                                                                | 5%              | 15%                 |
| Interest on Loans*                                                                                            | 0%              | 0%                  |
| Companies listed on the Dar es Salaam Stock Exchange enjoy a preferential withholding tax on 5% on dividends. |                 |                     |

\* In respect of mining companies having loans acquired at arms length before July 1, 2001. 10% applies to interest on all other loans.

### Capital Gains Tax

0% applies to capital gains on the sale of shares listed at the DSM Stock Exchange. 10% applies to capital gains by individuals, 30% applies to capital gains by corporations.

### Stamp duty

Stamp duty is chargeable on various legal documents and agreements, e.g. transfer of shares, issue of shares.

## Customs Duty

Customs duties are charged on imported goods. Customs duty rates vary from 0% to 25%.

## Mining Sector

The Tax Incentives and Investment allowances are designed to encourage industrial growth and attract foreign investments. They are granted for capital expenditure on hotels and manufacturing and mining operations. The allowance is a deduction in computing taxable income.

For Companies investing in the Mining Industries (Mineral mining Rights Holders) specific tax incentives are applicable to their investments. These are:-

- (i) 100% write off of capital expenditure in the year of Income of expenditure.
- (ii) Indefinite carry forward of losses.
- (iii) 15% additional Capital Expenditure on unredeemed qualifying Capital Expenditure for Mining Operators who had entered into Agreement with the Government before 1<sup>st</sup> July 2001, under the Mining Acts.
- (iv) Withholding tax on dividends and branch profits at 10%
- (v) Withholding tax on interest at 10%
- (vi) Corporate tax rate maximum at 30%

The government of Tanzania also imposes a royalty on the gross value of all production equal to 5% for diamonds and 3% for all gold produced.

## Double Taxation Agreement

Tanzania has a tax treaty to prevent double taxation with Canada, Denmark, Finland, India, Italy, United Kingdom, Norway, Sweden and Zambia. Tanzania is also in the process of negotiating treaties with several countries including Belgium, Burundi, Iran, Lebanon, Malaysia, Mauritius, Pakistan, Rwanda.

### **F. Dividends and Paying Agents**

Not Applicable.

### **G. Statement by Experts**

Not Applicable.

### **H. Documents on Display**

The Company will file annual reports and other information with the Securities and Exchange Commission. You may read and copy any document that we file at the Commission's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for more information about the Public Reference Rooms. The Securities and Exchange Commission also maintains a website, [www.sec.gov](http://www.sec.gov), where you may obtain our reports. We also file certain reports with the Canadian Securities Administrators that you may obtain through access of the SEDAR website, [www.sedar.com](http://www.sedar.com).

Copies of the Company's material contracts are kept in the Company's principal executive office.

### **I. Subsidiary Information**

Not Applicable.

## Item 11. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk, primarily related to foreign exchange and metals prices (gold in particular). The Company uses the Canadian dollar as its reporting currency, but the Company converts Canadian dollars to U.S. dollars, and then U.S. dollars to Tanzanian schillings. The Company is therefore exposed to foreign exchange movements in Tanzania where the Company is incurring costs in conducting exploration activities. Most of the Company's exploration work is conducted in U.S. dollars; however, some general and administrative expenses are paid in Tanzanian schillings.

The following table sets forth the percentage of the Company's administrative expense by currency for the year ended August 31, 2008.

### By Currency

|                     | 2008 |
|---------------------|------|
| Canadian Dollar     | 35%  |
| U.S. Dollar         | 40%  |
| Tanzanian Schilling | 25%  |
| <b>Total:</b>       | 100% |

Such administrative expense by currency may change from time to time, but it has been roughly the same year to year. Further, the Company incurred net exploration costs of \$2,573,194 and \$3,130,712 for the years ended August 31, 2008 and 2007, respectively, which are primarily paid in U.S. dollars.

The Company has not entered into any material foreign exchange contracts to minimize or mitigate the effects of foreign exchange fluctuations on the Company's operations. Based on prior years, the Company does not believe that it is subject to material foreign exchange fluctuations. However, no assurance can be given that this will continue to be true in the future.

The Company has no long-term debt, therefore, the Company does not believe that the interest rate market risk to be material. The Company has a fixed rate capital lease obligation outstanding in the amount of \$82,061.

The market prices of most precious metals, including gold, have generally increased over the past three years, but are subject to market fluctuations based primarily on supply and demand.

The following table sets out the cumulative average prices of gold for the past five years, based on the London Metals Market afternoon price fix in U.S. dollars:

| 2004     | 2005     | 2006     | 2007     | 2008<br>(Average to<br>August 31) |
|----------|----------|----------|----------|-----------------------------------|
| \$409.72 | \$444.74 | \$603.46 | \$695.39 | \$912.62                          |

## Item 12. Description of Securities Other than Equity Securities

Not Applicable.

## **Part II**

### **Item 13. Defaults, Dividend Arrears and Delinquencies**

None.

### **Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

None.

### **Item 15. Controls and Procedures**

During the fiscal year ended August 31, 2008 there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Management's Report on Internal Control Over Financial Reporting**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934. The Company's management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of August 31, 2008. In making this assessment, the Company's management used the criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

The Public Company Accounting Oversight Board's Auditing Standard No. 5 defines a material weakness as a control deficiency, or a combination of control deficiencies, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected. The company identified a material weakness in its internal control over financial reporting as of August 31, 2008:

- The Company has limited accounting personnel with expertise in generally accepted accounting principles to enable effective segregation of duties over transaction processes with respect to financial reporting matters and internal control over financial reporting. Specifically, certain personnel with financial transaction initiation and reporting responsibilities had incompatible duties that allowed for the creation, review and recording of journal entries, note disclosures and certain account reconciliations without adequate independent review and authorization. This material weakness is pervasive.

Our independent auditor, KPMG LLP, the independent registered public accounting firm that audited the financial statements included in the report on Form 20-F, has issued an audit report on the Company's internal control over financial reporting. Their audit report appears with the Financial Statements.

### **Changes in Internal Controls over Financial Reporting**

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

- Management continues to review the current assignment of responsibilities and has reassigned responsibilities to improve the segregation. In addition, Management will identify and may hire additional accounting resources where required to redistribute and eliminate overlapping of duties.

### **Evaluation of Disclosure Controls and Procedures**

The Company's management, with the participation of our Chief Executive Officer and Chief Financial Officer, as of the end of the period covered in this report, evaluated the effectiveness of our disclosure controls and procedure (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) and determined that, as a result of the material weakness in internal control over financial reporting described above, as of August 31, 2008 our disclosure controls and procedures are not effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

## **Inherent Limitations of Disclosure Controls and Internal Control over Financial Reporting**

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Item 16. [Reserved]**

#### **Item 16 A. Audit Committee Financial Expert**

The Company's audit committee financial expert is Dr. Norman Betts, who is an "independent director", as defined under MI 52-110 and as defined pursuant to National Association of Securities Dealers (NASD) Rule 4200(a)(15) (as such definition may be modified or supplemented). The Securities and Exchange Commission has indicated that the designation of an audit committee financial expert does not make that person an "expert" for any purpose, impose any duties, obligations, or liability on that person that are greater than those imposed on members of the audit committee and board of directors who do not carry this designation, or affect the duties, obligations, or liabilities of any other member of the audit committee.

#### **Item 16 B. Code of Ethics**

We have adopted a Code of Ethics and Business Conduct that applies to the Company's directors, officers, employees and consultants. In addition, the Company has a Code of Ethical Conduct for Financial managers that applies to our principal executive officer, principal financial officer, principal accounting officer, controller and other persons performing similar functions. A copy of our Code of Ethics and Business Conduct and Code of Ethical Conduct for Financial Managers can be found on our website at [www.TanzanianRoyaltyExploration.com](http://www.TanzanianRoyaltyExploration.com). The Company will report any amendment or wavier to the code of ethics on our website within five (5) days.

#### **Item 16 C. Principal Accountant Fees and Services**

The independent auditor for the fiscal year ended August 31, 2008 and 2007 was KPMG LLP, Chartered Accountants. The following summarizes the significant professional services rendered by KPMG LLP to the Company for the year ended August 31, 2008:

| <b>Financial Year<br/>Ending August 31</b> | <b>Audit Fees</b>                          | <b>Audit Related<br/>Fees</b> | <b>Tax Fees</b> | <b>Non-Audit<br/>Fees</b> |
|--------------------------------------------|--------------------------------------------|-------------------------------|-----------------|---------------------------|
| 2008                                       | Canada – \$172,500<br>Tanzania – US\$4,000 | Nil<br>Nil                    | Nil<br>Nil      | Nil<br>Nil                |
| 2007                                       | Canada - \$150,000<br>Tanzania – US\$5,000 | \$16,250<br>Nil               | Nil<br>Nil      | \$57,400<br>Nil           |

**Item 16 D. Exemptions from the Listing Standards for Audit Committees**

Not Applicable.

**Item 16 E. Purchase of Equity Securities by the Issuer and Affiliated Purchasers**

Not Applicable.

**Part III**

**Item 17. Financial Statements**

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and are expressed in Canadian dollars. The consolidated financial statements attached have been reconciled to U.S. Generally Accepted Accounting Principles. See Item 8 (A).

**Item 18. Financial Statements**

Not Applicable.

**Item 19. Exhibits**

(a) Exhibits

- (4)(a) - Subscription Agreement dated October 29, 2008 between the Company and Van Tongeren Management LLC
- (4)(b) - Subscription Agreement dated October 1, 2008 between the Company and James E. Sinclair.
- (4)(c) - Subscription Agreement dated July 15, 2008 between the Company and James E. Sinclair.
- (4)(d) - Subscription Agreement dated May 1, 2008 between the Company and James E. Sinclair.
- (4)(e) - Subscription Agreement dated February 4, 2008 between the Company and James E. Sinclair.

12.1 Certification of the Principal Executive Officer under the Sarbanes-Oxley Act

12.2 Certification of the Principal Financial Officer under the Sarbanes-Oxley Act

13. Certificate under section 906.

## **SIGNATURE**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Dated: November 26, 2008

## **TANZANIAN ROYALTY EXPLORATION CORPORATION**

By: *signed: James E. Sinclair*  
James E. Sinclair,  
Chairman and Chief Executive Officer

**PRIVATE PLACEMENT SUBSCRIPTION AGREEMENT**

**THIS SUBSCRIPTION AGREEMENT** is made the 29<sup>th</sup> day of October, 2008.  
BETWEEN:

**TANZANIAN ROYALTY EXPLORATION CORPORATION**, of Suite 404 – 1688 15<sup>nd</sup> Street, South Surrey,  
Vancouver, British Columbia, V4A 4N2

(the “Issuer”)

OF THE FIRST PART

AND:

**VAN TONGEREN MANAGEMENT LLC** of 1872 Baldwin  
Road, Yorktown Hgts., New York, New York 10598

(the “Purchaser”)

OF THE SECOND PART

WHEREAS:

(A) The Issuer’s common shares are listed on the Toronto Stock Exchange and the NYSE Alternext Exchange (collectively, the “Exchanges”) and the Issuer is subject to the regulatory jurisdiction of the Exchanges and each of the British Columbia, Alberta and Ontario Securities Commissions (collectively, the “Commissions”);

(B) The Purchaser currently holds 500,000 common shares of the Issuer.

THE PARTIES to this Agreement agree as follows:

**SUBSCRIPTION**

1.2 The Purchaser hereby subscribes for and agrees to purchase from the Issuer 352,381 common shares in the capital stock of the Issuer (the “Shares”), at a price of CAD\$2.10 per Share for total proceeds of C\$740,000.00, representing the five-day weighted-average trading price of the Issuer’s common shares on the Toronto Stock Exchange for the period ended October 28, 2008, less a discount of ten (10%) per cent.

1.3 This is a subscription only and will not become an agreement between the Issuer and the Purchaser until this subscription is accepted, in writing, by the Issuer. A reference to this “Subscription Agreement” or this “Agreement” in this subscription refers to this subscription and the agreement formed on acceptance by the Issuer. The Purchaser waives the necessity for the Issuer to communicate acceptance of this subscription and acknowledges that this subscription will become a binding agreement on acceptance by the Issuer.

1.4 The Purchaser shall pay for the Shares upon its execution of this Subscription Agreement by delivery in accordance with the provisions of Section 3.2 below, or shall make payment in such other manner as is acceptable to the Issuer, failing which the Issuer shall have the right to rescind this Subscription Agreement, in addition to any other legal rights it may have.

**Article 2 -  
ACKNOWLEDGMENTS, REPRESENTATIONS AND WARRANTIES**

2.1 The Purchaser acknowledges, represents and warrants, as at the date hereof and as at the Closing Date, that:

- (i) no prospectus has been filed by the Issuer with the Commissions in connection with the issuance of the Shares, the issuance is exempted from the prospectus requirements of the *Securities Act* of British Columbia and the *Securities Act* of Alberta and the *Securities Act* of Ontario and the respective rules and regulations thereto (hereinafter collectively referred to as the “Applicable Securities Laws”), and that:
  - (a) the Purchaser is restricted from using most of the civil remedies available under the Applicable Securities Laws;
  - (b) the Purchaser may not receive information that would otherwise be required to be provided to the Purchaser under the Applicable Securities Laws; and
  - (c) the Issuer is relieved from certain obligations that would otherwise apply under the Applicable Securities Laws;
- (ii) the Purchaser is purchasing the Shares as principal for its own account and not for the benefit of any other person and not with a view to the resale or distribution of all or any of the Shares; and if the Purchaser is a “portfolio manager” as defined under the Applicable Securities Laws, the Purchaser understands that it is deemed by the Applicable Securities Laws to be acting as principal when it purchases or sells as an agent for accounts that are fully managed by it;
- (iii) if applicable, the Purchaser will execute and deliver to the Issuer for filing with the Toronto Stock Exchange, the Corporate Placee Registration Form, and any equivalent or other form required by the American Stock Exchange;
- (iv) the Purchaser is either one or more of the following:
  - (a) an “accredited investor” as defined under Multilateral Instrument 45-103 (if applicable, the Purchaser has signed and delivered to the Issuer an Accredited Investor Certificate);
  - (b) a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (c) a spouse, parent, grandparent, brother, sister or child of a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (d) a close personal friend of a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;

- (e) a close business associate of a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (f) a person or company that is wholly-owned by any combination of persons or companies described in sub-paragraphs (ii) to (v) above;
  - (g) an employee, senior officer or director of the Issuer, provided that the Purchaser has not been induced to purchase the Shares by expectation of employment or continued employment, or otherwise required by the Issuer to purchase the securities;
  - (h) a resident of British Columbia and acknowledges receipt of an Offering Memorandum in the required form, and if applicable the Purchaser has signed and delivered to the Issuer a risk acknowledgment (the "Acknowledgment"); or
  - (i) a resident of Alberta and acknowledges receipt of an Offering Memorandum in the required form, and the Purchaser has signed and delivered to the Issuer the Acknowledgment, and either the Purchaser is an "eligible investor" as defined under Multilateral Instrument 45-103, or the aggregate acquisition cost of the Shares being purchased does not exceed \$10,000;
- (v) the Purchaser is purchasing the Shares under the exemption from prospectus requirements available under section 74(2)(4) of the BC Act and the Purchaser is not a syndicate, partnership or other form of unincorporated entity or organization created solely to permit the purchase of the Shares by a group of individuals whose individual share of the aggregate acquisition cost of the Shares is not less than \$97,000 (Cdn.);
  - (vi) the representations, warranties and statements of fact made by the Purchaser herein, and in the Acknowledgment and the Corporate Placee Registration Form (if either or both are required) are true and correct as of the date hereof and will be true on the Closing Date;
  - (vii) the Shares were not offered to the Purchaser through an advertisement in printed media of general and regular paid circulation, radio or television;
  - (viii) the offer made by this subscription is irrevocable and requires acceptance by the Issuer and the approval of the Exchanges;
  - (ix) the Shares have not been, and will not be, registered under the United States *Securities Act* of 1933, as amended. Accordingly, any offer or sales in the United States or to such nationals or residents thereof must be pursuant to the registration requirements of the *Securities Act of 1933*, as amended, or an exemption therefrom. The Issuer does not make any representation with respect to, nor has it assumed any responsibility for, the registration of the Shares or the availability of any such exemption; and the Issuer does not make any representation as to when,

if at any time, the Shares may be resold in the United States or to such nationals or residents thereof;

- (x) this subscription has not been solicited in any manner contrary to Applicable Securities Laws or the United States *Securities Act of 1933*, as amended;
- (xi) no person has made to the Purchaser any written or oral representation:
  - (a) that any person will resell or repurchase any of the Shares;
  - (b) that any person will refund the purchase price of any of the Shares; or
  - (c) as to the future price or value of any of the Shares; or
- (xii) the Purchaser is not a “control person” of the Issuer as defined in the Applicable Securities Laws and will not become a “control person” by virtue of the purchase of the Shares and does not intend to act in concert with any other person to form a control group;
- (xiii) the Purchaser has no knowledge of a “material fact” or “material change” (as those terms are defined in the Applicable Securities Laws) in the affairs of the Issuer that has not been generally disclosed to the public, save knowledge of this particular transaction;
- (xiv) the purchase of the Shares has been privately negotiated and arranged and the Purchaser or its agent has been invited and afforded the opportunity to conduct a review of all of the Issuer’s affairs and records in order that the Purchaser may be properly and fully aware of all of the facts relevant to the Issuer’s affairs;
- (xv) the Purchaser has sought and obtained independent legal advice regarding the purchase and re-sale of the Shares under the Applicable Securities Laws;
- (xvi) the Toronto Stock Exchange requires that the Shares must be unconditionally held for a period of four (4) months from the Closing Date;
- (xvii) unless the Purchaser is otherwise exempted under the Applicable Securities Laws, the Shares must be unconditionally held for a period of four (4) months from the Closing Date, except as may be otherwise permitted by the Applicable Securities Laws and, if the Purchaser is a resident of a jurisdiction other than British Columbia, the Shares may be subject to additional re-sale restrictions; and if the Purchaser is a resident of the United States of America, the Shares will be subject to resale restrictions pursuant to Rule 144 promulgated under the United States *Securities Act of 1933*;
- (xviii) resale of the Shares will be subject to additional resale restrictions beyond the hold periods described immediately above if:

- (a) the Purchaser is an insider of the Issuer, other than a director or officer, and has not filed all insider trading reports or personal information forms required to be filed under the Applicable Securities Laws;
  - (b) the Purchaser is a director or officer of the Issuer and has not filed all insider trading reports or personal information forms required to be filed under the Applicable Securities Laws or the Issuer has not filed all records required to be filed under Part 12 (continuous disclosure) of the Applicable Securities Laws;
  - (c) the Purchaser is, or subsequently becomes, a control person within the meaning of the Applicable Securities Laws;
  - (d) any unusual effort is made to prepare the market or create a demand for the securities; or
  - (e) an extraordinary commission or consideration is paid in respect of the trade;
- (xix) the certificates representing the Shares will contain a legend or legends denoting restrictions on transfer as referred to herein and, where applicable, the resale restrictions under Rule 144 of the United States *Securities Act of 1933*;
- (xx) the Purchaser has the legal capacity and competence to enter into and to execute and deliver this Subscription Agreement and to take all actions required pursuant hereto, and the Purchaser is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation and all necessary approvals by its directors, shareholders and others have been given to authorize execution of this Subscription Agreement on behalf of the Purchaser;
- (xxi) the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in the violation of any of the terms and provisions of any law applicable to, or the constating documents of, the Purchaser or of any agreement, written or oral, to which the Purchaser may be a party or by which the Purchaser is or may be bound; and
- (xxii) this Subscription Agreement has been duly executed and delivered by the Purchaser and constitutes a valid obligation of the Purchaser legally binding upon the Purchaser and enforceable against the Purchaser in accordance with its terms.

2.2 The representations, warranties, covenants and acknowledgments of the Purchaser contained in this Subscription Agreement are made by the Purchaser with the intent that they may be relied upon by the Issuer in determining the Purchaser's eligibility to purchase the Shares hereunder and the Purchaser hereby agrees to indemnify the Issuer against all losses, claims, costs, expenses and damages or liabilities which it may suffer or incur, caused or arising from its reliance thereon and the Purchaser further agrees that by accepting the Shares, the Purchaser shall be representing and warranting that such representations, warranties, covenants and acknowledgments are true as at the Closing Date with the same force and effect as if they had been made by the Purchaser at the Closing Date and that they shall survive the purchase by the Purchaser of the Shares and shall continue in full force and effect notwithstanding any subsequent disposition by the Purchaser of the Shares.

2.3 The Issuer represents and warrants as at the date hereof and as at the Closing Date, that:

- (i) the Issuer and its subsidiaries, if any, are valid and subsisting corporations duly incorporated and in good standing under the laws of the jurisdiction of their incorporation;
- (ii) the Issuer will reserve or set aside sufficient shares in the treasury of the Issuer to issue the Shares;
- (iii) the Issuer is a "reporting issuer" as defined under the Applicable Securities Laws, and is not on the list of defaulting issuers maintained by the Commissions;
- (iv) the Issuer is a "qualifying issuer", as that term is defined under Multilateral Instrument 45-106, and has filed a current Annual Information Form with the Commissions;
- (v) the Issuer shall use its best efforts to diligently seek and obtain the acceptance for filing of this Subscription Agreement by the Exchanges and will make all filings necessary to obtain the exemptions from registration and prospectus requirements available under the Applicable Securities Laws respectively in respect of the transaction contemplated hereby;
- (vi) the issuance and sale of the Shares by the Issuer does not and will not conflict with and does not and will not result in a breach of any of the terms, conditions or provisions of its constating documents or any agreement or instrument to which the Issuer is a party;
- (vii) this Subscription Agreement has been duly authorized by all necessary corporate action on the part of the Issuer and constitutes a valid obligation of the Issuer legally binding upon it and enforceable in accordance with its terms;

### **Article 3 - CLOSING DATE**

3.1 The closing of the transaction contemplated by this Subscription Agreement will take place within five business days of the receipt by the Issuer of final acceptance for filing by the Exchanges of this Subscription Agreement (the date of closing being referred to herein as the “Closing Date”).

3.2 Upon execution of this Subscription Agreement, the Purchaser shall deliver to the Issuer a certified cheque or banker’s draft for the total purchase price of the Shares or wire transfer the funds to a mutually acceptable escrow agent.

3.3 On the Closing Date, the Issuer will deliver to the Purchaser, against payment for the Shares, the certificate representing the Shares registered in the name of the Purchaser or the Purchaser’s nominee.

3.4 On the Closing Date, the Issuer will deliver to the Purchaser such copies of approvals or other documents as the Purchaser may reasonably request.

3.5 The acknowledgments, representations and warranties of the Purchaser and the Issuer herein shall survive the Closing Date.

### **Article 4 - WARRANT PARTICIPATION**

4.1 If the Issuer offers to issue, in connection with any issuance of common shares of the Issuer, at any time within two (2) years following the Closing Date, to any party or parties other than the Purchaser or to the shareholders of the Issuer generally in connection with any rights offering or otherwise (the “future distribution”), warrants entitling the holder to purchase common shares of the Issuer, the Issuer shall grant to the Purchaser, by no later than the closing date of the future distribution and without any further payment or other consideration being due or payable from the Purchaser, warrants of the Issuer (the “Participation Warrants”) having the same attributes as to exercise price, expiry date, and otherwise as those offered pursuant to the future distribution. The Purchaser shall be entitled to receive that number of Participation Warrants as is in the same proportion, relative to the number of Shares subscribed for under this Agreement, as the number of warrants bears to the number of common shares offered under the future distribution.

### **Article 5 - HOLD PERIODS**

5.1 The Purchaser acknowledges that the Shares may not be traded in British Columbia or Ontario for a period of four months from the date hereof, except as may be otherwise permitted by the Applicable Securities Laws, and that the Shares are also subject to a four (4) month hold period under the policies of the Toronto Stock Exchange. The certificates representing the Shares will contain a legend denoting the restrictions on transfer imposed by the Applicable Securities Laws and the Exchanges, and where applicable, Rule 144 of the United States *Securities Act of 1933*. The Purchaser agrees to sell, assign or transfer the Shares only in accordance with the requirements of the Applicable Securities Laws and the Exchanges.

**Article 6 -  
POWER OF ATTORNEY**

6.1 Effective upon the acceptance by the Issuer of this Agreement, the Purchaser:

- (i) irrevocably appoints the President or Secretary of the Issuer (the “Attorney”) as the Purchaser’s attorney and agent, with full power of substitution, to execute, swear to, acknowledge, deliver, make, file, amend and record when and as necessary, any instrument, pooling agreement, acknowledgment, undertaking, direction or other document required to be filed by the Issuer or the Purchaser with any competent securities regulatory authority or stock exchange in connection with the purchase and sale of the Shares, or necessary, in the opinion of the Attorney, to complete or perfect the transactions contemplated by this Agreement, including without limitation, any required corrections or insertions necessary to complete the attached form of Corporate Placee Registration Form and Acknowledgment if required under the Applicable Securities Laws;
- (ii) declares that the power of attorney hereby granted is irrevocable and will survive the death, incapacity or bankruptcy of the Purchaser and will extend to and bind the Purchaser and the Purchaser’s heirs, assigns, executors, trustees in bankruptcy or other legal representatives or successors; and
- (iii) agrees to be bound by any representations made or actions taken by the Attorney if such representations or actions are made or taken in good faith and in accordance with the power of attorney hereby granted, and the Purchaser waives any and all defences which may be available to the Purchaser to deny, contest, or disaffirm any such representations or actions.

**Article 7 -  
MISCELLANEOUS**

7.1 Upon acceptance of the subscription contained herein by the Issuer, this Subscription Agreement shall constitute a valid and binding agreement between the parties, subject only to the approval thereof by the Exchanges.

7.2 The parties to this Subscription Agreement will execute and deliver all such further and other deeds, documents and assurances, and will perform all such further and other acts as may, in the opinion of counsel for the Issuer, be necessary for the purposes of giving effect to or perfecting the transaction contemplated by this Subscription Agreement.

7.3 This Subscription Agreement constitutes the entire agreement between the parties and there are no representations, warranties or collateral agreements, express or implied, other than as expressly set forth herein.

7.4 The parties to this Subscription Agreement may amend this Subscription Agreement only in writing.

7.5 Time is of the essence of this Subscription Agreement and will be calculated in accordance with the provisions of the *Interpretation Act* (British Columbia).

7.6 This Subscription Agreement will be governed by and construed in accordance with the laws of British Columbia and the parties hereby irrevocably attorn to the jurisdiction of the Courts of such Province.

7.7 A party to this Subscription Agreement will give all notices to or other written communications with the other party to this Subscription Agreement concerning this Subscription Agreement by hand or by registered mail addressed to the address given above.

7.8 This Subscription Agreement shall enure to the benefit of and is binding upon the parties to this Subscription Agreement and their successors and permitted assigns.

IN WITNESS WHEREOF the parties have executed and delivered this Subscription Agreement on the date first above written.

**HENDRIK VAN TONGEREN**

*signed: Hendrick Van Tongeren*

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ACCEPTED BY the Issuer as of and from the date first above written.

**TANZANIAN ROYALTY EXPLORATION  
CORPORATION**

By: *signed: James Sinclair*  
Authorized Signatory

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**PRIVATE PLACEMENT SUBSCRIPTION AGREEMENT**

**THIS SUBSCRIPTION AGREEMENT** is made on the 1st day of October, 2008.

BETWEEN:

**TANZANIAN ROYALTY EXPLORATION CORPORATION**, of Suite 404  
- 1688 152nd Street, South Surrey, British Columbia, V4A 4N2

(the "Issuer")

OF THE FIRST PART

AND:

**JAMES E. SINCLAIR**, of 99 Amenia Union Road, Sharon,  
Connecticut, U.S.A., 06069  
Telephone: (860) 364-1830  
E-mail: [trechairman108@mac.com](mailto:trechairman108@mac.com)

(the "Purchaser")

OF THE SECOND PART

WHEREAS:

A. The Issuer's common shares are listed on the Toronto Stock Exchange and the American Stock Exchange (collectively, the "Exchanges") and the Issuer is subject to the regulatory jurisdiction of the Exchanges and each of the British Columbia, Alberta and Ontario Securities Commissions (collectively, the "Commissions");

B. The Purchaser currently holds 3,021,177 common shares of the Issuer.

THE PARTIES to this Agreement agree as follows:

1) **SUBSCRIPTION**

a) The Purchaser hereby subscribes for and agrees to purchase from the Issuer 327,225 common shares in the capital stock of the Issuer (the "Shares"), at a price of \$3.056 per Share, which is the greater of the five-day weighted-average trading price of the Issuer's common shares on the Toronto Stock Exchange for the period ended September 30, 2008 of \$3.056 and the closing price of the Issuer's common shares on the Toronto Stock Exchange on September 30, 2008 of \$2.85. Total consideration is \$1,000,000.

b) This is a subscription only and will not become an agreement between the Issuer and the Purchaser until this subscription is accepted, in writing, by the Issuer. A reference to this "Subscription Agreement" or this "Agreement" in this subscription refers to this subscription and the agreement formed on acceptance by the Issuer. The Purchaser waives the necessity for the Issuer to communicate acceptance of this subscription and acknowledges that this subscription will become a binding agreement on acceptance by the Issuer.

c) The Purchaser shall pay for the Shares upon its execution of this Subscription Agreement by delivery in accordance with the provisions of Section 3.2 below, or shall make payment in such other manner as is acceptable to the Issuer, failing which the Issuer shall have the right to rescind this Subscription Agreement, in addition to any other legal rights it may have.

2) **ACKNOWLEDGMENTS, REPRESENTATIONS AND WARRANTIES**

a) The Purchaser acknowledges, represents and warrants, as at the date hereof and as at the Closing Date, that:

- i) no prospectus has been filed by the Issuer with the Commissions in connection with the issuance of the Shares, the issuance is exempted from the prospectus requirements of the *Securities Act* of British Columbia and the *Securities Act* of Alberta and the *Securities Act* of Ontario and the respective rules and regulations thereto (hereinafter collectively referred to as the “Applicable Securities Laws”), and that:
  - (1) the Purchaser is restricted from using most of the civil remedies available under the Applicable Securities Laws;
  - (2) the Purchaser may not receive information that would otherwise be required to be provided to the Purchaser under the Applicable Securities Laws; and
  - (3) the Issuer is relieved from certain obligations that would otherwise apply under the Applicable Securities Laws;
- ii) the Purchaser is purchasing the Shares as principal for its own account and not for the benefit of any other person and not with a view to the resale or distribution of all or any of the Shares; and if the Purchaser is a “portfolio manager” as defined under the Applicable Securities Laws, the Purchaser understands that it is deemed by the Applicable Securities Laws to be acting as principal when it purchases or sells as an agent for accounts that are fully managed by it;
- iii) if applicable, the Purchaser will execute and deliver to the Issuer for filing with the Toronto Stock Exchange, the Corporate Placee Registration Form, and any equivalent or other form required by the American Stock Exchange;
- iv) the Purchaser is either one or more of the following:
  - (i) an “accredited investor” as defined under Multilateral Instrument 45-103 (if applicable, the Purchaser has signed and delivered to the Issuer an Accredited Investor Certificate);
  - (ii) a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (iii) a spouse, parent, grandparent, brother, sister or child of a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (iv) a close personal friend of a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (v) a close business associate of a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (vi) a person or company that is wholly-owned by any combination of persons or companies described in sub-paragraphs (ii) to (v) above;
  - (vii) an employee, senior officer or director of the Issuer, provided that the Purchaser has not been induced to purchase the Shares by expectation of employment or continued employment, or otherwise required by the Issuer to purchase the securities;

- (viii) a resident of British Columbia and acknowledges receipt of an Offering Memorandum in the required form, and if applicable the Purchaser has signed and delivered to the Issuer a risk acknowledgment (the "Acknowledgment"); or
  - (ix) a resident of Alberta and acknowledges receipt of an Offering Memorandum in the required form, and the Purchaser has signed and delivered to the Issuer the Acknowledgment, and either the Purchaser is an "eligible investor" as defined under Multilateral Instrument 45-103, or the aggregate acquisition cost of the Shares being purchased does not exceed \$10,000;
- v) the Purchaser is purchasing the Shares under the exemption from prospectus requirements available under section 74(2)(4) of the BC Act and the Purchaser is not a syndicate, partnership or other form of unincorporated entity or organization created solely to permit the purchase of the Shares by a group of individuals whose individual share of the aggregate acquisition cost of the Shares is not less than \$97,000 (Cdn.);
- vi) the representations, warranties and statements of fact made by the Purchaser herein, and in the Acknowledgment and the Corporate Placee Registration Form (if either or both are required) are true and correct as of the date hereof and will be true on the Closing Date;
- vii) the Shares were not offered to the Purchaser through an advertisement in printed media of general and regular paid circulation, radio or television;
- viii) the offer made by this subscription is irrevocable and requires acceptance by the Issuer and the approval of the Exchanges;
- ix) the Shares have not been, and will not be, registered under the United States *Securities Act of 1933*, as amended. Accordingly, any offer or sales in the United States or to such nationals or residents thereof must be pursuant to the registration requirements of the *Securities Act of 1933*, as amended, or an exemption therefrom. The Issuer does not make any representation with respect to, nor has it assumed any responsibility for, the registration of the Shares or the availability of any such exemption; and the Issuer does not make any representation as to when, if at any time, the Shares may be resold in the United States or to such nationals or residents thereof;
- x) this subscription has not been solicited in any manner contrary to Applicable Securities Laws or the United States *Securities Act of 1933*, as amended;
- xi) no person has made to the Purchaser any written or oral representation:
  - (1) that any person will resell or repurchase any of the Shares;
  - (2) that any person will refund the purchase price of any of the Shares; or
  - (3) as to the future price or value of any of the Shares; or
- xii) the Purchaser is not a "control person" of the Issuer as defined in the Applicable Securities Laws and will not become a "control person" by virtue of the purchase of the Shares and does not intend to act in concert with any other person to form a control group;
- xiii) the Purchaser has no knowledge of a "material fact" or "material change" (as those terms are defined in the Applicable Securities Laws) in the affairs of the Issuer that has not been generally disclosed to the public, save knowledge of this particular transaction;
- xiv) the purchase of the Shares has been privately negotiated and arranged and the Purchaser or his agent has been invited and afforded the opportunity to conduct a review of all of

the Issuer's affairs and records in order that the Purchaser may be properly and fully aware of all of the facts relevant to the Issuer's affairs;

- xv) the Purchaser has sought and obtained independent legal advice regarding the purchase and re-sale of the Shares under the Applicable Securities Laws;
- xvi) the Toronto Stock Exchange requires that the Shares must be unconditionally held for a period of four (4) months from the Closing Date;
- xvii) unless the Purchaser is otherwise exempted under the Applicable Securities Laws, the Shares must be unconditionally held for a period of four (4) months from the Closing Date, except as may be otherwise permitted by the Applicable Securities Laws and, if the Purchaser is a resident of a jurisdiction other than British Columbia, the Shares may be subject to additional re-sale restrictions; and if the Purchaser is a resident of the United States of America, the Shares will be subject to resale restrictions pursuant to Rule 144 promulgated under the United States *Securities Act of 1933*;
- xviii) resale of the Shares will be subject to additional resale restrictions beyond the hold periods described immediately above if:
  - (1) the Purchaser is an insider of the Issuer, other than a director or officer, and has not filed all insider trading reports or personal information forms required to be filed under the Applicable Securities Laws;
  - (2) the Purchaser is a director or officer of the Issuer and has not filed all insider trading reports or personal information forms required to be filed under the Applicable Securities Laws or the Issuer has not filed all records required to be filed under Part 12 (continuous disclosure) of the Applicable Securities Laws;
  - (3) the Purchaser is, or subsequently becomes, a control person within the meaning of the Applicable Securities Laws;
  - (4) any unusual effort is made to prepare the market or create a demand for the securities; or
  - (5) an extraordinary commission or consideration is paid in respect of the trade;
- xix) the certificates representing the Shares will contain a legend or legends denoting restrictions on transfer as referred to herein and, where applicable, the resale restrictions under Rule 144 of the United States *Securities Act of 1933*;
- xx) the Purchaser has the legal capacity and competence to enter into and to execute and deliver this Subscription Agreement and to take all actions required pursuant hereto, and the Purchaser is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation and all necessary approvals by its directors, shareholders and others have been given to authorize execution of this Subscription Agreement on behalf of the Purchaser;
- xxi) the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in the violation of any of the terms and provisions of any law applicable to, or the constating documents of, the Purchaser or of any agreement, written or oral, to which the Purchaser may be a party or by which the Purchaser is or may be bound; and
- xxii) this Subscription Agreement has been duly executed and delivered by the Purchaser and constitutes a valid obligation of the Purchaser legally binding upon the Purchaser and enforceable against the Purchaser in accordance with its terms.

b) The representations, warranties, covenants and acknowledgments of the Purchaser contained in this Subscription Agreement are made by the Purchaser with the intent that they may be relied upon by the Issuer in determining the Purchaser's eligibility to purchase the Shares hereunder and the Purchaser hereby agrees to indemnify the Issuer against all losses, claims, costs, expenses and damages or liabilities which it may suffer or incur, caused or arising from its reliance thereon and the Purchaser further agrees that by accepting the Shares, the Purchaser shall be representing and warranting that such representations, warranties, covenants and acknowledgments are true as at the Closing Date with the same force and effect as if they had been made by the Purchaser at the Closing Date and that they shall survive the purchase by the Purchaser of the Shares and shall continue in full force and effect notwithstanding any subsequent disposition by the Purchaser of the Shares.

c) The Issuer represents and warrants as at the date hereof and as at the Closing Date, that:

- i) the Issuer and its subsidiaries, if any, are valid and subsisting corporations duly incorporated and in good standing under the laws of the jurisdiction of their incorporation;
- ii) the Issuer will reserve or set aside sufficient Shares in the treasury of the Issuer to issue the Shares;
- iii) the Issuer is a "reporting issuer" as defined under the Applicable Securities Laws, and is not on the list of defaulting issuers maintained by the Commissions;
- iv) the Issuer is a "qualifying issuer", as that term is defined under Multilateral Instrument 45-106, and has filed a current Annual Information Form with the Commissions;
- v) the Issuer shall use its best efforts to diligently seek and obtain the acceptance for filing of this Subscription Agreement by the Exchanges and will make all filings necessary to obtain the exemptions from registration and prospectus requirements available under the Applicable Securities Laws respectively in respect of the transaction contemplated hereby;
- vi) the issuance and sale of the Shares by the Issuer does not and will not conflict with and does not and will not result in a breach of any of the terms, conditions or provisions of its constituting documents or any agreement or instrument to which the Issuer is a party;
- vii) this Subscription Agreement has been duly authorized by all necessary corporate action on the part of the Issuer and constitutes a valid obligation of the Issuer legally binding upon it and enforceable in accordance with its terms;

### 3) **CLOSING DATE**

a) The closing of the transaction contemplated by this Subscription Agreement will take place within five business days of the receipt by the Issuer of final acceptance for filing by the Exchanges of this Subscription Agreement (the date of closing being referred to herein as the "Closing Date").

b) Upon execution of this Subscription Agreement, the Purchaser shall deliver to the Issuer a certified cheque or banker's draft for the total purchase price of the Shares or wire transfer the funds to a mutually acceptable escrow agent.

c) On the Closing Date, the Issuer will deliver to the Purchaser, against payment for the Shares, the certificate representing the Shares registered in the name of the Purchaser or the Purchaser's nominee.

d) On the Closing Date, the Issuer will deliver to the Purchaser such copies of approvals or other documents as the Purchaser may reasonably request.

e) The acknowledgments, representations and warranties of the Purchaser and the Issuer herein shall survive the Closing Date.

4) **HOLD PERIODS**

a) The Purchaser acknowledges that the Shares may not be traded in British Columbia or Ontario for a period of four months from the date hereof, except as may be otherwise permitted by the Applicable Securities Laws, and that the Shares are also subject to a four (4) month hold period under the policies of the Toronto Stock Exchange. The certificates representing the Shares will contain a legend denoting the restrictions on transfer imposed by the Applicable Securities Laws and the Exchanges, and where applicable, Rule 144 of the United States *Securities Act of 1933*. The Purchaser agrees to sell, assign or transfer the Shares only in accordance with the requirements of the Applicable Securities Laws and the Exchanges.

5) **POWER OF ATTORNEY**

a) Effective upon the acceptance by the Issuer of this Agreement, the Purchaser:

- (a) irrevocably appoints the President or Secretary of the Issuer (the “Attorney”) as the Purchaser’s attorney and agent, with full power of substitution, to execute, swear to, acknowledge, deliver, make, file, amend and record when and as necessary, any instrument, pooling agreement, acknowledgment, undertaking, direction or other document required to be filed by the Issuer or the Purchaser with any competent securities regulatory authority or stock exchange in connection with the purchase and sale of the Shares, or necessary, in the opinion of the Attorney, to complete or perfect the transactions contemplated by this Agreement, including without limitation, any required corrections or insertions necessary to complete the attached form of Corporate Placee Registration Form and Acknowledgment if required under the Applicable Securities Laws;
- (b) declares that the power of attorney hereby granted is irrevocable and will survive the death, incapacity or bankruptcy of the Purchaser and will extend to and bind the Purchaser and the Purchaser’s heirs, assigns, executors, trustees in bankruptcy or other legal representatives or successors; and
- (c) agrees to be bound by any representations made or actions taken by the Attorney if such representations or actions are made or taken in good faith and in accordance with the power of attorney hereby granted, and the Purchaser waives any and all defences which may be available to the Purchaser to deny, contest, or disaffirm any such representations or actions.

6) **MISCELLANEOUS**

a) Upon acceptance of the subscription contained herein by the Issuer, this Subscription Agreement shall constitute a valid and binding agreement between the parties, subject only to the approval thereof by the Exchanges.

b) The parties to this Subscription Agreement will execute and deliver all such further and other deeds, documents and assurances, and will perform all such further and other acts as may, in the opinion of counsel for the Issuer, be necessary for the purposes of giving effect to or perfecting the transaction contemplated by this Subscription Agreement.

c) This Subscription Agreement constitutes the entire agreement between the parties and there are no representations, warranties or collateral agreements, express or implied, other than as expressly set forth herein.

d) The parties to this Subscription Agreement may amend this Subscription Agreement only in writing.

e) Time is of the essence of this Subscription Agreement and will be calculated in accordance with the provisions of the *Interpretation Act* (British Columbia).

f) This Subscription Agreement will be governed by and construed in accordance with the laws of British Columbia and the parties hereby irrevocably attorn to the jurisdiction of the Courts of such Province.

g) A party to this Subscription Agreement will give all notices to or other written communications with the other party to this Subscription Agreement concerning this Subscription Agreement by hand or by registered mail addressed to the address given above.

h) This Subscription Agreement shall enure to the benefit of and is binding upon the parties to this Subscription Agreement and their successors and permitted assigns.

IN WITNESS WHEREOF the parties have executed and delivered this Subscription Agreement on the date first above written.

Purchaser:

*Signed: James Sinclair*

**JAMES E. SINCLAIR**  
99 Amenia Union Road,  
Sharon, Connecticut, U.S.A., 06069

*Signed: Helen Hansen*  
Witness

ACCEPTED BY the Issuer as of and from the date first above written.

**TANZANIAN ROYALTY EXPLORATION CORPORATION**

By: *signed: Regina Kuo-Lee*  
Authorized Signatory

**PRIVATE PLACEMENT SUBSCRIPTION AGREEMENT**

**THIS SUBSCRIPTION AGREEMENT** is made on the 15th day of July, 2008.

BETWEEN:

**TANZANIAN ROYALTY EXPLORATION CORPORATION**, of Suite 404  
- 1688 152nd Street, South Surrey, British Columbia, V4A 4N2

(the "Issuer")

OF THE FIRST PART

AND:

**JAMES E. SINCLAIR**, of 99 Amenia Union Road, Sharon, Connecticut,  
U.S.A., 06069

Telephone: (860) 364-1830

E-mail: [trechairman108@mac.com](mailto:trechairman108@mac.com)

(the "Purchaser")

OF THE SECOND PART

WHEREAS:

A. The Issuer's common shares are listed on the Toronto Stock Exchange and the American Stock Exchange (collectively, the "Exchanges") and the Issuer is subject to the regulatory jurisdiction of the Exchanges and each of the British Columbia, Alberta and Ontario Securities Commissions (collectively, the "Commissions");

B. The Purchaser currently holds 3,158,192 common shares of the Issuer.

THE PARTIES to this Agreement agree as follows:

7) **SUBSCRIPTION**

a) The Purchaser hereby subscribes for and agrees to purchase from the Issuer 184,843 common shares in the capital stock of the Issuer (the "Shares"), at a price of \$5.41 per Share, which is the greater of the five-day weighted-average trading price of the Issuer's common shares on the Toronto Stock Exchange for the period ended July 14, 2008 of \$5.101 and the closing price of the Issuer's common shares on the Toronto Stock Exchange on July 14, 2008 of \$5.41. Total consideration is \$1,000,000.

b) This is a subscription only and will not become an agreement between the Issuer and the Purchaser until this subscription is accepted, in writing, by the Issuer. A reference to this "Subscription Agreement" or this "Agreement" in this subscription refers to this subscription and the agreement formed on acceptance by the Issuer. The Purchaser waives the necessity for the Issuer to communicate acceptance of this subscription and acknowledges that this subscription will become a binding agreement on acceptance by the Issuer.

c) The Purchaser shall pay for the Shares upon its execution of this Subscription Agreement by delivery in accordance with the provisions of Section 3.2 below, or shall make payment in such other manner as is acceptable to the Issuer, failing which the Issuer shall have the right to rescind this Subscription Agreement, in addition to any other legal rights it may have.

8) **ACKNOWLEDGMENTS, REPRESENTATIONS AND WARRANTIES**

a) The Purchaser acknowledges, represents and warrants, as at the date hereof and as at the Closing Date, that:

- i) no prospectus has been filed by the Issuer with the Commissions in connection with the issuance of the Shares, the issuance is exempted from the prospectus requirements of the *Securities Act* of British Columbia and the *Securities Act* of Alberta and the *Securities Act* of Ontario and the respective rules and regulations thereto (hereinafter collectively referred to as the “Applicable Securities Laws”), and that:
  - (1) the Purchaser is restricted from using most of the civil remedies available under the Applicable Securities Laws;
  - (2) the Purchaser may not receive information that would otherwise be required to be provided to the Purchaser under the Applicable Securities Laws; and
  - (3) the Issuer is relieved from certain obligations that would otherwise apply under the Applicable Securities Laws;
- ii) the Purchaser is purchasing the Shares as principal for its own account and not for the benefit of any other person and not with a view to the resale or distribution of all or any of the Shares; and if the Purchaser is a “portfolio manager” as defined under the Applicable Securities Laws, the Purchaser understands that it is deemed by the Applicable Securities Laws to be acting as principal when it purchases or sells as an agent for accounts that are fully managed by it;
- iii) if applicable, the Purchaser will execute and deliver to the Issuer for filing with the Toronto Stock Exchange, the Corporate Placee Registration Form, and any equivalent or other form required by the American Stock Exchange;
- iv) the Purchaser is either one or more of the following:
  - (i) an “accredited investor” as defined under Multilateral Instrument 45-103 (if applicable, the Purchaser has signed and delivered to the Issuer an Accredited Investor Certificate);
  - (ii) a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (iii) a spouse, parent, grandparent, brother, sister or child of a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (iv) a close personal friend of a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (v) a close business associate of a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (vi) a person or company that is wholly-owned by any combination of persons or companies described in sub-paragraphs (ii) to (v) above;
  - (vii) an employee, senior officer or director of the Issuer, provided that the Purchaser has not been induced to purchase the Shares by expectation of employment or continued employment, or otherwise required by the Issuer to purchase the securities;

- (viii) a resident of British Columbia and acknowledges receipt of an Offering Memorandum in the required form, and if applicable the Purchaser has signed and delivered to the Issuer a risk acknowledgment (the "Acknowledgment"); or
  - (ix) a resident of Alberta and acknowledges receipt of an Offering Memorandum in the required form, and the Purchaser has signed and delivered to the Issuer the Acknowledgment, and either the Purchaser is an "eligible investor" as defined under Multilateral Instrument 45-103, or the aggregate acquisition cost of the Shares being purchased does not exceed \$10,000;
- v) the Purchaser is purchasing the Shares under the exemption from prospectus requirements available under section 74(2)(4) of the BC Act and the Purchaser is not a syndicate, partnership or other form of unincorporated entity or organization created solely to permit the purchase of the Shares by a group of individuals whose individual share of the aggregate acquisition cost of the Shares is not less than \$97,000 (Cdn.);
- vi) the representations, warranties and statements of fact made by the Purchaser herein, and in the Acknowledgment and the Corporate Placee Registration Form (if either or both are required) are true and correct as of the date hereof and will be true on the Closing Date;
- vii) the Shares were not offered to the Purchaser through an advertisement in printed media of general and regular paid circulation, radio or television;
- viii) the offer made by this subscription is irrevocable and requires acceptance by the Issuer and the approval of the Exchanges;
- ix) the Shares have not been, and will not be, registered under the United States *Securities Act of 1933*, as amended. Accordingly, any offer or sales in the United States or to such nationals or residents thereof must be pursuant to the registration requirements of the *Securities Act of 1933*, as amended, or an exemption therefrom. The Issuer does not make any representation with respect to, nor has it assumed any responsibility for, the registration of the Shares or the availability of any such exemption; and the Issuer does not make any representation as to when, if at any time, the Shares may be resold in the United States or to such nationals or residents thereof;
- x) this subscription has not been solicited in any manner contrary to Applicable Securities Laws or the United States *Securities Act of 1933*, as amended;
- xi) no person has made to the Purchaser any written or oral representation:
  - (1) that any person will resell or repurchase any of the Shares;
  - (2) that any person will refund the purchase price of any of the Shares; or
  - (3) as to the future price or value of any of the Shares; or
- xii) the Purchaser is not a "control person" of the Issuer as defined in the Applicable Securities Laws and will not become a "control person" by virtue of the purchase of the Shares and does not intend to act in concert with any other person to form a control group;
- xiii) the Purchaser has no knowledge of a "material fact" or "material change" (as those terms are defined in the Applicable Securities Laws) in the affairs of the Issuer that has not been generally disclosed to the public, save knowledge of this particular transaction;
- xiv) the purchase of the Shares has been privately negotiated and arranged and the Purchaser or his agent has been invited and afforded the opportunity to conduct a review of all of

the Issuer's affairs and records in order that the Purchaser may be properly and fully aware of all of the facts relevant to the Issuer's affairs;

- xv) the Purchaser has sought and obtained independent legal advice regarding the purchase and re-sale of the Shares under the Applicable Securities Laws;
- xvi) the Toronto Stock Exchange requires that the Shares must be unconditionally held for a period of four (4) months from the Closing Date;
- xvii) unless the Purchaser is otherwise exempted under the Applicable Securities Laws, the Shares must be unconditionally held for a period of four (4) months from the Closing Date, except as may be otherwise permitted by the Applicable Securities Laws and, if the Purchaser is a resident of a jurisdiction other than British Columbia, the Shares may be subject to additional re-sale restrictions; and if the Purchaser is a resident of the United States of America, the Shares will be subject to resale restrictions pursuant to Rule 144 promulgated under the United States *Securities Act of 1933*;
- xviii) resale of the Shares will be subject to additional resale restrictions beyond the hold periods described immediately above if:
  - (1) the Purchaser is an insider of the Issuer, other than a director or officer, and has not filed all insider trading reports or personal information forms required to be filed under the Applicable Securities Laws;
  - (2) the Purchaser is a director or officer of the Issuer and has not filed all insider trading reports or personal information forms required to be filed under the Applicable Securities Laws or the Issuer has not filed all records required to be filed under Part 12 (continuous disclosure) of the Applicable Securities Laws;
  - (3) the Purchaser is, or subsequently becomes, a control person within the meaning of the Applicable Securities Laws;
  - (4) any unusual effort is made to prepare the market or create a demand for the securities; or
  - (5) an extraordinary commission or consideration is paid in respect of the trade;
- xix) the certificates representing the Shares will contain a legend or legends denoting restrictions on transfer as referred to herein and, where applicable, the resale restrictions under Rule 144 of the United States *Securities Act of 1933*;
- xx) the Purchaser has the legal capacity and competence to enter into and to execute and deliver this Subscription Agreement and to take all actions required pursuant hereto, and the Purchaser is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation and all necessary approvals by its directors, shareholders and others have been given to authorize execution of this Subscription Agreement on behalf of the Purchaser;
- xxi) the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in the violation of any of the terms and provisions of any law applicable to, or the constating documents of, the Purchaser or of any agreement, written or oral, to which the Purchaser may be a party or by which the Purchaser is or may be bound; and
- xxii) this Subscription Agreement has been duly executed and delivered by the Purchaser and constitutes a valid obligation of the Purchaser legally binding upon the Purchaser and enforceable against the Purchaser in accordance with its terms.

b) The representations, warranties, covenants and acknowledgments of the Purchaser contained in this Subscription Agreement are made by the Purchaser with the intent that they may be relied upon by the Issuer in determining the Purchaser's eligibility to purchase the Shares hereunder and the Purchaser hereby agrees to indemnify the Issuer against all losses, claims, costs, expenses and damages or liabilities which it may suffer or incur, caused or arising from its reliance thereon and the Purchaser further agrees that by accepting the Shares, the Purchaser shall be representing and warranting that such representations, warranties, covenants and acknowledgments are true as at the Closing Date with the same force and effect as if they had been made by the Purchaser at the Closing Date and that they shall survive the purchase by the Purchaser of the Shares and shall continue in full force and effect notwithstanding any subsequent disposition by the Purchaser of the Shares.

c) The Issuer represents and warrants as at the date hereof and as at the Closing Date, that:

- i) the Issuer and its subsidiaries, if any, are valid and subsisting corporations duly incorporated and in good standing under the laws of the jurisdiction of their incorporation;
- ii) the Issuer will reserve or set aside sufficient Shares in the treasury of the Issuer to issue the Shares;
- iii) the Issuer is a "reporting issuer" as defined under the Applicable Securities Laws, and is not on the list of defaulting issuers maintained by the Commissions;
- iv) the Issuer is a "qualifying issuer", as that term is defined under Multilateral Instrument 45-106, and has filed a current Annual Information Form with the Commissions;
- v) the Issuer shall use its best efforts to diligently seek and obtain the acceptance for filing of this Subscription Agreement by the Exchanges and will make all filings necessary to obtain the exemptions from registration and prospectus requirements available under the Applicable Securities Laws respectively in respect of the transaction contemplated hereby;
- vi) the issuance and sale of the Shares by the Issuer does not and will not conflict with and does not and will not result in a breach of any of the terms, conditions or provisions of its constituting documents or any agreement or instrument to which the Issuer is a party;
- vii) this Subscription Agreement has been duly authorized by all necessary corporate action on the part of the Issuer and constitutes a valid obligation of the Issuer legally binding upon it and enforceable in accordance with its terms;

9) **CLOSING DATE**

a) The closing of the transaction contemplated by this Subscription Agreement will take place within five business days of the receipt by the Issuer of final acceptance for filing by the Exchanges of this Subscription Agreement (the date of closing being referred to herein as the "Closing Date").

b) Upon execution of this Subscription Agreement, the Purchaser shall deliver to the Issuer a certified cheque or banker's draft for the total purchase price of the Shares or wire transfer the funds to a mutually acceptable escrow agent.

c) On the Closing Date, the Issuer will deliver to the Purchaser, against payment for the Shares, the certificate representing the Shares registered in the name of the Purchaser or the Purchaser's nominee.

d) On the Closing Date, the Issuer will deliver to the Purchaser such copies of approvals or other documents as the Purchaser may reasonably request.

e) The acknowledgments, representations and warranties of the Purchaser and the Issuer herein shall survive the Closing Date.

10) **HOLD PERIODS**

a) The Purchaser acknowledges that the Shares may not be traded in British Columbia or Ontario for a period of four months from the date hereof, except as may be otherwise permitted by the Applicable Securities Laws, and that the Shares are also subject to a four (4) month hold period under the policies of the Toronto Stock Exchange. The certificates representing the Shares will contain a legend denoting the restrictions on transfer imposed by the Applicable Securities Laws and the Exchanges, and where applicable, Rule 144 of the United States *Securities Act of 1933*. The Purchaser agrees to sell, assign or transfer the Shares only in accordance with the requirements of the Applicable Securities Laws and the Exchanges.

11) **POWER OF ATTORNEY**

a) Effective upon the acceptance by the Issuer of this Agreement, the Purchaser:

- (a) irrevocably appoints the President or Secretary of the Issuer (the “Attorney”) as the Purchaser’s attorney and agent, with full power of substitution, to execute, swear to, acknowledge, deliver, make, file, amend and record when and as necessary, any instrument, pooling agreement, acknowledgment, undertaking, direction or other document required to be filed by the Issuer or the Purchaser with any competent securities regulatory authority or stock exchange in connection with the purchase and sale of the Shares, or necessary, in the opinion of the Attorney, to complete or perfect the transactions contemplated by this Agreement, including without limitation, any required corrections or insertions necessary to complete the attached form of Corporate Placee Registration Form and Acknowledgment if required under the Applicable Securities Laws;
- (b) declares that the power of attorney hereby granted is irrevocable and will survive the death, incapacity or bankruptcy of the Purchaser and will extend to and bind the Purchaser and the Purchaser’s heirs, assigns, executors, trustees in bankruptcy or other legal representatives or successors; and
- (c) agrees to be bound by any representations made or actions taken by the Attorney if such representations or actions are made or taken in good faith and in accordance with the power of attorney hereby granted, and the Purchaser waives any and all defences which may be available to the Purchaser to deny, contest, or disaffirm any such representations or actions.

12) **MISCELLANEOUS**

a) Upon acceptance of the subscription contained herein by the Issuer, this Subscription Agreement shall constitute a valid and binding agreement between the parties, subject only to the approval thereof by the Exchanges.

b) The parties to this Subscription Agreement will execute and deliver all such further and other deeds, documents and assurances, and will perform all such further and other acts as may, in the opinion of counsel for the Issuer, be necessary for the purposes of giving effect to or perfecting the transaction contemplated by this Subscription Agreement.

c) This Subscription Agreement constitutes the entire agreement between the parties and there are no representations, warranties or collateral agreements, express or implied, other than as expressly set forth herein.

d) The parties to this Subscription Agreement may amend this Subscription Agreement only in writing.

e) Time is of the essence of this Subscription Agreement and will be calculated in accordance with the provisions of the *Interpretation Act* (British Columbia).

f) This Subscription Agreement will be governed by and construed in accordance with the laws of British Columbia and the parties hereby irrevocably attorn to the jurisdiction of the Courts of such Province.

g) A party to this Subscription Agreement will give all notices to or other written communications with the other party to this Subscription Agreement concerning this Subscription Agreement by hand or by registered mail addressed to the address given above.

h) This Subscription Agreement shall enure to the benefit of and is binding upon the parties to this Subscription Agreement and their successors and permitted assigns.

IN WITNESS WHEREOF the parties have executed and delivered this Subscription Agreement on the date first above written.

Purchaser:

*Signed: James E. Sinclair*

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Witness *signed: Victoria M. Luis*

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**JAMES E. SINCLAIR**  
99 Amenia Union Road,  
Sharon, Connecticut, U.S.A., 06069

ACCEPTED BY the Issuer as of and from the date first above written.

**TANZANIAN ROYALTY EXPLORATION CORPORATION**

By: *signed: Regina Kuo-Lee*  
Authorized Signatory

**PRIVATE PLACEMENT SUBSCRIPTION AGREEMENT**

**THIS SUBSCRIPTION AGREEMENT** is made on the 1st day of May, 2008.

BETWEEN:

**TANZANIAN ROYALTY EXPLORATION CORPORATION**, of Suite 404  
- 1688 152nd Street, South Surrey, British Columbia, V4A 4N2

(the "Issuer")

OF THE FIRST PART

AND:

**JAMES E. SINCLAIR**, of 99 Amenia Union Road, Sharon, Connecticut,  
U.S.A., 06069

Telephone: (860) 364-1830

E-mail: [trechairman108@mac.com](mailto:trechairman108@mac.com)

(the "Purchaser")

OF THE SECOND PART

WHEREAS:

A. The Issuer's common shares are listed on the Toronto Stock Exchange and the American Stock Exchange (collectively, the "Exchanges") and the Issuer is subject to the regulatory jurisdiction of the Exchanges and each of the British Columbia, Alberta and Ontario Securities Commissions (collectively, the "Commissions");

B. The Purchaser currently holds 2,893,090 common shares of the Issuer.

THE PARTIES to this Agreement agree as follows:

13) **SUBSCRIPTION**

a) The Purchaser hereby subscribes for and agrees to purchase from the Issuer 332,434 common shares in the capital stock of the Issuer (the "Shares"), at a price of \$5.189 per Share, which is the greater of the five-day weighted-average trading price of the Issuer's common shares on the Toronto Stock Exchange for the period ended April 30, 2008 of \$5.189 and the closing price of the Issuer's common shares on the Toronto Stock Exchange on April 30, 2008 of \$5.13. Total consideration is \$1,725,000.00.

b) This is a subscription only and will not become an agreement between the Issuer and the Purchaser until this subscription is accepted, in writing, by the Issuer. A reference to this "Subscription Agreement" or this "Agreement" in this subscription refers to this subscription and the agreement formed on acceptance by the Issuer. The Purchaser waives the necessity for the Issuer to communicate acceptance of this subscription and acknowledges that this subscription will become a binding agreement on acceptance by the Issuer.

c) The Purchaser shall pay for the Shares upon its execution of this Subscription Agreement by delivery in accordance with the provisions of Section 3.2 below, or shall make payment in such other manner as is acceptable to the Issuer, failing which the Issuer shall have the right to rescind this Subscription Agreement, in addition to any other legal rights it may have.

14) **ACKNOWLEDGMENTS, REPRESENTATIONS AND WARRANTIES**

a) The Purchaser acknowledges, represents and warrants, as at the date hereof and as at the Closing Date, that:

- i) no prospectus has been filed by the Issuer with the Commissions in connection with the issuance of the Shares, the issuance is exempted from the prospectus requirements of the *Securities Act* of British Columbia and the *Securities Act* of Alberta and the *Securities Act* of Ontario and the respective rules and regulations thereto (hereinafter collectively referred to as the “Applicable Securities Laws”), and that:
  - (1) the Purchaser is restricted from using most of the civil remedies available under the Applicable Securities Laws;
  - (2) the Purchaser may not receive information that would otherwise be required to be provided to the Purchaser under the Applicable Securities Laws; and
  - (3) the Issuer is relieved from certain obligations that would otherwise apply under the Applicable Securities Laws;
- ii) the Purchaser is purchasing the Shares as principal for its own account and not for the benefit of any other person and not with a view to the resale or distribution of all or any of the Shares; and if the Purchaser is a “portfolio manager” as defined under the Applicable Securities Laws, the Purchaser understands that it is deemed by the Applicable Securities Laws to be acting as principal when it purchases or sells as an agent for accounts that are fully managed by it;
- iii) if applicable, the Purchaser will execute and deliver to the Issuer for filing with the Toronto Stock Exchange, the Corporate Placee Registration Form, and any equivalent or other form required by the American Stock Exchange;
- iv) the Purchaser is either one or more of the following:
  - (i) an “accredited investor” as defined under Multilateral Instrument 45-103 (if applicable, the Purchaser has signed and delivered to the Issuer an Accredited Investor Certificate);
  - (ii) a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (iii) a spouse, parent, grandparent, brother, sister or child of a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (iv) a close personal friend of a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (v) a close business associate of a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (vi) a person or company that is wholly-owned by any combination of persons or companies described in sub-paragraphs (ii) to (v) above;
  - (vii) an employee, senior officer or director of the Issuer, provided that the Purchaser has not been induced to purchase the Shares by expectation of employment or continued employment, or otherwise required by the Issuer to purchase the securities;

- (viii) a resident of British Columbia and acknowledges receipt of an Offering Memorandum in the required form, and if applicable the Purchaser has signed and delivered to the Issuer a risk acknowledgment (the "Acknowledgment"); or
  - (ix) a resident of Alberta and acknowledges receipt of an Offering Memorandum in the required form, and the Purchaser has signed and delivered to the Issuer the Acknowledgment, and either the Purchaser is an "eligible investor" as defined under Multilateral Instrument 45-103, or the aggregate acquisition cost of the Shares being purchased does not exceed \$10,000;
- v) the Purchaser is purchasing the Shares under the exemption from prospectus requirements available under section 74(2)(4) of the BC Act and the Purchaser is not a syndicate, partnership or other form of unincorporated entity or organization created solely to permit the purchase of the Shares by a group of individuals whose individual share of the aggregate acquisition cost of the Shares is not less than \$97,000 (Cdn.);
- vi) the representations, warranties and statements of fact made by the Purchaser herein, and in the Acknowledgment and the Corporate Placee Registration Form (if either or both are required) are true and correct as of the date hereof and will be true on the Closing Date;
- vii) the Shares were not offered to the Purchaser through an advertisement in printed media of general and regular paid circulation, radio or television;
- viii) the offer made by this subscription is irrevocable and requires acceptance by the Issuer and the approval of the Exchanges;
- ix) the Shares have not been, and will not be, registered under the United States *Securities Act of 1933*, as amended. Accordingly, any offer or sales in the United States or to such nationals or residents thereof must be pursuant to the registration requirements of the *Securities Act of 1933*, as amended, or an exemption therefrom. The Issuer does not make any representation with respect to, nor has it assumed any responsibility for, the registration of the Shares or the availability of any such exemption; and the Issuer does not make any representation as to when, if at any time, the Shares may be resold in the United States or to such nationals or residents thereof;
- x) this subscription has not been solicited in any manner contrary to Applicable Securities Laws or the United States *Securities Act of 1933*, as amended;
- xi) no person has made to the Purchaser any written or oral representation:
  - (1) that any person will resell or repurchase any of the Shares;
  - (2) that any person will refund the purchase price of any of the Shares; or
  - (3) as to the future price or value of any of the Shares; or
- xii) the Purchaser is not a "control person" of the Issuer as defined in the Applicable Securities Laws and will not become a "control person" by virtue of the purchase of the Shares and does not intend to act in concert with any other person to form a control group;
- xiii) the Purchaser has no knowledge of a "material fact" or "material change" (as those terms are defined in the Applicable Securities Laws) in the affairs of the Issuer that has not been generally disclosed to the public, save knowledge of this particular transaction;
- xiv) the purchase of the Shares has been privately negotiated and arranged and the Purchaser or his agent has been invited and afforded the opportunity to conduct a review of all of

the Issuer's affairs and records in order that the Purchaser may be properly and fully aware of all of the facts relevant to the Issuer's affairs;

- xv) the Purchaser has sought and obtained independent legal advice regarding the purchase and re-sale of the Shares under the Applicable Securities Laws;
- xvi) the Toronto Stock Exchange requires that the Shares must be unconditionally held for a period of four (4) months from the Closing Date;
- xvii) unless the Purchaser is otherwise exempted under the Applicable Securities Laws, the Shares must be unconditionally held for a period of four (4) months from the Closing Date, except as may be otherwise permitted by the Applicable Securities Laws and, if the Purchaser is a resident of a jurisdiction other than British Columbia, the Shares may be subject to additional re-sale restrictions; and if the Purchaser is a resident of the United States of America, the Shares will be subject to resale restrictions pursuant to Rule 144 promulgated under the United States *Securities Act of 1933*;
- xviii) resale of the Shares will be subject to additional resale restrictions beyond the hold periods described immediately above if:
  - (1) the Purchaser is an insider of the Issuer, other than a director or officer, and has not filed all insider trading reports or personal information forms required to be filed under the Applicable Securities Laws;
  - (2) the Purchaser is a director or officer of the Issuer and has not filed all insider trading reports or personal information forms required to be filed under the Applicable Securities Laws or the Issuer has not filed all records required to be filed under Part 12 (continuous disclosure) of the Applicable Securities Laws;
  - (3) the Purchaser is, or subsequently becomes, a control person within the meaning of the Applicable Securities Laws;
  - (4) any unusual effort is made to prepare the market or create a demand for the securities; or
  - (5) an extraordinary commission or consideration is paid in respect of the trade;
- xix) the certificates representing the Shares will contain a legend or legends denoting restrictions on transfer as referred to herein and, where applicable, the resale restrictions under Rule 144 of the United States *Securities Act of 1933*;
- xx) the Purchaser has the legal capacity and competence to enter into and to execute and deliver this Subscription Agreement and to take all actions required pursuant hereto, and the Purchaser is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation and all necessary approvals by its directors, shareholders and others have been given to authorize execution of this Subscription Agreement on behalf of the Purchaser;
- xxi) the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in the violation of any of the terms and provisions of any law applicable to, or the constating documents of, the Purchaser or of any agreement, written or oral, to which the Purchaser may be a party or by which the Purchaser is or may be bound; and
- xxii) this Subscription Agreement has been duly executed and delivered by the Purchaser and constitutes a valid obligation of the Purchaser legally binding upon the Purchaser and enforceable against the Purchaser in accordance with its terms.

b) The representations, warranties, covenants and acknowledgments of the Purchaser contained in this Subscription Agreement are made by the Purchaser with the intent that they may be relied upon by the Issuer in determining the Purchaser's eligibility to purchase the Shares hereunder and the Purchaser hereby agrees to indemnify the Issuer against all losses, claims, costs, expenses and damages or liabilities which it may suffer or incur, caused or arising from its reliance thereon and the Purchaser further agrees that by accepting the Shares, the Purchaser shall be representing and warranting that such representations, warranties, covenants and acknowledgments are true as at the Closing Date with the same force and effect as if they had been made by the Purchaser at the Closing Date and that they shall survive the purchase by the Purchaser of the Shares and shall continue in full force and effect notwithstanding any subsequent disposition by the Purchaser of the Shares.

c) The Issuer represents and warrants as at the date hereof and as at the Closing Date, that:

- i) the Issuer and its subsidiaries, if any, are valid and subsisting corporations duly incorporated and in good standing under the laws of the jurisdiction of their incorporation;
- ii) the Issuer will reserve or set aside sufficient Shares in the treasury of the Issuer to issue the Shares;
- iii) the Issuer is a "reporting issuer" as defined under the Applicable Securities Laws, and is not on the list of defaulting issuers maintained by the Commissions;
- iv) the Issuer is a "qualifying issuer", as that term is defined under Multilateral Instrument 45-106, and has filed a current Annual Information Form with the Commissions;
- v) the Issuer shall use its best efforts to diligently seek and obtain the acceptance for filing of this Subscription Agreement by the Exchanges and will make all filings necessary to obtain the exemptions from registration and prospectus requirements available under the Applicable Securities Laws respectively in respect of the transaction contemplated hereby;
- vi) the issuance and sale of the Shares by the Issuer does not and will not conflict with and does not and will not result in a breach of any of the terms, conditions or provisions of its constituting documents or any agreement or instrument to which the Issuer is a party;
- vii) this Subscription Agreement has been duly authorized by all necessary corporate action on the part of the Issuer and constitutes a valid obligation of the Issuer legally binding upon it and enforceable in accordance with its terms;

15) **CLOSING DATE**

a) The closing of the transaction contemplated by this Subscription Agreement will take place within five business days of the receipt by the Issuer of final acceptance for filing by the Exchanges of this Subscription Agreement (the date of closing being referred to herein as the "Closing Date").

b) Upon execution of this Subscription Agreement, the Purchaser shall deliver to the Issuer a certified cheque or banker's draft for the total purchase price of the Shares or wire transfer the funds to a mutually acceptable escrow agent.

c) On the Closing Date, the Issuer will deliver to the Purchaser, against payment for the Shares, the certificate representing the Shares registered in the name of the Purchaser or the Purchaser's nominee.

d) On the Closing Date, the Issuer will deliver to the Purchaser such copies of approvals or other documents as the Purchaser may reasonably request.

e) The acknowledgments, representations and warranties of the Purchaser and the Issuer herein shall survive the Closing Date.

16) **HOLD PERIODS**

a) The Purchaser acknowledges that the Shares may not be traded in British Columbia or Ontario for a period of four months from the date hereof, except as may be otherwise permitted by the Applicable Securities Laws, and that the Shares are also subject to a four (4) month hold period under the policies of the Toronto Stock Exchange. The certificates representing the Shares will contain a legend denoting the restrictions on transfer imposed by the Applicable Securities Laws and the Exchanges, and where applicable, Rule 144 of the United States *Securities Act of 1933*. The Purchaser agrees to sell, assign or transfer the Shares only in accordance with the requirements of the Applicable Securities Laws and the Exchanges.

17) **POWER OF ATTORNEY**

a) Effective upon the acceptance by the Issuer of this Agreement, the Purchaser:

- (a) irrevocably appoints the President or Secretary of the Issuer (the “Attorney”) as the Purchaser’s attorney and agent, with full power of substitution, to execute, swear to, acknowledge, deliver, make, file, amend and record when and as necessary, any instrument, pooling agreement, acknowledgment, undertaking, direction or other document required to be filed by the Issuer or the Purchaser with any competent securities regulatory authority or stock exchange in connection with the purchase and sale of the Shares, or necessary, in the opinion of the Attorney, to complete or perfect the transactions contemplated by this Agreement, including without limitation, any required corrections or insertions necessary to complete the attached form of Corporate Placee Registration Form and Acknowledgment if required under the Applicable Securities Laws;
- (b) declares that the power of attorney hereby granted is irrevocable and will survive the death, incapacity or bankruptcy of the Purchaser and will extend to and bind the Purchaser and the Purchaser’s heirs, assigns, executors, trustees in bankruptcy or other legal representatives or successors; and
- (c) agrees to be bound by any representations made or actions taken by the Attorney if such representations or actions are made or taken in good faith and in accordance with the power of attorney hereby granted, and the Purchaser waives any and all defences which may be available to the Purchaser to deny, contest, or disaffirm any such representations or actions.

18) **MISCELLANEOUS**

a) Upon acceptance of the subscription contained herein by the Issuer, this Subscription Agreement shall constitute a valid and binding agreement between the parties, subject only to the approval thereof by the Exchanges.

b) The parties to this Subscription Agreement will execute and deliver all such further and other deeds, documents and assurances, and will perform all such further and other acts as may, in the opinion of counsel for the Issuer, be necessary for the purposes of giving effect to or perfecting the transaction contemplated by this Subscription Agreement.

c) This Subscription Agreement constitutes the entire agreement between the parties and there are no representations, warranties or collateral agreements, express or implied, other than as expressly set forth herein.

d) The parties to this Subscription Agreement may amend this Subscription Agreement only in writing.

e) Time is of the essence of this Subscription Agreement and will be calculated in accordance with the provisions of the *Interpretation Act* (British Columbia).

f) This Subscription Agreement will be governed by and construed in accordance with the laws of British Columbia and the parties hereby irrevocably attorn to the jurisdiction of the Courts of such Province.

g) A party to this Subscription Agreement will give all notices to or other written communications with the other party to this Subscription Agreement concerning this Subscription Agreement by hand or by registered mail addressed to the address given above.

h) This Subscription Agreement shall enure to the benefit of and is binding upon the parties to this Subscription Agreement and their successors and permitted assigns.

IN WITNESS WHEREOF the parties have executed and delivered this Subscription Agreement on the date first above written.

Purchaser:

signed: Helen Hansen  
Witness

signed: James Sinclair  
**JAMES E. SINCLAIR**  
99 Amenia Union Road,  
Sharon, Connecticut, U.S.A., 06069  
Address

ACCEPTED BY the Issuer as of and from the date first above written.

**TANZANIAN ROYALTY EXPLORATION CORPORATION**

By: signed: Regina Kuo-Lee  
Authorized Signatory

**PRIVATE PLACEMENT SUBSCRIPTION AGREEMENT**

**THIS SUBSCRIPTION AGREEMENT** is made on the 4th day of February, 2008.

BETWEEN:

**TANZANIAN ROYALTY EXPLORATION CORPORATION**, of Suite 404  
- 1688 152nd Street, South Surrey, British Columbia, V4A 4N2

(the "Issuer")

OF THE FIRST PART

AND:

**JAMES E. SINCLAIR**, of 99 Amenia Union Road, Sharon, Connecticut,  
U.S.A., 06069  
Telephone: (860) 364-1830  
E-mail: [tnxchairman108@aol.com](mailto:tnxchairman108@aol.com)

(the "Purchaser")

OF THE SECOND PART

WHEREAS:

A. The Issuer's common shares are listed on the Toronto Stock Exchange and the American Stock Exchange (collectively, the "Exchanges") and the Issuer is subject to the regulatory jurisdiction of the Exchanges and each of the British Columbia, Alberta and Ontario Securities Commissions (collectively, the "Commissions");

B. The Purchaser currently holds 2,804,678 common shares of the Issuer.

THE PARTIES to this Agreement agree as follows:

19) **SUBSCRIPTION**

a) The Purchaser hereby subscribes for and agrees to purchase from the Issuer 167,196 common shares in the capital stock of the Issuer (the "Shares"), at a price of CAD\$5.981 per Share, which is the greater of the five-day weighted-average trading price of the Issuer's common shares on the Toronto Stock Exchange for the period ended February 4, 2008 of \$5.981 and the closing price of the Issuer's common shares on the Toronto Stock Exchange on February 4, 2008 of \$5.80.

b) This is a subscription only and will not become an agreement between the Issuer and the Purchaser until this subscription is accepted, in writing, by the Issuer. A reference to this "Subscription Agreement" or this "Agreement" in this subscription refers to this subscription and the agreement formed on acceptance by the Issuer. The Purchaser waives the necessity for the Issuer to communicate acceptance of this subscription and acknowledges that this subscription will become a binding agreement on acceptance by the Issuer.

c) The Purchaser shall pay for the Shares upon its execution of this Subscription Agreement by delivery in accordance with the provisions of Section 3.2 below, or shall make payment in such other manner as is acceptable to the Issuer, failing which the Issuer shall have the right to rescind this Subscription Agreement, in addition to any other legal rights it may have.

20)

**ACKNOWLEDGMENTS, REPRESENTATIONS AND WARRANTIES**

a)  
Date, that:

The Purchaser acknowledges, represents and warrants, as at the date hereof and as at the Closing

- i) no prospectus has been filed by the Issuer with the Commissions in connection with the issuance of the Shares, the issuance is exempted from the prospectus requirements of the *Securities Act* of British Columbia and the *Securities Act* of Alberta and the *Securities Act* of Ontario and the respective rules and regulations thereto (hereinafter collectively referred to as the “Applicable Securities Laws”), and that:
  - (1) the Purchaser is restricted from using most of the civil remedies available under the Applicable Securities Laws;
  - (2) the Purchaser may not receive information that would otherwise be required to be provided to the Purchaser under the Applicable Securities Laws; and
  - (3) the Issuer is relieved from certain obligations that would otherwise apply under the Applicable Securities Laws;
- ii) the Purchaser is purchasing the Shares as principal for its own account and not for the benefit of any other person and not with a view to the resale or distribution of all or any of the Shares; and if the Purchaser is a “portfolio manager” as defined under the Applicable Securities Laws, the Purchaser understands that it is deemed by the Applicable Securities Laws to be acting as principal when it purchases or sells as an agent for accounts that are fully managed by it;
- iii) if applicable, the Purchaser will execute and deliver to the Issuer for filing with the Toronto Stock Exchange, the Corporate Placee Registration Form, and any equivalent or other form required by the American Stock Exchange;
- iv) the Purchaser is either one or more of the following:
  - (i) an “accredited investor” as defined under Multilateral Instrument 45-103 (if applicable, the Purchaser has signed and delivered to the Issuer an Accredited Investor Certificate);
  - (ii) a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (iii) a spouse, parent, grandparent, brother, sister or child of a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (iv) a close personal friend of a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (v) a close business associate of a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;
  - (vi) a person or company that is wholly-owned by any combination of persons or companies described in sub-paragraphs (ii) to (v) above;
  - (vii) an employee, senior officer or director of the Issuer, provided that the Purchaser has not been induced to purchase the Shares by expectation of employment or continued employment, or otherwise required by the Issuer to purchase the securities;

- (viii) a resident of British Columbia and acknowledges receipt of an Offering Memorandum in the required form, and if applicable the Purchaser has signed and delivered to the Issuer a risk acknowledgment (the "Acknowledgment"); or
  - (ix) a resident of Alberta and acknowledges receipt of an Offering Memorandum in the required form, and the Purchaser has signed and delivered to the Issuer the Acknowledgment, and either the Purchaser is an "eligible investor" as defined under Multilateral Instrument 45-103, or the aggregate acquisition cost of the Shares being purchased does not exceed \$10,000;
- v) the Purchaser is purchasing the Shares under the exemption from prospectus requirements available under section 74(2)(4) of the BC Act and the Purchaser is not a syndicate, partnership or other form of unincorporated entity or organization created solely to permit the purchase of the Shares by a group of individuals whose individual share of the aggregate acquisition cost of the Shares is not less than \$97,000 (Cdn.);
- vi) the representations, warranties and statements of fact made by the Purchaser herein, and in the Acknowledgment and the Corporate Placee Registration Form (if either or both are required) are true and correct as of the date hereof and will be true on the Closing Date;
- vii) the Shares were not offered to the Purchaser through an advertisement in printed media of general and regular paid circulation, radio or television;
- viii) the offer made by this subscription is irrevocable and requires acceptance by the Issuer and the approval of the Exchanges;
- ix) the Shares have not been, and will not be, registered under the United States *Securities Act of 1933*, as amended. Accordingly, any offer or sales in the United States or to such nationals or residents thereof must be pursuant to the registration requirements of the *Securities Act of 1933*, as amended, or an exemption therefrom. The Issuer does not make any representation with respect to, nor has it assumed any responsibility for, the registration of the Shares or the availability of any such exemption; and the Issuer does not make any representation as to when, if at any time, the Shares may be resold in the United States or to such nationals or residents thereof;
- x) this subscription has not been solicited in any manner contrary to Applicable Securities Laws or the United States *Securities Act of 1933*, as amended;
- xi) no person has made to the Purchaser any written or oral representation:
  - (1) that any person will resell or repurchase any of the Shares;
  - (2) that any person will refund the purchase price of any of the Shares; or
  - (3) as to the future price or value of any of the Shares; or
- xii) the Purchaser is not a "control person" of the Issuer as defined in the Applicable Securities Laws and will not become a "control person" by virtue of the purchase of the Shares and does not intend to act in concert with any other person to form a control group;
- xiii) the Purchaser has no knowledge of a "material fact" or "material change" (as those terms are defined in the Applicable Securities Laws) in the affairs of the Issuer that has not been generally disclosed to the public, save knowledge of this particular transaction;
- xiv) the purchase of the Shares has been privately negotiated and arranged and the Purchaser or his agent has been invited and afforded the opportunity to conduct a review of all of

the Issuer's affairs and records in order that the Purchaser may be properly and fully aware of all of the facts relevant to the Issuer's affairs;

- xv) the Purchaser has sought and obtained independent legal advice regarding the purchase and re-sale of the Shares under the Applicable Securities Laws;
- xvi) the Toronto Stock Exchange requires that the Shares must be unconditionally held for a period of four (4) months from the Closing Date;
- xvii) unless the Purchaser is otherwise exempted under the Applicable Securities Laws, the Shares must be unconditionally held for a period of four (4) months from the Closing Date, except as may be otherwise permitted by the Applicable Securities Laws and, if the Purchaser is a resident of a jurisdiction other than British Columbia, the Shares may be subject to additional re-sale restrictions; and if the Purchaser is a resident of the United States of America, the Shares will be subject to resale restrictions pursuant to Rule 144 promulgated under the United States *Securities Act of 1933*;
- xviii) resale of the Shares will be subject to additional resale restrictions beyond the hold periods described immediately above if:
  - (1) the Purchaser is an insider of the Issuer, other than a director or officer, and has not filed all insider trading reports or personal information forms required to be filed under the Applicable Securities Laws;
  - (2) the Purchaser is a director or officer of the Issuer and has not filed all insider trading reports or personal information forms required to be filed under the Applicable Securities Laws or the Issuer has not filed all records required to be filed under Part 12 (continuous disclosure) of the Applicable Securities Laws;
  - (3) the Purchaser is, or subsequently becomes, a control person within the meaning of the Applicable Securities Laws;
  - (4) any unusual effort is made to prepare the market or create a demand for the securities; or
  - (5) an extraordinary commission or consideration is paid in respect of the trade;
- xix) the certificates representing the Shares will contain a legend or legends denoting restrictions on transfer as referred to herein and, where applicable, the resale restrictions under Rule 144 of the United States *Securities Act of 1933*;
- xx) the Purchaser has the legal capacity and competence to enter into and to execute and deliver this Subscription Agreement and to take all actions required pursuant hereto, and the Purchaser is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation and all necessary approvals by its directors, shareholders and others have been given to authorize execution of this Subscription Agreement on behalf of the Purchaser;
- xxi) the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in the violation of any of the terms and provisions of any law applicable to, or the constating documents of, the Purchaser or of any agreement, written or oral, to which the Purchaser may be a party or by which the Purchaser is or may be bound; and
- xxii) this Subscription Agreement has been duly executed and delivered by the Purchaser and constitutes a valid obligation of the Purchaser legally binding upon the Purchaser and enforceable against the Purchaser in accordance with its terms.

b) The representations, warranties, covenants and acknowledgments of the Purchaser contained in this Subscription Agreement are made by the Purchaser with the intent that they may be relied upon by the Issuer in determining the Purchaser's eligibility to purchase the Shares hereunder and the Purchaser hereby agrees to indemnify the Issuer against all losses, claims, costs, expenses and damages or liabilities which it may suffer or incur, caused or arising from its reliance thereon and the Purchaser further agrees that by accepting the Shares, the Purchaser shall be representing and warranting that such representations, warranties, covenants and acknowledgments are true as at the Closing Date with the same force and effect as if they had been made by the Purchaser at the Closing Date and that they shall survive the purchase by the Purchaser of the Shares and shall continue in full force and effect notwithstanding any subsequent disposition by the Purchaser of the Shares.

c) The Issuer represents and warrants as at the date hereof and as at the Closing Date, that:

- i) the Issuer and its subsidiaries, if any, are valid and subsisting corporations duly incorporated and in good standing under the laws of the jurisdiction of their incorporation;
- ii) the Issuer will reserve or set aside sufficient Shares in the treasury of the Issuer to issue the Shares;
- iii) the Issuer is a "reporting issuer" as defined under the Applicable Securities Laws, and is not on the list of defaulting issuers maintained by the Commissions;
- iv) the Issuer is a "qualifying issuer", as that term is defined under Multilateral Instrument 45-106, and has filed a current Annual Information Form with the Commissions;
- v) the Issuer shall use its best efforts to diligently seek and obtain the acceptance for filing of this Subscription Agreement by the Exchanges and will make all filings necessary to obtain the exemptions from registration and prospectus requirements available under the Applicable Securities Laws respectively in respect of the transaction contemplated hereby;
- vi) the issuance and sale of the Shares by the Issuer does not and will not conflict with and does not and will not result in a breach of any of the terms, conditions or provisions of its constituting documents or any agreement or instrument to which the Issuer is a party;
- vii) this Subscription Agreement has been duly authorized by all necessary corporate action on the part of the Issuer and constitutes a valid obligation of the Issuer legally binding upon it and enforceable in accordance with its terms;

21) **CLOSING DATE**

a) The closing of the transaction contemplated by this Subscription Agreement will take place within five business days of the receipt by the Issuer of final acceptance for filing by the Exchanges of this Subscription Agreement (the date of closing being referred to herein as the "Closing Date").

b) Upon execution of this Subscription Agreement, the Purchaser shall deliver to the Issuer a certified cheque or banker's draft for the total purchase price of the Shares or wire transfer the funds to a mutually acceptable escrow agent.

c) On the Closing Date, the Issuer will deliver to the Purchaser, against payment for the Shares, the certificate representing the Shares registered in the name of the Purchaser or the Purchaser's nominee.

d) On the Closing Date, the Issuer will deliver to the Purchaser such copies of approvals or other documents as the Purchaser may reasonably request.

e) The acknowledgments, representations and warranties of the Purchaser and the Issuer herein shall survive the Closing Date.

22) **HOLD PERIODS**

a) The Purchaser acknowledges that the Shares may not be traded in British Columbia or Ontario for a period of four months from the date hereof, except as may be otherwise permitted by the Applicable Securities Laws, and that the Shares are also subject to a four (4) month hold period under the policies of the Toronto Stock Exchange. The certificates representing the Shares will contain a legend denoting the restrictions on transfer imposed by the Applicable Securities Laws and the Exchanges, and where applicable, Rule 144 of the United States *Securities Act of 1933*. The Purchaser agrees to sell, assign or transfer the Shares only in accordance with the requirements of the Applicable Securities Laws and the Exchanges.

23) **POWER OF ATTORNEY**

a) Effective upon the acceptance by the Issuer of this Agreement, the Purchaser:

- (a) irrevocably appoints the President or Secretary of the Issuer (the “Attorney”) as the Purchaser’s attorney and agent, with full power of substitution, to execute, swear to, acknowledge, deliver, make, file, amend and record when and as necessary, any instrument, pooling agreement, acknowledgment, undertaking, direction or other document required to be filed by the Issuer or the Purchaser with any competent securities regulatory authority or stock exchange in connection with the purchase and sale of the Shares, or necessary, in the opinion of the Attorney, to complete or perfect the transactions contemplated by this Agreement, including without limitation, any required corrections or insertions necessary to complete the attached form of Corporate Placee Registration Form and Acknowledgment if required under the Applicable Securities Laws;
- (b) declares that the power of attorney hereby granted is irrevocable and will survive the death, incapacity or bankruptcy of the Purchaser and will extend to and bind the Purchaser and the Purchaser’s heirs, assigns, executors, trustees in bankruptcy or other legal representatives or successors; and
- (c) agrees to be bound by any representations made or actions taken by the Attorney if such representations or actions are made or taken in good faith and in accordance with the power of attorney hereby granted, and the Purchaser waives any and all defences which may be available to the Purchaser to deny, contest, or disaffirm any such representations or actions.

24) **MISCELLANEOUS**

a) Upon acceptance of the subscription contained herein by the Issuer, this Subscription Agreement shall constitute a valid and binding agreement between the parties, subject only to the approval thereof by the Exchanges.

b) The parties to this Subscription Agreement will execute and deliver all such further and other deeds, documents and assurances, and will perform all such further and other acts as may, in the opinion of counsel for the Issuer, be necessary for the purposes of giving effect to or perfecting the transaction contemplated by this Subscription Agreement.

c) This Subscription Agreement constitutes the entire agreement between the parties and there are no representations, warranties or collateral agreements, express or implied, other than as expressly set forth herein.

d) The parties to this Subscription Agreement may amend this Subscription Agreement only in writing.

e) Time is of the essence of this Subscription Agreement and will be calculated in accordance with the provisions of the *Interpretation Act* (British Columbia).

f) This Subscription Agreement will be governed by and construed in accordance with the laws of British Columbia and the parties hereby irrevocably attorn to the jurisdiction of the Courts of such Province.

g) A party to this Subscription Agreement will give all notices to or other written communications with the other party to this Subscription Agreement concerning this Subscription Agreement by hand or by registered mail addressed to the address given above.

h) This Subscription Agreement shall enure to the benefit of and is binding upon the parties to this Subscription Agreement and their successors and permitted assigns.

IN WITNESS WHEREOF the parties have executed and delivered this Subscription Agreement on the date first above written.

signed: Victoria M. Luis  
Witness

Purchaser:  
signed: James Sinclair  
**JAMES E. SINCLAIR**  
99 Amenia Union Road,  
Sharon, Connecticut, U.S.A., 06069  
Address

ACCEPTED BY the Issuer as of and from the date first above written.

**TANZANIAN ROYALTY EXPLORATION CORPORATION**

By: signed: Regina Kuo-Lee  
Authorized Signatory

**CERTIFICATIONS**

I, James E. Sinclair, certify that:

1. I have reviewed this annual report on Form 20-F of Tanzanian Royalty Exploration Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting 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 generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: November 26, 2008

Signed: James E. Sinclair

James E. Sinclair,  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION**

I, Regina Kuo-Lee, certify that:

1. I have reviewed this annual report on Form 20-F of Tanzanian Royalty Exploration Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting 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 generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: November 26, 2008

Signed: Regina Kuo-Lee  
Regina Kuo-Lee,  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION**

**PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

**(SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF**

**TITLE 18, UNITED STATES CODE)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of Title 18, United States Code), each of the undersigned officers of **Tanzanian Royalty Exploration Corporation** (the “Company”), does hereby certify with respect to the Annual Report of the Company on Form 20-F for the year ended August 31, 2008 as filed with the Securities and Exchange Commission (the “Form 20-F”) that, to the best of their knowledge:

- (1) the Form 20-F fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 26, 2008

Signed: James E. Sinclair

James E. Sinclair,  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

Signed: Regina Kuo-Lee

Regina Kuo-Lee,  
Chief Financial Officer  
(Principal Financial Officer)