

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 20-F

- [] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12 (g) OF THE SECURITIES EXCHANGE ACT OF 1934
- [X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended August 31, 2011
- [] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
- [] SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report _____

Commission File Number 001-32500

TANZANIAN ROYALTY EXPLORATION CORPORATION
(Exact Name of Registrant 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)

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 99,758,753.

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 registrant (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 registrant 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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 basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, 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

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Cautionary Note to U.S. Investors Concerning Estimates of 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, and the U.S. Securities and Exchange Commission (the “SEC”) and their regulations do 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.

As an Alberta corporation, the Company is subject to certain rules and regulations 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 filing requirements for an 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, if any. Further, the Company may describe its properties utilizing terminology such as “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources” that are permitted by Canadian securities regulations, but are not recognized by the SEC. For clarification, the Company has no properties that contain “mineral reserves” as defined by either the SEC or Canadian securities regulations.

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 SEC. 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

<i>Ag</i>	The elemental symbol for silver.
<i>alteration</i>	Mineralogical change at low pressures due to invading fluids or the influence of chemical reactions in a rock mass resulting from the passage of hydrothermal fluids.
<i>anomaly</i>	Any concentration of metal noticeably above or below the average background concentration.
<i>assay</i>	An analysis to determine the presence, absence or quantity of one or more components.
<i>Au</i>	The elemental symbol for gold.
<i>background</i>	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.
<i>Barrick</i>	Barrick Gold Corp.
<i>BEAL</i>	Barrick Exploration Africa Limited.
<i>BLEG</i>	Acronym for “bulk leach extractable gold” sampling.
<i>Cu</i>	The elemental symbol for copper.
<i>dyke</i>	A tabular body of igneous rock that has been injected while molten into a fissure.
<i>exploration information</i>	Means geological, geophysical, geochemical, sampling, drilling, trenching, analytical testing, assaying, mineralogical, metallurgical and other similar information concerning a particular property that is derived from activities undertaken to locate, investigate, define or delineate a mineral prospect or mineral deposit.
<i>fault</i>	A planar fracture or discontinuity in a volume of rock, across which there has been significant displacement.
<i>Fe</i>	The elemental symbol for iron.
<i>feasibility study</i>	Is a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of realistically assumed mining, processing, metallurgical, economic, marketing, legal, environmental, social and governmental considerations together with any other relevant operational factors and detailed financial analysis, that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-Feasibility Study.
<i>fracture</i>	Any local separation or discontinuity plane in a geologic formation, such as a joint or a fault that are commonly caused by stress exceeding the rock strength.

<i>grade</i>	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.
<i>hectare or ha</i>	An area totalling 10,000 square metres.
<i>hydrothermal</i>	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.
<i>IP</i>	Induced polarization survey, a form of geophysical survey used in the exploration for minerals.
<i>intrusive</i>	A rock mass formed below earth's surface from magma which has intruded into a pre-existing rock mass.
<i>Jinchuan Mining</i>	Jinchuan Mining, a Chinese metals company.
<i>JV</i>	A joint venture, which is a term for a contractual relationship between parties, usually for a single purpose, which is not a partnership.
<i>Kazakh</i>	Kazakh Africa Mining Ltd.
<i>kilometres or km</i>	Metric measurement of distance equal to 1,000 metres (or 0.6214 miles).
<i>mill</i>	A facility for processing ore to concentrate and recover valuable minerals.
<i>mineral reserve</i>	That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.
<i>mineralization</i>	The hydrothermal deposition of economically important metals in the formation of ore bodies or "lodes".
<i>net smelter or NSR royalty</i>	Payment of a percentage of net mining profits based on returns from the smelter, after deducting applicable smelting charges.
<i>Newmont</i>	Newmont Overseas Exploration Corporation.
<i>NI 43-101</i>	National Instrument 43-101, "Standards of Disclosure for Mineral Projects", as adopted by the Canadian Securities Administrators, as the same may be amended or replaced from time to time, and shall include any successor regulation or legislation.
<i>ore</i>	A mineral or an aggregate of minerals from which a valuable constituent, especially a metal, can be profitably mined or extracted.
<i>outcrop</i>	An exposure of rock at the earth's surface.
<i>overburden</i>	A general term for any material covering or obscuring rocks from view.
<i>Pb</i>	The elemental symbol for lead.
<i>porphyry</i>	A variety of igneous rock consisting of large-grained crystals, such as feldspar or quartz, dispersed in a fine-grained feldspathic matrix or groundmass.
<i>ppm or parts per million</i>	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.

<i>prefeasibility study and preliminary feasibility study</i>	Each mean a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on mining, processing, metallurgical, economic, marketing, legal, environmental, social and governmental considerations and the evaluation of any 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.
<i>Pyrrhotite</i>	A bronze coloured mineral of metallic lustre that consists of ferrous sulphide and is attracted by a magnet.
<i>pyrite</i>	Iron sulphide mineral.
<i>Qualified Person</i>	An individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these; has experience relevant to the subject matter of the mineral project and the technical report; and is a member or licensee in good standing of a professional association.
<i>quartz</i>	Silica or SiO ₂ , a common constituent of veins, especially those containing gold and silver mineralization.
<i>RAB</i>	Rotary air blast drilling.
<i>RC</i>	Reverse circulation drilling.
<i>reef</i>	A geological discontinuity which served as a trap or conduit for hydrothermal mineralizing fluids to form an ore deposit.
<i>Sb</i>	The elemental symbol for antimony (stibnite).
<i>silicification</i>	Replacement and or impregnation of the constituent of a rock by quartz rich hydrothermal fluids or (silica).
<i>Sloane</i>	Sloane Developments Ltd., a corporation based in the United Kingdom.
<i>Songshan</i>	Songshan Mining Co. Ltd., a corporation based in the People's Republic of China.
<i>Stamico</i>	State Mining Corporation of Tanzania.
<i>Tancan</i>	Tancan Mining Company Limited, a wholly-owned Tanzanian subsidiary of the Company.
<i>Tanzam</i>	Tanzania American International Development Corporation 2000 Limited, a wholly-owned Tanzanian subsidiary of the Company.
<i>test pits</i>	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.
<i>ton</i>	Imperial measurement of weight equivalent to 2,000 pounds (sometimes called a "short ton").
<i>tonne</i>	Metric measurement of weight equivalent to 1,000 kilograms (or 2,204.6 pounds).
<i>tuff</i>	A rock comprised of fine fragments and ash particles ejected from a volcanic vent.

veins

Distinct sheetlike body of crystallized mineral constituents carried by hydrothermal aqueous solutions that are deposited through precipitation within the host country rock. These bodies are often the source of mineralisation either in or proximal to the veins.

Canadian Terminology

The following terms may be 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"). 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 November 27, 2010, and have been approved for use by Canadian reporting issuers by the Canadian Securities Administrators under NI 43-101, and as those definitions may be amended:

Indicated Mineral Resource

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 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.

Inferred Mineral Resource

That part of a Mineral Resource for which 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 on 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.

Measured Mineral Resource

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 estimate 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.

Mineral Reserve

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 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 Mineral Reserves and Proven Mineral Reserves. A Probable Mineral Reserve has a lower level of confidence than a Proven Mineral Reserve. The term “mineral reserve” need 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.

Mineral Resource

A concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

A Mineral Resource is an inventory of mineralization that under realistically assumed and justifiable technical and economic conditions might become economically extractable.

Probable Mineral Reserve

Is the economically mineable part of an Indicated and, in some circumstances, a Measured 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 reporting, that economic extraction can be justified.

Proven Mineral Reserve

Is the economically mineable part of a Measured 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 reporting, that economic extraction is justified.

The term should be restricted to that part of the deposit where production planning is taking place and for which any variation in the estimate would not significantly affect potential economic viability.

Part I

Item 1. Identity of Directors, Senior Management and Advisers

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 14 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, 2011, 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				
	2011	2010	2009	2008	2007
Operations:					
Revenues	\$ --	\$ --	\$ --	\$ --	\$ --
Net loss	(10,221,226)	(3,427,655)	(4,731,836)	(3,698,045)	(3,921,469)
Basic and diluted loss per share	(0.11)	(0.04)	(0.05)	(0.04)	(0.05)

	For the Fiscal Year ended August 31				
	2011	2010	2009	2008	2007
Balance sheet:					
Working Capital	30,391,005	1,113,969	943,219	1,264,534	1,546,075
Total Assets	68,113,986	32,783,560	29,285,205	26,956,294	25,421,472
Net Assets	62,684,749	30,321,539	28,601,035	26,380,456	24,742,582
Share Capital	110,671,702	72,855,310	68,111,716	61,705,400	54,113,279
Number of Shares	99,758,753	91,415,459	89,782,544	88,114,352	86,748,493
Deficit	(54,105,351)	(43,884,125)	(40,456,470)	(35,724,634)	(32,026,589)

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):

Year Ended:				
August 31	Average	Period End	High	Low
2011	0.988	0.9783	1.052	0.9448
2010	1.044	1.064	1.106	0.996
2009	1.177	1.0967	1.2995	1.0338
2008	1.006	1.0631	1.0677	0.9168
2007	1.120	1.0560	1.1852	1.0372

The following table sets forth the high and low exchange rate for the past six months. As of August 31, 2011, the exchange rate was CDN \$ for each US\$1.00.

Month	High	Low
October 2011	1.0605	0.9942
September 2011	1.0389	0.9751
August 2011	0.9909	0.9577
July 2011	0.9667	0.9448
June 2011	0.9859	0.9642
May 2011	0.9809	0.9489

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

An investment in our Common Shares involves a high degree of risk and should be considered speculative. You should carefully consider the following risks set out below and other information before investing in our Common Shares. If any event arising from these risks occurs, the Company's business, prospects, financial condition, results of operations or cash flows could be adversely affected, the trading price of Common Shares could decline and all or part of any investment may be lost.

The operations of the Company are highly speculative due to the high-risk nature of its business, which include the acquisition, financing, exploration and development of mineral properties. The risks and uncertainties set out below and incorporated by reference herein are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the risks actually occur, the Company's business, financial condition and operating results could be adversely affected. As a result, the trading price of the Common Shares could decline and investors could lose part or all of their investment. The Company's business is subject to significant risks and past performance is no guarantee of future performance.

Risks relating to the Company

The Company has incurred net losses since its inception and expects losses to continue.

The Company has not been profitable since its inception. For the fiscal year ended August 31, 2011, the Company had a net loss of Cdn \$10,268,000 and an accumulated deficit on August 31, 2011 of Cdn \$54,152,000. The Company has never generated revenues 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.

The Company's exploration activities are highly speculative and involve substantial risks.

The Company's 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.

The Company has uninsurable risks.

The Company 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.

The Company depends 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, President and Chief Executive Officer, and Steve van Tongeren, Chief Financial Officer. Investors must be willing to rely to a significant extent on their discretion and judgment. The Company does not have employment contracts with the President and Chief Executive Officer or the Chief Financial Officer. The Company maintains key-man life insurance on the President and Chief Executive Officer but not on the Chief Financial Officer of the Company.

Failure to maintain effective internal controls could have a material adverse effect on the Company's operations.

The Company is required to document and test its internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of the United States, which requires annual management assessments of the effectiveness of the Company's internal controls over financial reporting, and a report by the Company's independent auditors addressing these assessments. During the course of the Company's testing, the Company may identify material weaknesses which the Company may not be able to remediate for its annual compliance with the requirements of Section 404. If the Company fails to achieve and maintain the adequacy of its internal controls, as such standards are modified, supplemented or amended from time to time, the Company may not be able to ensure that the Company can conclude on an ongoing basis that the Company has effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Moreover, effective internal controls are necessary for the Company to produce reliable financial reports and are important to help prevent financial fraud. If the Company cannot provide reliable financial reports or prevent fraud, the Company's business and operating results could be harmed, investors could lose confidence in the Company's reported financial information, and the trading price of the Company's stock could drop significantly. Management identified, for the fiscal year ended August 31, 2010, a material weakness in internal controls affecting financial reporting of certain matters, which matters were corrected prior to management finalizing the financial statements for the period. See management's discussion and analysis of the financial condition and results of operations of the Company for the year ended August 31, 2010, as incorporated herein by reference. The Company believes it has fully remediated the weakness previously identified.

The Company may need additional capital.

As a result of the completion of a US\$30 million Bought deal offering completed on August 12, 2011, as at August 31, 2011, the Company had cash and marketable securities of Cdn \$32,428,000 and working capital of Cdn \$27,410,000. However, the Company will continue to incur exploration costs to fund its plan of operations and may need to raise additional capital. 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.

The Company has no cash flow from operations and depends on equity financing for its 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. The Company may not be able to obtain additional funding to allow the Company to fulfill its obligations on existing exploration properties. The Company's 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 the Company's board of directors.

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. 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.

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has announced that Canadian publicly accountable enterprises must adopt IFRS effective for fiscal years beginning on or after January 1, 2011. The Company will therefore commence in the first quarter of its 2012 fiscal year with comparative figures. We have completed the assessment phase and are currently working through the implementation phase. The transition to IFRS however, is not anticipated to require any significant changes in our internal control over financial reporting or our disclosure controls and procedures. The Company expects that the areas that will be most affected by the transition to IFRS will be first time adoption, mineral property and exploration costs and stock compensation costs.

Risks relating to the Mining Industry

The Company 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 permitting, prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The Company 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. 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 ever qualify as a commercially mineable or viable reserve.

The exploration for and development of mineral deposits involves significant risks.

Mineral resource exploration is a speculative business and involves a high degree of risk. The Company has recently completed a detailed review of historical diamond drilling results on the Buckreef Main, South and North Prospects which form the core of the Buckreef Project. The Company is reviewing historical data for the Buckreef Project and evaluating previous drill results in the context of establishing the economic significance of the deeper resources at the Buckreef Project using current gold prices. However, the exploration for and development of mineral deposits involves significant risks,

which even a combination of careful evaluation, experience and knowledge may not eliminate. Although the discovery of a resource may result in substantial rewards, few explored properties are ultimately developed into producing mines. Significant expenditures may be required to locate and establish reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site.

The Company may not be able to establish the presence of minerals on a commercially viable basis.

The Company's ability to generate revenues and profits is expected to occur through exploration of its existing properties as well as through acquisitions of interests in new properties. The Company 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 the Company's 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. The Company's existing or future exploration programmes or acquisitions may not result in the identification of deposits that can be mined profitably.

The Company depends on consultants and engineers for its exploration programmes.

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 suite chosen for exploration. The Company may not be able to discover minerals in sufficient quantities to justify commercial operation, and the Company may not be able to obtain funds required for exploration on a timely basis.

The Company may not have clear title to its 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. There is a risk that the Company may not have clear title to all its mineral property interests, or they may be subject to challenge or impugned in the future. See "Mineral Properties – Ownership".

Mining exploration, development and operating activities are inherently hazardous.

If the Company experiences mining accidents or other adverse conditions, the Company's mining operations could be materially adversely affected. The Company's exploration activities may be interrupted by any or all of the following mining accidents such as cave-ins, rock falls, rock bursts, pit wall failures, fires or flooding. In addition, exploration activities may be reduced if unfavourable weather conditions, ground conditions or seismic activity are encountered, ore grades are lower than expected, the physical or metallurgical characteristics of the ore are less amenable than expected to mining or treatment, dilution increases or electrical power is interrupted. Occurrences of this nature and other accidents, adverse conditions or operational problems in future years may result in the Company's failure to achieve current or future exploration and production estimates.

The Company cannot guarantee when its projects will be placed into production.

The Company's ability to place its projects into production will be dependent upon using the services of appropriately experienced personnel or contractors and purchasing additional equipment, or entering into agreements with other major resource companies that can provide such expertise or equipment. There can be no assurance that the Company will have available the necessary expertise or equipment when and if the Company places its mineral deposit properties into production. If the Company is unable to successfully retain such expertise and equipment, its development and growth could be significantly curtailed.

Upon commencing production, the Company may not achieve its production estimates.

The Company is currently reviewing the levels of gold present at the Buckreef Project. Though the Company identified a potentially economic, sub-surface, gold-bearing quartz rubble bed, any potential production and revenues based on production from this area are estimates only. Estimates are based on, among other things, mining experience, resource estimates, assumptions regarding ground conditions and physical characteristics of ores (such as hardness and presence or absence of certain metallurgical characteristics) and estimated rates and costs of mining and processing. The Company's actual production from the Buckreef Project, if it ever achieves production, may be lower than its production estimates. Each of these factors also applies to future development properties not yet in production at the Company's other projects. In the case of mines the Company may develop in the future, it does not have the benefit of actual experience in its estimates, and there is a greater likelihood that the actual results will vary from the estimates. In addition, development and expansion projects are subject to unexpected construction and start-up problems and delays.

The Company's 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. The Company requires 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.

The Company's mineral interests in Tanzania are held under prospecting licenses granted pursuant to the Mining Act, 2010 (Tanzania) for a period of up to four years, and are renewable two times

for a period of up to two years each. There are initial preparation fees and annual rental fees for prospecting licenses based on the total area of the license. Renewals of prospecting licenses can take many months and possibly even years to process by the regulatory authority in Tanzania and there is no guarantee that they will be granted. With each renewal at least 50% of the licensed area, if greater than 20 square kilometres, must be relinquished and if the Company wishes to keep the relinquished one-half portion, it must file a new application for the relinquished portion. There is no guarantee on the timing for processing the new application and whether it will be successful.

Risks relating to the Market

The Company's competition is intense in all phases of the Company's 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.

The Company is subject to the volatility of metal and mineral prices.

The economics of developing metal and mineral properties are affected by many factors beyond the Company's 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 the Company 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.

The Company's business activities are conducted in Tanzania.

The Company's principal exploration properties are currently located in the United Republic of Tanzania, Africa. Though the government of Tanzania is a stable, multi-party democracy, there is no guarantee that this will continue. Tanzania is surrounded by unstable countries enduring political and civil unrest, and in some cases, civil war. There is no guarantee that the surrounding unrest will not affect the Tanzanian government and people, and therefore, the Company's mineral exploration activities. Any such effect is beyond the control of the Company and may materially adversely affect its business.

The Company may be affected in varying degrees by political stability and government regulations relating to the mining industry and foreign investment in Tanzania. 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 materially adversely affect its business. Investors should assess the political and regulatory risks related to the Company's foreign country investments. The Company's operations in Tanzania are also subject to various levels of economic, social and other risks and uncertainties that are different from those encountered in North America. The Company's operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, restrictions on foreign exchange and repatriation, income taxes, expropriation of property, environmental legislation and mine safety. Other risks and uncertainties include extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, risks of war or civil unrest, government and civil unrest, regional expropriation and nationalization, renegotiation or nullification of existing concessions, licences, permits and contracts, illegal mining, corruption, hostage taking, civil war and changing political conditions and currency controls. Infectious diseases (including malaria, HIV/AIDS and tuberculosis) are also major health care issues where the Company operates.

Mineral exploration in Tanzania is affected by local climatic 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, a 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 and March.

Commodity prices are subject to fluctuation.

The Company's future earnings, if any, are directly related to commodity prices as revenues are derived from rental/option payments on its mineral properties and post-production royalties received on the sales of gold. Gold prices fluctuate widely and are affected by numerous factors beyond the Company's control, including central bank purchases and sales, producer hedging and de-hedging activities, expectations of inflation, the relative exchange rate of the U.S. dollar with other major currencies, interest rates, global and regional demand, political and economic conditions, production costs in major gold-producing regions, speculative positions taken by investors or traders in gold and changes in supply, including worldwide production levels. The aggregate effect of these factors is impossible to predict with accuracy. In addition, the price of gold has on occasion been subject to very rapid short-term changes because of speculative activities. Fluctuations in gold prices may materially adversely affect the Company's financial performance or results of operations.

The Company's operations are subject to issues relating to security and human rights.

Civil disturbances and criminal activities such as trespass, illegal mining, theft and vandalism may cause disruptions at the Company's operations in Tanzania which may result in the suspension of operations. There is no guarantee that such incidents will not occur in the future. Such incidents may halt or delay exploration, increase operating costs, result in harm to employees or trespassers, decrease operational efficiency, increase community tensions or result in criminal and/or civil liability for the Company or its employees and/or financial damages or penalties. The manner in which the Company's personnel respond to civil disturbances and criminal activities can give rise to additional risks where those responses are not conducted in a manner that is consistent with international standards relating to the use of force and respect for human rights. The failure to conduct security operations in accordance with these standards can result in harm to employees or community members, increase community tensions, reputational harm to the Company and its partners or result in criminal and/or civil liability for the Company or its employees and/or financial damages or penalties. It is not possible to determine with certainty the future costs that the Company may incur in dealing with the issues described above at its operations.

Risks relating to the Securities of the Company

Current global financial conditions.

Following the onset of the credit crisis in 2008, global financial conditions were characterized by extreme volatility. While global financial conditions subsequently stabilized, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability. Global financial conditions could suddenly and rapidly destabilize in response to future economic shocks, as government authorities may have limited resources to respond to future crises. Future economic shocks may be precipitated by a number of causes, including a continued rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Company's ability to obtain equity or debt financing in the future

on terms favorable to the Company. In such an event, the Company's operations and financial condition could be adversely impacted.

As a foreign private issuer, the Company is subject to different U.S. securities laws and rules than a domestic U.S. issuer, which may limit the information publicly available to U.S. shareholders.

The Company is a foreign private issuer under applicable U.S. federal securities laws and, therefore, is not required to comply with all the periodic disclosure and current reporting requirements of Exchange Act. As a result, the Company does not file the same reports that a U.S. domestic issuer would file with the SEC, although the Company will be required to file with or furnish to the SEC the continuous disclosure documents that the Company is required to file in Canada under Canadian securities laws. In addition, the Company's officers, directors, and principal shareholders are exempt from the reporting and "short swing" profit rules of Section 16 of the Exchange Act. Therefore, shareholders may not know on as timely a basis when the Company's officers, directors and principal shareholders purchase or sell Common Shares, as the reporting periods under the corresponding Canadian insider reporting requirements are longer. In addition, as a foreign private issuer the Company is exempt from the proxy rules under the Exchange Act.

The Company may lose its foreign private issuer status in the future, which could result in significant additional costs and expenses.

In order to maintain the Company's current status as a foreign private issuer, a majority of its Common Shares must be either directly or indirectly owned by non-residents of the United States, unless the Company also satisfies one of the additional requirements necessary to preserve this status. The Company may in the future lose its foreign private issuer status if a majority of its Common Shares is held in the United States and it fails to meet the additional requirements necessary to avoid loss of foreign private issuer status. The regulatory and compliance costs under U.S. federal securities laws as a U.S. domestic issuer may be significantly more than the costs incurred as a Canadian foreign private issuer eligible to use the MJDS. If the Company is not a foreign private issuer, it would not be eligible to use the MJDS or other foreign issuer forms and would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. In addition, the Company may lose the ability to rely upon exemptions from NASDAQ corporate governance requirements that are available to foreign private issuers.

United States investors may not be able to obtain enforcement of civil liabilities against the Company.

The enforcement by investors of civil liabilities under the United States federal or state securities laws may be affected adversely by the fact that the Company is governed by the Business Corporations Act (Alberta), that the some of the Company's officers and directors and some of the experts named in this short form prospectus are residents of Canada or otherwise reside outside the United States, and that all, or a substantial portion of their assets and a substantial portion of the Company's assets, are located outside the United States. It may not be possible for investors to effect service of process within the United States on certain of the Company's directors and officers or the experts named in this short form prospectus or enforce judgments obtained in the United States courts against the Company, certain of its directors and officers or the experts named in this short form prospectus based upon the civil liability provisions of United States federal securities laws or the securities laws of any state of the United States.

There is some doubt as to whether a judgment of a United States court based solely upon the civil liability

Provisions of United States federal or state securities laws may not be enforceable in Canada against the Company, its directors and officers or the experts named in this short form prospectus. There

is also doubt as to whether an original action could be brought in Canada against the Company or its directors and officers or the experts named in this short form prospectus to enforce liabilities based solely upon United States federal or state securities laws.

Common Share prices will likely be highly volatile, and investment could decline in value or the entire investment may be lost.

The market price of the Common Shares is likely to be highly volatile and may fluctuate significantly in response to various factors and events, many of which the Company cannot control. The stock market in general, and the market for mining company stocks in particular, has historically experienced significant price and volume fluctuations. Volatility in the market price for a particular issuer's securities has often been unrelated or disproportionate to the operating performance of that issuer. Market and industry factors may depress the market price of the Company's securities, regardless of operating performance. Volatility in the Company's securities price also increases the risk of securities class action litigation.

Future sales of the Company's currently outstanding Common Shares could cause the market price of the Common Shares to decrease significantly, even if the Company's business is doing well.

Sales of a significant number Common Shares, or the perception that these sales could occur, particularly with respect to sales by affiliates, directors, executive officers or other insiders, could materially and adversely affect the market price of the Company's Common Shares and impair the Company's ability to raise capital through the sale of additional equity securities.

Risk of dilution from further equity financings or exercise of Compensation Options and Warrants.

If the Company raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of the Company's shareholders and reduce the value of their investment. Such additional financing may result in a substantial dilution to the Company's shareholders and decrease the value of the Company's securities.

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. On March 7, 2008, the Company amended its Articles to increase the maximum number of directors from nine (9) to eleven (11). The Company is also registered in the Province of British Columbia as an extra provincial company under the *Business Corporations 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, President and CEO is located at 93 Benton Hill Road, Sharon, Connecticut, 06069, U.S.A., telephone number (860) 364-1830.

For the year ended August 31, 2011 the Company reported a net loss of \$10,221,000. A total of \$3,846,000 of mineral properties and deferred exploration expenses was written off relating to abandoned mineral properties. The Company incurred net deferred exploration expenditures of \$7,637,000 during the year ended August 31, 2011.

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:

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

The Company has awarded a contract to Venmyn Independent Projects (Pty) Limited, a subsidiary of Venmyn Rand (Pty) Limited, to undertake a Preliminary Economic Assessment ("PEA") on the Buckreef Project. The information generated by the PEA will assist in the strategic planning of a Definitive Feasibility Study ("DFS"), which the Company expects will commence immediately after completion of the PEA. See "Mineral Properties".

On August 12, 2011, the Company completed a U.S.\$30 million bought deal financing (the "August Financing") consisting of 5,263,158 units issued at a price of U.S.\$5.70 per unit. Each unit consisted of one Common Share of the Company and one Common Share purchase warrant exercisable at a price of U.S.\$6.25 for a period of two years ending August 12, 2013. In connection with the August Financing, the Company issued 368,421 compensation options, exercisable for a period of two years ending August 12, 2013 entitling the holder to purchase an aggregate of 368,421 Common Shares at a price of U.S.\$5.91 per Common Share.

In January 2009, the Company signed an option and royalty agreement with Kazakh over the Company's Mwadui Project area diamond licenses and applications, located in the Lake Victoria Greenstone Belt of Tanzania. Kazakh has the option to acquire a 100% interest in the licenses by fulfilling various option payments over 72 months, whereby the Company will then receive a gross overriding royalty of 1.5% on all diamonds sold, and a net smelter returns royalty of up to 2% on any other minerals produced. On August 7, 2011 the Company gave Kazakh notice of default for non-payment of overdue amounts under the option and royalty agreement. On September 5, 2011 the option rights of Kazakh were terminated.

On February 25, 2009, the Company entered into an option and royalty agreement with Songshan granting Songshan an option to acquire the Company's interest in its Kabanga nickel licenses and applications located in northwestern Tanzania, by completing certain exploration work over a period of three years, and then making a production decision, subject to a 3% net smelter royalty reserved in favor of the Company. In January 2010, Jinchuan Mining concluded an agreement with Songshan to participate in the exploration and development of the Kabanga nickel properties. Jinchuan Mining has agreed to act as operator and hold complete financial responsibility for all exploration activities on the nickel exploration licences.

B. Business Overview

The Company is a mineral resource company with exploration stage properties, which engages 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 enters 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 main area of interest has been in the exploration of gold properties, with a primary focus on exploring for gold properties in Tanzania. Tanzania remains the focus of the Company's exploration activities.

In the Company's view, its use of a joint venture and royalty strategy in addition to direct exploration and development offers investors leverage to precious and base metal prices with lower risk and shareholder dilution. Future production royalties from any producing properties discovered by the Company's joint venture 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 and/or Preliminary Economic Assessment for mine development. 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 preliminary RC drilling program commences for underground sampling and assaying. If the results are positive, then a diamond drilling program will commence mainly to check, verify and confirm the mineralization potential of the prospect.

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 will then be modeled using relevant geological software and ultimately 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 NI 43-101 in Canada in order for mineral reserves to be designated and to confirm the appropriate mining and mineral processing method based on the geological and metallurgical studies of

the ore. 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.

During 2011 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 surveys and RC drilling.

The Company continued its efforts for the "farming-out" of identified properties for royalty agreements with other mining companies, and continues 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 summer 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

As of November 1, 2010 the Tanzania Mining Act, 2010 (“Mining Act, 2010”) came into effect. Changes include:

- Prospecting Licence annual rental increases to US\$40/sq.km for initial period, \$50/sq.km. for first renewal and \$60/sq.km. for second renewal;
- Prospecting licence renewals must be submitted a minimum of one month before expiry;
- Relinquished half of prospecting licence is retained by the Government, cannot immediately be applied for and will only be open for new applications after a 4 month period as determined by the Mining Commissioner;
- Prospecting licences with an area < 20 sq.km. are no longer required to be halved on renewal;
- Prospecting licence mineral categories are redefined to 6 categories that may be applied for separately;
- Uranium, and fossil fuels (oil& gas) have been declared as Strategic minerals and Gold is excluded from this critical category.
- No more than 20 prospecting licences will be granted to a company unless total area of prospecting licences is <2,000 sq.km.

The Company’s mineral interests in Tanzania are initially held under prospecting licenses granted pursuant to the Mining Act, 2010 for a period of up to four 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\$40/sq.km for initial period, \$50/sq.km for the first renewal and \$60/sq.km for the second renewal There is also an initial one-time “preparation fee” of US\$200.00 per license. Upon renewal, we pay a renewal fee of US\$100.00 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 which are set out in the Mining Act, 2010. At each renewal, at least 50% of our licensed area must be relinquished on prospecting licences in excess of 20 square kilometres. On relinquishing the ground, the area is automatically returned to the Mining Commissioner’s jurisdiction for a period of 4 months after which it will be declared vacant or otherwise by the Commissioner. If the Company still has an interest in the relinquished one-half portion, it must then file a new application in competition with other interested companies for the relinquished portion 4 months after the relinquishment date. If more than one application is lodged on the same day at the Mining Commissioner’s office, then the Commissioner may award the ground by tender. There is no guarantee on the timing for processing the new application and whether it will be successful.

We must hold a mining license or special mining licence to carry on mining activities. Pursuant to the Mining Act, 2010 a mining license is granted for a maximum initial period of 10 years. It is renewable 6 months prior to expiry for a period the applicant will state but not exceeding 10 years. A special mining licence is granted for the estimated life of the ore body indicated in the feasibility study report, or such period as the applicant may request whichever period is shorter. It is renewable not exceeding the estimated life of the remaining ore body.

Prospecting and special mining 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 4% of all gold produced. The applicable regulatory body in Tanzania is the Ministry of Energy and Minerals.

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. Organizational 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 ⁽¹⁾	Republic of Tanzania, Africa	90% (common)	n/a
Lunguya Mining Company Ltd. ⁽²⁾	Republic of Tanzania, Africa	60% (common)	n/a
Tancan Mining Company Limited	Republic of Tanzania, Africa	100% (common)	n/a
Tanzania American International Development Corporation 2000 Limited	Republic of Tanzania, Africa	100% (common)	n/a
Buckreef Gold Company Limited ⁽³⁾	Republic of Tanzania, Africa	55% (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.

⁽³⁾ The remaining 45% interest is held by State Mining Corporation.

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. 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 mineral reserves, and the Company's activities to date on such properties have been exploratory in nature.

Mineral Properties

Buckreef Project

The following discussion regarding the Buckreef Project in Tanzania is summarized from the Buckreef Technical Report, which is incorporated herein by reference. The Buckreef Project is the Company's only material property.

Property, Ownership and Location

The Company is the holder of numerous gold mineral assets in the Tanzanian goldfields including the, Kigosi and Lunguya Prospects and in December 2010, the Company signed a binding heads of agreement with Stamico for the Buckreef Gold Project. On October 25, 2011 a Definitive Joint Venture Agreement was entered into with Stamico for the development of the Buckreef Gold Project. Through its wholly-owned subsidiary, Tanzania American International Development Corporation 2000 Limited

(Tanzam), the Company will hold a 55% interest in the joint venture company, Buckreef Gold Company Limited, with Stamico holding the remaining 45%.

The Buckreef Project is located in north central Tanzania immediately to the south of Lake Victoria, in the Mwanza Provincial District. The Buckreef Project is situated 110km southwest of Mwanza, in the Geita District and is accessed by ferry across Smiths Sound and then via unpaved roads and an airstrip. The project comprises the dormant Buckreef Gold Mine and four prospects with known mineralisation namely, Buckreef, Buziba, Tembo and Bingwa.

Geology and Mineralisation

The Buckreef and Buziba gold deposits are classified as medium grade orogenic gold deposits hosted by mafic volcanic sequences of the eastwest trending Archaean Rwamagaza Greenstone Belt (“RGB”) within the Lake Victoria Goldfields (“LVG”) of the Tanzanian Craton. The Buckreef deposit is hosted by a steeply dipping, northeast-southwest trending brittle-ductile shear zone with an early phase of iron rich carbonate alteration, re-brecciation, feldspar intrusion and a later phase of auriferous quartz veining.

The Buziba deposit is located 25km east of the Buckreef prospect in the Rwamagaza greenstone belt. The principal host lithologies include magnesium rich basalt, comagmatic dolerite and a suite of quartz-albite felsic porphyries that have intruded the mafic sequence. Gold mineralization is associated with quartz vein arrays that occur in altered shear zones in mafic lithologies and as extensive stockworks in the felsic porphyries.

Regional Geological Setting

The Buckreef Project is situated within the LVG of northern Tanzania, which consists of a number of eastwest trending, linear, Archaean greenstone belts, which are separate granite-gneiss terrains within the Tanzanian Craton of east Africa. The LVG is the third largest gold producing region of Africa, surpassed only by the Witwatersrand Basin in South Africa and the Tarkwa region of Ghana. Numerous gold occurrences have been identified in the LVG, and new discoveries continue to be made. Since 1998, when the first mine, Golden Pride was commissioned, four additional large scale mines namely, Geita, Bulyanhulu, North Mara, and Tuluwaka have come into production. Geita and Bulyhanulu are considered world-class deposits, together representing in excess of 35Moz of gold resources.

The greenstone belts comprise mafic volcanics, pyritic sediments, tuffs, iron formation, chert, and felsic volcanics, collectively known as the Nyanzian Group. The metamorphic grade of the Nyanzian Group is lower to middle greenschist facies, and two major deformational episodes have been identified. Amphibolite facies metamorphic rocks are exposed in the western portions of the belt near Tulawaka Mine, but in general higher grade metamorphic complexes are rare.

The greenstone belt sequences have geological and structural similarities to major gold districts in the Canadian Shield (Val d’Or, Kirkland Lake) and the Yilgarn Craton in Western Australia (Kalgoorlie, Laverton, Leonora, Kambalda and Southern Cross).

Gold mineralisation within the LVG occurs in a number of styles including:-

- quartz veins within minor brittle lineaments, most commonly worked on a small scale by artisanal workers, due to their limited extent and erratic gold distribution;
- mineralisation within major ductile shear zones;
- mineralisation associated with replacement of iron formation and ferruginous sediments;
- and

- felsic (porphyry) hosted mineralisation, such as within the Rwamagaza Greenstone Belt.

Regardless of the geological environment, it is accepted that structural control on the emplacement of the mineralisation is critical. The following structural features have proven to be important foci of gold mineralisation:

- structural lineaments trending at 120°;
- flexures and splays to the 120° trend (such as at Golden Pride);
- structural lineaments at 70° (such as at Golden Ridge); and
- granite-greenstone contacts (such as at the Ushiroombo and RGB).

Local Geological Setting

The Buckreef Project area covers the eastern portion of the eastwest trending RGB, which forms part of the Sukumaland Greenstone Belt. The Sukumaland Greenstone Belt is oval shaped and is defined by two intermittently exposed belts of meta-volcanic and meta-sedimentary rocks that surround a core of granitoids and gneisses. The inner belt comprises an older, Lower Nyanzian sequence characterised by basaltic and andesitic lavas and tuffs, whilst the outer, younger, Upper Nyanzian succession consists of iron formation and tuffs. The understanding of the geology in the region has been hampered by the lack of outcrop (less than 2%). Isotopic dating suggests that the sequences are approximately 2.6Ga in age and although no contact between the outer and inner belts is exposed, a general trend of younging outwards is considered valid.

Within the Sukumaland Greenstone Belt, the RGB consists of a sequence of poorly outcropping basaltic flows with well preserved volcanic features such as varioles, pillows, and flow top breccias. The mafic sequences consist of komatiitic basalts to the south and tholeiitic basalts in the north, separated by the Rwamagaza Shear Zone. Aeromagnetic data and minor outcrop, indicate the presence of a number of elongate discontinuous, serpentinised, sheared ultramafic bodies parallel to the flow stratigraphy, which could represent either intrusive bodies or the cumulate portions of thick, magnesium rich basaltic lava flows.

Large batholithic granites intrude the RGB and the possibility exists that the RGB forms part of a much larger belt that has been dissected by the intrusions. Aeromagnetic surveys over Buckreef indicate the presence of granites at depth.

The mafic-ultramafic sequence is strained to varying degrees, with the highest strain occurring in the central area of the tenements, where the belt is thinnest. In this area, the dominant rock type is mafic schist. Toward the thicker (less attenuated) eastern and western parts, the schists forms thinner more discrete zones of high strain separating areas of relatively unstrained ultramafic lithologies. The granitoids are generally unstrained and hence assumed to be post peak deformation. A large portion of the basalts to the southeast of Nyarugusu are hornfelsed, suggesting the presence of granite at shallow depths beneath them.

The tectonic evolution of the RGB is very poorly understood. Aeromagnetic data reveals several generations of crosscutting, late stage, brittle-ductile faults and shears, which offset flow stratigraphy and have locally been intruded by the felsic porphyries and by a late stage dolerite dykes. Early formed ductile structures are not easily defined in aeromagnetic data and there is evidence of shear zones that parallel the stratigraphy.

The RGB has been subjected to a phase of laterite development, with formation of predominantly iron rich ferricrete caps, which were subsequently extensively eroded and only isolated remnants of laterite remain in situ. Furthermore, these remnants are largely re-cemented transported laterites. As a

consequence of this period of erosion, the weathering profile across the belt is relatively shallow across both Buckreef and Buziba Prospects. Major zones of secondary enrichment are therefore not developed at either Buckreef or Buziba, but there is evidence of localised enrichment in the shallow oxidation profiles in both areas. The RGB in general is covered by a thin layer of elluvial regolith, which is amenable to standard soil sampling techniques.

The prospect host rocks comprise meta-basalt, which are generally un-deformed but metamorphosed to lower greenschist facies grades. At Buckreef interflow units of predominantly pelitic and cherty sediments occur, as well as a variety of porphyritic textured, dyke and vein like felsic intrusions along crosscutting structures or sub-parallel to flow stratigraphy.

A non-penetrative deformation fabric is developed at Buziba, which dips steeply to the south, sub-parallel to the stratigraphy. Individual zones in which this fabric is well developed cannot be traced for distances of more than a few hundred metres on drill sections but a number of such zones occur throughout the 200m of thickness of stratigraphy, which hosts the mineralisation.

Exploration Concept

The Buckreef Gold Mine was an underground mine operated by the Tanzanian State during the late 1980s. Apart from the state, several previous owners of the project undertook numerous exploration programmes including aeromagnetic, helicopter borne IP, ground magnetic and soil geochemistry surveys, as well as extensive Reverse Circulation (“RC”), Aircore (“AC”) and diamond drilling programmes.

Iamgold Corporation (“Iamgold”), the most recent owner of the project, verified the historic drilling data, undertook additional exploration and defined JORC compliant Mineral Resources in 2006. In total, the exploration programme included approximately 30,000 soil samples, 202,000m of RC drilling, 124,000m of AC drilling and 28,000m of diamond core drilling. An unconfirmed estimate for the historic exploration expenditure is U.S. \$23 million.

Metallurgical testwork programs were undertaken on both the Buckreef and Buziba mineralisation types. The testwork on Buckreef mineralisation indicated that oxide and transitional mineralisation types were amenable to treatment using typical carbon-in-leach (“CIL”) processing techniques and fresh mineralisation may benefit from flotation and a finer grind with recoveries anticipated being in the low 90%’s. The testwork results for Buziba mineralisation indicated that it is amenable to treatment using gravity and CIL processing techniques. Metallurgical recoveries for Buziba mineralisation were anticipated to be in the low to mid 90%’s. Heap leaching testwork indicated that, at a 25mm-50mm crushing size fraction in oxide mineralisation, a 75% recovery could be anticipated, whilst transitional and fresh mineralisation recoveries were lower, at 35% to 50%.

Status of Exploration

The Company has not undertaken exploration on Buckreef to date as it only recently acquired the licences in December 2010. The Company recently announced the awarding of a contract to undertake a Preliminary Economic Assessment (“PEA”) and contingent on the successful outcome of the PEA, the Company expects to undertake a definitive feasibility study as part of the process to fast track the project to production.

Since December 2010, the Company has completed a preliminary due diligence of previous exploration work, completed preliminary planning on expansion and follow-up exploration and resource drilling programs. The Company has planned an initial 58-hole RC drilling program totalling 7,000 metres and an 12-hole infill resource definition diamond drilling program totalling of 6,000m. The

drilling is planned to commence in the third quarter period of 2011. Details of these further exploration activities on the Buckreef Project are briefly summarized for each prospect below.

Eastern Porphyry Prospect

The Eastern Porphyry Prospect is located on the strike extension of the ENE-WSW trending, 5-30m wide, brittle-ductile fault zone within relatively undeformed mafic volcanics immediately east of the main Buckreef Mine. Previous wide-spaced exploration drilling defined the presence of finely disseminated pyrite and quartz veining slivers of persistent but discontinuous sub parallel zones of quartz porphyry units hosted in the main fault zone.

The Company has planned a total of 2,400m of RC and 600m of diamond core drilling to commence in October 2011. The diamond core drilling is mainly to clarify the structural and geological set-up of this complex satellite deposit while the RC drilling is mainly infill drilling to give greater control in resource modelling.

Tembo Prospect

The Tembo Prospect located in an adjacent but sub-parallel shear zone to the regional ENE-WSW trending Rwamagaza main shear zone is located approximately 3km south-west of the main Buckreef Mine. Gold mineralisation at Tembo is hosted within grey quartz stringers, veinlets and boudins all tightly constrained by east-west shears hosted in weathered basaltic volcanic units.

An initial total of 1,500-2,000m of RC and 180m of diamond core drilling are planned to commence in November 2011. The RC drilling is planned to test the strike and down-dip extension to the east of the main Tembo deposit while the core drilling is to accommodate additional metallurgical and specific gravity analytical test-work.

Bingwa Prospect

Bingwa lies at the northern margin of the RGB adjacent to a sheared contact with a granitic intrusive and approximately 4km east of Buckreef. Gold mineralisation, associated with quartz veining in strongly foliated and altered greenstone in a shear zone abutting the granitoid contact, has been identified by drilling over a strike length of 350m and up to 100m below surface with the main zone of mineralisation occurring over a strike length of 150m.

The majority of the mineralisation defined to date lies in the oxide zone, which extends to 40 to 60m below surface. An initial total of 1,500m of RC and 180m of diamond core drilling are planned to commence in mid-November 2011. The RC drilling is planned to test the SW strike and potential down-dip extension of the main Bingwa deposit while the core drilling is to accommodate additional metallurgical and specific gravity analytical test-work.

Buziba Prospect

The Buziba Prospect is located approximately 20km east of Buckreef and the gold mineralisation is also similarly hosted in pillowed mafic rocks intruded by a suite of feldspar porphyry dyke slivers. Of immediate interest to the Company is the presence of a surficial laterite-cemented quartz rubble deposit previously targeted by artisanal miners.

The Company commenced and completed a pitting and bulk sampling program in June 2011. The program comprised a total of 50 pits that effectively assessed the potential grade distribution of this surficial laterite-cemented quartz rubble bed.

Development and Operations

Apart from historic underground mining during the period 1982 to 1992 by STAMICO on the Buckreef Mine, no mining operations or development have yet commenced by the Company.

Buckreef Main Prospect

The Buckreef Mine was developed on an ENE-WSW trending, 5-30m wide, brittle-ductile fault zone within relatively undeformed mafic volcanics. The fault zone contains early, pervasive iron carbonate alteration with pervasive silicification associated with hydrothermal fluids during emplacement of the mineralizing and intrusive porphyry units. Several phases of quartz veining can also be distinguished and subsequent re-activation of the Rwangaza shear zone resulted in the entire package undergoing variable brittle fracturing and brecciation with a later re-cementation by multiple events of grey to white quartz veining. Finely disseminated pyrite occurs in halos surrounding the zones of quartz veining. The degree and intensity of the quartz veining is directly related to the tenor of gold mineralisation with the high grade gold zones mainly associated with the quartz (silica)-carbonate-pyrite alteration halos adjacent to the mafic-felsic rock contact margins. Deep drilling implies higher grade shoots plunging steeply to the north.

The mineralised structure at Buckreef has been clearly but not exhaustively defined geologically in terms of alteration and deformation styles and the resources are well constrained. Buckreef North and Main Zones comprise by far the largest portion of the known resource. The Main Zone strikes for 600m dips steeply to the west and is known to extend to at least 400m below surface. The Buckreef North Zone extends for 250m, also dips steeply to the west and has been intercepted in drilling 400m below surface.

Gold mineralisation at Buckreef is non-refractory in both primary and oxide material and is associated with the presence of finely disseminated pyrite. The Company has invited tenders from several reputable organisations to initiate a Bankable Feasibility Study as part of the process to fast track the project to production in the next 18-30 months.

The Company has applied for an extension and/or expansion of the current surface rights (Special Mining Licence) from 3.45km² to ~17 km² and this would increase the Company's sufficiency for any future mining operations, processing plant, waste sites and tailing storage facility sites. Power and water availability are adequate for current requirements and will be upgradable to meet future mining requirements. In December 2007, Lorax Environmental was requested to conduct a study to identify suitable dam sites for a dam dedicated to supply water to the proposed Buckreef Mine site. In total 11 sites were identified and will be further investigated as the project progresses to pre-feasibility study stage.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Buckreef Project is situated in the Geita district, approximately 110km southwest of Mwanza, in the Lake Victoria region of Tanzania. The hinterland northwest of Dar es Salaam is connected by a poorly maintained bitumen road, unreliable train service and several daily commercial flights. Mwanza is the nearest major population centre to the project, approximately 60km northeast of Buckreef, and is the second largest city in Tanzania with a population of one million people.

Access to the project area is via ferry from Mwanza across Smiths Sound, then via sealed road through the township of Geita. Alternative access is via sealed road through Shinyanga and Kahama, and subsequently via gravel road north to Bulyanhulu and then west to Nyarugusu.

The project can also be accessed by scheduled light aircraft flights (Coastal Air Services) from Mwanza to the airstrips located at Bulyanhulu or Geita Gold Mines, or more directly by charter to the bush airstrips located at Buckreef Mine or Nyarugusu Village.

Access to Buziba, is on the Nyarugusu track turning south at the Main Reef Mine junction to Nyarugusu Village, which is located 25km east of Buckreef Mine.

The infrastructure at the Buckreef project area is generally poor and unpaved roads are poorly maintained rendering access during the rainy season difficult. The project area is densely populated with individual kraals and agglomerations of dwellings related to transient artisanal gold mining activities.

Exploration logistics, supplies and labour are largely provided from Mwanza and where possible, sourced locally from the villages of Rwamgasa, Katoro and Nyarugusu and Geita township. Local small pastoral villages are poor sources of logistical support and communication in the area is provided by a modern cell phone network, which has coverage in virtually all sectors of the LVG.

Climate, Vegetation and Physiography

The Buckreef Project area consists of gently rolling low hills at an average elevation of 1,210m to 1,250mamsl, with flat alluvium deposits and black cotton (Mbuga) soil filled valleys. The original vegetation has been modified by subsistence farming and tree clearing (mainly for charcoal), to mixed crops and open grassland. Certain areas have been damaged by overgrazing.

The climate is temperate, with sub-humid moderate temperatures all year round. There are two rainy seasons, the minor wet season occurs in November whilst the main wet season peaks in April. The water table varies markedly from season to season which can have an effect on drilling conditions. Consequently the dry season, occurring between May and September is preferable for drill programs and field operations. During the wet seasons access is limited across Mbuga soils. See “Risk Factors”.

History

The LVG was discovered in 1894 by German explorers and significant exploitation began in the 1930s at the Geita Gold Mine. Several small gold mines exploiting near surface reefs, operated throughout the RGB, particularly near the village of Rwamagaza. By 1940, Tanzania was producing 4.5tpa of gold (Au).

Gold bearing quartz veins were reported from the current Buckreef Mine area in 1945 and reports from the 1950s attest to ongoing production at a number of localities near Rwamagaza, including the Buckreef area. The extent of the small scale local and colonial mining activities is evident from the numerous pits and adits covering the entire Buckreef tenement, however no production figures are available.

An airborne geophysical survey was flown during 1959 over the RGB, in a joint effort between the United Nations and the Tanzanian Mineral Resources Division, with a ground magnetic survey follow-up between 1965 to 1968. The Buckreef quartz vein hosted deposit was rediscovered in 1965 and followed-up by drilling by the Tanzanian Mineral Resources Division.

The Buckreef Mine was an underground mine exploited in the name of the Buckreef Gold Mining Company approved by Stamico in 1982 and the exploration and mining activities during this period are summarised in the table below. The mining ceased in 1990 due to a number of operational reasons and the mine flooded. Approximately 100,000t of Run of Mine (RoM) ore was mined at a diluted grade of approximately 3g/t Au to 4g/t Au. In 1994, the Buckreef Redevelopment Agreement was signed between

the State of Tanzania and East Africa Mines Limited (“EAM”) and additional surface and subsurface gold resources were identified.

Post 1990, a new phase of modern exploration focused on potential Archaean deposits in the Lake Victoria region and the LVG developed after significant gold discoveries.

EAM explored 40km of contiguous strike length of the RGB. During that time (2003) Spinifex Gold, the original parent company to East Africa Mines, merged with Gallery Gold Limited of Australia (“Gallery Gold”). Gallery Gold then became the parent company of East Africa Mines. Iamgold Corporation acquired Gallery Gold in March 2006 and held the Buckreef project until July 2009.

Summary Buckreef Exploration and Mining between 1960 and 2003

DATE	EXPLORATION UNDERTAKEN
1960	13 diamond drill holes by UNDP (12 in current database, UNBR01-12) identified a “possible ore zone 107m long, 8m wide and extending to 122m depth.
1968	13 diamond drill holes by Tanzanian Mineral Resources Division (MRD01-13).
1970s	Early 1970s Underground development on 30m and 61m levels by Williamson Diamonds Ltd. Indicated ore reserve of 106,000t @ 8.7g/t Au between 23m and 76m levels using minimum mining width of 1.5m
1972	Tanzanian government approved investment decision and Buckreef Gold Mining Company (BGMC)
1973-1979	Further underground development and 3 diamond drill holes (BGMDD01-03) by BGMC.
1978-1981	Treatment plant and other facilities established with financial assistance from Swedish International Development Agency
1982-1988	Gold production commenced but reached only 25-40% of forecast targets. Production figure unavailable.
1988	Review of operations by British Mining Consultants Ltd who found Buckreef assay laboratory assays 65% higher than overseas check assays
1990	Mining ceased and workings flooded. Total ore extracted estimated at approximately 100,000t @ 3-4g/t Au
1992	Aircore, RC and diamond drilling by East African Mining Corporation (now East Africa Gold Mines Ltd)

Source: Hellman and Schofield 2007.

Ownership

Prior Ownership

Originally, the Buckreef Project was an advanced exploration project held by Iamgold Tanzania (“IAGT”) prior to July 2009. The Agreement to Redevelop the Buckreef Gold Mine (“ARBGM”) between Iamgold and the Ministry for Energy and Minerals included at that point, a single Mining Licence and 12 Prospecting Licences covering 98.19km².

In July 2009, IAGT applied to surrender all licenses relating to the ARBGM, effective October 25, 2009 and the Commissioner for Minerals withdraw all license applications relating to the ARBGM.

The Company’s Interest

In 2010, the Company was invited by Stamico (for the Ministry of Energy and Minerals), to tender for the opportunity to negotiate a joint venture agreement with respect to the Buckreef Project. The Company was awarded the tender, as confirmed in a letter from the Director General of Stamico dated December 16, 2010. In December 2010, the Company signed a binding heads of agreement with Stamico, and on October 25, 2011 a Definitive Joint Venture Agreement was entered into with Stamico

for the development of the Buckreef Gold Project. Through its wholly-owned subsidiary, Tanzania American International Development Corporation 2000 Limited (Tanzam), the Company will hold a 55% interest in the joint venture company, Buckreef Gold Company Limited, with Stamico holding the remaining 45%.

The Prospecting Licences and Mining Licence were awarded to the Company as part of the joint venture. In addition, within these tenements are small scale artisanal gold operations, which comprise 53 Primary Mining Licences (PML) or “claims”, held mostly by local parties.

The Buckreef Project comprises a hilly area over which the surface exploration and mineral rights are vested in the State. The local villagers do also however have surface rights to conduct agricultural activities of their choice as is common throughout Africa and elsewhere in the developing world. If the Company does not extend the current area occupied by the Special Mining License (SML), then there are no obligations on the Company to relocate local residents with respect to this project. However, in the event that the Company applies for an extension or expansion of the SML area, then the Company would have legal obligations to relocate any villagers within the boundary of the new SML. The Tanzanian Mining Act requires consultation with landowners for access and a written authorisation is required for access and construction (2010 Act, Part VII 95 and 96). Appropriate compensation for any damages incurred during the exploration process or relocation, is negotiated with Local Government Authorities and Village Council (Mining Act Part VIII 102). All disputes are settled by the Commissioner.

Material Agreements

The Tanzanian Mining Act makes provision for a development agreement between the Ministry of Energy and Minerals and mineral rights owners, the terms of which are valid for the Life of the Mine (LoM) and are constrained by the provisions of the Mining Act 2010.

In December 2010 a binding heads of agreement between Stamico and the Company was entered into and on October 25, 2011 a Definitive Joint Venture Agreement was entered into with Stamico for the development of the Buckreef Gold Project. Through its wholly-owned subsidiary, Tanzania American International Development Corporation 2000 Limited (Tanzam), the Company will hold a 55% interest in the joint venture company, Buckreef Gold Company Limited, with Stamico holding the remaining 45%.

Conclusions and Recommendations

The Buckreef Technical Report contains the following conclusion and recommendations:

Venmyn Rand Pty Ltd. was engaged by the Company to undertake a due diligence on the Mineral Resource estimation for the Buckreef Project as published by Hellman and Schofield Pty Ltd. who acted as the qualified independent resource evaluator for IAMGOLD, the immediate past operator on the project. The Mineral Resource estimates were based partially on a historic dataset that has been verified and deemed suitable for Mineral Resource estimation (Hellman and Schofield 2007), as well as Iamgold exploration data, which is similarly of a standard compliant with National Instrument and JORC reporting requirements. The Mineral Resources were estimated using Multiple Indicator Kriging techniques in GS3 software produced by Hellman and Schofield. The model estimates resources into panels, which approximate the drillhole sample spacing throughout the majority of the study area. The Mineral Resource estimates within each panel were classified according to the distribution of sampling in the kriging neighbourhood and took into account the uncertainty in the estimates related to the proximity and distribution of the informing composites.

The NI 43-101 compliant Mineral Resource estimate for the Buckreef Project updated effective June 30, 2011 is summarized as follows:

Summary NI 43-101 Compliant Mineral Resources of the Buckreef Project (0.5 g/t Au Cut-off) – June 2011

DEPOSIT	MEASURED			INDICATED			INFERRED			MEASURED & INDICATED		
	Tonnes (Mt)	Au Grade (g/t)	Contained Au (Moz)	Tonnes (Mt)	Au Grade (g/t)	Contained Au (Moz)	Tonnes (Mt)	Au Grade (g/t)	Contained Au (Moz)	Tonnes (Mt)	Au Grade (g/t)	Contained Au (Moz)
Buckreef	5.176	2.05	0.341	3.706	1.86	0.222	7.158	1.89	0.435	8.882	1.97	0.563
Buziba				21.264	1.07	0.732	8.170	1.00	0.263	21.264	1.07	0.732
Bingwa							1.120	2.4	0.086			
Tembo							0.725	2.18	0.051			
Total	5.176	2.05	0.341	24.970	1.19	0.954	17.173	1.51	0.835	30.146	1.34	1.295

Source: Hellman and Schofield 2007

Estimates over variable widths to 3m to 40m

Bulk Density ranges 2.0g/cm³ to 2.8g/cm³

Inconsistencies in totals are due to rounding

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability

55% attributable to the Company

Cut-off grade 0.5g/t Au

The geological continuity and grade distribution of the Buckreef mineralisation is well constrained and definite upside potential to define additional Mineral Resources in extensions of the known mineralisation has been confirmed through drilling. The Mineral Resource base may be increased through implementing changes in the cut-off grades as the gold price improves.

The Company decided to publish the Mineral Resource statement at a 0.5g/t Au cut-off grade, to reflect the current and forecast dynamics of the global gold market. In addition, the mineralisation below the 1.100mRL at Buckreef Prospect was included in the estimate as the Company considers the mineralisation below this level to have reasonable prospects for eventual economic extraction. The 1,100mRL level is the anticipated maximum depth which could potentially be economically mined by open pit.

The exploration potential of the RGB has not been fully realised and the Company is well positioned to benefit when the full extent of the prospectivity of the greenstone belt is determined. Furthermore, the Buckreef Project benefits particularly from being an open pitable gold deposit, which can be brought rapidly into production to benefit from the current favourable gold market conditions. The definite upside potential to define further Mineral Resources serves to provide focus for future development of the project.

For additional information regarding the Buckreef Property Technical report effective June 30, 2011 entitled “National Instrument 43-101 Technical Report on Tanzanian Royalty Exploration Corporation’s Buckreef Gold Project in Tanzania” prepared by Venmyn Rand (Pty) Limited and compiled by Fiona Harper, Andrew Neil Clay and Nicholas J. Johnson (the “Buckreef Technical Report”) in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects adopted by the Canadian Securities Administrators* (“NI 43-101”) filed on SEDAR August 11, 2011.

The Company has incurred total net costs (after recoveries, if any) of \$4,419,000 on the Buckreef Project to August 31, 2011.

Kigosi Project

Property Description and Location

The Kigosi Project area is principally located within the Kigosi Game Reserve controlled area. Through prospecting and mining option agreements, the Company has options to acquire interests in several Kigosi prospecting licenses. A comprehensive report summarizing exploration work done and results to date was submitted to the Director of Wildlife and Nature Conservation as part of the requisite and mandatory requirements for an application to renew the Kigosi game reserve access permit. It is a statutory requirement to have a access permit to conduct any exploration activities in an area designated as a forest and/or game reserve. The Company awaits the Minister's and Director's decision on the application.

The Kigosi Project is located in the Sukumaland Province in northwest Tanzania, some 100 km south of Lake Victoria within the Shinyanga Region (see property location map above).

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The property is accessed via air from the city of Dar Es Salaam on the Indian Ocean coast to the city of Mwanza on the southern shoreline of Lake Victoria. From Mwanza, a moderately maintained tar road accesses the town of Ushiroombo, via the towns of Shinyanga and Kahama, around the southern part of the Lake, referred to as Smith Sound. This trip is approximately 400 km and takes some 5 hours. From the town of Ushiroombo one keeps heading east along the main Burundi tar road for approximately 6 km, where a dirt track allows access into the Kigosi Game Reserve.

The southern bulk of the Kigosi Project area is wholly located within the northern sector of the Kigosi game reserve with a third of the licenses being located in the adjacent Nikonga-Ushiroombo Forestry reserves further north. As per legal and mandatory requirements, the Company acquired respective renewable permits from the Departments of Game Reserves and Forestry Reserves of the Ministry of Wildlife and Tourism to conduct exploration activities in both the game and forestry reservation areas throughout the year. Access to the main Kigosi exploration camp via the dirt track has been substantially improved by the Company to allow access by four wheel drive vehicles during the rainy season.

The exploration camp at Kigosi is predominantly a tented facility with larger semi-permanent structures employed for offices and storage facilities. Recent construction included the installation of metal containers which will be utilized as living and office quarters. Communications at the camp are via satellite, internet and telephone.

The access track passes over the Shiperenge River, a tributary to the Nikonga River and both are perennial rivers, typically dry in the winter months and overflowing during the October-May rainy season. Three (3) large ponds located on the Nikonga River were the only close source of water until recently when the company drilled a highly productive water borehole located some 5km northwest of the camp. The river water is mainly used for the operations of our recently installed bulk sampling plant while drinking water for the camp is pumped via pipeline from the borehole to the camp. The Nikonga and Shiperenge rivers have played a major part in structuring the physiographic landscape in the area. These rivers drain southwards into the Moyowosi and Njingwe Swamps. Small undulating granite hills form the topographic highs, and generally trend northwest. These hills make up approximately 5% of the project area. The climate is typical of an African tropical climate, being hot during the day and cooling down in the evenings. Winters are very mild, but a blanket is needed in the early hours of the mornings. Kigosi fall within a malaria area, and precautions are necessary. Tsetse flies are also present in some parts of the project area. The region is heavily forested, but has only limited wildlife, chiefly small gazelle and baboons.

Geology and Mineralization

The Kigosi-Miyabi granite-greenstone belt and the Ushirombo greenstone belt, form part of two of the greenstone belts within the Nyanzian Archaean greenstone terrain in northwestern Tanzania. These belts host small-scale artisanal workings at Luhwaika and Igunda within the core project area at Kigosi and further to the southeast. The Ushirombo Greenstone Belt has been extensively explored by geologists and small scale miners over the past decade. It consists predominantly of mafic volcanics with lesser meta-sedimentary rocks across an east-west trending belt some 50 kilometres in strike. Gold mineralization generally occurs in narrow quartz veins. The Kigosi-Miyabi Greenstone Belt has been less explored, mainly because of the location within the Kigosi Game Reserve.

Several prominent regional scale NW trending structural lineaments, interpreted as regional shear zones, appear to be the major conduits and controls for the localization of gold mineralization in the Kigosi area. There is also a prominent NNW trending set of regional scale lineaments that are believed to be deep seated sources of the gold bearing fluids.

The Company previously discovered three previously undocumented shear-zone hosted gold mineralized targets and it has also established the presence of a surface to sub-surface horizon of unconsolidated residual in-situ auriferous vein quartz rubble on the Kigosi Property, forming a part of the Company's Lake Victoria Goldfield Properties held through its subsidiary, Tanzam.

The Company contracted Venmyn Rand Pty Limited of South Africa to compile an independent NI 43-101 report.

A brief summary of the work done on the Luhwaika Quartz Rubble Deposit and the Msonga Prospect during the year are briefly summarized. Historical summaries for Luhwaika and Igunda Prospects are also briefly described.

Luhwaika Quartz Rubble Deposit

During a previous detailed vertical RC-drilling program on the Luhwaika Prospect, the company established the presence of a consistent and sizeable near-surface quartz-rubble bed with a potentially significant economic potential. The Luhwaika Prospect is host to a potentially economic quartz rubble deposit which is likely a direct result of surface collapse and erosion of the Luhwaika Main and West reefs. Artisanal mining activity has concentrated on this loose quartz rubble deposit which is easily accessible for mining. High grade quartz rubble have so far been identified in three areas: the Luhwaika West reef, the Luhwaika Main reef and the Luhwaika East area.

In consequence, the company commenced a detailed bulk sampling program on this potentially economic rubble bed in September of 2010.

Bulk Sampling Program

The Company initiated a pit bulk sampling campaign between September 2010 and February 2011. The nature of this exploration was the collection of composite channel sampling from the pit side walls as a way of providing an indication of the in-situ grade. The bulk sample itself was fed through a mobile modular gravity separation plant located at the main camp. The extent of the exploration was on a small scale and included 43 excavated and channel sampled pit bulk samples. Only 18 of these pit bulk samples underwent the full excavation, channel sampling and pilot plant testing within the four month period. The objective of the pit bulk sampling campaign was to provide confidence in the gold grades for the already finalised resource model for the quartz rubble deposit and to ascertain the free gold recoverability using a rudimentary pilot plant as a low cost exercise.

The Company utilised an in-house geologist and field assistants to carry out the pit bulk sampling. Excavation was conducted with a small excavator and a single dump truck. Excavation was monitored by the geologist to ensure uniformity of the excavation and to stop the hole once the mottled zone has been reached. The mottled zone was also dug out as part of the bulk sample to a further depth of ~0.5m below the quartz rubble.

The location of the bulk sampling pits was defined by the then Senior VP, Mr. R. Van Der Westhuizen, based on the earlier RAB drilling and various other requirements. The pit co-ordinates were emailed to the field geologist who then located the pit using a hand-held GPS and staked the limits on an east-west orientation. A 5.0m x 2.5m x 2.5m pit was measured out with tape and staked. The sizing of each pit was targeted to yield approximately 80t of bulk sample. No specific grid size or spacing was used for the pit location.

Luhwaika Prospect

Gold mineralization at the Luhwaika Prospect occurs in a series of sub-parallel and variably auriferous shear zones. The geological setting of the Luhwaika Gold Prospect shows many characteristics that are typical of classic mesothermal lode gold deposits.

At Luhwaika, two principal shear zones have been identified: the Luhwaika Main and Luhwaika West reefs. These reefs carry significant gold mineralization as evidenced by strike extensive small-scale mining and exploration shafts, and more recent drill results. The gold mineralization in the Luhwaika Main reef is structurally controlled, consisting mostly of lodes of laminated quartz veins impregnated in strongly sheared and altered quartz sericite schist with occasional massive tabular whitish-grey quartz vein blow-outs. These veins are shear hosted, with lesser extensional veins noted in outcrop in the granite host rock.

The Luhwaika West reef, located 100-200 metres in the hanging-wall and sub-parallel to the Luhwaika Main reef, consists mainly of shear-zone hosted tabular quartz veins that often contain irregular hematite filled fracture surfaces.

Igunda Prospect

The structural setting of the Igunda Gold Prospect is similar to that of the Luhwaika Prospect with the exception that the former is hosted in mafic greenstone rocks intruded by lenses of felsic granitoids including quartz-feldspar porphyry. At Igunda, two principal shear zones have been identified: the Igunda A and B reefs. Closely associated with the reefs are sub parallel quartz feldspar porphyry units.

Gold mineralization is structurally controlled and the Igunda Reefs are localized in two sub-vertical dipping northwest striking shear zones, dipping steeply (75° – 85°) to the northeast. Gold mineralization also occurs in the host wall rock up to over a meter and is not confined to the veins.

Msonga Prospect

Drilling

The Msonga Prospect is situated in the far northeast of the Kigosi license area. The earlier geochemical and structural studies covering this area had identified the presence of a substantial (7 km long) Au-in-soil anomaly hosted in mafic greenstone rocks. Dominant regional structures in the area (Ushirombo greenstone belt) generally trend east-west and are associated with the development of swarms of auriferous quartz veins such as those being currently mined by small-scale miners in the

Katente area at Ushirombo. The Msonga Prospect is located between 3-5km along strike from these artisanal workings, and as such it was considered conceivable that the Msonga Prospect represented a similar setting to the Igunda Prospect (i.e., a greenstone and shear zone hosted gold deposit).

During the period mid-2009 to early-2011, the Company conducted a single phase of widely spaced RAB drilling covering the 7km-long Au-in-soil anomaly outline. From early 2010 to June 2011, the Company conducted two phases of RC drilling. The first phase of RC drilling comprised short vertical RC drill-holes mainly investigating the area's potential for gold mineralization in a distinctive auriferous surficial lateritic quartz rubble deposit. The second phase of RC drilling comprised inclined RC drill-holes to mainly investigate the east-west strike extension of the auriferous quartz veins associated with the nearby Katente Prospect. A total of 148 inclined RC holes were drilled on the Msonga Prospect.

Subsequent modelling and krigging was conducted on the deposit. However, no mineral resources could be declared for Msonga Prospect due to the very low average grade, the paucity of sampling and a lack of geological control for mineralisation. The current targets at Msonga prospect are therefore, classified as minor gold occurrences only.

Kigosi Exploration History

From 1998 to 2007 the Company and AngloGold-Ashanti conducted regional and detailed exploration work on the Kigosi Project Area including airborne magnetics, soil sampling, mapping and trenching. The aeromagnetic survey flown in 1999 covered the entire Ushirombo greenstone belt and parts of the Miyabi-Kigosi greenstone belt. Limited field work was conducted by the Company during this initial period including a helicopter visit to the Luhwaika artisanal site which included grab sampling and mapping.

In June 2002 the Company sent a team to investigate the Luhwaika and Igunda showings at which time a more thorough grab sampling program was conducted. Positive results from this sampling led to further sampling and a small mapping program was initiated. A Landsat and radiometric investigation was also conducted on the Kigosi Project Area in 2003.

AngloGold-Ashanti conducted a detailed airborne survey in 2003 that covered the eastern Kigosi licenses. A soil sampling program was also conducted as part of initial follow-up work on prospective aeromagnetic anomalies which were later classified as the Msonga, Bungoni, Luhwaika and Igunda prospect areas. AngloGold-Ashanti conducted limited trenching at both Luhwaika and Igunda.

The Company has incurred total net costs (after recoveries, if any) of \$13,872,000 on the Kigosi Project to August 31, 2011 of which \$2,347,000 was incurred during the most recently completed fiscal year.

THE KIGOSI PROJECT IS WITHOUT KNOWN MINERAL RESERVES AND ANY 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. 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. 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.

In February 2010, the Company entered into an Option and Royalty Agreement with Joseph Magunila and Partners (“JMP”) over an area in the Kahama District of the Shinyanga Region in Tanzania 100% owned by JMP. The agreement grants the Company an option to acquire up to 90% of JMP’s interest and/or, at the sole discretion of the Company, to enter into a mining and exploration services agreement. The Company paid US\$90,000 for this option.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Lunguya Property can be reached by plane from Mwanza to an airstrip accommodating Bulyanhulu 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, 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 Nyamakwenge 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. 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.

Exploration

In November 2010, Tanzanian Royalty announced positive results from laboratory test work on surface quartz rubble collected from its Lunguya Primary Mining Licenses (PMLs) in northern Tanzania. The laboratory test work was intended to establish the mineralogical (physical) characteristics of gold contained within an extensive auriferous (gold bearing) quartz rubble bed identified at Lunguya, along with suitable gravity-based recovery methods to extract gold from the quartz rubble which are essentially broken and fractured surface rock.

Chemical analysis of sample material returned values of 3.58g/t, 5.75g/t, 2.33g/t and 3.31g/t, giving an average "head grade" for gold of 3.74g/t. (The "head grade" refers to the average grade of the material submitted for processing and analysis).

Bulk samples were collected from random pits within the Lunguya PML in February 2010. RC drilling began at Lunguya in June 2011. The program was intended to confirm evidence of reef mineralization identified during the 2002 RC and diamond drilling program in the area. A total of 14 drill holes consisting of 1,247m were completed during the month. A number of narrow, parallel, moderate dipping shear structures hosted in granite were intersected. The shears are possibly related to those hosting gold mineralization in the area.

The RC drilling program continued at Lunguya in August 2011, demonstrating the continuity of Nyamakwenge reefs to the southwest of the prospect. Two sets of quartz vein in sheared granite were identified during the drilling program in 2002, with their thickness ranging from 1 – 8m thick. During 2011 RC program another two sets of quartz reefs were identified, with their thickness ranging from 2 to 20m. These two new sets of quartz reef have similar characteristics with the first sets of quartz veins identified.

A NI 43-101 compliant study was completed for the Lunguya project. For additional information regarding the Lunguya Property the reader is referred to the complete text of a technical report prepared in accordance with the requirements of NI 43-101 dated February 8, 2010, entitled, "Report on the Lunguya Mineral Exploration Property of Tanzanian Royalty Exploration Corporation in the Kahama District, Shinyanga Region of the United Republic of Tanzania, East Africa" by Martin J. Taylor, P.Geol.

The Preliminary Lunguya Report is available online at www.sedar.com, filed on February 16, 2010 under the heading, "Technical Report (NI 43-101)".

The Company has deferred total net costs (after any recoveries and write offs) of \$3,413,000 on the Lunguya Property to August 31, 2011.

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

Item 4A. Unresolved Staff Comments

Not Applicable

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, 2011, 2010, and 2009, 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 14 of the Consolidated Financial Statements of the Company.

The Consolidated Financial Statements utilize estimates and assumptions principally regarding mineral properties, going concern, future income taxes, fair value of convertible debt 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 following discussion and analysis of the financial condition and operating results of the Company for the years ended August 31, 2011, 2010, and 2009 should be read in conjunction with the Consolidated Financial Statements and related notes to the financial statements which have been prepared in accordance with Canadian GAAP. The discussion and analysis set forth below covers the results measured under Canadian GAAP. Material differences between the application of Canadian GAAP and U.S. GAAP to the Company's audited financial statements exist as described in Note 14 to the Consolidated Financial Statements.

Overview

As of August 31, 2011 the Company had Current Assets of \$32,862,000 as compared to \$1,735,000 on August 31, 2010. The increase is due to cash received from a Prospectus offering and private placements. Deferred Exploration Costs were \$33,745,000 at August 31, 2011, an increase of \$3,789,000 as compared to \$29,956,000 on August 31, 2010. The current year's net expenditures on Mineral Property exploration is \$7,584,000 (2010 - \$3,016,000) and the Company recovered \$279,000 of exploration costs from its option partners in 2011 (2010 - \$348,000). The Company has recorded a write-down in 2011 of \$3,846,000 (2010 - \$10,000).

Results of operations

Fiscal year ended August 31, 2011 compared to fiscal year ended August 31, 2010

Net loss for the year ended August 31, 2011 was \$10,221,000 compared to \$3,428,000 for the year ended August 31, 2010. The increase in losses in 2011 is primarily due to the write off of mineral properties and deferred exploration costs and costs related to acquisition, refurbishing and relocating office and staff to the Buckreef Project site as well as the increase of depreciation of newly acquired fixed assets.

The Company has concentrated on the bulk sampling program at Kigosi/Msonga and start up of the Buckreef property during the year ended August 31, 2011. The net spending on Mineral Properties and Deferred Costs was \$7,634,000 during the year ended August 31, 2011 (2010 - \$3,016,000). The costs for 2011 include acquisition costs of US\$3,822,000 for the right to earn a 55% interest in the Buckreef Project and \$2,347,000 in continued exploration costs at Kigosi.

Recoveries for the year ended August 31, 2011 and 2010 from option agreements were \$279,000 and \$346,000, respectively. During this period, the Company abandoned and wrote off expenses relating to 56 properties in the various project areas in the amount of \$3,841,000. The Company wrote off further expenses related to previously abandoned properties in the amount of \$5,000 for a total write off of \$3,846,000. There were no write offs during the same period in 2010 other than writing off license fees on previously abandoned properties.

Beginning in 2011, the number of employees in Tanzania has significantly increased. The Company has increased personnel in all areas as a result of the Buckreef Gold Mine Re-development Project acquired in December 2010. The accounting and administrative function has been strengthened in the US and Tanzania with the addition of a new Chief Financial Officer and senior staff in Tanzania. The

Chief Executive Officer began being paid a monthly salary commencing May 2011. As a result, salaries and benefits expense for the year ended August 31, 2011 increased to \$1,602,000 (2010 - \$1,025,000).

Professional fees for the year ended August 31, 2011 were \$632,000 (2010 - \$347,000). The increase is primarily due to legal expenses incurred as a result of the Buckreef acquisition.

For the year ended August 31, 2011, the foreign exchange loss was \$519,000 (2010 - \$98,000). This increased loss of \$421,000 was due to the 12 month average Tanzanian Shilling exchange rate having increased from 1344 at August 31, 2010 to 1519 at August 31, 2011. As well, the USD rate vs Canadian was \$1.05 at August 31, 2010 compared to \$0.98 at August 31, 2011. Since the Company's finance agreement was denominated in USD and reporting currency is in Canadian dollars, this created a foreign exchange loss when USD capital received was converted to Canadian dollars.

Restricted Stock Unit ("RSU") expense for the year ended August 31, 2011 was \$875,461 compared to \$650,961 for the year ended August 31, 2010. The increase was due to RSUs granted to new employees. During the year, there was also early vesting of units in satisfaction of performance goals.

Directors' fees for the year ended August 31, 2011 were \$462,000 (2010 - \$382,000). The increase was due to the RSU portion of directors' fees having vested in June 2011. The RSU portion of the directors' fees expense was \$441,000 (2010 - \$299,000). The increase was due to the number of RSUs granted.

Transfer agent and listing fees for the year ended August 31, 2011 was \$261,000 (2010 - \$201,000). The increase was due to the issuance of convertible debt and prospectus shares during the year ended August 31, 2011.

For the year ended August 31, 2011 travel and accommodation expense was \$200,000 (2010 - \$76,000) The increase reflects the expanded number of employees and related travel to and from project sites, travel to Tanzania by senior management for the purpose of the Tanzania shareholder trip and Buckreef acquisition during the year ended August 31, 2011.

The interest accretion expense for the year ended August 31, 2011 was \$181,000 (2010 - \$23,000). This interest relates to the issuance of convertible debt. During the year, there were four convertible debts outstanding with full year interest in effect. In 2010, there were two convertible debts and they were outstanding for only 2 months.

For the year ended August 31, 2011, amortization expense was \$463,000 (2010 - \$202,000). During the year, capital purchases for the bulk sampling program at Kigosi and equipment purchases for the Buckreef project increased the cost base of the asset pool therefore increasing the depreciation. In 2010, several assets became fully depreciated therefore the depreciation was relatively small. The capital expenditure in 2010 occurred toward the end of the fiscal year therefore the full value of the depreciation relating these purchases did not come into effect in 2010. The capital expenditure for the year ended August 31, 2011 was \$817,429 (2010 - \$587,613).

Promotion and shareholder fees for the year ended August 31, 2011 were \$65,000 (2010 - \$3,000). The increase is primarily due to advertising fees paid for advertising on a weekly radio broadcast to further promote investor knowledge of the Company.

For the years ended August 31, 2011 and 2010, the Company did not record any income tax expense or recovery. However, during the year, the Company engaged an international accounting firm for assistance in dealing with Tanzanian stamp duty taxes and taxes on intercompany loan interest. Although the preliminary findings are in favour of the Company, the final result is not yet determined.

Given the uncertainty, the Company accrued \$856,000 for all taxes and related fees.

Fiscal year ended August 31, 2010 compared to fiscal year ended August 31, 2009

The loss before income tax in 2010 was \$3,428,000 a \$1,304,000 decrease from last year's loss before income taxes of \$4,732,000. The decrease in loss before income taxes in 2010 was due to a significant decrease in write off of mineral properties and deferred exploration costs (\$1,197,000).

During the year, the Company has made significant purchases in capital equipment to further its bulk sampling operation, therefore there is an increase in amortization of \$101,000 from \$ 101,000 in 2009 to \$ 202,000 in 2010. Due to the increase in capital equipment purchases, office administration expenses including freight forwarding and handling of purchases also increased from \$91,000 in 2009 to \$132,000 in 2010.

Property investigation costs were \$45,000 for the year ended August 31, 2010 as compared to \$23,000 for 2009. The increase of \$22,000 was a result of the Company's review of new licenses becoming available.

Transfer agent and listing fees decreased from \$228,000 in 2009 to \$201,000 in 2010 due to fewer private placements during 2010. Professional fees have also decreased by \$134,000 from \$481,000 in 2009 to \$347,000 in 2010. Legal expenses decreased due to fewer contract negotiations.

During the year, the Company sold 20,000 of 125,000 shares held in short term investments for proceeds of \$8,400 and recognized a loss of \$3,400. As at August 31, 2010, the remaining 105,000 shares had a fair value of \$40,425. The Company recorded a loss of \$24,525 during the period.

Salaries and benefit expense decreased by \$348,000 in 2010 to \$1,025,000 from \$1,374,000 in 2009. During the year, the Company's exploration manager position, vacated in September 2009, was not replaced until January 2010. In addition, the drill manager position, vacated in November 2009, was not immediately replaced and certain consultants were hired as employees during the last quarter, thus incurring savings of full time salaries and benefit expense for part of the year. Further, there was an accrual of \$132,000 for severance pay in 2009 that was not applicable in 2010.

In 2010, stock based compensation increased by \$221,000, due to previously granted Restricted Stock Units ("RSU") to certain employees whose RSUs vested early due to fulfillment of performance goals. Directors' fees decreased by \$65,000 from \$447,000 in 2009 to \$382,000 in 2010 because most directors elected to receive payment in the form of RSUs instead of cash. The full value of the RSUs will come into effect in the next fiscal year.

For the years ended August 31, 2010 and 2009, 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, convertible debt 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 \$32,458,000 in cash and marketable securities at August 31, 2011 compared to \$1,366,000 as of August 31, 2010. The Company had working capital of \$27,410,000 at August 31, 2011, compared to \$1,114,000 at August 31, 2010. Although the Company believes it has enough resources through working capital and share subscription agreements to finance operations for its 2012 fiscal year, ultimately the Company will need to obtain additional financing to sustain operations at the present rate of activity. The current cash position is expected to sustain operations for its 2012 fiscal year. Historically, the Company has raised funds through equity financing, convertible promissory notes and entering into joint venture or royalty agreements with other mining companies. The Company's funding requirements by major expenditure category, listed in order of priority are:

- (a) undertake a preliminary economic assessment on the Buckreef Project and subject to a successful outcome, proceed to a definitive feasibility study;
- (b) 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. Because the Company does not currently derive any production revenue from operations, its ability to conduct exploration and development work on its properties is largely based upon its ability to raise capital by equity funding. The Company has financed its operations and investments through the issuance of common shares. During 2011, the Company raised \$42,734,000 (2010 - \$5,476,000) through the issuance of share capital and share subscriptions and 3 year convertible promissory notes. As described in further detail below, throughout the year, the Company issued 7,939,707 shares in private placements with the President and CEO of the Company and others in consideration for cash received of \$41,478,000. In addition, the Company has received \$995,000 for 3 year promissory notes which were issued in September 2010 to January 2011.

On February 19, 2008 the Company completed a \$1,000,000 private placement pursuant to a subscription agreement dated February 4, 2008 with the President and CEO 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 the President and CEO, 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 the President and CEO, for the purchase of 184,843 common shares at a price of \$5.41 per share.

On October 10, 2008 the Company completed a \$1,000,000 private placement pursuant to a subscription agreement dated October 1, 2008 with the President and CEO, for 327,225 common shares at a price of \$3.056 per share.

On December 9, 2008 the Company completed a \$740,000 private placement pursuant to a subscription agreement dated October 29, 2008 with an arm's length third party for 352,381 common shares at a price of \$2.10 per share.

On February 20, 2009, the Company completed the eighth (8) tranche of an eight (8) tranche private placement pursuant to a Subscription Agreement dated August 8, 2006 made between the Company and the President and CEO, for the purchase of an aggregate of 542,782 common shares for aggregate proceeds of \$3,000,000.

On March 4, 2009 the Company completed a \$1,000,000 private placement pursuant to a subscription agreement dated February 23, 2009 with the President and CEO for 189,036 common shares at a price of \$5.29 per share.

On April 14, 2009 the Company completed a \$1,500,000 private placement pursuant to a subscription agreement dated March 27, 2009 with the President and CEO for 248,139 common shares at a price of \$6.045 per share for total proceeds of \$1,500,000.

On May 28, 2009 the Company completed a \$1,000,000 private placement pursuant to a subscription agreement dated May 6, 2009 with an arm's length third party for 340,020 common shares at a price of \$2.941 per share.

On October 26, 2009, the Company completed a private placement with the Company's President and CEO for 306,749 common shares at a price of \$3.26 per share, resulting in net proceeds of \$1,000,000 to the Company. With completion of this \$1 million private placement, the \$3 million private placement agreement dated February 1, 2009 between the Company and the President and CEO was complete.

On December 21, 2009 the Company completed private placements with arm's length third parties for an aggregate 1,155,835 common shares at a price of \$2.718 per share.

On May 28, 2010 the Company completed a private placement with an arm's length third party consisting of a three-year convertible promissory note in the principal amount of \$1,000,000 bearing interest at 3% and convertible into 222,173 common shares at the price of \$4.501. A bonus of 25,000 common shares will be payable if the note is converted into common shares by October 11, 2011. On April 1, 2011, this Promissory Note was converted into 222,173 common shares at a price of \$4.501 per share and the 25,000 bonus common shares were issued.

On August 17, 2010 the Company completed a private placement with an arm's length third party consisting of a three-year convertible promissory note in the principal amount of \$1,095,000 bearing interest at 3% and convertible into 255,484 common shares at the price of \$4.286. \$95,000 of the outstanding principal was converted into 22,166 common shares, which shares will be refundable to the Company if the remaining principal is not fully converted into common shares by December 9, 2011. On September 23, 2011, this Promissory Note was converted into 233,318 common shares at a price of \$4.286 per share.

On September 7, 2010 the Company completed a \$800,000 private placement pursuant to a subscription agreement dated August 24, 2010 with the President and CEO for 144,430 common shares at a price of \$5.539 per share.

On September 23, 2010 the Company completed a private placement with an arm's length third party consisting of a three-year convertible promissory note in the principal amount of \$1,000,000 bearing interest at 3% and convertible into 221,337 common shares at the price of \$4.518 per share.

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

On November 5, 2010 the Company completed a \$4,841,600 private placement with arm's length third parties for an aggregate 800,000 common shares at the price of \$6.052/share and an aggregate 200,000 common share purchase warrants exercisable at the price of \$7.309 per share and expiring on October 20, 2012. In addition, the Company paid a finder's fee payable in 64,000 common shares at the subscription price of \$6.052/share.

On November 23, 2010 the Company completed a private placement with an arm's length third party and 851,209 common shares at the price of \$5.874 per share were issued for proceeds of \$5,000,000. 212,802 common share purchase warrants exercisable at the price of \$7.05 per share and expiring on November 9, 2012 were issued and 68,097 common shares at the subscription price of \$5.874 were issued to arm's length third parties in respect of the finder's fee.

On January 31, 2011 the Company completed a private placement with an arm's length third party and 690,150 common shares at the price of \$5.867 per share were issued for proceeds of \$4,049,110. 172,528 common share purchase warrants exercisable at the price of \$6.903 per share and expiring on December 22, 2012 were issued and 58,663 common shares at the subscription price of \$5.867 was issued to an arm's length third party in respect of the finder's fee.

On August 12, 2011 the Company completed a US\$30 million bought deal offering and 5,263,158 Units at a price of US\$5.70 per Unit were issued. Each Unit consists of one common share and one common share purchase warrant exercisable at a price of US\$6.25 per warrant expiring on August 12, 2013. The Underwriter received a cash commission of 7% of the gross proceeds and 368,421 compensation warrants exercisable at a price of US\$5.91 per share expiring on August 12, 2013.

Mineral Property Projects

As of August 31, 2011 amounts capitalized in respect of mineral properties were \$33,745,000 an increase from August 31, 2010 when the balance was \$29,956,000, and an increase from August 31, 2009 when the balance was \$26,950,000.

During the fiscal year ended August 31, 2011, the Company capitalized mineral property exploration costs of \$7,638,000 (net of option payments received of \$279,000) on its mineral resource properties. The Company wrote off \$3,846,000 in exploration expenditures on areas abandoned in the year ended August 31, 2011.

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

Events Subsequent To August 31, 2011

On September 23, 2011 the Company received notice from an arm's length third party to convert its Promissory Note dated July 9, 2010 in the remaining principal amount of \$1,000,000 bearing interest at 3% and convertible into 233,318 common shares at a price of \$4.286 per share. \$95,000 of the outstanding principal was converted into 22,166 common shares on closing, which shares were

refundable to the Company if the remaining principal balance was not fully converted by December 9, 2011.

On November 23, 2011 the Company announced it has agreed to amend the exercise price and term of warrants previously issued pursuant to its August 12, 2011 prospectus financing under which it raised US\$30,000,000 in an offering of 5,263,158 units consisting of one common share and one common share purchase warrant. The exercise price of the 5,263,158 common share purchase warrants has been reduced from US\$6.25 to US\$4.00 and the term of the warrants has been extended one year to expire August 12, 2014. In addition, if the weighted average trading price of the common shares increases to US\$6.50 after March 11, 2012, the Company will be entitled to require that the holders exercise the warrants, failing which the warrants will terminate. The 368,421 compensation warrants issued under the prospectus financing have been amended in the same manner and repriced from US\$5.91 to US\$4.00. All of the warrants are held by arm's length investors. The amendments become effective on December 7, 2011.

As of November 23, 2011 the Board resolved that the Company authorize for issuance up to a maximum of 115,000,000 common shares, subject to further resolutions of the Company's board of directors.

On November 25, 2011 the Company announced that the board of directors has approved the adoption of a shareholder rights plan (the "Rights Plan") designed to encourage the fair and equal treatment of shareholders in connection with any take-over bid for the outstanding common shares of the Company. The Company's board is not aware of any specific take-over bid for Tanzanian Royalty that has been made or is contemplated. The Rights Plan is subject to regulatory approval and the Company intends to put the Rights Plan before the shareholders for ratification.

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 Company has no contractual obligations as of the latest fiscal year end.

Many of the Company's mineral properties are being acquired over time by way of option payments. It is at the Company's option as to whether to continue with the acquisition of the mineral properties and to incur these option payments. Current details of option payments required in the future if the Company elects to maintain its interest are as follows:

	Option Payments Due by Period (US\$)				
	<i>Total</i>	<i>Less than 1 year</i>	<i>2-3 years</i>	<i>4-5 years</i>	<i>More than 5 years</i>

	Option Payments Due by Period (US\$)				
	<i>Total</i>	<i>Less than 1 year</i>	<i>2-3 years</i>	<i>4-5 years</i>	<i>More than 5 years</i>
Option Agreement Obligations	\$414,000	\$209,000	\$205,000	\$Nil	\$Nil

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Directors and Senior Management

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 22, 2011. There are no family relationships between the directors and officers.

Name, Municipality of Residence and Position With the Company	Principal occupation or employment and, if not a previously elected director, occupation during the past 5 years	Served as a Director Continuously Since
James E. Sinclair Sharon, Connecticut President, Chief Executive Officer and Director	President and CEO of the Company	April 30, 2002
Joseph Kahama Dar es Salaam, Tanzania Chairman and Chief Operating Officer (Tanzania) and Director	Chairman and COO (Tanzania) of the Company; President, Tanzania American International Development Corporation 2000 Limited	February 29, 2008
Dr. Norman Betts Fredericton, New Brunswick Director	Associate Professor, Faculty of Business Administration, University of New Brunswick and a Chartered Accountant	January 4, 2005
Anton Esterhuizen Johannesburg, South Africa Director	Managing Director, Pangea Exploration (Pty)	January, 2002
William Harvey Sharon, Connecticut Director	Psychologist	April 30, 2002
Rosalind Morrow Toronto, Ontario Director	Lawyer; Partner, Borden Ladner Gervais LLP	October 20, 2003
Abdulkarim Mruma Dar es Salaam, Tanzania Director	Professor of Geology, University of Dar es Salaam	February 22, 2011
Ulrich E. Rath Toronto, Ontario Director	Formerly President and CEO and Director of Chariot Resources Ltd.	October 7, 2003
Steven Van Tongeren Yorktown Heights, New York Chief Financial Officer	Chief Financial Officer of the Company	Not a Director Officer
Peter T. Zizhou Zimbabwe Exploration Manager	Exploration Manager of the Company	Not a Director

Directors and Senior Management

James E. Sinclair, *President, Chief Executive Officer and Director*

Mr. Sinclair is the President and CEO of the Company. Mr. Sinclair, aged 70, devotes his full time to the business and affairs of the Company.

Mr. Sinclair is a precious metals specialist, commodities and foreign currency trader, and a respected minerals industry executive. He founded the Sinclair Group of Companies in 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. From 1981 to 1984, Mr. Sinclair served as a Precious Metals Advisor to Hunt Oil and the Hunt family for the liquidation of their silver position as a prerequisite for a \$1 billion loan arranged by the Chairman of the Federal Reserve, Paul Volcker. He was also a General Partner and Member of the Executive Committee of two New York Stock Exchange firms and President of Sinclair Global Clearing Corporation and Global Arbitrage, a derivative dealer in metals and currencies.

Mr. Sinclair has authored numerous magazine articles and three books dealing with a variety of

investment subjects including precious metals, trading strategies and geopolitical events, and their relationship to world economics and the markets. He maintains a high public profile and his commentary on gold and other financial issues garners extensive media attention at home and abroad.

Joseph Kahama, *Chairman and Chief Operating Officer (Tanzania) and Director*

Joseph Kahama was appointed Chairman and Chief Operating Officer (Tanzania) of the Company in February 2011. He became a director of Tanzanian Royalty Exploration Corporation in February 2008 and he formerly served as President and Senior Vice President of the Corporation. A native of Tanzania, Mr. Kahama has served as president and director of the Company's wholly-owned subsidiary, Tanzam, since 1997. In his capacity as president of Tanzam, 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. In addition, Joseph Kahama is Chairman of The Kahama Foundation, a not-for-profit organization which enables, fosters and nurtures business entrepreneurship, modern management practices and ethical leadership in business and cooperatives. Mr. Kahama is also a Trustee and Founding member of The Mawalla Chair for Legal and Business Studies, an academic endowment covering five universities in Tanzania. Mr. Kahama is also author of a Book called "SIR GEORGE: A Thematic History of Tanzania Through His Fifty Years of Public Service", printed in 2010. Mr. Kahama, aged 43, devotes his full 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 of Starfield Resources Inc. and as a director and member of the audit committees of Tembec Inc, New Brunswick Power Corporation, Export Development Canada and Adex Mining Inc. 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, aged 57, 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 a director of NWT Uranium Corp., and the Managing Director of Pangea Exploration (Pty) Limited in Johannesburg. 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 60 devotes approximately 10% 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 78, 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 57, devotes approximately 10% of her time to the business and affairs of the Company.

Abdulkarim Hamisi Mruma, PhD., M.Sc. (Geology), B.Sc. (Geology), *Director*

Dr. Mruma is a graduate of the University of Dar es Salaam where he currently serves as a Professor of Geology. His post graduate studies included research sabbaticals at universities and government institutions in Germany, Belgium, Zimbabwe and Finland. He has authored numerous technical reports on various geological topics and contributed to several technical and non-technical journals on a broad range of geology and industry-related subjects. The list of publications includes UNESCO Magazine, Journal of African Earth Sciences, and the Tanzanian Journal of Earth Sciences. In addition to his academic duties, Dr. Mruma is Chief Executive Officer of the Geological Survey of Tanzania, a position he has held since October 2004. He also serves as a Board member of both Williamson Diamonds Limited and the State Mining Corporation (STAMICO) of Tanzania, the Company's joint venture partner for the Buckreef Gold Mine Re-development Project. Dr. Mruma acts as National Coordinator of International Geological Correlation Programs and International Year of Planet Earth Programs. He is also a member of the Research and Development Advisory Committee on Natural Resources - Tanzania Commission for Science and Technology (COSTECH). Dr. Mruma, aged 56, 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 North America, South America including Argentina, Chile and Peru and in South Africa. Mr. Rath was 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. In June 2010 Mr. Rath facilitated the sale of Chariot Resources following a global auction. The sale was approved by over 98% of the shareholders of Chariot Resources. 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 65, devotes approximately 10% of his time to the business and affairs of the Company.

Steven Van Tongeren, B.Sc, CPA, *Chief Financial Officer*

Mr. Van Tongeren holds a Bachelor of Science degree from the State University of New York and is a Certified Public Accountant. He completed Executive Finance Management Training at INSEAD France, one of the world's leading and graduate business schools. He has extensive international experience having lived and worked in various countries. Mr. Van Tongeren was Executive Director, Finance for a London Stock Exchange listed restaurant group operating throughout Europe. He successfully brought the privately held company to full public listing and went on to complete major fund raising for the company's rapid international expansion. He acted as Vice President, Finance and Administration, for PolyGram Video and later as Manager of World-Wide Consolidation and Reporting for Polygram International BV. In that capacity he was responsible for preparing all consolidated world-wide financial reporting for one of the world's major record and film entertainment companies with subsidiaries in 34 countries. He served as European and South African Financial Director for the Borden Food Inc. International packaging group with manufacturing and sales operations throughout Europe and South Africa. Mr. Van Tongeren has worked as Senior Operations Auditor for Gulf & Western Inc. where he was responsible for domestic and international company audits and special project due diligence. Mr. Van Tongeren, aged 54, devotes his full time to the business and affairs of the Company.

Peter T. Zizhou, Pr.Sci.Nat., *Exploration Manager*

Peter Tererai Zizhou, BSc (Hons), MSc (Exploration Geology), is a graduate of the University of Zimbabwe and a member of the South African Council for Natural Scientific Professions holding Registration Number 400028/08. Since 1989, he has worked in various capacities as a geologist including three years with the Government of Zimbabwe as a field and mine geologist. In 1996, he joined the exploration division of Kinross Holdings Zimbabwe where he progressed through the ranks, finishing his tenure there as Chief Exploration Geologist. In June 2007, Mr. Zizhou joined Tanzanian Royalty Exploration as Senior Project Geologist. As Exploration Manager, his responsibilities include the design, management and implementation of exploration programs in the Lake Victoria Goldfields of Tanzania. His duties encompass the management of field personnel including project and senior geologists, interpretation of field data, target selection, budget preparation, reporting of field results internally and to government agencies, ore-body modeling and resource estimation using Map Info and Micromine, and the preparation of draft news releases from relevant exploration data. In his spare time, he supervises and mentors students undertaking the geological technician course at the Dodoma Institute of Mining.

Cease Trade Orders

No director or executive officer of the Company (or any personal holding corporation of such persons) is, or was within the ten (10) years prior to the date hereof, a director, chief executive officer or chief financial officer of any company, including the Company, that:

- (i) was subject to an order (as defined below) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer, or chief financial officer; or
- (ii) was subject to an order (as defined below) that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as

director, chief executive officer, or chief financial officer.

For the purposes of the above disclosure, “order” means:

- (i) a cease trade order;
- (ii) an order similar to a cease trade order; or
- (iii) an order that denied the relevant company access to any exemption under securities legislation;

that was in effect for a period of more than thirty (30) consecutive days.

Penalties or Sanctions

Within the past 10 years no directors or executive officers of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company (or any personal holding corporation of such persons), has been subject to:

- (a) 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) any 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.

Personal Bankruptcies

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to materially affect control of the Company (or any personal holding corporation of such persons):

- (i) is at the date hereof, or has been within the last ten (10) years, a director or executive officer of any company that while the person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became 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; or
- (ii) has, within the last ten (10) years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder

Conflicts of Interest

There is no existing material conflict of interest between the Company or its subsidiaries and a director or executive 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. Executive Compensation

Compensation Discussion and Analysis

The adequacy and form of director and officer compensation is reviewed on an annual basis by the Audit and Compensation Committee of the Board of Directors (the “Board”) of the Company. The Audit and Compensation Committee recommends to the Board any adjustments to the compensation payable to directors, officers, and senior staff. The Audit and Compensation Committee is comprised of three directors: Norman Betts (Chair), William Harvey and Ulrich Rath, all of whom are independent for the purposes of National Instrument 58-101 – *Corporate Governance*. The Audit and Compensation Committee meet to discuss salary matters as required. Its recommendations are reached primarily by comparison of the remuneration paid by the Company with publicly available information on remuneration paid by other reporting issuers that the Audit and Compensation Committee feels are similarly placed within the same stage of business development as the Company. No consultant or advisor has been retained by the Company to assist in determining compensation.

In assessing the compensation of its executive officers, the Company does not have in place any formal objectives, criteria or analysis; instead, it relies mainly on the recommendations of the Audit and Compensation Committee and Board discussion. The Company’s executive compensation program has three principal components: base salary, incentive bonus plan, and equity compensation plans.

Base salaries for all employees of the Company are established for each position based on market information obtained through the recruitment process from recruitment consultants and candidates on an ad hoc basis. The Audit and Compensation Committee familiarizes itself with this market information, but does not employ a statistical or formal benchmarking approach in making its compensation recommendations. Individual qualifications and experience together with the Company’s pay scale and any market information obtained are considered in determining base compensation levels.

Equity compensation plans are designed to provide an incentive to the directors, officers, employees and consultants of the Company to achieve the longer-term objectives of the Company; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Company; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Company. The Company awards equity based compensation to its executive officers and employees, based upon the Board’s review of the recommendations of the Audit and Compensation Committee. Previous awards of such equity compensation are taken into account when considering new grants. The Company does not currently have an incentive stock option plan and none is contemplated.

Implementation of a new incentive equity based compensation plans and amendments to the existing plans are the responsibility of the Company’s Board. The Company’s equity compensation plans are discussed in more detail below, under the sub-headings, “Restricted Stock Unit Plan” and “Employee Share Ownership Plan”.

The Company has no other forms of compensation, although payments may be made from time to time to individuals or companies they control for the provision of consulting services. Such consulting services are paid for by the Company at competitive industry rates for work of a similar nature by reputable arm’s length services providers.

We are required, under applicable securities legislation in Canada to disclose to our shareholders details of compensation paid to our named executive officers (a “named executive officer” or “NEO”). A

named executive officer of the Company as defined in Form 51-102F6 – *Statement of Executive Compensation*, prescribed by National Instrument 51-102 - *Continuous Disclosure Obligations*, means an individual who, at any time during the year, was:

- (a) the Company’s chief executive officer (“CEO”);
- (b) the Company’s chief financial officer (“CFO”);
- (c) each of the Company’s three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year and whose total compensation will be, individually, more than \$150,000 for that financial year; and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of the most recently completed financial year.

Based on the foregoing definition, the Company has four (4) NEOs for the fiscal year ended August 31, 2011: James E. Sinclair, President and CEO of the Company; Joseph Kahama, Chairman and COO (Tanzania) of the Company; Steven Van Tongeren, CFO of the Company; and Peter Zizhou, Exploration Manager of the Company.

In this document, unless otherwise specified, \$ refers to Canadian dollars.

The following tables set forth particulars concerning the compensation of the named executive officers for the Company’s last three fiscal years ended August 31, 2011:

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Share-based awards (\$)		Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension Value (\$)	All other compensation (\$)	Total compensation (\$)
			Annual incentive plans (RSU)	Long term incentive plans (ESOP)					
James Sinclair, President and CEO	2011	22,459 ⁽⁸⁾	Nil	Nil	None	None	None	Nil	22,459
	2010	Nil	Nil	Nil	None	None	None	Nil	Nil
	2009	Nil	Nil	Nil	None	None	None	Nil	Nil
Joseph Kahama, ⁽⁷⁾ Chairman and COO (Tanzania)	2011	108,327 ⁽¹⁾⁽⁸⁾	Nil	Nil	None	None	None	2,328	110,655
	2010	75,240 ⁽²⁾	168,750 ^{(3)(5)(6)*}	Nil	None	None	None	Nil	243,990
	2009	56,540	25,000 ⁽⁴⁾	Nil	None	None	None	Nil	81,540
Steven Van Tongeren Chief Financial Officer	2011	75,665 ⁽⁸⁾	Nil	8,612	None	None	None	Nil	84,277
	2010	N/A	N/A	Nil	None	None	None	N/A	N/A
	2009	N/A	N/A	N/A	None	None	None	N/A	N/A
Peter Zizhou, Exploration Manager	2011	155,318 ⁽¹⁾⁽⁸⁾	34,375	12,603	None	None	None	3,236	205,532
	2010	159,631 ⁽¹⁾⁽²⁾	Nil	12,720	None	None	None	Nil	172,351
	2009	N/A	N/A	N/A	None	None	None	N/A	N/A

N/A = Not Applicable

(1) Includes taxes paid in Tanzania and statutory deductions.

(2) USD exchange = 1.045

(3) Valued at \$5.58 per RSU granted on April 26, 2007.

(4) Valued at \$7.18 per RSU granted on April 11, 2006.

(5) Valued at \$5.54 per RSU granted on May 20, 2008.

(6) Valued at \$3.84 per RSU granted on May 27, 2009.

* Total is combination of 5600 RSUs at \$5.58 per RSU, 12,410 RSUs at \$5.54 per RSU and 17,903 RSUs at \$3.84 per RSU.

(7) For information relating to compensation for serving as a member of the Board, please see the discussion under "Restricted Stock Unit Plan" and the narrative under "Director Compensation".

(8) USD exchange = 0.9893

Compensation is determined by the Audit and Compensation Committee as set out under "Compensation Discussion and Analysis". Salary compensation is not tied to a named executive officer's individual performance, however the grant of restricted share units ("RSUs") may be. The grant date fair value of RSUs is based on the closing price of the Company's shares on the Toronto Stock Exchange (the "TSX") on the date of grant. All Employee Share Ownership Plan ("ESOP") share purchases are at market prices at the time of each monthly purchase, through the facilities of the TSX using registered representatives. See "Restricted Stock Unit Plan" and "Employee Share Ownership Plan" below for more information.

Prior to 2011, the Company's President and CEO voluntarily chose to forego compensation for services rendered as President and CEO and a member of the Board, and elected not to participate in the Company's share based award programs.

Incentive Plan Awards

Outstanding share-based awards and option-based awards

Option-based Awards					Share-based Awards		
Name		Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money RSUs (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
James Sinclair, CEO	2011	None	None	Not Applicable	187,500	29,857	187,500
	2010	None	None		Nil	Nil	Nil
	2009	None	None		Nil	Nil	Nil
Joseph Kahama, President	2011	None	None	Not Applicable	193,750	30,852	193,750
	2010	None	None		89,515	19,086	89,515
	2009	None	None		Nil	Nil	Nil
Steven Van Tongeren	2011	None	None	Not Applicable	325,500	49,857	325,500
	2010	None	None		Nil	None	None
	2009	None	None		Nil	None	Non
Peter Zizhou	2011	None	None	Not Applicable	64,000	10,191	64,000
	2010	None	None		41,090	8,761	41,090
	2009	None	None		34,375	8,952	34,375

Incentive plan awards – Value vested or earned during the year

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
James Sinclair, CEO	None	Nil	None
Joseph Kahama, President	None	Nil	None
Steven Van Tongeren	None	Nil	None
Peter Zizhou	None	34,375	None

Long Term Incentive Plan Awards to NEOs

The Company has made long-term incentive plan awards during the fiscal year ended August 31, 2011 to NEOs of the Company. See “Restricted Stock Unit Plan” and “Employee Share Ownership Plan” below.

Restricted Stock Unit Plan

The Restricted Stock Unit Plan (“RSU Plan”) is intended to enhance the Company’s and its affiliates’ abilities to attract and retain highly qualified officers, directors, key employees and other persons, and to motivate such officers, directors, key employees and other persons to serve the Company and its affiliates and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company. To this end, the RSU Plan provides for the grant of RSUs.

Each RSU represents an entitlement to one common share of the Company, upon vesting. As of November 24, 2010, the Board resolved to suspend 1,800,000 common shares of the 2,500,000 common shares previously authorized for issuance under the RSU Plan, such that a maximum of 700,000 shares shall be authorized for issuance under the RSU Plan, until such suspension may be lifted or further amended. Any of these awards of RSUs may, but need not, be made as performance incentives to reward attainment of annual or long-term performance goals in accordance with the terms of the RSU Plan. Any such performance goals are specified in the agreement between the Company and the recipient governing the award. The Board implemented the RSU Plan under which employees and directors are compensated for their services to the Company. See “Director Compensation.”

On April 26, 2011, the Corporation’s Restricted Stock Unit Plan was amended as the Plan expressly excluded the Chairman and Chief Executive Officer of the Corporation from participating in the Plan. As the the joint office of Chairman and Chief Executive Officer of the Corporation no longer exists, and has been replaced by two new positions, being President and Chief Executive Officer and Chairman and Chief Operating Officer (Tanzania), the Board determined that it would be in keeping with the objects of the Plan and in the best interests of the Corporation that each of the offices of President and Chief Executive Officer and Chairman and Chief Operating Officer (Tanzania) be unambiguously included in the category of Service Providers eligible to receive awards of RSUs under the Plan, and that the wording of the Plan be amended as required to effect such result (as so amended, the “Amended RSU Plan”). The Amended RSU Plan will be presented to shareholders for approval at the Corporation’s next Annual General and Special Meeting.

RSUs Granted to Directors and Named Executive Officers During the Fiscal Year Ended August 31, 2011:

Name	Date of Grant	No. of RSUs ⁽¹⁾	Cash Compensation Election	Vesting Period ⁽³⁾	Expiration Date
Norman Betts	May 6, 2011	13,429	Nil	1 year	May 6, 2012
Anton Esterhuizen	May 6, 2011	13,429	Nil	1 year	May 6, 2012
William Harvey	May 6, 2011	12,845	Nil	1 year	May 6, 2012
Joseph Kahama	May 6, 2011	30,852	N/A	3 years	May 6, 2014
Rosalind Morrow	May 6, 2011	11,677	Nil	3 years	May 6, 2014
Abdulkarim Mruma	February 24, 2011	4,783 ⁽²⁾	Nil	1 year	February 24, 2012
Abdulkarim Mruma	May 6, 2011	8,061	\$25,000	1 year	May 6, 2012
Ulrich Rath	May 6, 2011	8,028	\$25,208	1 year	May 6, 2012
James Sinclair	May 6, 2011	29,857	N/A	3 years	May 6, 2014
Steven Van Tongeren	February 24, 2011	20,000 ⁽²⁾	N/A	3 years	February 24, 2014
Steven Van Tongeren	May 6, 2011	29,857	N/A	3 years	May 6, 2014
Peter Zizhou	May 6, 2011	10,191	N/A	3 years	May 6, 2014
RSUs granted to directors and executive officers as a group:		193,009			

⁽¹⁾ Valued at \$6.28 per RSU

⁽²⁾ Valued at \$6.90 per RSU

⁽³⁾ Subject to the conditions of the Amended RSU Plan with respect to earlier vesting.

The following RSUs granted to directors during the fiscal year ended August 31, 2010 vested during fiscal year ended August 31, 2011 and 69,581 shares were issued on June 2, 2011:

Name	Date of Grant	No. of Shares ⁽¹⁾	Cash Compensation Election	Vesting Period	Expiration Date
Norman Betts	June 2, 2010	17,981	Nil	1 year	June 2, 2011
Anton Esterhuizen	June 2, 2010	17,200	Nil	1 year	June 2, 2011

Name	Date of Grant	No. of Shares ⁽¹⁾	Cash Compensation Election	Vesting Period	Expiration Date
William Harvey	June 2, 2010	17,200	Nil	1 year	June 2, 2011
Ulrich Rath	June 2, 2010	17,200	Nil	1 year	June 2, 2011

⁽¹⁾ Valued at \$4.69 per RSU.

The following RSUs granted to directors during the fiscal year ended August 31, 2008 vested during fiscal year ended August 31, 2011. 12,410 shares were issued on May 20, 2011:

Name	No. of Shares ⁽¹⁾	Date of Grant	Vesting Period	Expiration Date
Rosalind Morrow	12,410	May 20, 2008	Vested	May 20, 2011

⁽¹⁾ Valued at \$5.54 per RSU.

Outstanding RSUs

RSUs granted to directors and executive officers during fiscal year 2011 are outstanding as of August 31, 2011.

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 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 are at market prices at the time of purchase, through the facilities of the TSX using registered representatives. During fiscal 2011, seventeen participants, including participating directors, together with Company contributions, have purchased 30,363 common shares under the ESOP. The average monthly participant contributions are \$8,991 and the Company's matching monthly contribution is \$7,277 per month. Included in the above contributions are the following director and NEO contributions:

Name	Director/Officer Contribution (\$)	Company Contribution (\$)	Number of Common Shares Purchased
Rosalind Morrow	10,000	10,000	3,004
Steven Van Tongeren	12,123	8,612	3,298
Peter Zizhou	20,165	12,603	5 018

Pension Plan Benefits

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

Equity Compensation Plan Information

The following table provides information regarding compensation plans under which securities of the Company are authorized for issuance in effect as of the end of the Company's most recently completed financial year end:

	Number of securities to be issued upon exercise of outstanding RSUs	Weighted average exercise price of outstanding RSUs	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders (Restricted Stock Unit Plan)	440,932	\$5.551	250,813
Total	440,932	\$5.551	250,813

Director Compensation

Director Compensation Table

The following table sets forth the value of all compensation provided to directors not including those directors who are also NEOs, for the Company's most recently completed financial year:

NAME	FEES EARNED (\$)	RSUS GRANTED ⁽¹⁾ (#)	CASH COMPENSATION ELECTION (\$)	ALL OTHER COMPENSATION (US\$)	TOTAL (\$)
Norman Betts	84,333	13,429	Nil	Nil	84,333
Anton Esterhuizen	80,666	13,429	Nil	100,800 ⁽³⁾	181,466
William Harvey	80,666	12,845	Nil	Nil	80,666
Rosalind Morrow	73,333	11,677	Nil	Nil	73,333
Abdulkarim Mruma	108,625 ⁽¹⁾⁽²⁾	12,844	25,000	Nil	108,625
Ulrich Rath	75,625	8,028	25,208	48,000 ⁽³⁾	123,625

⁽¹⁾ Valued at \$6.28 per RSU (the closing price of the Company's shares on the date of grant of the RSUs).

⁽²⁾ Prof. Mruma compensation includes compensation commencing January 1, 2011 when he was appointed a director and was granted pro-rata compensation of 4,783 RSUs valued at \$6.90 per share (the closing price of the Company's shares on the date of grant of the RSUs) for the period January 1, 2011 to May 31, 2011.

⁽³⁾ Additional compensation to certain members of the Technical Committee for providing expert technical advice to the Company.

Directors who are also members of management do not receive any additional cash compensation for serving on the Board. All directors are granted RSUs as compensation for serving on the Company's Board. Please see the table entitled "RSUs Granted to Directors and Named Executive Officers During the Fiscal Year Ended August 31, 2011" under "Restricted Stock Unit Plan" above.

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 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 Amended RSU Plan with respect to earlier vesting. In 2011 outside directors had the option to elect to receive 100% of their compensation in RSUs. If 100% compensation in RSUs elected, the compensation on which the number of RSUs granted in excess of the required 2/3 shall be increased by 20%.

Under the Amended RSU Plan, outside directors were granted 72,252 RSUs during the fiscal year ended August 31, 2011.

At the election of each outside director, directors' fees of \$16,900 were paid to outside directors during the fiscal year ended August 31, 2011.

Certain members of the Company's Technical Committee receive a monthly retainer in consideration of providing expert technical advice:

Name	Period	Monthly Retainer (US\$)	Total paid to August 31, 2010 (US\$)
Anton Esterhuizen	September 2010 – August 2011	\$8,400	\$100,800
Ulrich Rath	September 2010 – August 2011	\$4,000	\$48,000

Pension Plan Benefits

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

Termination and Change of Control Benefits

There are currently no contracts for outside management services. There are three (3) employment contracts with certain NEOs, including Mr. Kahama, Mr. Steven Van Tongeren and Mr. Zizhou, whereby they will be entitled to receive an amount by way of severance payment equal to one month's salary per full year of service in the event of termination without cause. The employment contracts do not provide for change of control benefits. If a termination without cause was to have occurred on August 31, 2011, the Company would have been required to pay a severance payment in the aggregate amount of \$106,332 in the case of each of Mr. Kahama and Mr. Zizhou.

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 Meeting, held on February 22, 2011, the shareholders elected James Sinclair, Joseph Kahama, Anton Esterhuizen, William Harvey, Rosalind Morrow, Norman Betts, Ulrich Rath and Abdulkarim Mruma as directors. The officers of the Company are elected by the Board serve at the pleasure of the Board.

The Company has an audit committee consisting of Ulrich Rath, William Harvey and 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 committee has direct communication channels with the external auditors.

The Company also has a compensation committee. The audit committee and compensation committee is collectively referred to as the "Audit and Compensation Committee".

The adequacy and form of director and officer compensation is reviewed on an annual basis by the Audit and Compensation Committee of the Board of Directors of the Company. The Audit and Compensation Committee recommends to the Board any adjustments to the compensation payable to directors, officers, and senior staff. The Audit and Compensation Committee is comprised of three directors: Norman Betts (Chair), William Harvey and Ulrich Rath, all of whom are independent for the purposes of National Instrument 58-101 – *Corporate Governance*. The Audit and Compensation Committee meet to discuss salary matters as required. Its recommendations are reached primarily by comparison of the remuneration paid by the Company with publicly available information on remuneration paid by other reporting issuers that the Audit and Compensation Committee feels are similarly placed within the same stage of business development as the Company.

The Company also has a nominating committee (the “Nominating Committee”) comprised of Ulrich Rath, William Harvey and 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 Company’s Board.

The Company has a Technical Committee currently comprised of Anton Esterhuizen (Chair), Ulrich Rath, Abdulkarim Mruma, Peter Zizhou and Charles Mnguto. The Technical Committee reviews the definitive exploration policy for the Company and reports directly to the Board of Directors.

AUDIT COMMITTEE INFORMATION

Under National Instrument 52-110 – Audit Committees (“NI 52-110”) reporting issuers 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. Accordingly, the Company provides the following disclosure with respect to its Audit Committee:

1. The Audit and Compensation Committee’s Charter

1.0 Purpose of the Committee

1.1 The purpose of the Audit and Compensation Committee is to assist the Board in its oversight of the integrity of the Company's financial statements and other relevant public disclosures, the Company'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 and Compensation Committee recommends to the Board any adjustments to the compensation payable to directors, officers, and senior staff. The Audit and Compensation Committee meet to discuss salary and bonus incentive matters as required.

3.0 Members of the Audit and Compensation Committee

3.1 All of the members of the Audit and Compensation Committee must be "financially literate" as defined under NI 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 Company's financial statements.

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

3.3 All of the members of the Audit and Compensation Committee shall be "independent" as defined under NI 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 and Compensation 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 and Compensation 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 and Compensation Committee will have direct communications access at all times with the external auditors.

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

5.0 Non-Audit Services

5.1 The external auditors are prohibited from providing any non-audit services to the Company, without the express written consent of the Audit and Compensation Committee. In determining whether the external auditors will be granted permission to provide non-audit services to the Company, the Audit and Compensation Committee must consider that the benefits to the Company 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 Company:

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

6.0 Appointment of Auditors

6.1 The external auditors will be appointed each year by the shareholders of the Company at the annual general meeting of the shareholders.

6.2 The Audit and Compensation 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 and Compensation 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 and Compensation 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 and Compensation 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 Company. The auditors must not perform any other consulting services for the Company, which could impair or interfere with their role as the independent auditors of the Company.

11.0 Role and Responsibilities of the Internal Auditor

11.1 At this time, due to the Company's size and limited financial resources, the Chief Financial Officer of the Company 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 and Compensation Committee will have the oversight responsibility for ensuring that the internal controls are implemented and monitored, and that such internal controls are effective.

13.0 Continuous Disclosure Requirements

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

14.0 Other Auditing Matters

14.1 The Audit and Compensation Committee may meet with the Auditors independently of the management of the Company at any time, acting reasonably.

14.2 The Auditors are authorized and directed to respond to all enquiries from the Audit and Compensation Committee in a thorough and timely fashion, without reporting these enquiries or actions to the Board of Directors or the management of the Company.

15.0 Annual Review

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

16.0 Independent Advisers

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

18.0 Changes in Accounting Policies

18.1 The Audit and Compensation 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 Company's Board.

2. Composition of the Audit and Compensation Committee

Following are the members of the Audit and Compensation Committee:

Norman Betts (Chair)	Independent ⁽¹⁾	Financial expert ⁽³⁾
Ulrich Rath	Independent ⁽¹⁾	Financially literate ⁽²⁾
William Harvey	Independent ⁽¹⁾	Financially literate ⁽²⁾

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ 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 was 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 NI 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 NI 52-110, in whole or in part, granted under Part 8 of National Instrument 52-110. Nor has the Company relied on Section 3.8 (Acquisition of Financial Literacy) of NI 52-110.

7. Audit and Compensation Committee Oversight

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

8. Pre-Approval Policies and Procedures

The Audit and Compensation 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 and Compensation Committee is authorized to approve in writing any non-audit services or additional work which the Chairman of the Audit and Compensation Committee deems is necessary, and the Chairman will notify the other members of the Audit and Compensation 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:

Financial Year Ending August 31	Audit Fees	Audit Related Fees	Tax Fees	Non-Audit Fees
2011	Canada - \$234,500	Nil	\$15,000	Nil
	Tanzania - \$8,000	Nil	\$308,000	Nil
2010	Canada - \$133,500	Nil	\$15,000	Nil
	Tanzania - \$8,000	Nil	Nil	Nil

D. Employees

The Company has one (1) full time employee located in South Surrey, British Columbia, Canada, one (1) full time employee located in Toronto, Ontario, Canada, one full time employee located in Sharon, Connecticut, USA, seventy two (72) full time employees located in Buckreef, Tanzania, and three (3) full time employees located in Dar es Salaam, Tanzania.

The Company also hires employees on a part time or temporary basis as dictated by the exploration activities on its properties. The full time and temporary employees and consultants of the Company can be grouped according to main category of activity and geographic location as follows:

Location	Category	Full Time Employees	Temporary Employees	Full Time Consultants	Part Time Consultants
South Surrey, Canada	Administration	1	Nil	Nil	1
Toronto, Canada	Administration	1	Nil	Nil	Nil
Buckreef, Tanzania	Administration	9	Nil	Nil	Nil
	Exploration	63	40	Nil	Nil
Dar es Salaam, Tanzania	Administration	3	Nil	Nil	Nil
	Exploration	Nil	Nil	Nil	Nil
Connecticut, USA	Administration	1	Nil	2	1
	Exploration	Nil	Nil	Nil	Nil

E. Share Ownership

The following table sets forth the share ownership of our directors and named executive officers, held by such persons as of October 31, 2011.

Name of Owner	Number of Shares Owned	Percentage ⁽¹⁾
Norman Betts	33,362	<0.01%
Anton Esterhuizen	76,412	<0.01%
William Harvey	326,013	0.32%
Joseph Kahama	5,000	<0.01%
Rosalind Morrow	392,070	0.39%
Abdulkarim Mruma	0	0%
Ulrich E. Rath	53,677	<0.01%

Name of Owner	Number of Shares Owned	Percentage ⁽¹⁾
James E. Sinclair	2,040,143	2.04%
Steven Van Tongeren	21,757	<0.01%
Peter Zizhou	1,583	<0.01%
All directors and named executive officers as a group	2,950,017	2.95%

⁽¹⁾ calculation based on 99,992,071 shares of common stock outstanding as of October 31, 2011

The voting rights attached to the common shares owned by our officers and directors do not differ from those voting rights attached to shares owned by people who are not officers or directors of our Company.

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 Company 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 November 15, 2011, the Company knows of one shareholder who beneficially own more than five (5%) of the outstanding shares of the Company's voting securities as set forth in the following table:

Title of Class	Identity of Holder ⁽²⁾	Amount Owned	Percent of Class ⁽¹⁾
Common Shares	Platinum Partners Liquid Opportunity Master Fund L.P. / Platinum Partners Value Arbitrage Fund L.P.	5,263,158	5.26%
Common Share Purchase Warrants ⁽³⁾	Platinum Partners Liquid Opportunity Master Fund L.P. / Platinum Partners Value Arbitrage Fund L.P.	5,263,158	5.26%

⁽¹⁾ Based on the issued and outstanding shares of the Company of 99,992,071 shares as at November 15, 2011

⁽²⁾ As per information provided on SEC Form 13G filed on EDGAR <http://www.sec.gov/edgar.shtml>

⁽³⁾ Common Share Purchase Warrants entitle the holder to acquire one common share at an exercise price of US\$6.25 expiring on August 12, 2013

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 of August 31, 2011:

Jurisdiction Shareholders of Record	Number of Shareholders	Number of Common Shares	Percentage of Total Issued Shares	Percentage of Total Holders
United States	1,102	39,673,281	40%	84%
Canada	136	58,589,638	59%	10%
Other Countries	80	1,495,834	1%	6%
TOTAL	1,318	99,758,753	100%	100%

B. Related Party Transactions

Financing Transactions

On February 19, 2008 the Company completed a \$1,000,000 private placement pursuant to a subscription agreement dated February 4, 2008 with the President and CEO 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 the President and CEO, 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 the President and CEO, for the purchase of 184,843 common shares at a price of \$5.41 per share.

On October 10, 2008 the Company completed a \$1,000,000 private placement pursuant to a subscription agreement dated October 1, 2008 with the President and CEO, for 327,225 common shares at a price of \$3.056 per share.

On February 20, 2009, the Company completed the eighth (8) tranche of an eight (8) tranche private placement pursuant to a Subscription Agreement dated August 8, 2006 made between the Company and the President and CEO, for the purchase of an aggregate of 542,782 common shares for aggregate proceeds of \$3,000,000.

On March 4, 2009 the Company completed a \$1,000,000 private placement pursuant to a subscription agreement dated February 23, 2009 with the President and CEO for 189,036 common shares at a price of \$5.29 per share.

On April 14, 2009 the Company completed a \$1,500,000 private placement pursuant to a subscription agreement dated March 27, 2009 with the President and CEO for 248,139 common shares at a price of \$6.045 per share for total proceeds of \$1,500,000.

On October 26, 2009, the Company completed a private placement with the Company's President and CEO for 306,749 common shares at a price of \$3.26 per share, resulting in net proceeds of \$1,000,000 to the Company. With completion of this \$1 million private placement, the \$3 million private placement agreement dated February 1, 2009 between the Company and the President and CEO was complete.

On September 7, 2010 the Company completed a \$800,000 private placement pursuant to a subscription agreement dated August 24, 2010 with the President and CEO for 144,430 common shares at a price of \$5.539 per share.

Related Party Transactions Subsequent To August 31, 2011

None

Other Related Party Transactions

During the year ended August 31, 2011, \$461,484 (2010 - \$381,690) was paid or payable by the Company to directors for directors' fees. Directors were paid \$20,701 (2010 - \$75,298) in cash and \$440,783 (2010 - \$299,314) 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, 2011, the legal expense charged by the firm was \$797,146 (2010 - \$143,524), of which \$419,032 remains payable at year end.

During the year ended August 31, 2011, \$156,000 (2010 - \$204,777) was paid or payable by the Company to certain members of the Technical Committee for providing expert technical advice to the Company.

On February 1, 2011 the Audit Committee approved a loan agreement (the "Loan Agreement") with Joseph Kahama ("Kahama"), the Chairman and COO (Tanzania) of the Company, providing for a six month loan from the Company to Kahama in the principal amount of US\$100,000 on arm's length commercial terms, bearing interest at the prime rate charged by the Company's bankers, determined monthly (the "Loan"). Mr. Kahama repaid the loan principal plus interest on August 8, 2011. Upon further review, the Board has determined that the Kahama loan was inadvertently not in compliance with Sarbanes-Oxley. As a result, the Board has reviewed its corporate governance procedures with US counsel and has taken corrective action.

During the year ended August 31, 2011, US\$9,600 was paid to a company associated with Kahama for office rent. During the fourth quarter period ended August 31, 2011, Tanzania office rent in the amount of US\$2,400 was paid to a company related to Kahama. The rental rate charged to the Company is at the prevailing market rate.

As at August 31, 2011, the Company makes certain payments for administrative services including technical support and services for the Company's President and CEO's website. These expenses are reimbursed to the Company quarterly. During the fourth quarter period ended August 31, 2011, \$7,214 was paid for administrative and technical support and services, which is recorded as a receivable.

C. Interests 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, 2011, 2010 and 2009 with the Report of Independent Registered Public Accounting Firm, comprised of:

- (a) Consolidated Balance Sheets as of August 31, 2011 and 2010;
- (b) Consolidated Statements of Operations, Comprehensive Loss and Deficit for the years ended August 31, 2011, 2010 and 2009;
- (c) Consolidated Statements of Cash Flows for the years ended August 31, 2011, 2010 and 2009; 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 of August 31, 2011 there were no legal or arbitration proceedings which may have or have had significant effects 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 share 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 share was listed on the Canadian Venture Exchange, now known as the TSX Venture Exchange.

The common share of the Company was listed on the American Stock Exchange ("AMEX") (now NYSE Amex Equities ("NYSE Amex")) under the symbol "TRE" on May 12, 2005. On June 13, 2011 the NYSE Amex symbol changed to "TRX".

As of August 31, 2011 there were 1,102 registered shareholders in the United States holding 40% of the Company's outstanding common shares, representing approximately 84% of the total number of registered shareholders. The Company's Common share 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 share.

The number of registered shareholders resident in the United States is attributed as to 0.1% 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 39.7% are United States residents who have purchased shares in the secondary market, through the facilities of the Toronto Stock Exchange or NYSE Amex.

The high and low market prices expressed in Canadian dollars on the Toronto Stock Exchange and the high and low expressed in US dollars on the NYSE Amex for the Company's common share for the last five years, for the last six months, and each quarter for the last three fiscal years

	Toronto Stock Exchange (Canadian Dollars)		
<u>Last Six Months</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
October 2011	4.14	3.37	751,945
September 2011	5.87	3.47	1,796,658
August 2011	6.09	5.32	1,569,129
July 2011	6.56	5.81	978,591
June 2011	7.55	5.83	1,,799,396
May 2011	7.40	6.02	1,405,139
<u>2010-2011</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
Fourth Quarter ended August 31, 2011	7.55	5.32	4,347,116
Third Quarter ended May 31, 2011	7.40	5.88	4,305,338
Second Quarter ended February 28, 2011	7.39	5.93	4,424,588

**Toronto Stock Exchange
(Canadian Dollars)**

First Quarter ended November 30, 2010	7.79	5.74	4,882,585
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2009-2010

	<u>High</u>	<u>Low</u>	<u>Volume</u>
Fourth Quarter ended August 31, 2010	5.98	4.51	2,819,382
Third Quarter ended May 31, 2010	5.16	4.02	4,017,954
Second Quarter ended February 28, 2010	5.15	3.20	6,038,868
First Quarter ended November 30, 2009	4.20	2.91	13,235,199

2008-2009

	<u>High</u>	<u>Low</u>	<u>Volume</u>
Fourth Quarter ended August 31, 2009	4.38	3.02	4,510,479
Third Quarter ended May 31, 2009	6.50	3.27	7,861,353
Second Quarter ended February 28, 2009	5.95	3.25	4,942,020
First Quarter ended November 30, 2008	4.39	1.99	8,802,819

Last Five Fiscal Years

	<u>High</u>	<u>Low</u>
2011	7.79	5.32
2010	5.98	2.91
2009	6.50	1.99
2008	6.52	3.79
2007	8.24	4.72

**NYSE AMEX
(US Dollars)**

	<u>High</u>	<u>Low</u>	<u>Volume</u>
<u>Last Six Months</u>			
October 2011	4.09	3.15	9,112,587
September 2011	5.94	3.40	16,520,357
August 2011	6.36	5.38	8,360,346
July 2011	6.84	6.09	5,027,183
June 2011	7.82	5.94	12,090,253
May 2011	7.48	6.20	9,870,703

2010-2011

	<u>High</u>	<u>Low</u>	<u>Volume</u>
Fourth Quarter ended August 31, 2011	7.82	5.38	25,477,782
Third Quarter ended May 31, 2011	7.48	5.95	29,742,121
Second Quarter ended February 28, 2011	7.40	5.95	30,188,047
First Quarter ended November 30, 2010	7.57	5.46	33,640,881

2009-2010

	<u>High</u>	<u>Low</u>	<u>Volume</u>
Fourth Quarter ended August 31, 2010	5.63	4.33	19,323,144
Third Quarter ended May 31, 2010	5.07	3.92	19,352,772
Second Quarter ended February 28, 2010	4.86	3.00	29,385,355
First Quarter ended November 30, 2009	3.95	2.69	30,234,230

2008-2009

	<u>High</u>	<u>Low</u>	<u>Volume</u>
Fourth Quarter ended August 31, 2009	4.07	2.67	17,573,451

Third Quarter ended May 31, 2009	5.29	2.73	23,646,159
Second Quarter ended February 28, 2009	4.77	2.50	16,773,244
First Quarter ended November 30, 2008	3.94	1.58	26,267,688

<u>Last Five Fiscal Years</u>	<u>High</u>	<u>Low</u>
2011	7.82	5.38
2010	5.63	2.69
2009	5.29	1.58
2008	7.25	3.55
2007	7.24	4.44

B. Plan of Distribution

Not Applicable.

C. Markets

The Company's common share is listed on the Toronto Stock Exchange under the trading symbol "TNX" and on the NYSE Amex under the trading symbol "TRX".

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

Item 10. Additional Information

A. Share Capital

The Company's Restated Articles of Incorporation authorized the Company to issue an unlimited number of common shares. As of July 11, 2011 the Board resolved that the Company authorize for issuance up to a maximum of 105,000,000 common shares, subject to further resolutions of the Company's Board of Directors, from time to time. Of the 105,000,000 common shares authorized, without par value, 99,758,753 shares were issued and outstanding as of August 31, 2011.

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:

	No. of Shares	Amount
Total Outstanding as of August 31, 2008	<u>88,114,352</u>	<u>\$61,705,400</u>
<i>Add:</i> Issued for private placements	1,456,801	\$5,240,000
Issued pursuant to share subscription agreements	141,809	\$750,000
Issued pursuant to Restricted Stock Unit Plan	69,582	\$416,316
Total Outstanding as of August 31, 2009	<u>89,782,544</u>	<u>68,111,716</u>
<i>Add:</i> Issued for private placements, net	1,462,584	3,984,479
Issued pursuant to Restricted Stock Unit Plan	148,165	664,115
Issued for Commitment and Agent's Fees	22,166	95,000
Total Outstanding as of August 31, 2010	<u>91,415,459</u>	<u>72,855,310</u>
<i>Add:</i> Issued for private placements, net	2,532,119	12,912,783
Issued pursuant to share subscriptions agreement	144,430	800,000
Issued pursuant to Restricted Stock Unit Plan	136,408	681,339
Issued for financing and commitment fees	247,173	971,107
Issued for acquisition of property	20,006	97,035
Issued for Prospectus	5,263,158	22,354,127
Total Outstanding as of August 31, 2011	<u>99,758,753</u>	<u>110,671,701</u>

Shares are issued by the Company with the regulatory acceptance of the Toronto Stock Exchange and NYSE Amex, upon resolution of the Board of Directors of the Company. As of August 31, 2011 there are a total of 99,758,753 common shares issued and a further 250,813 common shares reserved for issuance under outstanding RSUs, 659,427 common shares reserved for issuance under 3-year convertible promissory notes and 6,216,919 for issuance under outstanding warrants.

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 Company 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 25, 2011	State Mining Corporation (Stamico) and the Company	Joint Venture Agreement for the development of the Buckreef Gold Project	Through its wholly-owned subsidiary, Tanzania American International Development Corporation 2000 Limited (Tanzam), the Company will hold a 55% interest in the joint venture company, Buckreef Gold Company Limited, with Stamico holding the remaining 45%.
December 16, 2010	State Mining Corporation and the Company	Heads of Agreement	\$3,000,000 for 55% interest in the Buckreef Project
August 24, 2010	James E. Sinclair and the Company	Subscription Agreement for purchase of 144,430 common shares	\$5.539 per share for a total of \$800,000
March 27, 2009	James E. Sinclair and the Company	Subscription Agreement for purchase of 248,139 common shares	\$6.05 per share for a total of \$1,500,000
February 23, 2009	James E. Sinclair and the Company	Subscription Agreement for purchase of 189,036 common shares	\$5.29 per share for a total of \$1,000,000
February 1, 2009	James E. Sinclair and the Company	Subscription Agreement for purchase of \$3,000,000 worth of common shares over a two year period.	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, or the closing price on the last trading day of each quarterly period, whichever is greater.

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 2009 was any amount in excess of \$312 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 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. There can be no assurance that future changes in applicable law or administrative and judicial interpretations thereof will not adversely affect the tax consequences discussed herein.

Since the United States federal income and withholding tax treatment may vary depending upon U.S. Holder's particular situation, a U.S. Holder may be subject to special rules that may have been excluded in this discussion. Special rules will apply, for example, if the U.S. Holder is

- an insurance company;
- a tax-exempt organization;
- a financial institution;
- a person subject to the alternative minimum tax;
- a person who is a broker-dealer in securities;
- an S corporation;
- an expatriate subject to Section 877 of the Code;
- an owner of, directly, indirectly or by attribution, 10% or more of the outstanding common shares; or
- an owner holding common shares as part of a hedge, straddle, synthetic security or conversion transaction.

In addition, this summary is generally limited to persons holding common shares as "capital assets" within the meaning of Section 1221 of the Code, and whose functional currency is the U.S. dollar. The discussion below also does not address the effect of any United States state or local tax law or foreign tax law.

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 preceding 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”)

Taxable Supplies	Rate
Supply of goods and services in Mainland Tanzania	18%
Import of goods and services in Mainland Tanzania	18%
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).

Effective July 1, 2009, VAT relief to mining companies and services providers to mining companies was repealed. VAT was reduced from 20% to 18%.

Withholding Tax

Withholding tax is charged at the rates specified below:

	Resident	Non-Resident
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

	Resident	Non-Resident
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 arm’s 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, etc.).

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 1st 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 4% 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, and Rwanda.

F. Dividends and Paying Agents

Not Applicable.

G. Statement by Experts

Not Applicable.

H. Documents on Display

The Company files annual reports and other information with the SEC. You may read and copy any document that we file at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information about the Public Reference Rooms. The SEC also maintains a website, 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.

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, 2011.

By Currency

	2011
Canadian Dollar	25%
U.S. Dollar	50%
Tanzanian Schilling	25%
Total:	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 \$7,638,000 and \$3,059,000 for the years ended August 31, 2011 and 2010, 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 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:

2007	2008	2009	2010	2011 (Average to August 31)
\$695.39	\$871.96	\$972.35	\$1,224.53	\$1,499.33

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

Disclosure Controls and Procedures

The Company's management, with the participation of its 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 the Company's management have completed their review and testing of the internal controls as of August 31, 2011 and conclude that they are appropriately designed and operating effectively to ensure that information required to be disclosed by the Company in reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Management's Annual 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. Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company's management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of August 31, 2011. 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 Company's management has completed their review and testing of the internal controls and concludes that they are appropriately designed and operating effectively for the year ended August 31, 2011.

National Instrument 52-109 defines a material weakness as a deficiency, or a combination of deficiencies, in ICFR such that there is a reasonable possibility that a material misstatement of the reporting issuer's annual financial statements or interim financial report will not be prevented or detected on a timely basis. Management identified, for the prior fiscal year ended August 31, 2010, a material weakness in internal controls affecting financial reporting of certain matters, which matters were corrected prior to management finalizing the financial statements for the period. See management's discussion and analysis of the financial condition and results of operations of the Company for the year ended August 31, 2010. The Company believes it has fully remediated the weakness previously identified.

Changes in Internal Controls over Financial Reporting

During the year ended August 31, 2011, the Company has strengthened internal controls and implemented additional segregation of duties on both administrative and operational sides of the business. Additional personnel were hired and new procedures and controls documented and implemented in

conjunction with the continued growth of the Company. The Chief Executive Officer and the Chief Financial Officer, together with other members of management, have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would have been known to them, and by others, within those entities. Management have also designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. Based on the evaluation of the design and operating effectiveness of the company's ICFR, the CEO and the CFO concluded that the company's ICFR was effective as at August 31, 2011.

Item 16 A. Audit Committee Financial Expert

The Company's Board has determined that Dr. Norman Betts qualified as an Audit Committee financial expert. Dr. Betts is an "independent director", as defined under NI 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 SEC 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

The Company has 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. The Company will report any amendment or waiver to the Code of Ethics on our website within five (5) business days.

The Company undertakes to provide any person without charge a copy of our code of ethics. Persons requesting a copy should address their request to Corporate Secretary, Tanzanian Royalty Exploration Corporation, Suite 404 – 1688 152nd Street, South Surrey, British Columbia, Canada, V4A 4N2.

Item 16 C. Principal Accountant Fees and Services

The Company's independent auditor for the fiscal years ended August 31, 2011 and 2010 was KPMG LLP, Chartered Accountants.

Our Audit and Compensation Committee pre-approves all services provided by our independent auditors. All of the services and fees described below were reviewed and pre-approved by our audit committee.

The following summarizes the significant professional services rendered by KPMG LLP to the Company for the years ended August 31, 2011 and 2010:

Fiscal Year Ending August 31	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
2011	Canada – \$234,500 Tanzania – 8,000	Nil Nil	Nil Nil	Nil Nil

Fiscal Year Ending August 31	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
2010	Canada - \$133,500 Tanzania - \$8,000	Nil Nil	\$15,000 Nil	Nil Nil

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

Not Applicable.

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

Not Applicable.

ITEM 16F. Change in Registrant's Certifying Accountant

Not Applicable.

Item 16 G. Corporate Governance

The Company's common shares are listed on the NYSE Amex. Section 110 of the NYSE- Amex Company Guide permits NYSE-Amex to consider the laws, customs and practices of foreign issuers in relaxing certain NYSE-Amex listing criteria, and to grant exemptions from NYSE-Amex listing criteria based on these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. A description of the significant ways in which the Company's governance practices differ from those followed by domestic companies pursuant to NYSE Amex standards

Shareholder Meeting Quorum Requirement. The NYSE-Amex minimum quorum requirement for shareholder meeting is 33 1/3% of the outstanding shares of common stock. In addition, a company listed on NYSE-Amex is required to state its quorum requirement in its bylaws. The Company's quorum requirement is set forth in its bylaws. The Company's bylaws provide that a quorum at any meeting of shareholders shall be persons present not being less than two in number and who hold or represent not less than 20 percent of the total number of the issued shares of the Company for the time being enjoy voting rights at the meeting.

Proxy Delivery Requirement. NYSE Amex requires the solicitation of proxies and delivery of proxy statements for all shareholder meetings, and requires that these proxies be solicited pursuant to a proxy statement that conforms to the proxy rules of the SEC., The Company is a foreign private issuer as defined in Rule 3b-4 under the Securities Exchange Act of 1934, as amended, and the equity securities of the Company are accordingly exempt from the proxy rules set forth in Sections 14(a), 14(b), 14(c) and 14(f) of such Act. The Company solicits proxies in accordance with applicable rules and regulations in Canada.

Shareholder Approval Requirements. NYSE Amex requires a listed company to obtain the approval of its shareholders for certain types of securities issuances, including private placements that may result in the issuance of common shares (or securities convertible into common shares) equal to 20% or more of presently outstanding shares for less than the greater of book or market value of the shares. In general, there is no such requirement under the rules of the Toronto Stock Exchange unless the transaction results in a change of control. The Company will seek a waiver from NYSE Amex's shareholder approval requirements in circumstances where the securities issuance does not trigger such a requirement under the rules of the Toronto Stock Exchange.

The foregoing is consistent with the laws, customs and practices in Canada.

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

<u>Exhibit No.</u>	<u>Name</u>
1.1	Articles and Bylaws of Tan Range Exploration Corporation, as amended. ⁽¹⁾
1.2	Certificate of Amendment for Change of Name dated February 28, 2006 ⁽⁶⁾
1.3	Certificate of Amendment and Registration of Restated Articles dated March 7, 2008 for increase in the maximum number of directors to eleven ⁽⁶⁾
2.1	Employee Share Ownership Plan (2003) ⁽¹⁾
2.2	2001 Stock Option Plan ⁽¹⁾
2.3	Shareholder Rights Plan ⁽²⁾
2.4	Restricted Stock Unit Incentive Plan ⁽⁴⁾
2.5	Amended Restricted Stock Unit Incentive Plan*
4.1	Subscription and Property Option Agreement dated May 31, 1999 between the Company and Barrick Gold Corporation ⁽²⁾
4.2	Option Agreement dated December 14, 2001 between Tanzam 2000 Limited and Barrick Exploration Africa Limited ⁽²⁾
4.3	Letter of Intent dated January 20, 2003 between the Company and Northern Mining Explorations Ltd., as amended by Letter Agreement dated March 18, 2003 ⁽²⁾
4.4	Letter of Intent dated July 21, 2003 between the Company and Ashanti Goldfields (Cayman) Limited ⁽²⁾
4.8	Option Agreement dated September 7, 2004 between the Company and Northern Mining Explorations Ltd. ⁽³⁾
4.9	Purchase and Sale Agreement dated September 26, 2006 between the Company and Ashanti Goldfields (Cayman) Limited ⁽⁴⁾
4.10	Option and Royalty Agreement dated January 25, 2007 between the Company and Sloane Developments Ltd. ⁽⁵⁾

- 4.12 March 27, 2009 Subscription Agreement for purchase of 248,139 common shares with James E. Sinclair⁽⁶⁾
- 4.13 February 23, 2009 Subscription Agreement for purchase of 189,036 common shares with James E. Sinclair⁽⁶⁾
- 4.14 February 1, 2009 Subscription Agreement for purchase of \$3,000,000 of common shares with James E. Sinclair⁽⁶⁾
- 4.15 August 24, 2010 Subscription Agreement for purchase of 144,430 common shares with James E. Sinclair⁽⁷⁾
- 4.16 Heads of Agreement dated December 16, 2010 between the Company and State Mining Corporation*
- 4.17 Joint Venture Agreement dated October 25, 2011 between the Company and State Mining Corporation*
- 8.1 List of Subsidiaries⁽⁶⁾
- 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*
- 13.1 Certification under Section 1350*
- 15.1 Audited Consolidated Financial Statements for the years ended August 31, 2011, 2010 and 2009*
- 15.2 Management Discussion and Analysis for the years ended August 31, 2011 and 2010*

* Filed herewith

- (1) Previously filed on Form 20-F filed with the SEC on March 15, 2004
- (2) Previously filed on Amendment No. 1 to Form 20 with the SEC on June 28, 2004
- (3) Previously filed on Form 20-F with the SEC on February 10, 2005
- (4) Previously filed on Form 20-F with the SEC on November 30, 2006
- (5) Previously filed on Form 20-F with the SEC on November 30, 2007
- (6) Previously filed on Form 20-F with the SEC on November 25, 2009
- (7) Previously filed on Form 20-F with the SEC on November 30, 2010

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.

Date November 30, 2011

TANZANIAN ROYALTY EXPLORATION CORPORATION

By: “James E. Sinclair”
James E. Sinclair,
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, James E. Sinclair, certify that:

1. I have reviewed this annual report on Form 20-F of Tanzanian Royalty Exploration Corporation (the "Company");

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 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 30, 2011

"James E. Sinclair"
James E. Sinclair,
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Steven Van Tongeren, certify that:

1. I have reviewed this annual report on Form 20-F of Tanzanian Royalty Exploration Corporation (the "Company");

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 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 30, 2011

Steven Van Tongeren
Steven Van Tongeren,
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, 2011 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 30, 2011

James E. Sinclair

James E. Sinclair,
President and Chief Executive Officer
(Principal Executive Officer)

Steven Van Tongeren

Steven Van Tongeren
Chief Financial Officer
(Principal Financial Officer)

TANZANIAN ROYALTY EXPLORATION CORPORATION

RESTRICTED STOCK UNIT INCENTIVE PLAN

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TANZANIAN ROYALTY EXPLORATION CORPORATION

RESTRICTED STOCK UNIT INCENTIVE PLAN

Tanzanian Royalty Exploration Corporation, a corporation incorporated under the laws of the Province of Alberta (the “Corporation”), sets forth herein the terms of its Restricted Stock Unit Incentive Plan (the “Plan”), as follows:

1. PURPOSE

The Plan is intended to enhance the Corporation’s and its Affiliates’ (as defined herein) 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 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 hereof (as such performance goals are specified in the Award Agreement).

2. DEFINITIONS

For purposes of interpreting the Plan and related documents (including Award Agreements), the following definitions shall apply:

2.1 “**Affiliate**” means, with respect to the Corporation, any person or company if it is a Subsidiary entity of the other or if both are Subsidiary entities of the same person or company within the meaning of OSC Rule 61-501- *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions*.

2.2 “**Award**” means a grant of Restricted Stock Units under the Plan.

2.3 “**Award Agreement**” means the written agreement between the Corporation and a Grantee that evidences and sets out the terms and conditions of an Award.

2.4 “**Board**” means the Board of Directors of the Corporation.

2.5 “**Cause**” means, as determined by the Board and unless otherwise provided in an applicable agreement with the Corporation or an Affiliate, (i) gross negligence or willful misconduct in connection with the performance of duties; (ii) conviction of a criminal offense; or (iii) material breach of any term of any employment, consulting or other services, confidentiality, intellectual property or non-competition agreements, if any, between the Service Provider and the Corporation or an Affiliate.

2.6 “**Change of Control**” means (i) a takeover bid for a sufficient number of Shares such that if such number of Shares are tendered into the bid and the bid closes, the bidder and all parties acting jointly or in concert with the bidder (the “bid group”) would have direction or control over more than 50% of the outstanding common shares of the Corporation, excluding the

shares subject to the Plan, unless parties exercising control or direction over a blocking number of common shares of the Corporation have provided by the date (the “blocking date”) which is five business days before the initial expiry date of the bid, their written undertaking to all Grantees under the Plan not to tender into the bid, in the aggregate, at least a blocking number of Shares; “blocking number” means that number of common shares of the Corporation which, if withheld from being tendered into the bid and assuming no increase in the number of outstanding common shares of the Corporation, would result in the bidder not acquiring direction or control over more than 50% of the outstanding common shares of the Corporation immediately following closing of the bid; (ii) a merger, consolidation, combination, reorganization or other transaction pursuant to which a party, or parties acting jointly and in concert, would acquire direction or control over more than 50% of the outstanding common shares of the Corporation or more than 50% of the votes attaching to all of the voting securities of any successor entity resulting from such transaction; (iii) a sale of all or substantially all of the assets of the Corporation determined on either a consolidated or a non-consolidated basis; or (iv) the election or appointment to the Board of a number of persons who represent a majority of the Board and who were not proposed or approved by a majority of the Board as previously constituted.

The effective date of a Change of Control is (a) for the purposes of (i), the date immediately following the blocking date; (b) for the purposes of (ii) and (iii), the date of the latest of shareholder, other stakeholder, Court or other required approval of the transaction; and for the purposes of (iv), the date of the shareholder resolution or other corporate action approving the election or appointment.

2.7 “**Committee**” means the Audit and Compensation committee of the Board, and designated from time to time by resolution of, the Board, which shall be constituted as provided in **Section 3.2**.

2.8 “**Corporation**” means Tanzanian Royalty Exploration Corporation.

2.9 “**Effective Date**” means January 24, 2006, the date the Plan is approved by the Board.

2.10 “**Fair Market Value**” means the value of a Share, determined as follows: if on the Grant Date or other determination date the Shares are listed on an established national or regional stock exchange, is admitted to quotation on the Toronto Stock Exchange (the “TSX”) or is publicly traded on an established securities market, the Fair Market Value of the Corporation’s Shares shall be the closing price of the Shares on such exchange or in such market (if there is more than one such exchange or market the Board shall determine the appropriate exchange or market) on the Grant Date or such other determination date (or if there is no such reported closing price, the Fair Market Value shall be the mean between the highest bid and lowest asked prices or between the high and low sale prices on such trading day) or, if no sale of Shares is reported for such trading day, on the next preceding day on which any sale shall have been reported. If the Shares are not listed on such an exchange, quoted on such system or traded on such a market, Fair Market Value shall be the value of a Share as determined by the Board in good faith.

2.11 “**Grant Date**” means, as determined by the Board, the latest to occur of (i) the date as of which the Board approves an Award, (ii) the date on which the recipient of an Award

first becomes eligible to receive an Award under **Section 6** hereof, or (iii) such other date as may be specified by the Board.

2.12 “**Grantee**” means a person who receives or holds an Award under the Plan.

2.13 “**Outside Director**” means a member of the Board who is not an officer or employee of the Corporation.

2.14 “**Plan**” means this Tanzanian Royalty Exploration Corporation Restricted Stock Unit Incentive Plan.

2.15 “**Restricted Stock Unit**” or “**RSU**” means a bookkeeping entry representing the right to receive one Share, subject to the restrictions and vesting provisions provided herein, and awarded to a Grantee pursuant to **Section 8** hereof.

2.16 “**Securities Act**” means the *Securities Act* (Ontario), as now in effect or as hereafter amended.

2.17 “**Service**” means service of a Service Provider to the Corporation or an Affiliate. Unless otherwise stated in the applicable Award Agreement, a Grantee’s change in position or duties shall not result in interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to the Corporation or an Affiliate. Subject to the preceding sentence, whether a termination of Service shall have occurred for purposes of the Plan shall be determined by the Board, which determination shall be final, binding and conclusive.

2.18 “**Service Provider**” means an employee, officer, director or Outside Director of the Corporation or an Affiliate.

2.19 “**Share(s)**” means the issued and outstanding common shares of the Corporation.

2.20 “**Subsidiary**” means any “**subsidiary entity**” of the Corporation within the meaning of OSC Rule 61-501 – *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions*.

3. ADMINISTRATION OF THE PLAN

3.1 Board.

The Board shall have such powers and authorities related to the administration of the Plan as are consistent with the Corporation’s articles of incorporation and by-laws and applicable law. The Board shall have full power and authority to take all actions and to make all determinations required or provided for under the Plan, any Award or any Award Agreement, and shall have full power and authority to take all such other actions and make all such other determinations not inconsistent with the specific terms and provisions of the Plan that the Board deems to be necessary or appropriate to the administration of the Plan, any Award or any Award Agreement. All such actions and determinations shall be by the affirmative vote of a majority of the members of the Board present at a meeting or by unanimous consent of the Board executed in writing in accordance with the Corporation’s articles of incorporation and by-laws and applicable law. The

interpretation and construction by the Board of any provision of the Plan, any Award or any Award Agreement shall be final, binding and conclusive.

3.2 Committee.

The Board from time to time may delegate to the Committee such powers and authorities related to the administration and implementation of the Plan, as set forth in **Section 3.1** above and other applicable provisions, as the Board shall determine, other than the Board's power and authority grant awards or to issue Shares to Grantees upon the vesting of an Award, consistent with the articles of incorporation and by-laws of the Corporation and applicable law.

(i) Except as provided in Subsection (ii) and except as the Board may otherwise determine, the Committee, if any, appointed by the Board to administer the Plan shall consist of two or more Outside Directors of the Corporation who meet such requirements as may be established from time to time by the securities regulatory authorities for such incentive plans and who comply with the independence requirements of the Toronto Stock Exchange.

(ii) The Board may also appoint one or more separate committees of the Board, each composed of one or more directors of the Corporation who need not be Outside Directors, who may administer the Plan and may determine all terms of such Awards.

Notwithstanding the foregoing, the Board may not delegate its authority to grant Awards or to issue Shares to Grantees upon the vesting of an Award.

In the event that the Plan, any Award or any Award Agreement entered into hereunder provides for any action to be taken by or determination to be made by the Board, such action may be taken or such determination may be made by the Committee if the power and authority to do so has been delegated to the Committee by the Board as provided for in this Section . Unless otherwise expressly determined by the Board, any such action or determination by the Committee shall be final, binding and conclusive. To the extent permitted by law, the Committee may delegate its authority under the Plan to a member of the Board.

3.3 Terms of Awards.

Subject to the other terms and conditions of the Plan, the Board shall have full and final authority to:

- (i) designate Grantees;
- (ii) determine the number of Shares to be subject to an Award;
- (iii) establish the terms and conditions of each Award (including, but not limited to, the nature and duration of any restriction or condition (or provision for lapse thereof) relating to the vesting or forfeiture of an Award and any other terms or conditions);
- (iv) prescribe the form of each Award Agreement evidencing an Award;
- (v) establish performance criteria; and

- (vi) amend, modify, or supplement the terms of any outstanding Award. Such authority specifically includes the authority, in order to effectuate the purposes of the Plan but without amending the Plan, to modify Awards to eligible individuals who are foreign nationals or are individuals who are employed outside Canada to recognize differences in local law, tax policy, or custom.

As a condition to any subsequent Award, the Board shall have the right, at its discretion, to require Grantees to return to the Corporation Awards previously made under the Plan. Subject to the terms and conditions of the Plan, any such new Award shall be upon such terms and conditions as are specified by the Board at the time the new Award is made. The Board shall have the right, in its discretion, to make Awards in substitution or exchange for any other award under another plan of the Corporation, any Affiliate, or any business entity to be acquired by the Corporation or an Affiliate. The Corporation may retain the right in an Award Agreement to cause a forfeiture of the gain realized by a Grantee on account of actions taken by the Grantee in violation or breach of or in conflict with any employment agreement, non-competition agreement, any agreement prohibiting solicitation of employees or clients of the Corporation or any Affiliate thereof or any confidentiality obligation with respect to the Corporation or any Affiliate thereof or otherwise in competition with the Corporation or any Affiliate thereof, to the extent specified in such Award Agreement applicable to the Grantee. Furthermore, the Corporation may, within 30 days, annul an Award if the Grantee is an employee of the Corporation or an Affiliate thereof and is terminated for Cause. The grant of any Award shall be contingent upon the Grantee executing the appropriate Award Agreement.

3.4 No Liability.

No member of the Board or of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Award or Award Agreement.

3.5 Book Entry.

Notwithstanding any other provision of this Plan to the contrary, the Corporation may elect to satisfy any requirement under this Plan for the delivery of share certificates through the use of book-entry.

4. SHARES SUBJECT TO THE PLAN

Shares issued or to be issued under the Plan shall be authorized but unissued shares. Subject to adjustment as provided in **Section 11** hereof, the number of Shares available for issuance under the Plan shall be the sum of two million, five hundred thousand (2,500,000). If any Shares covered by an Award are forfeited, or if an Award terminates without delivery of any Shares subject thereto, then the number of Shares counted against the aggregate number of Shares available under the Plan with respect to such Award shall, to the extent of any such forfeiture or termination, again be available for making Awards under the Plan. The Board shall have the right to substitute or assume Awards in connection with mergers, reorganizations, separations, or other transactions. The number of Shares reserved pursuant to this **Section 4** may be increased by the corresponding number of Awards assumed and, in the case of a substitution, by the net increase in the number of Shares subject to Awards before and after the substitution.

Notwithstanding the foregoing, the number of securities issuable to insiders of the Corporation under all security-based compensation arrangements, including the Plan, at any time, cannot exceed 10% of the issued and outstanding Shares and the number of securities issued to insiders of the Corporation pursuant to such arrangements, within any one-year period, cannot exceed 10% of the issued and outstanding Shares.

5. EFFECTIVE DATE, DURATION AND AMENDMENTS

5.1 Effective Date.

The Plan shall be effective as of the Effective Date, subject to approval of the Plan by the Corporation's shareholders within one year of the Effective Date. Upon approval of the Plan by the shareholders of the Corporation as set forth above, all Awards made under the Plan on or after the Effective Date shall be fully effective as if the shareholders of the Corporation had approved the Plan on the Effective Date. If the shareholders fail to approve the Plan within one year after the Effective Date, any Awards made hereunder shall be null and void and of no effect.

5.2 Term.

The Plan shall terminate automatically ten (10) years after its adoption by the Board and may be terminated on any earlier date or extended as provided in **Section 5.3**.

5.3 Amendment and Termination of the Plan.

The Board may, at any time and from time to time, amend, suspend, extend or terminate the Plan as to any Shares as to which Awards have not been made. An amendment shall be contingent on approval of the Corporation's shareholders to the extent stated by the Board, required by applicable law or required by applicable stock exchange listing requirements. However, amendments of a housekeeping nature, changes to vesting provisions, changes to the term of the Plan or Awards made hereunder or changes to performance criteria will not require shareholder approval.

6. AWARD ELIGIBILITY AND LIMITATIONS

6.1 Service Providers and Other Persons.

Subject to this **Section 6**, Awards may be made under the Plan to: (i) any Service Provider, as the Board shall determine and designate from time to time, (ii) any other individual whose participation in the Plan is determined to be in the best interests of the Corporation by the Board.

6.2 Successive Awards.

An eligible person may receive more than one Award, subject to such restrictions as are provided herein.

6.3 Stand-Alone, Additional, Tandem, and Substitute Awards.

Awards granted under the Plan may, in the discretion of the Board, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Corporation, any Affiliate, or any business entity to be acquired by the Corporation or an Affiliate, or any other right of a Grantee to receive payment from the Corporation or any Affiliate. Such additional, tandem, and substitute or exchange Awards may be granted at any time. If an Award is granted in substitution or exchange for another Award, the Board shall require the surrender of such other Award in consideration for the grant of the new Award.

7. AWARD AGREEMENT

Each Award granted pursuant to the Plan shall be evidenced by an Award Agreement, in such form or forms as the Board shall from time to time determine. Award Agreements granted from time to time or at the same time need not contain similar provisions but shall be consistent with the terms of the Plan.

8. TERMS AND CONDITIONS OF RESTRICTED STOCK UNITS

8.1 Grant of Restricted Stock Units.

Awards shall be in the form of Restricted Stock Units. Subject to the restrictions and vesting provisions provided in Section 8.2, each RSU shall entitle the Grantee to receive one Share.

8.2 Restrictions and Vesting.

At the time a grant of Restricted Stock Units is made, the Board may, in its sole discretion, establish a period of time (a "Vesting period") applicable to such Restricted Stock Units. Each Award of Restricted Stock Units may be subject to a different Vesting period. The Board may, in its sole discretion, at the time a grant of Restricted Stock Units is made, prescribe restrictions in addition to or other than the expiration of the Vesting period, including the satisfaction of corporate or individual performance objectives, which may be applicable to all or any portion of the Restricted Stock Units in accordance with **Section 9.1**. Notwithstanding the foregoing and except in the case of accelerated vesting for Grantees whose age plus years of Service total at least sixty-five (65), (i) Restricted Stock Units that vest solely by the passage of time shall not vest in full in less than three (3) years from the Grant Date; (ii) Restricted Stock Units for which vesting may be accelerated by achieving performance targets shall not vest in full in less than one (1) year from the Grant Date; and (iii) Restricted Stock Units granted to Outside Directors vest, (a) at the election of an Outside Director at the time the Award is granted, within a minimum of one (1) year to a maximum of three (3) years following the Grant Date, as such Outside Director may elect, and (b) if no election is made, (a) upon the earlier of a Change of Control in accordance with **Section 11.2** or his or her ceasing to hold the office of Outside Director of the Board.

Restricted Stock Units may not be sold, transferred, assigned, pledged or otherwise encumbered or disposed of (other than to the Grantee's beneficiary or estate, as the case may be, upon the death of the Grantee) during the Vesting period.

8.3 Restricted Stock Unit Accounts.

An account will be maintained by the Secretary of the Corporation or his or her designate in the name and for the benefit of the Grantee, in which will be recorded the number of RSUs granted to the Grantee, the Grant Date and expiry date of the RSUs.

8.4 Rights of Holders of Restricted Stock Units.

8.4.1 Voting and Dividend Rights.

Grantees of Restricted Stock Units shall have no rights as shareholders of the Corporation. The Board may provide in an Award Agreement evidencing a grant of Restricted Stock Units that the Grantee shall be entitled to receive, upon the Corporation's payment of a cash dividend on its outstanding Shares, a cash payment for each Restricted Stock Unit granted equal to the per-share dividend paid on the outstanding Shares. Such Award Agreement may also provide that such cash payment will be deemed reinvested in additional Restricted Stock Units at a price per unit equal to the Fair Market Value of the Shares on the date that such dividend is paid.

8.4.2 Creditor's Rights.

A Grantee shall have no rights other than those of a general creditor of the Corporation. Restricted Stock Units represent an unfunded and unsecured obligation of the Corporation, subject to the terms and conditions of the applicable Award Agreement.

8.5 Termination of Service.

Unless the Board otherwise provides in an Award Agreement or in writing after the Award Agreement is issued, upon the termination of a Grantee's Service, any Restricted Stock Units granted to a Grantee that have not vested and will not vest within 30 days from the date of termination, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited. Upon forfeiture of Restricted Stock Units, the Grantee shall have no further rights with respect to such Award, including but not limited to any right to receive dividends with respect to the Restricted Stock Units.

8.6 Delivery of Shares.

Upon the expiration or termination of the Vesting period and the satisfaction of any other restrictions prescribed by the Board, the Restricted Stock Units shall vest and shall be settled in Shares issued by the Corporation from treasury and, unless otherwise provided in the Award Agreement, a share certificate for that number of Shares equal to the number of vested RSUs shall be delivered, free of all such restrictions, to the Grantee or the Grantee's beneficiary or estate, as the case may be.

Settlement of RSUs shall be in Shares issued by the Corporation from treasury. The Committee shall specify the circumstances in which Awards shall be made or forfeited in the event of termination of Service by the Grantee prior to vesting.

9. TERMS AND CONDITIONS OF AWARDS

9.1 Performance Conditions.

The granting and vesting of RSUs may be subject to such performance conditions as may be specified by the Board in the Award Agreement. The Board may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce the amounts payable under any Award subject to performance conditions.

9.1.1 Performance Goals Generally.

The performance goals for Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this **Section 9.1**. Performance goals shall be objective and shall otherwise meet the requirements that the level or levels of performance targeted by the Committee result in the achievement of performance goals being “substantially uncertain.” The Committee may determine that Awards shall vest upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to the vesting of an Award. Performance goals may differ for Awards granted to any one Grantee or to different Grantees.

9.1.2 Business Criteria.

The Board, in its sole discretion, may establish business criteria for the purpose of establishing performance goals in accordance with **Section 9.1**, including but not limited to, one or more of the following business criteria for the Corporation, on a consolidated basis, and/or specified Subsidiaries or business units of the Corporation (except with respect to the total shareholder return and earnings per share criteria): (1) total shareholder return; (2) such total shareholder return as compared to total return (on a comparable basis) of a publicly available index such as, but not limited to, the S&P/TSX Composite Index; (3) past service to the Corporation; (4) net income; (5) pre-tax earnings; (6) earnings before interest expense, taxes, depreciation and amortization; (7) pre-tax operating earnings after interest expense and before bonuses, service fees, and extraordinary or special items; (8) operating margin; (9) earnings per share; (10) return on equity; (11) return on capital; (12) return on investment; (13) operating earnings; (14) working capital; (15) ratio of debt to shareholders’ equity; (16) revenue and (17) free cash flow and free cash flow per share; (18) bank feasibility studies; and (19) acquisitions of material royalty rights through acquisitions, dispositions, restructurings or other comparable transactions of one or more properties. Business criteria may be measured on an absolute basis or on a relative basis (i.e., performance relative to peer companies) and on a GAAP or non-GAAP basis.

9.1.3 Timing For Establishing Performance Goals.

Performance goals shall be established not later than 90 days after the beginning of any performance period applicable to such Awards, or at such other date as may be determined by the Board.

9.1.4 Settlement of Restricted Stock Units.

9.2 Written Determinations.

All determinations by the Committee as to the establishment of performance goals, the amount of any Award and as to the achievement of performance goals relating to Awards, and the amount of any final Awards, shall be made in writing.

10. REQUIREMENTS OF LAW

10.1 General.

The Plan shall comply with the provisions of any applicable law or regulation of any governmental authority, including without limitation any federal, state or provincial securities laws or regulations and the requirements of any stock exchange having jurisdiction. The failure to comply with such laws or regulations, including without limitation *The Securities Act*, may result in a termination of the Plan and/or the forfeiture of previously granted RSUs.

11. EFFECT OF CHANGES IN CAPITALIZATION

11.1 Changes in Shares.

If the number of outstanding Shares is increased or decreased or the Shares are changed into or exchanged for a different number or kind of shares or other securities of the Corporation on account of any recapitalization, reclassification, stock split, reverse split, combination of shares, exchange of shares, stock dividend or other distribution payable in capital stock, or other increase or decrease in such shares effected without receipt of consideration by the Corporation occurring after the Effective Date, the number and kinds of shares for which Awards may be made under the Plan shall be adjusted proportionately and accordingly by the Corporation. In addition, the number and kind of shares for which Awards are outstanding shall be adjusted proportionately and accordingly so that the proportionate interest of the Grantee immediately following such event shall, to the extent practicable, be the same as immediately before such event. The conversion of any convertible securities of the Corporation shall not be treated as an increase in shares effected without receipt of consideration. Notwithstanding the foregoing, in the event of any distribution to the Corporation's shareholders of securities of any other entity or other assets (including an extraordinary cash dividend but excluding a non-extraordinary dividend payable in cash or in shares of the Corporation) without receipt of consideration by the Corporation, the Corporation may, in such manner as the Corporation deems appropriate, adjust the number and kind of shares subject to outstanding Awards.

11.2 Change of Control.

Subject to the exception set forth in the last sentence of **Section 11.3**, upon the occurrence of a Change of Control, all outstanding Restricted Stock Units shall be deemed to have vested, and all restrictions and conditions applicable to such Restricted Stock Units shall be deemed to have lapsed and the Shares subject to such Restricted Stock Units shall be issued and delivered, immediately prior to the occurrence of such Change of Control.

11.3 Adjustments.

Adjustments under **Section 11.1** relating to Shares or securities of the Corporation shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. No fractional shares or other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole Share. The Board may provide in the Award Agreement at the time of grant, or any time thereafter with the consent of the Grantee, for different provisions to apply to an Award in place of those described in **Sections 11.1** and **11.2**.

11.4 No Limitations on Corporation.

The making of Awards pursuant to the Plan shall not affect or limit in any way the right or power of the Corporation to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, dissolve, or liquidate, or to sell or transfer all or any part of its business or assets.

12. GENERAL PROVISIONS

12.1 Disclaimer of Rights.

No provision in the Plan or in any Award or Award Agreement shall be construed to confer upon any individual the right to remain in the employ or service of the Corporation or any Affiliate, or to interfere in any way with any contractual or other right or authority of the Corporation either to increase or decrease the compensation or other payments to any individual at any time, or to terminate any employment or other relationship between any individual and the Corporation. In addition, notwithstanding anything contained in the Plan to the contrary, unless otherwise stated in the applicable Award Agreement, no Award granted under the Plan shall be affected by any change of duties or position of the Grantee, so long as such Grantee continues to be a director, officer, consultant or employee of the Corporation or an Affiliate. The obligation of the Corporation to issue Shares or pay any benefits pursuant to this Plan shall be interpreted as a contractual obligation only in respect of those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Corporation to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any Grantee or beneficiary under the terms of the Plan.

12.2 Nonexclusivity of the Plan.

Neither the adoption of the Plan nor the submission of the Plan to the shareholders of the Corporation for approval shall be construed as creating any limitations upon the right and

authority of the Board to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or particular individuals) as the Board in its discretion determines desirable.

12.3 Withholding Taxes.

The Corporation or an Affiliate, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Grantee any federal, provincial, state, or local taxes of any kind required by law to be withheld with respect to the vesting of an Award or upon the issuance of any Shares upon the vesting of an Award. At the time of such vesting, lapse, or exercise, the Grantee shall pay to the Corporation or the Affiliate, as the case may be, any amount that the Corporation or the Affiliate may reasonably determine to be necessary to satisfy such withholding obligation.

12.4 Captions.

The use of captions in this Plan or any Award Agreement is for the convenience of reference only and shall not affect the meaning of any provision of the Plan or such Award Agreement.

12.5 Other Provisions.

Each Award granted under the Plan may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Board, in its sole discretion.

12.6 Number and Gender.

With respect to words used in this Plan, the singular form shall include the plural form, the masculine gender shall include the feminine gender, etc., as the context requires.

12.7 Severability.

If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

12.8 Governing Law.

The validity and construction of this Plan and the instruments evidencing the Award hereunder shall be governed by the laws of the province of Ontario, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan and the instruments evidencing the Awards granted hereunder to the substantive laws of any other jurisdiction.

JOINT VENTURE AGREEMENT FOR RE-DEVELOPMENT

OF

BUCKREEF GOLD MINE

BETWEEN

STATE MINING CORPORATION

AND

**TANZANIA AMERICAN INTERNATIONAL
DEVELOPMENT CORPORATION (2000) LIMITED**

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The Agreement is made on _____ day of _____ 2011.

BETWEEN:

STATE MINING CORPORATION, a wholly Government owned Corporation with registered office at Plot No. 417/ 418 United Nations Road of P.O. Box 4958, Dar es Salaam, Tanzania, Telephone +255 (0) 22-2150029, Telefax +255 (0) 222153519

(hereinafter "**Stamico**")

- and -

TANZANIA AMERICAN INTERNATIONAL DEVELOPMENT CORPORATION (2000) LIMITED a subsidiary company of Tanzanian Royalty Exploration Corporation with established registered office at Plot No. 263 Chato Street, Regent Estate, P.O. Box 33407, Dar es Salaam, Tanzania, Telephone +255 (0) -----22-21-----, Telefax +255 (0) 22-21-----

(hereinafter "**Tanzam**")

WHEREAS:

- A. Stamico was seeking a joint venture partner on a farm in (farm out) to carry forward the Buckreef Gold Mine Project through a competitive tendering process whereby Tanzanian Royalty Exploration Corporation emerged a successful bidder.
- B. Stamico and Tanzam have agreed to undertake the Buckreef Gold Mine Redevelopment Project which shall include further exploration, conducting a feasibility study, mine development and mine operation on the licenses described in Schedule "A".
- C. Tanzam has the necessary technical expertise and capability to arrange financing sufficient to develop the Project up to the mine operation stage.
- D. Stamico and Tanzam now wish to establish a Joint Venture Company to explore and bring to commercial production the Buckreef Gold Mine Re-development Project.

NOW THEREFORE in consideration of the covenants and agreements contained herein, Tanzam and Stamico agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions 1.1.1. In this Agreement, capitalized terms used but otherwise undefined shall have the meanings set forth in the Joint Venture Agreement, unless the context otherwise requires:

- (1) **"Affiliate"**, with respect to the relationship between two or more Persons, a Person is deemed to be an Affiliate of another Person if one of them is Controlled by the other or if both are Controlled by the same Person. **"Affiliated"** carries a corresponding meaning to Affiliate.
- (2) **"Agreement"** means this Joint Venture Agreement, as amended, supplemented, restated and replaced from time to time.
- (3) **"Board of Directors"** means the Board of Directors of the Company.
- (4) **"Business Day"** means any day, except Saturdays, Sundays and gazetted public holidays on which banks are generally open for business in Tanzania.
- (5) **"Company"** means Buckreef Gold Company Limited.
- (6) **"Company Secretary"** means a Secretary to the Board of Directors.
- (7) **"Commissioning Date"** means the date on which commercial quantities of gold are first produced and sold.
- (8) **"Control"**, with respect to the relationship with a Person, means:
 - (a) if that Person is a corporation, the holding (other than by way of security) of securities that Person to which are attached more than 50% of the votes that may be cast for the election of directors and those votes are sufficient, if exercised, to elect a majority of the board of directors; or
 - (b) if that Person is not a corporation, the right, directly or indirectly, to direct or cause the direction of the management of the affairs of that Person, whether by ownership of interests or otherwise;

and **"Controlled by"**, **"Controls"**, **"Controlling"** and **"Controlled"** and similar words have corresponding meanings, except that a Person which Controls a corporation or a Person that is not a corporation (**"the second-mentioned Person"**) shall be deemed to Control a corporation or a Person that is not a corporation which is Controlled by the second-mentioned Person, and so on.

- (9) **"Convertible Securities"** means any security, including any warrant, option or any instrument evidencing indebtedness of the Company, which may be converted into a Share or which carries a right to purchase a share.
- (10) **"Defaulting Party"** has the definition as provided for in Section 9.4 of this Agreement.

- (11) **“Effective Date”** means the date upon which the following shall all have occurred: (a) the parties shall have executed this Agreement; (b) the Company shall have been incorporated and duly organized in compliance with this Agreement; and (c) the Property shall have been transferred to the Company.
- (12) **“Force majeure”** has the meaning provided for in Article 11.
- (13) **“Governmental Approval”** means the consent of any Governmental Authority which may be required at any time and from time to time to ensure that the purchase by a Shareholder of all or any part of the Shares of another Shareholder is not in contravention of any law, regulation or published policy of, or administered by, that Governmental Authority or which may be required in order to ensure that, notwithstanding the purchase by a Shareholder of all or any part of the Shares of another Shareholder, the holding or continued holding by the Company of any registration, licenses, permit or other permission or authority required to carry on its business is unaffected.
- (14) **“Governmental Authority”** means any domestic or foreign government, whether federal, provincial, state, territorial, local, regional, municipal or other political jurisdiction, and any agency, authority, instrumentality, court, tribunal, board, commission, bureau, arbitrator, arbitration tribunal or other tribunal, or any quasigovernmental or other entity, insofar as it exercises a legislative, judicial, regulatory, administrative, expropriation or taxing power or function of or pertaining to government over the Company.
- (15) **“Heads of Agreement”** means the agreement signed on 16th December 2010 between State Mining Corporation (Stamico) and Tanzanian Royalty Exploration Corporation for the purpose of highlighting key terms to be included in the Joint Venture Agreement to re-develop Buckreef Gold Mine.
- (16) **“Independent Expert”** means a person appointed as such to determine a matter in dispute who shall be a member of the Institution of Mining and Metallurgy of the United Kingdom of not less than five (5) years standing as such with experience in or relating to the operation and valuation of mining properties as may be agreed to by the Parties or, failing such agreement, as may be nominated by the then President of the said Institution of Mining and Metallurgy of the United Kingdom.
- (17) **“Liquid Security”** means any security which is publicly listed for trading on a recognized Canadian, U.S. or European stock exchange and which has a minimum average daily trading volume of 350,000 per day over a period of 15 consecutive trading days.
- (18) **“Party”** means at any time any Person who is then a party to and bound by this Agreement and **“Parties”** means all of them.

- (19) **"Person"** is to be broadly interpreted and includes an individual, a corporation, a partnership, a joint venture, a trust, an association, an unincorporated organization, a regulatory body or agency, a government or Governmental Authority, including a ministry, an executor or administrator or other legal or personal representative, or any other juridical entity.
- (20) **"Project"** means the re-development of Buckreef Gold Mine by undertaking exploration, completing a feasibility study, mine development and mine operation.
- (21) **"Property"** means the Buckreef mining license and associated prospecting licenses more particularly described in Schedule "A" hereto together with the surface rights, mineral rights, personal property and permits associated therewith and shall include any renewal thereof and any other form of successor or substitute title thereto.
- (22) **"Shareholder"** means any Person who is a registered holder of issued and outstanding Shares and a Party.
- (23) **"Shares"** means, at any time, the ordinary or preference shares, any securities into which those shares may be converted or changed or which result from a consolidation, subdivision, reclassification or re-designation of those shares, any securities which are received as a stock dividend or distribution payable in securities of the Company, any shares received on the exercise of any option, warrant or other similar right, and any securities the holders of which may be bound by this Agreement as a result of an amalgamation, merger, arrangement or other reorganization of or including the Company.
- (24) **"Special Approval"** means the prior approval either by a resolution passed at a duly constituted meeting of the Shareholders by the affirmative vote of 80.1% of the votes attributable to all issued and outstanding Shares or by a resolution in writing signed by all of the Shareholders.
- (25) **"Stamico"** means the State Mining Corporation which is wholly owned by the government of the United Republic of Tanzania.
- (26) **"Tanzam"** means Tanzania American International Development Corporation (2000) Limited which is wholly owned by Tanzanian Royalty Exploration Limited.
- (27) **"Transfer"** includes any sale, exchange, assignment, gift, bequest, disposition, hypothecation, mortgage, lien, charge, priority, pledge, encumbrance, grant of security interest, any transfer of Control of any Shareholder (other than as a result of a change of control of any entity whose securities are publicly listed on a stock exchange) which shall be deemed to be a Transfer under this Agreement, or any arrangement by which possession, legal title or beneficial ownership passes from one Person to another, or to the same Person in a different capacity, whether or not voluntary and whether or not for value, and any agreement to effect any of the foregoing, and **"Transferred"**, **"Transferring"** and similar words have corresponding meanings.

(28) "Transmission" has the meaning attributed to that term in Subsection 10.9(1)(c).

(29) "Triggering Event" has the meaning attributed to that term in Subsection 9.4(1).

1.2 Construction 1.2. This Agreement has been negotiated by each Party with the benefit of legal representation, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not apply to the construction or interpretation of this Agreement.

1.3 Certain Rules of Interpretation 1.3. In this Agreement:

- (a) The division into Articles and Sections, and the insertion of headings and the Table of Contents are for convenience of reference only and do not affect the construction or interpretation of this Agreement.
- (b) The expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this Agreement as a whole and not to any particular portion of this Agreement.
- (c) Unless specified otherwise or the context otherwise requires:
 - (i) references to any Article, Section or Schedule are references to the Article or Section of, or Schedule to, this Agreement;
 - (ii) "including" or "includes" means "including (or includes) but is not limited to", and shall not be construed to limit any general statement preceding it to the specific or similar items or matters immediately following it;
 - (iii) "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of";
 - (iv) references to any legislation, statutory instrument or regulation, or a Section thereof, are references to the legislation, statutory instrument, regulation or Section as amended, restated and in effect from time to time; and
 - (v) words in the singular include the plural and vice-versa, and words in one gender include all genders.

1.4 Computation of Time 1.4. In this Agreement, unless specified otherwise or the context otherwise requires:

- (a) a reference to a period of days is deemed to begin on the first day after the event that started the period and to end at 5:00 p.m. on the last day of the period, but

if the last day of the period does not fall on a Business Day, the period ends at 5:00 p.m. on the next succeeding Business Day;

- (b) all references to specific dates mean 5:00 p.m. on the dates;
- (c) all references to specific times shall be references to East African time; and
- (d) with respect to the calculation of any period of time, references to "from" mean "from and excluding" and references to "to" or "until" mean "to and including".

1.5 Performance on Business Days 1.5. If any action is required to be taken pursuant to this Agreement on or by a specified date that is not a Business Day, the action is valid if taken on or by the next succeeding Business Day.

1.6 Currency 1.6. In this Agreement, unless specified otherwise, references to shilling and dollar amounts "Tshs" or "US \$" are to Tanzanian Shillings and United States Dollars, respectively.

1.7 Conflict of Agreement with Memorandum and Articles of Association of the Company 1.7. In the event of any conflict or inconsistency between this Agreement and the Articles of Association of the Company, this Agreement shall prevail to the extent of the conflict or inconsistency, and the Shareholders shall take all necessary steps to amend the Articles of Association of the Company to eliminate such conflict or inconsistency, so long as such changes are in compliance with Companies Act No. 12 of 2002, as amended as at the date hereof.

ARTICLE 2 REPRESENTATIONS AND WARRANTIES

2.1 General Representations and Warranties of the Parties 2.1. Each party represents and warrants to the other that:

- (a) it is a body corporate duly incorporated, organized and validly subsisting under the laws of its incorporating jurisdiction and it has full power and authority to carry on its business and to enter into this Agreement and any agreement or instrument referred to or contemplated by the Agreement;
- (b) neither the execution nor delivery of the Agreement will result in the breach of or accelerate the performance required by any material agreement to which it is a party;
- (c) the execution and delivery of the Agreement and the agreements and transactions contemplated herein will not violate or result in the breach of laws of any jurisdiction applicable or pertaining thereto in force as at the date hereof;

- (d) it has the capacity to enter into and perform this Agreement and all transactions contemplated herein and that all corporate and other actions required to authorize it to enter into and perform this agreement have been duly taken;
- (e) as at the date hereof, it is unaware of any material facts or circumstances which have not been disclosed in this Agreement and which should be disclosed to the other Party in order to prevent the representations in this Article 2 from being materially misleading; and
- (f) to formalize this Agreement, the parties will work together to register the Agreement and related documents with the appropriate authorities including the Ministry responsible for Minerals, Tanzania Revenue Authority (TRA) and Business Registration and Licensing Authority (BRELA) within an agreed time frame.

2.2 2.2 represents and warrants to Tanzam that:

- (a) the Property is accurately described in Schedule "A" attached hereto;
- (b) other than Stamico, no person has any proprietary or other right to the Property;
- (c) all taxes and other applicable payments, and all other acts have been made to maintain the Property in good standing, including those set forth in the Mining Act, 2010 and the Regulations made thereunder of the United Republic of Tanzania;
- (d) to the best of its knowledge, there are no outstanding or threatened actions, investigations, suits or claims or judgment, decree, injunctions, ruling or order of any court, governmental department commission, agency, instrumentally of arbitrator governmental proceedings in progress, pending or threatened against or relating to and affecting the Property which prevents or which seeks to prevent Stamico from entering into this Agreement and performing its obligations and the transactions contemplated herein; and
- (e) Stamico has delivered to Tanzam all relevant information concerning titles to the Property and both parties acknowledge at the outset of this Agreement the following areas Buckreef Gold Mine, Rwamgaza (Bingwa and Tembo Mine) and Buziba have an aggregate defined resources of approximately 1.45 million ounces of gold at 1.0 g/t -cut off grade]

2.3 2.3 Tanzam represents and warrants to Stamico that:

- (a) it has the requisite expertise to complete the feasibility study on the Property which shall address the feasibility of mine development and operation; and

- (b) it has the requisite expertise to arrange financing in accordance with Article 6 to meet the cost of the feasibility study and mine development up to the Commissioning Date.

2.4 Parties Indemnity 2.4.2.4. The representations and warranties hereinbefore set out are conditions on which the parties have relied in entering into this Agreement and will be maintained for the life the Project. Each party will indemnify and hold the other party harmless from all losses, damages, costs, actions and suits arising out of or in connection with any breach of any representation or warranty made by it and contained in this Agreement.

The representations and warranties set forth above shall remain in force for the benefit of the Parties as given for the duration of this Agreement.

ARTICLE 3 PURPOSE AND LIMITATION

3.1 Purpose 3.1.1 3.1. The purpose of this Agreement is to undertake the re-development of the Buckreef Gold Mine Project through a joint venture company of which Stamico and Tanzam are the Shareholders. Specific activities of the Company will be:

- (a) to evaluate and verify the available geotechnical information and data;
- (b) to conduct basic geological works in underexplored areas of the Property;
- (c) to carry out detailed geological and geotechnical investigations on areas of the Property which are at advanced exploration-cum pre-feasibility stage;
- (d) to conduct and complete the feasibility study;
- (e) to undertake the mine development and mining operations;
- (f) to market the recovered minerals; and
- (g) to perform any other activity necessary, appropriate or incidental to any of the foregoing.

This Agreement provides for the rights and obligations of the Parties with regard to enabling the Company to successfully implement the Project.

3.2 Limitation 3.2.3.2. Unless the Parties otherwise agree in writing, the operations shall be limited to the purpose described in Section 3.1 and nothing in this Agreement shall be construed to enlarge or expand such purpose.

ARTICLE 4 DEAL TERMS

4.1 Consideration 4.1 4.1.

(a) Shareholding

The Parties' respective shareholding percentages in the Project are based on the following premises:

- 45% to be owned by Stamico on behalf of the Government of the United Republic of Tanzania in consideration of the ownership and transfer of the Property to the Company and the expenditure incurred in the mineral investigation up to the time of tendering;
- 55% to be owned by Tanzam in consideration of the commitment to manage the Project and arrange for financing for the Project in accordance with Article 6 through feasibility study up to the Commissioning Date.

(b) Consideration fee

Tanzam paid US \$ 3,000,000 to Stamico in a lump sum after the signing of the Heads of Agreement in consideration of its rights as provided for under this Agreement and the transfer of the Property to the Company as provided for hereunder.

4.2 Joint Venture Company 4.2 4.2.

- (a) The Joint Venture Company "Buckreef Gold Company Limited" shall be incorporated under the laws of the United Republic of Tanzania.
- (b) At the date of registration of the Joint Venture Company, the issued share capital shall be Tshs 60,000,000,000.00 divided into 4,000,000 ordinary shares of nominal value of Tshs 15,000.00, shall not be subject to any lien in favour of the Company and shall be registered in the following names and proportions:

<u>Name of Shareholder</u>	<u>Number of Shares</u>	<u>Proportion of Shares</u>
State Mining Corporation	1,800,000	45%
Tanzania American International Development Corporation (2000) Limited	2,200,000	55%

- (c) The proportion of Stamico shareholding which shall not be diluted shall be maintained up to the mine production stage when it may opt to dispose of some of its Shares. However, Tanzam may dispose of its Shares to a third party as long as such party is bound by this Agreement. Notwithstanding the foregoing, all dispositions of Shares shall be subject to the provisions of Article 9.

- (d) The Company's Articles of Association shall contain the essence of Articles 7, 8 and 9 of this Agreement.

4.3 Transition and Preparatory Phase 4.3. Following the signing of the Heads of Agreement, Parties committed to undertake the following:

- (a) Tanzam taking over security matters of the Company and Properties and installations;
- (b) Tanzam taking over rehabilitation of the Buckreef camp;
- (c) to conclude this definitive Joint Venture Agreement and thereafter to incorporate a Company; and
- (d) Stamico to obtain consent for and effect the transfer of the Property to the Company.

4.4 Exploration and Mine Development Phase 4.4.

- (a) The project time line of the Company will give priority towards completing the feasibility study expeditiously so that the Buckreef Property is brought into production within thirty (30) months from the date of signing this Agreement.
- (b) Tanzam, as manager of the Company, undertakes that the Company shall give due consideration to any proposal by Stamico to provide drilling services required for mine development, provided such drilling services are offered on commercially competitive terms, whether through leasing rigs or otherwise.
- (c) The Company may engage in initial gold production from surface resources (such as tailings and old workings) as long as such activities do not impair the overall feasibility of the Project.
- (d) Income generated under Subsection 4.4(c) above will be divided in accordance with Subsection 4.2(b). However, income so acquired does not relieve Tanzam from its obligation to arrange financing the Project up to the Commissioning Date in compliance with Section 6.

4.5 Mining Phase 4.5.

- (a) Tanzam as the manager of the mine and the Company shall comply with the Mining Act 2010 and its Regulations thereunder in respect of undertaking mining operations in Tanzania.
- (b) Disposal of recovered minerals of the Project shall be sold to the open market or to buyers with competitive advantage accepted by both Parties.

- (c) After the Commissioning Date, Stamico may opt to dispose of a portion of its Shares to any of its Affiliates or Tanzam as long as all the Shareholders are bound by terms of this Agreement, but subject always to Article 9.

ARTICLE 5 OBLIGATIONS

5.1 Joint Obligations 5.1. The parties' joint obligations are:

- (a) incorporating a Joint Venture Company;
- (b) appointing members of the Board of Directors;
- (c) appointing the Working Committee as provided under Subsections 7.3(1) and 7.3(5); and
- (d) meeting its own tax obligations and other imposts accruing from the Project.

5.2 Tanzam Obligations 5.2. Tanzam shall undertake the following:

- (a) It shall arrange for adequate funding to carry forward the Project in compliance with Article 6.
- (b) It shall appoint local or foreign competent technical and managerial staff for the Project.
- (c) It shall use its diligent efforts to bring the Property into production by the end of the 30th month following the Effective Date, subject to force majeure (such period, as it may be extended by any period of force majeure, the "Target Date"). If the Commissioning Date shall not have occurred by the Target Date, Tanzam shall be entitled to extend the Target Date for one additional year: i) for the first extension year, on payment to Stamico of USD\$500,000; ii) for the second extension year, on payment to Stamico of USD\$625,000; and iii) for each subsequent extension year, on payment to Stamico of USD\$750,000.
- (d) The Parties agree that if, after the third month of the second extension year as provided for in Sub-section 5.2(c), the Project is not projected to be profitable by the end of the third extension year, they will meet to develop and agree upon a revised strategy for the Project, such as a sale or restructuring.

5.3 Stamico Obligations 5.3. Stamico shall undertake the following:

- (a) It shall effect the transfer of the Property to the Joint Venture Company;
- (b) It shall support the application of Tanzam to the Ministry of Energy and Minerals

for the enlargement of SML04/1992 received by the Ministry on July 4, 2011 (which application will be re-submitted in the name of the Company following the signing of this Agreement); and

- (c) It shall ensure security of tenure of the Property.

ARTICLE 6 FINANCING MATTERS

6.1 Modality of funding 6.1 The Project will be financed as follows:

- (a) Tanzam will be responsible to meet the funding requirements for the Project. Financing through to completion of a feasibility study will be wholly provided by Tanzam in accordance with its submitted bid proposal. The funding required for mine development up to the Commissioning Date may be satisfied by loans provided by any Affiliate of Tanzam or any other third party. If the third party lender so requests, the Company shall pledge up to 100% of its ownership interest in the Property. Stamico shall not be obliged to provide any debt or equity funding to the Company or any guarantee, comfort letter or any other assurance with respect to any such funding.
- (b) After the Commissioning Date, the Company shall endeavour, to the extent practicable, to meet its funding requirements from its own resources, including the proceeds of sale of minerals. The Company may meet additional funding requirements through third-party debt financing in compliance with Sub-section 6.1(a).

ARTICLE 7 BUSINESS AND AFFAIRS OF THE COMPANY

7.1 Shareholders to Cause Compliance with Agreement 7.1 The Shareholders shall cause all meetings to be held, votes to be cast, resolutions to be passed, by-laws to be made and confirmed, documents to be executed and all other things and acts to be done to ensure that, at all times, the provisions of this Agreement are fully complied with and in full force and effect.

7.2 The Business 7.2 It is the intention of the Shareholders that the Company carry on the business of exploring, developing and mining the Buckreef Mine located in the range of 25 km from Buziba-Busolwa prospect, some 100 km southwest of the city of Mwanza.

7.3 Board of Directors 7.3

- (a) Initially, the Board of Directors shall be composed of seven (7) directors, of whom four (4) directors shall be nominated by Tanzam and three (3) directors shall be nominated by Stamico. If any additional Person becomes a Party to this Agreement and such Person owns more 20% of the issued and outstanding

Shares, such Shareholder shall be entitled to nominate that number of directors that is proportionate to the number of Shares owned by such Shareholder to the total number of issued and outstanding Shares and the number of nominees to be appointed by Tanzam and Stamico shall be proportionately adjusted in the same manner. For greater certainty, each Shareholder that holds more than 20% of the issued and outstanding Shares shall be entitled to nominate and appoint that number of directors to the Board of Directors that is equal to: (i) the percentage determined by dividing the number of Shares held by a Shareholder by the aggregate number of Shares outstanding on the date of such calculation; multiplied by (ii) 7(seven), being the aggregate number of director nominees. Notwithstanding the foregoing, provided that Tanzam holds at least 50% of the issued and outstanding Shares, Tanzam shall at all times be entitled to appoint a majority of the Board of Directors.

- (b) Each nominee for the position of director of the Company shall be an individual who is not disqualified under applicable law from acting as a director. If a director ceases to be a director for any reason (a "**Retiring Director**"), the Shareholder that nominated the Retiring Director shall nominate an individual to fill the vacancy thereby created and as soon as reasonably possible following that nomination, the Shareholders shall fill the vacancy by electing that nominee as a director. Until the vacancy is filled, the directors shall not transact any business or exercise any of their powers or duties. If the Shareholder entitled to do so fails to nominate an individual to fill the vacancy created by the departure of the Retiring Director within 30 days after the vacancy arises, the remaining directors shall appoint an individual to fill the vacancy and that individual shall serve as a director until the Shareholder entitled to do so nominates an individual to fill the vacancy.
- (c) In the event of a proposed removal of any director by the Shareholder that originally nominated such director, each Shareholder shall vote for that removal if it has been proposed or approved by the Shareholder that nominated that director.
- (d) In addition to any annual fee remuneration payable to the directors as may be determined by the Board of Directors from time to time, each director shall be entitled to reasonable out of pocket travel, accommodation and subsistence expenses properly incurred in connection with each meeting attended by that director on presentation of receipts for those expenses.

7.4 Working Committee 7.4 7.4.

- (a) The Board of Directors shall establish a committee to be designated the "**Working Committee**," whose members shall consist of four executives, two of whom shall be appointed by Tanzam, and two of whom shall be appointed by Stamico. The chairman of the Working Committee shall be a nominee of Tanzam.

Subject to the provisions of this Subsection 7.3(b), the Working Committee shall have the authority to establish policies and procedures to carry out its mandate. If any additional Person becomes a Party to this Agreement and such Person owns more 20% of the issued and outstanding Shares, such Shareholder shall be entitled to appoint one member to the Working Committee representing their proportionate interest in the Company. Notwithstanding the foregoing, at no time shall each of Tanzam and Stamico have less than one executive nominated to the Working Committee. The Working Committee shall meet no less often than monthly, and at such more frequent intervals as the Working Committee shall determine, in order to, *inter alia*:

- (i) Review and discuss the status and implementation of the Work Programme, Budget and, as applicable, the Prospecting Operations, Gold Operations and the Mining Plan, together with the status of key developments and any other matters relating to the operations of the Company as management or mining staff or any member of the Working Committee shall elect to table, including any matters tabled at a previous meeting requiring follow-up; and
 - (ii) Address any problems, issues or disputes that may have arisen in connection with the Work Programme, Budget or, as applicable, the Prospecting Operations, Gold Operations or the Mining Plan, or any other aspect of the operations of the Company that management has been unable to resolve, or that any member of the Working Committee believes requires the attention of the Working Committee. If any matter requiring resolution cannot be resolved after the conclusion of three (3) meetings of the Working Committee, any member of the Committee shall be entitled to table the matter for consideration by the Board of Directors. The report of the Working Committee on its material activities, decisions and recommendations relating to, as applicable, the Work Programme, Prospecting Operations, Gold Operations and the Mining Plan, any unresolved matters tabled pursuant to Subsection 7.3(5)(b), and such other matters as the Board of Directors requests be addressed or the Working Committee elects to address in such report, shall be presented at every meeting of the Board of Directors.
- (b) The Board of Directors may create any other committee as it deems necessary or advisable. All decisions of any committee created by the Board of Directors shall require the approval of the Board of Directors prior to being effective.

7.5 Meetings of the Board of Directors 7.5 7.5.

- (a) Subject to Sub –section 7.4(a) (i), the Board of Directors shall meet at least four (4) times in each calendar year in such place as the directors may determine from

time to time and otherwise at the registered office of the Company. Any director of the Company may request the Chairman of the Company to call a board meeting and in the event the Chairman refuses to do so without a reasonable cause while there are impending matters affecting the interests of the Company, any director in this respect may call such meetings with the prior written consent of not less than 50% of the directors and upon giving not less than seven (7) Business Days' notice. Any notice of meeting of the Board of Directors shall state the matters to be transacted at the meeting with reasonable detail and shall be accompanied by all such relevant documentation as will permit the directors to assess those matters.

- (b) Notwithstanding Subsection 7.5(a):
 - (i) extraordinary meetings of the Board of Directors in connection with matters of an urgent nature (where the need for a meeting of the Board of Directors could not have been reasonably foreseen) may be called on not less than 24 hours' notice; and
 - (ii) if all of the directors are present at any meeting of the Board of Directors, whether the matters to be transacted at that meeting are urgent or not, notice of such meeting is deemed to be waived unless, at the beginning of that meeting, any director objects to the holding of such meeting without the required notice.
- (c) A director may participate in any meeting of the Board of Directors, or of a committee of the Board of Directors, by means of a telephonic, electronic or other communications facility that permits all participants to communicate adequately with each other during the meeting. A director participating in a meeting of the Board of Directors by those means is deemed to be present at that meeting.
- (d) A quorum for a meeting of the directors shall be five (5) directors; of which three (3) shall be nominees of Tanzam and two (2) shall be nominees of Stamico. If proper notice of a meeting of the Board of Directors (including specifying the business to be transacted at the meeting in reasonable detail) is given and a quorum is not present, then the meeting may be adjourned and the adjourned meeting may be called on not less than 48 hours' notice. Any director(s) present at the adjourned meeting shall constitute a quorum for the transaction of the business set out in the notice for the original meeting.
- (e) No Person shall have a second or casting vote in any circumstances at any meeting of directors of the Company.
- (f) Each director shall receive copies of minutes of all meetings of the Board of Directors and of any committee of the Board of Directors regardless of whether the director is a member of that committee.

7.6 Decisions of Directors 7.6. Subject to Subsection 7.9 in order to be valid and effective, a decision of the Board of Directors must be approved either by a resolution passed by the affirmative vote of not less than the majority of the directors present and voting on the matter at a duly constituted meeting of the Board of Directors or by a resolution signed by all directors.

7.7 Conflict of Interest 7.7. An officer or director of the Company who is a party to, or is an officer or director of, or has an interest in any Person that is a party to a contract or transaction or a proposed contract or transaction with, the Company shall disclose in writing to the Company or request to have entered into the minutes of the meetings of the Board of Directors the nature and extent of that officer's or director's interest in the manner and at the time as may be required by law and in any event before any resolution to approve the proposed contract or transaction is passed or adopted. That contract or transaction or proposed contract or transaction shall be referred to the Board of Directors for approval notwithstanding that the contract or proposed contract is one that, in the ordinary course of the Company's business, would not require approval by the Board of Directors and the director required to make the disclosure shall not vote in respect of that contract or transaction.

7.8 Shareholders 7.8.

- (a) Shareholders' meetings shall be held at least once in each calendar year at the registered office of the Company, or at any other place within or outside of Tanzania as the Board of Directors may determine, and Shareholders' meetings shall be called by the Secretary of the Company further to the instructions received from the Board of Directors or the President of the Company on not less than ten (10) days and not more than fifty (50) days' notice.
- (b) A quorum for a meeting of the Shareholders shall be two (2) Shareholders present who hold or represent by proxy in the aggregate not less than 80.1% of the Shares entitled to vote at the meeting. If proper notice of a Shareholders' meeting is given and a quorum is not present, then that meeting may be adjourned and the adjourned meeting may be called on not less than seven days notice. Any Shareholders present at the adjourned meeting shall constitute a quorum for the transaction of business set out in the notice for the original meeting and that business may be transacted by a majority of the Shareholders present at the adjourned meeting.
- (c) No person shall have a second or casting vote in any circumstances at any meeting of Shareholders of the Company.
- (d) Subject to Subsection 7.9 or unless otherwise required by law, in order to be valid and effective, a decision of the Shareholders must be approved either by a resolution passed by the affirmative vote of not less than 50.1% of the votes cast in person or by proxy at any duly constituted meeting of the Shareholders by the Shareholders entitled to vote on the matter or by a resolution in writing signed by all Shareholders entitled to vote on the matters.

7.9 Certain Matters Requiring Special Approval 7.9 Without Special Approval, no action shall be taken by or on behalf of the Company with respect to any of the following matters:

- (a) amending the Memorandum and Articles of Association of or replacing or amending the by-laws of the Company;
- (b) changing the authorized capital of the Company, including consolidating, subdividing, reclassifying or re-designating any of the Shares, except in accordance with this Agreement;
- (c) declaring or paying any dividend or making any distribution, whether in cash, stock or in specie, on any of the issued and outstanding Shares or any of the other issued and outstanding shares of the Company;
- (d) changing the number of directors;
- (e) making any fundamental change to the nature of the business of the Company, including commencing, engaging or otherwise becoming integrated in any new business not presently carried on by the Company;
- (f) selling, leasing, exchanging, encumbering, transferring or otherwise disposing of all or substantially all of the property of the Company;
- (g) the selection of the general contractor responsible for construction of the mine;
- (h) making or incurring any single capital expenditure in excess of US \$1,000,000 or any capital expenditures which, in the aggregate, are in excess of US \$ 3,000,000 in any financial year of the Company;
- (i) entering into any agreement or contract or any series of related agreements or contracts binding the Company to pay more than US \$1,000,000 in any one year;
- (j) entering into any partnership or other arrangement for the sharing of profits, union of interests, joint venture or reciprocal concession, with any Person;
- (k) taking, holding, subscribing for or agreeing to purchase or acquire shares or securities in the capital of any corporation, company, partnership or other Person;
- (l) establishing and from time to time changing the fiscal year end of the Company;
- (m) entering into any agreement or transaction, or amending the terms of any agreement or transaction, between the Company and any Shareholder, Affiliate of a Shareholder or director of the Company, or any Person not dealing at arm's length with any of them;

- (n) commencing, defending or settling any legal proceedings, except in the ordinary course of business;
- (o) forgiving any debt owing to the Company;
- (p) taking any action to amalgamate, merge or to consolidate the Company with another Person, to enter into an arrangement or reorganization of or including the Company; and
- (q) voluntarily dissolve, liquidate or wind up the affairs of the Company or make an assignment for the benefit of creditors or petition or apply to any tribunal for the appointment of a trustee or receiver for the Company or commence any proceeding relating to itself under any applicable law relating to bankruptcy, reorganization, arrangement, insolvency or readjustment of debt of the Company.

7.10 Officers 7.10. The Board of Directors shall from time to time appoint a President who shall be a chief executive officer (CEO), a Company Secretary, a Treasurer; and any other officers the Board of Directors may determine. All officers as proposed by Tanzam shall be appointed annually and shall hold office until their successors are appointed by the Board of Directors.

7.11 Indemnity 7.11. 7.11.

- (a) To the fullest extent permitted by law, the Company shall indemnify each director, former director, officer, former officer and Shareholder and former Shareholder (to the extent that that Shareholder or former Shareholder exercises or has exercised the rights, powers, duties and liabilities of a director of a Company) of the Company (an "Indemnitee"), and that Indemnitee's heirs, administrators, executors, legal representatives, successors and assigns, against all costs, charges and expenses, including any amount paid to settle an action or satisfy a judgment, reasonably incurred by the Indemnitee in respect of any civil, criminal, administrative investigative or other proceeding to which the Indemnitee is involved because of that association with the Company, if:
 - (i) The Indemnitee acted honestly and in good faith with a view to the best interests of the Company; in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the Indemnitee had reasonable grounds for believing that its conduct was lawful; and
 - (ii) In the case of an action by or on behalf of the Company to procure a judgment in its favor, the Company obtains any approval required under applicable law in respect of that indemnification.
- (b) The Company shall advance monies to an Indemnitee for the costs, charges and expenses of a proceeding referred to in Subsection 7.11(a) provided that:

- (i) The Indemnitee shall repay the monies under Subsections 7.11(a)(i); and 7.11(a)(ii); and
 - (ii) In the case of an action referred to in Subsection 7.11(a)(iii), the Company obtains any approval(s) required under applicable law.
- (c) The intention of this Section is that all Indemnitees shall have all benefits provided under the indemnification provisions of applicable law to the fullest extent permitted by law, and the Company shall forthwith pass all resolutions and take all other steps as may be required to give full effect to this Subsection.

7.12 Rights of Inspection 7.12. The Company shall permit any Shareholder or any representative designated by any Shareholder (subject to the execution and delivery of a non-disclosure agreement, in a form satisfactory to the Company, by that designated representative to the Company) to visit and inspect any properties of the Company, to examine any aspect of the business and affairs of the Company (including the books and financial records, the Prospecting Operations and Mining Operations or any other aspect of the operations of the Company reasonably requested by the Shareholder or its designated representative), and to discuss any matter relating to the business and affairs of the Company with management and employees of the Company, all at reasonable times and as often as may be reasonably requested by the Shareholder or its designated representative, except that the Board of Directors may refuse to permit any such visit, inspection, examination or discussion that, in its opinion, would not be in the best interests of the Company.

ARTICLE 8 GENERAL MATTERS RELATING TO THE HOLDING OF SHARES AND PERMITTED TRANSFERS

8.1 Representations and Warranties by Shareholders 8.1. Each Shareholder irrevocably represents and warrants to each of the other Shareholders and acknowledges that each of the other Shareholders is relying on these representations and warranties in connection with entering into this Agreement:

- (a) that each Shareholder owns beneficially and of record the number of issued and outstanding Shares which is set out opposite its name in Subsection 4.2(b) of this Agreement, that those Shares are not subject to any mortgage, hypothec, lien, charge, priority, pledge, encumbrance, security interest or adverse claim, and that no Person has any rights to become a holder or possessor of any of those Shares or of the certificates representing them;
- (b) it is duly incorporated and validly existing under the laws of its jurisdiction of incorporation and that it has the corporate power and capacity to own its assets and to enter into and perform its obligations under this Agreement;

- (c) that this Agreement has been duly authorized, executed and delivered by it, and (assuming due execution and delivery by the other Parties) is a legal, valid and binding obligation of it enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other similar laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction;
- (d) the execution, delivery and performance of this Agreement does not and will not contravene the provisions of its articles, by-laws, or other organizational documents, or the provisions of any indenture, agreement or other instrument to which it is a party or by which it may be bound; and
- (e) that all of the representations and warranties set out in Subsection 8.1(a) – (d) will continue to be true and correct during the continuance of this Agreement.

8.2 General Prohibitions on Transfer 8.2 8.2.

- (a) Except with the approval of:
 - (i) Tanzam in respect of a Transfer by Stamico and its Affiliates;
 - (ii) Stamico in respect of a Transfer by Tanzam and its Affiliates; and
 - (iii) Both Tanzam and Stamico in respect of a Transfer by any other Shareholder, no Shareholder shall Transfer, attempt to Transfer, or otherwise deal with, any Shares or any right or interest in the Shares.
- (b) A purported Transfer of any Shares in violation of this Agreement shall not be valid and the Company shall not register, nor permit any transfer agent to register, any of those Shares on the securities registers of the Company, and shall not pay any dividend, or make any distribution, on those Shares. The voting rights attaching to or relating to any Shares purported to be transferred in violation of this Agreement save for Affiliated Persons, shall not be exercised, and any purported exercise of those voting rights shall not be valid or effective. Each Shareholder that purports to make a Transfer of any Shares in violation of this Agreement shall waive its rights, and hereby waives its rights, to all dividends and distributions paid or made on those Shares until that purported Transfer is nullified. This provision does not apply to transfer made to Affiliates.
- (c) The provisions of Subsection 8.2(b) are in addition to, and not in lieu of, any other remedies to enforce the provisions of this Agreement.

8.3 No Registration of Transfer Unless Transferee is Bound 8.3 8.3.

- (a) If, pursuant to any provision of this Agreement, a Shareholder Transfers any of

9.1 Pre-emptive Right 9.1 **9.1.**

- (a) If the Company proposes to issue any Shares or Convertible Securities or other securities of the Company (in this Subsection 9.1, the “**Affected Securities**”), the Company shall give notice (an “**Issue Notice**”) to the Shareholders of the proposed issuance. The Issue Notice shall constitute an offer for subscription by each of the Shareholders of that number of the Affected Securities (in this Subsection 9.1, its “**Proportionate Entitlement**”) which bear the same relationship to the total number of Affected Securities as the number of issued and outstanding Shares held by each such Shareholder bears to the total number of issued and outstanding Shares (as reflected on the securities registers of the Company) at the date of the Issue Notices (in this Subsection 9.1, the “**Notice Date**”) at the subscription price determined by the Board of Directors for all those Affected Securities. Each Issue Notice shall:
- (i) be made in writing by the Company Secretary, be dated the same Notice Date which date shall not be more than three days prior to the date the Issue Notices are made, and be made concurrently to all Shareholders in the same manner (whether by delivery, prepaid courier service or facsimile);
 - (ii) contain a description of the terms and conditions relating to the Affected Securities, the price at which the Affected Securities are offered and the date on which the purchase of the Affected Securities by the Shareholders is to be completed; and
 - (iii) state that any Shareholder that wishes to subscribe for less than its Proportionate Entitlement shall, in its notice of subscription, specify the number of Affected Securities (up to its Proportionate Entitlement) that it wishes to subscribe for.

The offer constituted by each Issue Notice shall be irrevocable and shall remain open for acceptance by the Shareholders for a period of 20 days after the Notice Date (the “**Acceptance Period**”).

- (b) Each of the Shareholders shall have the right, exercisable by notice given to the Company by no later than the last day of the Acceptance Period to accept the offer constituted by the Issue Notice to subscribe for its Proportionate Entitlement of the Affected Securities or, if it wishes to subscribe for less than its Proportionate Entitlement, to indicate how many Affected Securities (up to its Proportionate Entitlement) it wishes to subscribe for. If no notice is given by a Shareholder under this Subsection 9.1(b), that Shareholder shall be deemed to have rejected the offer made available to it to subscribe for Affected Securities.

- (c) If any of the Shareholders does not agree to purchase all of its Proportionate Entitlement of the Affected Securities or is deemed to have rejected the offer made available to it to subscribe for Affected Securities (in this Subsection 9.1, a “**Declining Offeree**”), the Company shall forthwith so notify in writing (in this Subsection 9.1, the “**Additional Notice**”) each of the other Shareholders that has accepted the offer to subscribe for not less than its Proportionate Entitlement of the Affected Securities (in this Subsection 9.1, a “**Purchasing Shareholder**”). Each of the Purchasing Shareholders shall have the right to subscribe for that number or any part thereof, of the Affected Securities that have not been accepted for subscription by the Declining Offerees (the “**Unsubscribed Securities**”) which bears the same relationship to the total number of Unsubscribed Securities as the number of Shares held by each such Purchasing Shareholder bears to the total number of Shares by all Purchasing Shareholders (as reflected on the securities registers of the Company) at the date of the Additional Notice (in this Subsection 9.1, the “**Second Acceptance Period**”). Any Purchasing Shareholder that receives an Additional Notice shall have the right, exercisable by notice given to the Company within a period of ten (10) days after deemed receipt of that Additional Notice pursuant to Subsection 10.0, to agree that it will purchase the number of Unsubscribed Securities which it is entitled to purchase or any lesser number thereof specified by it in that notice. If no notice is given by a Purchasing Shareholder under this Subsection 9.1 by the last day of the Second Acceptance Period, that Purchasing Shareholder shall be deemed to have rejected the offer made available to it to purchase any Unsubscribed Securities. No Shareholder shall be obliged to purchase any Affected Securities in excess of the number indicated in its subscription.
- (d) If any Affected Securities of any issue remain unsold following the expiry of the last day of the Second Acceptance Period, the Company may offer those unsubscribed for Affected Securities within a period of ninety days (90) days after the expiration of the last day of the Second Acceptance Period to any Person, but the price at which those Affected Securities may be issued shall not be less than the subscription price offered to the Shareholders and the terms of payment for those unsubscribed for Affected Securities shall not be more favorable to that Person than the terms of payment offered to the Shareholders.
- (e) If the Company proposes to grant an option or other right for the purchase of or subscription for Affected Securities, that option or other right shall also be made available to Shareholders in accordance with Subsections 9.1(a) through 9.1(d).
- (f) The Company shall be entitled to issue additional Shares without complying with the provisions of this Subsection 9.1 when those Shares are being issued on the exercise of existing Convertible Securities or on the exercise of existing options or rights to purchase or subscribe for Shares or Convertible Securities.

9.2 **Right of First Offer** 9.2.

9.3 Right of First Refusal 9.3 9.3.

(a) If at any time, a Shareholder (the "Selling Shareholder") obtains from a Person with which the Selling Shareholder is dealing at arm's length or from another Shareholder (in this Subsection 9.3, a "Third Party") a *bona fide* offer (a "Third Party Offer") to purchase all or part of the issued and outstanding Shares held by the Selling Shareholder (in this Subsection 9.3, the "Affected Shares") for cash or Liquid Securities or combination thereof and the Selling Shareholder is willing and able to accept the Third Party Offer, the Selling Shareholder shall give notice of the Third Party Offer (the "First Refusal Notice") to the shareholders other than the Selling Shareholder (in this Subsection 9.3, the "Other Shareholders"). The First Refusal Notice shall constitute an offer to sell to each of the Other Shareholders that number of the Affected Shares (in this subsection Subsection 9.3(a), its "Proportionate Entitlement") which bears the same relationship to the total number of Affected Shares as the number of issued and outstanding Shares held by each such Other Shareholder bears to the total number of issued and outstanding Shares held by all Other Shareholders (as reflected in the securities registers of the Company) at the date of the First Refusal Notices (in this Subsection 9.3, the "Notice Date"). A Third Party Offer shall not provide for any consideration other than cash consideration or Liquid Securities payable in full on closing (subject to escrow arrangements in respect of usual post-closing adjustments). Each First Refusal Notice shall:

- (i) Be made in writing by the Selling Shareholder, be dated the same Notice Date which date shall not be more than three days prior to the date the First Refusal Notices are made, and be made concurrently to all Other Shareholders in the same manner (whether by delivery, prepaid courier service or facsimile);
- (ii) Provide that the Selling Shareholder has received an offer which it is willing and able to accept, and that the offer is *bona fide* and is made by a Person with which the Selling Shareholder is dealing at arm's length and be accompanied by a copy of the Third Party Offer and details as to the identity and business of the Third Party and of any Person which Controls the Third Party;
- (iii) State that any Other Shareholder that wishes to accept the offer made available to it to purchase less than its Proportionate Entitlement of the Affected Shares shall, in its Acceptance, specify the number of the Affected Shares (up to its Proportionate Entitlement) that it wishes to purchase; and
- (iv) Contain a representation and warranty by the Selling Shareholder that no Triggering Event has occurred with respect to the Selling Shareholder.

The offer constituted by each First Refusal Notice shall be irrevocable and shall

remain open for acceptance by the Shareholders for a period of 20 days after the Notice Date.

- (b) Each of the Other Shareholders shall have the right, exercisable by notice (in this Subsection 9.3, an "**Acceptance**") given to the Selling Shareholder within the period during which the offer constituted by the First Refusal Notice is open for acceptance under Subsection 9.3(a) to accept the offer constituted by the First Refusal Notice to purchase its Proportionate Entitlement of the Affected Shares or, if it wishes to purchase less than its Proportionate Entitlement, to indicate how many Affected Shares (up to its Proportionate Entitlement) it wishes to purchase. If no Acceptance is given by an Other Shareholder under this Subsection 9.3(b), that Other Shareholder shall be deemed to have rejected the offer made available to it to purchase Affected Shares.
- (c) If any Other Shareholder does not agree to purchase all of its Proportionate Entitlement of the Affected Shares or is deemed to have rejected the offer made available to it to purchase Affected Shares (in this Subsection 9.3, a "**Declining Offeree**"), the Selling Shareholder shall forthwith so notify (in this Subsection 9.3, the "**Additional Notice**") each of the Other Shareholders that has accepted the offer to purchase not less than its Proportionate Entitlement of the Affected Shares (in this Section 9.3, the "**Purchasing Shareholders**"). Each of the Purchasing Shareholders shall have the right to purchase that number, or any part thereof, of the Affected Shares which have not been accepted for purchase by the Declining Offerees (in this Subsection 9.3(3), the "**Unaccepted Shares**") which bears the same relationship to the total number of Unaccepted Shares as the number of issued and outstanding Shares held by each such Purchasing Shareholder bears to the total number of issued and outstanding Shares held by all Purchasing Shareholders (as reflected on the securities Registers of the Company) at the date of the Additional Notice (in this Subsection 9.3(c), the "**Proportionate Entitlement**"). Any Purchasing Shareholder shall have the right, exercisable by notice given to the Company within five days after the deemed receipt of the Additional Notice pursuant to Subsection 10.0 to agree that it will purchase its Proportionate Entitlement of Unaccepted Shares, or any lesser number thereof and it may also agree to purchase a greater amount of Unaccepted Shares (up to a maximum of the total number of Unaccepted Shares) subject to the rights of the other Purchasing Shareholders hereunder, and which number of Unaccepted Shares shall be specified by it in that notice. If no notice is given by a Purchasing Shareholder under this Subsection 9.3(c) within that five day period, that Purchasing Shareholder shall be deemed to have rejected the offer made available to it to purchase any Unaccepted Shares. No Other Shareholder shall be obliged to purchase any Affected Shares in excess of the number indicated in their Acceptance. If the aggregate number of Unaccepted Shares agreed to be purchased by the Other Shareholders is greater than the total number of Unaccepted Shares, the shortfall in Unaccepted Shares shall be allocated

proportionately among the Other Shareholders pro rata in accordance with their respective Proportionate Entitlement.

- (d) If all of the Affected Shares have not been accepted for purchase by one or more of the Other Shareholders under this Section 9.3 prior to the expiry of the last applicable period pursuant to Subsections 9.3(b) and 9.3(c), the offer made by the Selling Shareholder shall be deemed to have been rejected and the Selling Shareholder shall be entitled, subject to Subsection 8.2(a) of this Agreement, within a period of 90 days after the expiration date of the last applicable period pursuant to Subsections 9.3(b) and 9.3(c), to sell all and not less than all of the Affected Shares to the Third Party on the terms and conditions contained in the Third Party Offer, provided that, prior to the completion of that sale, (i) the Third Party agrees in writing to become bound by the provisions of this Agreement as a Shareholder and, (ii) if that Third Party acquires all of the issued and outstanding Shares then held by the Selling Shareholder, that it become subject to all of the obligations of the Selling Shareholder under this Agreement in which case that Third Party shall become entitled to exercise all the rights of the Selling Shareholder under this Agreement. If that sale is not completed within that 90-day period, the provisions of this Subsection 9.3 shall apply again to any proposed sale by the Selling Shareholder of the Affected Shares and so on from time to time.
- (e) If one or more, as the case may be, of the Other Shareholders exercise the right to purchase all of the Affected Shares, the purchase of the Affected Shares by those Other Shareholders shall be completed concurrently and as part of the same closing at the price set out in the Third Party Offer and in accordance with the terms of the Third Party Offer.
- (f) If a Shareholder has previously delivered a First Refusal Notice, that Shareholder shall not be entitled to deliver another First Refusal Notice until a period of 180 days shall have elapsed from the date on which the previous First Refusal Notice was delivered by that Shareholder.
- (g) If a Triggering Event occurs with respect to a Shareholder or an event occurs which, with notice or lapse of time or both, would constitute a Triggering Event, that Shareholder shall not be entitled to deliver a First Refusal Notice until a period of 180 days shall have elapsed from the later of the date on which that event occurred and the date on which that Shareholder provided notice to the Company of that event, after which that Shareholder shall be entitled to deliver a First Refusal Notice so long as the provisions of Subsection 9.3 have been complied with and the Shares are not then subject to any agreement of purchase and sale pursuant to that Section.
- (h) Once a Shareholder gives a First Refusal Notice, no Other Shareholder may give

a First Refusal Notice or a Purchase or Sale Notice with respect to issued and outstanding Shares, until such time as either the Affected Shares are sold to the Other Shareholders or to the Third Party pursuant to this Subsection 9.3 or unless the purchase and sale of the Affected Shares pursuant to the purchase and sale agreement arising from the Third Party Offer is not completed in accordance with its terms.

9.4 Forced Withdrawal of a Shareholder 9.4 9.4.

- (a) A “**Triggering Event**” is the occurrence of any one of the following events with respect to a Shareholder (the “**Defaulting Party**”):
- (i) The Defaulting Party fails to perform or is otherwise in breach of its material obligations other than under Subsection 9.1 of this Agreement, or under an instrument or document delivered pursuant to this Agreement at any time after the date of this Agreement, and the failure or breach is not corrected within 30 days after receipt by that Defaulting Party of notice of the failure or breach from any other Party, but this event shall be deemed not to be a Triggering Event for so long as the matter is subject to the dispute resolution procedures provided for in Section 10.11;
 - (ii) Any representation or warranty of the Defaulting Party contained in this Agreement, or in any instrument or document delivered pursuant to this Agreement at any time after the date of this Agreement, is or becomes not true and correct in any material respect and the Defaulting Party has not taken reasonable steps, to the satisfaction of the other Parties, acting reasonably, to ensure that the representation and warranty becomes true and correct no later than 30 days after receipt by that Defaulting Party of notice from any other Party or the Company that the representation and warranty is not true and correct, but this event shall be deemed not to be a Triggering Event for so long as the matter is subject to the dispute resolution procedures provided for in Section 10.11;
 - (iii) The Defaulting Party makes an assignment for the benefit of its creditors generally or files for a bankruptcy or is insolvent;
 - (iv) A resolution is passed for, or a judgment or order is issued by any court of competent jurisdiction ordering, the winding up or other liquidation or dissolution of the Defaulting Party;
 - (v) A receiver, manager, receiver-manager, liquidator or trustee of the property, assets or undertaking of the Defaulting Party is appointed pursuant to the Terms of a debenture or similar instrument (other than any such debenture or other instrument to which the Company is the

- (i) Be made in writing by the Secretary, be dated the same Notice Date which date shall not be more than three days prior to the date the Triggered Notice is made, and be made concurrently to all Shareholders in the same manner (whether by delivery, prepaid courier service or facsimile); and
 - (ii) State that if the Other Shareholder wishes to subscribe for less than all of the Affected Shares in its notice of acceptance of the offer (in this Subsection 9.4, an "Acceptance") to the Company, it shall specify the number of Affected Shares (up to its Proportionate Entitlement) that it wishes to purchase. The Company shall deliver a copy of the Triggered Notice to the Defaulting Shareholder promptly after it has been delivered to the Other Shareholder. The offer constituted by the Triggered Notice shall be irrevocable and shall remain open for acceptance by the Other Shareholders for a period of (20) days after the date of the Notice Date.
- (e) The Other Shareholder shall have the right, exercisable by an Acceptance given to the Company within the period during which the offer constituted by the Triggered Notice is open for acceptance under Subsection 9.4(d) to accept the offer constituted by the Triggered Notice to purchase all or a portion of the Affected Shares and to indicate how many Affected Shares it wishes to purchase. If no notice is given by the Other Shareholder under this Subsection 9.4(e), the Other Shareholder shall be deemed to have rejected the offer made available to it to purchase Affected Shares.
- (f) A Defaulting Party shall lose any and all rights under Subsection 7.0 including the right to appoint a director pursuant to Subsection 7.3(a) and the right to have its representative on the Board of Directors present in order to constitute quorum pursuant to the provisions of Subsection 7.4(d), regardless of whether the Affected Shares have been purchased or not by the Other Shareholders.
- (g) The completion of all purchases and sales of Affected Shares under this Section 9.4, shall take place on the later of the 30th day after the expiry of:
- (i) the applicable period referred to in Subsection 9.4(d); and
 - (ii) the 30th day after the date of the latest Additional Notice.

9.5 Government Approvals 9.5. If any Governmental Approval is required by a purchaser of Shares which is a Shareholder (in this Subsection 9.5, a "**Purchasing Shareholder**") under any provision of this Agreement, then, notwithstanding anything contained in this Agreement, the time period specified in this Agreement for acceptance of the offer by the Purchasing Shareholder shall, to the extent necessary, be extended for an additional 90 days to permit the Purchasing Shareholder to obtain the necessary Governmental Approval. Any such application for Governmental Approval shall be the sole responsibility of the Purchasing

Shareholder which shall also be responsible for all costs and expenses incurred in connection therewith. The other Shareholders and the Company shall use reasonable efforts to co-operate with the Purchasing Shareholder in any application for Governmental Approval, and the other Shareholders shall be reimbursed for any reasonable expenses incurred in connection therewith in the event the purchase of the Shares does not close.

9.6 Closing Procedures

- (a) The provisions of this Subsection 9.6 shall apply, as between the Parties, to any purchase and sale of Shares, or Convertible Securities, made pursuant to this Agreement; subject to any express provisions to the contrary.
- (b) The purchase price for the Shares or Convertible Securities shall be paid on closing by negotiable certified cheque against receipt by the purchaser of the share certificate or certificates representing the Shares, and other evidence of title in the case of Convertible Securities, being purchased, duly endorsed for transfer in blank, and if the vendor is selling all of its Shares, together with the resignations of the vendor's nominee director(s).
- (c) The acceptance by the vendor of payment for the Shares and Convertible Securities, if any, being purchased and sold shall constitute a representation and warranty by the vendor that the vendor has good and marketable title to such Shares and Convertible Securities, free and clear of any mortgage, hypothec, lien, charge, priority, pledge, encumbrance, security interest or adverse claim, except the terms of this Agreement. Notwithstanding the foregoing, the vendor shall deliver to the purchaser all documents, instruments and releases, and shall do all acts and things as the purchaser may reasonably request, whether before or after completion of the transaction, to vest title in the purchaser.
- (d) If, at the time of sale, the vendor is indebted to the Company, the purchaser shall have the right to satisfy that indebtedness on behalf of the vendor by remitting to the Company on behalf of the vendor the portion of the purchase price payable for the Shares and Convertible Securities that is equal to the indebtedness. That remittance on behalf of the vendor shall constitute payment in full by the purchaser to the vendor of the amount so remitted.
- (e) If, at the time of sale of its last Shares, the vendor is liable or responsible as a guarantor for any debts, liabilities or obligations of the Company, the purchaser shall use reasonable efforts to cause all such guarantees to be released at or before the time of sale. Should the purchaser fail to obtain the release of all such guarantees at or before the time of sale, the purchaser shall indemnify and hold harmless the vendor for any liability arising as a result of any and all such unreleased guarantees, provided that the vendor is selling all (and not less than all) of its Shares.

court having jurisdiction under Subsection 10.7, interim, interlocutory and permanent injunctive relief without showing irreparable harm, specific performance and other equitable remedies.

10.2 Remedies Cumulative 10.2. The rights and remedies of the Parties under this Agreement are cumulative and in addition to and not in substitution of any rights or remedies provided in law.

10.3 Entire Agreement 10.3. This Joint Venture Agreement constitutes the entire agreement between the Parties pertaining to the subject matter of this Agreement and supersedes all prior correspondences, agreements, negotiations, discussions, and understanding if any, written or oral.

10.4 Time of Essence 10.4. Time is of the essence of this Agreement.

10.5 Amendment 10.5. This Agreement may be supplemented, amended, restated or replaced only by written agreement signed by each Party.

10.6 Waiver of Rights 10.6. Any waiver of, or consent to depart from, the requirements of any provision of this Agreement shall be effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of that right. No single or partial exercise of any such right shall preclude any other or further exercise of that right or the exercise of any other right.

10.7 Governing Law and Language 10.7. This Agreement shall be governed by, and interpreted and enforced in accordance with; the laws of the United Republic of Tanzania and the language of the Agreement shall be English.

10.8 Term 10.8.

- (a) This Agreement shall come into force and effect as of the date set out on the first page of this Agreement shall continue in force until the earlier of:
- (i) The date on which one Shareholder holds all of the Shares;
 - (ii) The date on which this Agreement is terminated by written agreement of all of the Shareholders; and
 - (iii) The date on which the Joint Venture Agreement is terminated by written agreement by all the parties thereto.

10.9 Notices 10.9.

- (a) Any notice, demand or other communication (in this Subsection 10.9, a "notice")

required or permitted to be given or made under this Agreement must be in writing and is sufficiently given or made if:

- (i) Delivered in person and left with a receptionist or other responsible employee of the relevant Party at the applicable address set forth below;
- (ii) Sent by prepaid courier service or (except in the case of actual or apprehended disruption of postal service) mail; or
- (iii) Sent by facsimile transmission, with confirmation of transmission by the transmitting equipment (a "Transmission");

In the case of a notice to Stamico, addressed to it at:

State Mining Corporation
Plot No. 417, 418 United Nations Road
DAR ES SALAAM, TANZANIA
Telephone: +255 (0)22-2150029
Telefax: +255 (0)22-2153519

In the case of a notice to Tanzam, addressed to it at:

Tanzania American International Development Corporation (2000)
Limited
263 Chato Street, Regent Estate
DAR ES SALAAM, TANZANIA
Telephone: +255-222-772511 Telefax: +255-222-7725110

with a copy to Tanzanian Royalty Exploration Corporation addressed to it
at:

Tanzanian Royalty Exploration Corporation
99 Amenia Union Road
Sharon, Connecticut
U.S.A. 06069
Telephone: 860-364-1830 Telefax: 860-364-0673

- (b) Any notice sent in accordance with this Subsection 10.9 shall be deemed to have been received:

- (i) If delivered prior to or during normal business hours on a Business Day in the place where the notice is received, on the date of delivery;
 - (ii) If sent by mail, on the fifth Business Day in the place where the notice is received after mailing, or, in the case of disruption of postal service, on the fifth such Business Day after cessation of that disruption;
 - (iii) If sent by facsimile during normal business hours on a Business Day in the place where the Transmission is received, on the same day that it was received by Transmission, on production of a Transmission report from the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the relevant facsimile number of the recipient; or
 - (iv) If sent in any other manner, on the date of actual receipt; except that any notice delivered in person or sent by Transmission not on a Business Day or after normal business hours on a Business Day, in each case in the place where the notice is received, shall be deemed to have been received on the next succeeding Business Day in the place where the notice is received.
- (c) Any Party may change its address for notice by giving notice to the other Parties.

10.10 Enurement and Assignment 10.10 10.10. This Agreement shall enure to the benefit of, and shall be binding on, the Parties and their respective heirs, administrators, executors, legal representatives, successors and permitted assigns. Except as specifically permitted by this Agreement, no Party may assign any of its rights and obligations under this Agreement.

10.11 Consultation and Arbitration 10.11 10.11.

- (a) In the event of any dispute, claim or difference including obligations under Article 9 in relation to or in connection with or arising out of any of the terms and conditions of this Agreement, the Parties shall use their best endeavors to settle successfully such dispute, question or difference by consultation and negotiation. To this effect, they shall consult and negotiate with each other, in good faith and understanding of their mutual interests to reach an equitable solution satisfactory to the Parties. If the Parties do not reach a solution within a period of 30 days of notice being delivered from one Party to the other setting out the substance of the dispute, claim or difference, or such longer period as the Parties may agree in writing, then either party may refer the dispute, claim or difference to arbitration, which shall be dealt with in terms of, and shall be governed by the London Court of International Arbitration (the "LCIA") and its applicable rules and procedures.
- (b) The arbitration tribunal shall consist of a single arbitrator agreed by the Parties or, failing such agreement, appointed by the LCIA on the application of either Party.

- (c) The arbitrator shall be instructed that time is of the essence in proceeding with their determination of any dispute, claim, question or difference and in any event the arbitration award must be rendered within 120 days of the completion of selection of the arbitrator.
- (d) The arbitration shall take place in London, England at a time and place set by the arbitrator and shall be conducted in English language.
- (e) The arbitration award shall be final and binding on the Parties, with no right of appeal. Judgment upon the award rendered may be entered in any court having jurisdiction or application may be made to such court for a judicial recognition of the award or an order of enforcement thereof as the case may be.
- (f) Pending settlement of any dispute the Parties shall abide by their obligations under this Agreement without prejudice to a final adjustment in accordance with an award rendered in an arbitration settling such dispute.
- (g) Each party to the arbitration proceedings shall bear its own costs, unless the arbitral award otherwise provides.

10.12 Further Assurances 10.12 10.12. Each of the Shareholders shall vote and act at all times as a shareholder of the Company and in all other respects use reasonable efforts to take all steps, execute all documents and do all such acts and things as may be reasonably within its power to implement to their full extent the provisions of this Agreement and to cause the Company to act in the manner contemplated by this Agreement.

10.13 Counterparts 10.13 10.13. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one agreement. Delivery of an executed counterpart of this Agreement by facsimile or transmitted electronically in legible form, including without limitation in a tagged image format file (TIFF) or portable document format (PDF), shall be equally effective as delivery of a manually executed counterpart of this Agreement.

ARTICLE 11 FORCE MAJEURE

11.1 Any non-performance or delay in performance by any Party hereto of any obligations under this Agreement shall, except for the payment of monies due under this Agreement, be excused if and to the extent that such non-performance or delay is caused by *Force majeure* as defined in this Subarticle.

11.2 In this sub article, the term "*Force majeure*" shall mean any event beyond the reasonable control of the Party claiming to be affected by such event and which has not been brought about at its instance and which has caused such non-performance or delay in performance and, without limitation to the generality of the foregoing, includes natural phenomena or calamities,

epidemics, wars, invasions, blockade, riots, strikes but not limited to Acts of God, Governmental restrictions (including the denial or cancellation of export or other necessary licenses). Without limiting the generality of the foregoing, if the enlargement of SML04/1992 requested in the application by Tanzam to the Ministry of Energy and Minerals (which application was received by the Ministry on July 4, 2011 and will be re-submitted, after the signing of this Agreement, in the name of the Company) is not granted by the Ministry on the terms requested on or before the expiry of six weeks following the signing of this Agreement, any further delay in the granting of such requested enlargement shall be deemed to be an event of *force majeure* under this Agreement.

- 11.3 (a) where Stamico or Tanzam is claiming suspension of its obligations on account of *Force majeure*, Stamico or Tanzam, as the case may be, shall promptly notify the other Party in writing of the occurrence thereof giving particulars of the event and the likely effect on gold operations.
- (b) Stamico or Tanzam, as the case may be, shall promptly notify the other Party affected as soon as the event of *Force Majeure* has been removed or no longer prevents it from carrying out its obligations hereunder. Following such notice, Stamico or Tanzam, as the case may be, shall resume gold production as soon as possible thereafter.

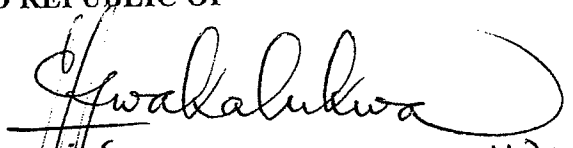
11.4 Where Stamico or Tanzam is prevented from exercising any rights or performing any obligations under this Agreement due to *Force Majeure* such additional period as may be agreed with the Parties or as may be determined by arbitration shall be added to the time allowed under this Agreement for the performance of such obligation and for the performance of any obligation or the exercise of any right dependent thereon.

11.5 Without prejudice to the other provisions of this sub article where the *Force Majeure* event subsists for more than fourteen (14) days the Parties shall forthwith meet to discuss the consequences of the event of *Force Majeure* and the course of action to be adopted in the circumstances

IN WITNESS WHEREOF, the Parties have duly executed this Agreement on the Date first above written.

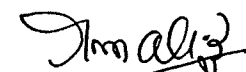
STATE MINING CORPORATION
OF THE UNITED REPUBLIC OF
TANZANIA

By:


Name: GRAY LAZAROUS MWAKALUKWA
Title: DIRECTOR GENERAL

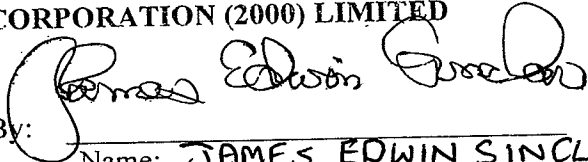
By:

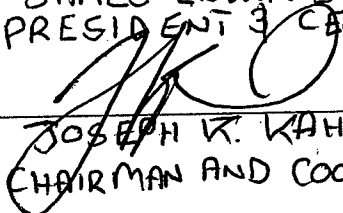
Name:


RAMADHAN OMAR HATIBU
BOARD CHAIRMAN

Title:

**TANZANIA AMERICAN
INTERNATIONAL DEVELOPMENT
CORPORATION (2000) LIMITED**

By: 
Name: JAMES EDWIN SINCLAIR
Title: PRESIDENT & CEO

By: 
Name: JOSEPH W. KAHAMA
Title: CHAIRMAN AND COO (TANZANIA)

SCHEDULE "A"

DESCRIPTION OF CONTRACT AREASCHEDULE "A" SCHEDULE "A"

The Contract Area comprises areas of licences or intended licences located in areas known generally as Buckreef, Buziba and Rwamagaza, and which are defined in reference to the following corner coordinates

1. Mining License No. SML 04/92 granted to M/S Buckreef Gold Mining Co. Limited on June 12, 2000 and is valid for a period of seventeen (17) years from the date of grant.

Description of mining license area: Buckreef area in Geita District, QDS 46/1 defined by the lines of latitude and longitude having the following corner coordinates:

Corner	Latitude(S)	Longitude(E)
A:	03° 04' 52"	32° 00' 37"
B:	03° 05' 36"	32° 00' 33"
C:	03° 06' 15"	32° 00' 43"
D:	03° 05' 46"	32° 01' 29"
E:	03° 05' 08"	32° 01' 29"
F:	03° 05' 08"	32° 00' 47"

Covering 3.45 Square Kilometres

2. Prospecting License No. PL 6427/2010 granted to M/S State Mining Corporation on June 21, 2010 and is valid for a period of thirty six (36) months from the date of grant.

Description of mining license area: Nyambale (2) Busanda area in Geita District, QDS 46/1 defined by lines of latitude and longitude having the following corner coordinates (Arc 1960):

Corner	Latitude(S)	Longitude(E)
1	- 03 deg. 04 min. 58.00 sec.	32 deg. 03 min. 29.00 sec.
2	- 03 deg. 04 min. 58.00 sec.	32 deg. 05 min. 00.00 sec.
3	- 03 deg. 05 min. 39.00 sec.	32 deg. 05 min. 00.00 sec.
4	- 03 deg. 05 min. 39.00 sec.	32 deg. 04 min. 36.60 sec.
5	- 03 deg. 05 min. 16.60 sec.	32 deg. 04 min. 36.60 sec.
6	- 03 deg. 05 min. 16.60 sec.	32 deg. 03 min. 29.00 sec.

An area of approximately 2.10 Square Kilometres

3. Prospecting License No. PL 6428/2010 granted to M/S State Mining Corporation on June 21, 2010 and is valid for a period of thirty six (36) months from the date of grant.

Description of mining license area: Mabamba area in Geita District, QDS 45/2 defined by lines of latitude and longitude having the following corner coordinates (Arc 1960):

Corner	Latitude(S)	Longitude(E)
1	- 03 deg. 06 min. 28.00 sec.	31 deg. 57 min. 50.00 sec.
2	- 03 deg. 06 min. 28.00 sec.	31 deg. 59 min. 20.00 sec.
3	- 03 deg. 07 min. 03.00 sec.	31 deg. 59 min. 20.00 sec.
4	- 03 deg. 07 min. 03.00 sec.	31 deg. 57 min. 50.00 sec.

An area of approximately 2.99 Square Kilometres

4. Prospecting License No. PL 6429/2010 granted to M/S State Mining Corporation on June 21, 2010 and is valid for a period of thirty six (36) months from the date of grant.

Description of mining license area: Rwamagaza North area in Geita District, QDSs 45/2 and 46/1 defined by lines of latitude and longitude having the following corner coordinates (Arc 1960):

Corner	Latitude(S)	Longitude(E)
1	- 03 deg. 07 min. 29.00 sec.	32 deg. 05 min. 00.00 sec.
2	- 03 deg. 09 min. 00.00 sec.	32 deg. 05 min. 00.00 sec.
3	- 03 deg. 09 min. 00.00 sec.	31 deg. 59 min. 20.00 sec.
4	- 03 deg. 07 min. 54.00 sec.	31 deg. 59 min. 20.00 sec.
5	- 03 deg. 07 min. 54.00 sec.	31 deg. 59 min. 49.82 sec.
6	- 03 deg. 07 min. 55.87 sec.	31 deg. 59 min. 51.37 sec.
7	- 03 deg. 07 min. 54.00 sec.	31 deg. 59 min. 53.84 sec.
8	- 03 deg. 07 min. 54.00 sec.	32 deg. 01 min. 56.00 sec.
9	- 03 deg. 07 min. 29.00 sec.	32 deg. 01 min. 56.00 sec.
Exclusion of small part of an area of valid PML No. 0001085 that overlaps at the boundary of the line of this application		
An area of approximately 25.63 Square Kilometres		

5. Prospecting License No. PL 6430/2010 granted to M/S State Mining Corporation on June 21, 2010 and is valid for a period of thirty six (36) months from the date of grant.

Description of mining license area: Rwamagaza West area in Geita District, QDS 45/2 defined by lines of latitude and longitude having the following corner coordinates (Arc 1960):

Corner	Latitude(S)	Longitude(E)
1	- 03 deg. 07 min. 03.00 sec.	31 deg. 59 min. 20.00 sec.
2	- 03 deg. 07 min. 43.00 sec.	31 deg. 59 min. 20.00 sec.
3	- 03 deg. 07 min. 43.00 sec.	31 deg. 59 min. 07.30 sec.
4	- 03 deg. 07 min. 34.18 sec.	31 deg. 59 min. 06.33 sec.
5	- 03 deg. 07 min. 34.46 sec.	31 deg. 58 min. 59.52 sec.
6	- 03 deg. 07 min. 43.00 sec.	31 deg. 59 min. 00.14 sec.
7	- 03 deg. 07 min. 43.00 sec.	31 deg. 58 min. 11.29 sec.

Corner	Latitude(S)	Longitude(E)
8	- 03 deg. 07 min. 42.56 sec.	31 deg. 58 min. 11.27 sec.
9	- 03 deg. 07 min. 43.00 sec.	31 deg. 58 min. 09.73 sec.
10	- 03 deg. 07 min. 43.00 sec.	31 deg. 57 min. 23.00 sec.
11	- 03 deg. 08 min. 16.00 sec.	31 deg. 57 min. 23.00 sec.
12	- 03 deg. 08 min. 16.00 sec.	31 deg. 56 min. 37.00 sec.
13	- 03 deg. 08 min. 02.00 sec.	31 deg. 56 min. 37.00 sec.
14	- 03 deg. 08 min. 02.00 sec.	31 deg. 56 min. 11.00 sec.
15	- 03 deg. 07 min. 03.00 sec.	31 deg. 56 min. 11.00 sec.
Exclusion of the area covered by valid PMLs 0009621, 0001507, 0001161		
1	- 03 deg. 07 min. 15.09 sec.	31 deg. 58 min. 54.45 sec.
2	- 03 deg. 07 min. 21.77 sec.	31 deg. 59 min. 56.69 sec.
3	- 03 deg. 07 min. 15.33 sec.	31 deg. 59 min. 12.87 sec.
4	- 03 deg. 07 min. 08.72 sec.	31 deg. 59 min. 10.56 sec.
An area of approximately 8.9 Square Kilometres		

6. Prospecting License No. PL 6431/2010 granted to M/S State Mining Corporation on June 21, 2010 and is valid for a period of thirty six (36) months from the date of grant.

Description of mining license area: Nyamalimbe (2) Geita area in Biharamulo, Geita District, QDS 45/2 defined by lines of latitude and longitude having the following corner coordinates (Arc 1960):

Corner	Latitude(S)	Longitude(E)
1	- 03 deg. 08 min. 02.00 sec.	31 deg. 55 min. 00.00 sec.
2	- 03 deg. 08 min. 02.00 sec.	31 deg. 56 min. 37.00 sec.
3	- 03 deg. 08 min. 31.00 sec.	31 deg. 56 min. 37.00 sec.
4	- 03 deg. 08 min. 31.00 sec.	31 deg. 55 min. 00.00 sec.
An area of approximately 2.67 Square Kilometres		

7. Prospecting License No. PL 6432/2010 granted to M/S State Mining Corporation on June 21, 2010 and is valid for a period of thirty six (36) months from the date of grant.

Description of mining license area: Rwamagaza South area in Geita District, QDS 45/2 defined by lines of latitude and longitude having the following corner coordinates (Arc 1960):

Corner	Latitude(S)	Longitude(E)
1	- 03 deg. 08 min. 16.00 sec.	31 deg. 57 min. 23.00 sec.
2	- 03 deg. 08 min. 22.80 sec.	31 deg. 57 min. 23.00 sec.
3	- 03 deg. 08 min. 22.80 sec.	31 deg. 57 min. 55.81 sec.
4	- 03 deg. 08 min. 33.00 sec.	31 deg. 57 min. 59.77 sec.
5	- 03 deg. 08 min. 33.00 sec.	31 deg. 57 min. 36.00 sec.
6	- 03 deg. 08 min. 49.00 sec.	31 deg. 57 min. 36.00 sec.
7	- 03 deg. 08 min. 49.00 sec.	31 deg. 56 min. 37.00 sec.

Corner	Latitude(S)	Longitude(E)
8	- 03 deg. 08 min. 16.00 sec.	31 deg. 56 min. 37.00 sec.
Excluding the area bounded by the following coordinates		
1	- 03 deg. 08 min. 11.00 sec.	31 deg. 58 min. 42.00 sec.
2	- 03 deg. 08 min. 19.00 sec.	31 deg. 58 min. 42.00 sec.
3	- 03 deg. 08 min. 19.00 sec.	31 deg. 58 min. 26.00 sec.
4	- 03 deg. 08 min. 33.00 sec.	31 deg. 58 min. 26.00 sec.
5	- 03 deg. 08 min. 33.00 sec.	31 deg. 58 min. 00.59 sec.
6	- 03 deg. 08 min. 25.73 sec.	31 deg. 58 min. 19.05 sec.
	- 03 deg. 08 min. 20.18 sec.	31 deg. 58 min. 16.08 sec.
	- 03 deg. 08 min. 15.05 sec.	31 deg. 58 min. 38.53 sec.
	- 03 deg. 08 min. 19.81 sec.	31 deg. 58 min. 06.00 sec.
	- 03 deg. 08 min. 11.00 sec.	31 deg. 58 min. 06.00 sec.
An area of approximately 2.39 Square Kilometres		

8. Prospecting License No. PL 6544/2010 granted to M/S State Mining Corporation on July 12, 2010 and is valid for a period of thirty six (36) months from the date of grant.

Description of mining license area: Rwamagaza South area in Geita District, QDS 45/2 defined by lines of latitude and longitude having the following corner coordinates (Arc 1960):

Corner	Latitude(S)	Longitude(E)
1	- 03 deg. 07 min. 43.00 sec.	31 deg. 57 min. 23.00 sec.
2	- 03 deg. 07 min. 43.00 sec.	31 deg. 58 min. 42.00 sec.
3	- 03 deg. 08 min. 11.00 sec.	31 deg. 58 min. 42.00 sec.
4	- 03 deg. 08 min. 11.00 sec.	31 deg. 58 min. 06.00 sec.
5	- 03 deg. 08 min. 22.80 sec.	31 deg. 58 min. 06.00 sec.
6	- 03 deg. 08 min. 22.80 sec.	31 deg. 57 min. 23.00 sec.
An area of approximately 2.58 Square Kilometres		

9. Prospecting License No. PL 6545/2010 granted to M/S State Mining Corporation on July 12, 2010 and is valid for a period of thirty six (36) months from the date of grant.

Description of mining license area: Buziba area in Geita District, QDS 46/1 defined by lines of latitude and longitude having the following corner coordinates (Arc 1960):

Corner	Latitude(S)	Longitude(E)
1	- 03 deg. 07 min. 10.00 sec.	32 deg. 11 min. 16.00 sec.
2	- 03 deg. 08 min. 09.00 sec.	32 deg. 12 min. 37.00 sec.
3	- 03 deg. 08 min. 52.00 sec.	32 deg. 12 min. 10.00 sec.
4	- 03 deg. 07 min. 58.00 sec.	32 deg. 10 min. 42.00 sec.
An area of approximately 5.28 Square Kilometres		

10. Prospecting License No. PL 6546/2010 granted to M/S State Mining Corporation on July 12, 2010 and is valid for a period of thirty six (36) months from the date of grant.

Description of mining license area: Rwamagaza area in Geita District, QDS 45/2, 46/1 defined by lines of latitude and longitude having the following corner coordinates (Arc 1960):

Corner	Latitude(S)	Longitude(E)
1	- 03 deg. 04 min. 58.00 sec.	32 deg. 03 min. 07.00 sec.
2	- 03 deg. 05 min. 22.00 sec.	32 deg. 03 min. 07.00 sec.
3	- 03 deg. 05 min. 22.00 sec.	32 deg. 03 min. 32.00 sec.
4	- 03 deg. 05 min. 39.00 sec.	32 deg. 03 min. 32.00 sec.
5	- 03 deg. 05 min. 39.00 sec.	32 deg. 05 min. 00.00 sec.
6	- 03 deg. 07 min. 29.00 sec.	32 deg. 05 min. 00.00 sec.
7	- 03 deg. 07 min. 29.00 sec.	32 deg. 04 min. 50.00 sec.
8	- 03 deg. 06 min. 49.00 sec.	32 deg. 04 min. 50.00 sec.
9	- 03 deg. 06 min. 49.00 sec.	32 deg. 03 min. 45.00 sec.
10	- 03 deg. 06 min. 35.40 sec.	32 deg. 03 min. 45.00 sec.
11	- 03 deg. 06 min. 35.40 sec.	32 deg. 03 min. 06.93 sec.
12	- 03 deg. 06 min. 35.00 sec.	32 deg. 03 min. 06.00 sec.
13	- 03 deg. 06 min. 35.40 sec.	32 deg. 03 min. 05.95 sec.
14	- 03 deg. 06 min. 35.40 sec.	32 deg. 02 min. 13.40 sec.
15	- 03 deg. 07 min. 29.00 sec.	32 deg. 02 min. 13.40 sec.
16	- 03 deg. 07 min. 29.00 sec.	32 deg. 01 min. 55.64 sec.
17	- 03 deg. 07 min. 23.03 sec.	32 deg. 01 min. 57.69 sec.
18	- 03 deg. 07 min. 20.66 sec.	32 deg. 01 min. 51.02 sec.
19	- 03 deg. 07 min. 29.00 sec.	32 deg. 01 min. 48.88 sec.
20	- 03 deg. 07 min. 29.00 sec.	32 deg. 01 min. 40.00 sec.
21	- 03 deg. 07 min. 49.00 sec.	32 deg. 01 min. 40.00 sec.
22	- 03 deg. 07 min. 49.00 sec.	32 deg. 01 min. 14.69 sec.
23	- 03 deg. 07 min. 44.00 sec.	32 deg. 01 min. 14.37 sec.
24	- 03 deg. 07 min. 44.00 sec.	32 deg. 01 min. 04.00 sec.
25	- 03 deg. 07 min. 49.00 sec.	32 deg. 01 min. 04.00 sec.
26	- 03 deg. 05 min. 49.00 sec.	32 deg. 00 min. 00.44 sec.
27	- 03 deg. 07 min. 46.72 sec.	32 deg. 00 min. 03.45 sec.
28	- 03 deg. 07 min. 42.50 sec.	31 deg. 59 min. 59.31 sec.
29	- 03 deg. 07 min. 47.28 sec.	31 deg. 59 min. 52.89 sec.
30	- 03 deg. 07 min. 43.93 sec.	31 deg. 59 min. 57.15 sec.
31	- 03 deg. 07 min. 32.70 sec.	31 deg. 59 min. 46.68 sec.
32	- 03 deg. 07 min. 22.10 sec.	31 deg. 59 min. 38.39 sec.
33	- 03 deg. 07 min. 24.91 sec.	31 deg. 59 min. 32.66 sec.
34	- 03 deg. 07 min. 27.99 sec.	31 deg. 59 min. 26.53 sec.
35	- 03 deg. 07 min. 40.07 sec.	31 deg. 59 min. 37.33 sec.
36	- 03 deg. 07 min. 49.00 sec.	31 deg. 59 min. 45.51 sec.
37	- 03 deg. 07 min. 49.00 sec.	31 deg. 59 min. 20.00 sec.
38	- 03 deg. 06 min. 00.00 sec.	31 deg. 59 min. 20.00 sec.
39	- 03 deg. 06 min. 00.00 sec.	32 deg. 00 min. 00.00 sec.
40	- 03 deg. 04 min. 58.00 sec.	32 deg. 00 min. 00.00 sec.

Corner	Latitude(S)	Longitude(E)
41	- 03 deg. 04 min. 58.00 sec.	32 deg. 00 min. 36.46 sec.
42	- 03 deg. 05 min. 36.00 sec.	32 deg. 00 min. 33.00 sec.
43	- 03 deg. 06 min. 15.00 sec.	32 deg. 00 min. 43.00 sec.
44	- 03 deg. 05 min. 46.00 sec.	32 deg. 01 min. 29.00 sec.
45	- 03 deg. 05 min. 08.00 sec.	32 deg. 01 min. 29.00 sec.
46	- 03 deg. 05 min. 08.00 sec.	32 deg. 00 min. 47.00 sec.
47	- 03 deg. 04 min. 58.00 sec.	32 deg. 00 min. 40.75 sec.
Excluding the areas occupied by existing valid mineral rights described by the following coordinates		
Part 1		
1	- 03 deg. 06 min. 57.32 sec.	32 deg. 01 min. 08.48 sec.
2	- 03 deg. 06 min. 58.27 sec.	32 deg. 00 min. 53.94 sec.
3	- 03 deg. 07 min. 00.69 sec.	32 deg. 01 min. 46.45 sec.
4	- 03 deg. 06 min. 58.23 sec.	32 deg. 00 min. 38.07 sec.
5	- 03 deg. 06 min. 58.25 sec.	32 deg. 00 min. 53.94 sec.
Part 2		
1	- 03 deg. 06 min. 58.23 sec.	32 deg. 00 min. 38.07 sec.
2	- 03 deg. 07 min. 07.48 sec.	32 deg. 00 min. 37.05 sec.
3	- 03 deg. 07 min. 05.45 sec.	32 deg. 00 min. 53.42 sec.
4	- 03 deg. 07 min. 04.50 sec.	32 deg. 01 min. 08.09 sec.
5	- 03 deg. 06 min. 57.32 sec.	32 deg. 01 min. 08.48 sec.
6	- 03 deg. 06 min. 56.51 sec.	32 deg. 01 min. 08.72 sec.
7	- 03 deg. 06 min. 52.34 sec.	32 deg. 00 min. 54.46 sec.
8	- 03 deg. 06 min. 52.27 sec.	32 deg. 01 min. 08.72 sec.
9	- 03 deg. 06 min. 46.27 sec.	32 deg. 01 min. 08.71 sec.
10	- 03 deg. 06 min. 46.39 sec.	32 deg. 00 min. 55.49 sec.
11	- 03 deg. 06 min. 52.34 sec.	32 deg. 00 min. 54.46 sec.
12	- 03 deg. 06 min. 49.67 sec.	32 deg. 00 min. 39.19 sec.
Part 3		
1	- 03 deg. 07 min. 10.04 sec.	31 deg. 59 min. 22.67 sec.
2	- 03 deg. 07 min. 24.38 sec.	31 deg. 59 min. 26.53 sec.
3	- 03 deg. 07 min. 23.22 sec.	31 deg. 59 min. 33.01 sec.
4	- 03 deg. 07 min. 21.98 sec.	31 deg. 59 min. 38.85 sec.
5	- 03 deg. 07 min. 07.58 sec.	31 deg. 59 min. 34.32 sec.
6	- 03 deg. 07 min. 08.82 sec.	31 deg. 59 min. 28.59 sec.
Part 4		
1	- 03 deg. 07 min. 25.44 sec.	32 deg. 00 min. 52.63 sec.
2	- 03 deg. 07 min. 28.34 sec.	32 deg. 00 min. 40.31 sec.
3	- 03 deg. 07 min. 36.45 sec.	32 deg. 00 min. 39.72 sec.
4	- 03 deg. 07 min. 32.72 sec.	32 deg. 00 min. 51.80 sec.
5	- 03 deg. 07 min. 31.83 sec.	32 deg. 00 min. 58.82 sec.
6	- 03 deg. 07 min. 35.88 sec.	32 deg. 00 min. 59.73 sec.
7	- 03 deg. 07 min. 35.07 sec.	32 deg. 00 min. 12.63 sec.
8	- 03 deg. 07 min. 29.34 sec.	32 deg. 01 min. 12.00 sec.
9	- 03 deg. 07 min. 29.56 sec.	32 deg. 01 min. 07.71 sec.
10	- 03 deg. 07 min. 22.33 sec.	32 deg. 01 min. 07.66 sec.

Corner	Latitude(S)	Longitude(E)
11	- 03 deg. 07 min. 25.44 sec.	32 deg. 00 min. 52.63 sec.
12	- 03 deg. 07 min. 22.33 sec.	32 deg. 01 min. 02.92 sec.
13	- 03 deg. 07 min. 15.41 sec.	32 deg. 01 min. 00.79 sec.
14	- 03 deg. 07 min. 17.72 sec.	32 deg. 00 min. 48.76 sec.
Part 5		
1	- 03 deg. 07 min. 45.84 sec.	32 deg. 00 min. 53.26 sec.
2	- 03 deg. 07 min. 32.24 sec.	32 deg. 00 min. 58.90 sec.
3	- 03 deg. 07 min. 32.76 sec.	32 deg. 00 min. 51.82 sec.
4	- 03 deg. 07 min. 44.89 sec.	32 deg. 00 min. 45.68 sec.
Part 6		
1	- 03 deg. 07 min. 43.69 sec.	32 deg. 00 min. 27.59 sec.
2	- 03 deg. 07 min. 28.16 sec.	32 deg. 00 min. 28.60 sec.
3	- 03 deg. 07 min. 26.30 sec.	32 deg. 00 min. 24.59 sec.
4	- 03 deg. 07 min. 42.93 sec.	32 deg. 00 min. 19.06 sec.
Part 7		
1	- 03 deg. 06 min. 45.44 sec.	32 deg. 01 min. 54.01 sec.
2	- 03 deg. 06 min. 55.98 sec.	32 deg. 01 min. 41.48 sec.
3	- 03 deg. 07 min. 00.65 sec.	32 deg. 00 min. 53.77 sec.
4	- 03 deg. 06 min. 48.78 sec.	32 deg. 01 min. 57.77 sec.
Part 8		
1	- 03 deg. 06 min. 51.28 sec.	32 deg. 00 min. 29.37 sec.
2	- 03 deg. 06 min. 52.81 sec.	32 deg. 00 min. 35.57 sec.
3	- 03 deg. 06 min. 39.51 sec.	32 deg. 00 min. 41.00 sec.
4	- 03 deg. 06 min. 37.78 sec.	32 deg. 00 min. 34.78 sec.
5	- 03 deg. 06 min. 36.27 sec.	32 deg. 00 min. 28.82 sec.
6	- 03 deg. 06 min. 49.78 sec.	32 deg. 00 min. 23.46 sec.
An area of approximately 33.19 Square Kilometres		

11. Prospecting License No. PL 6547/2010 granted to M/S State Mining Corporation on July 12, 2010 and is valid for a period of thirty six (36) months from the date of grant.

Description of mining license area: Buseresere area in Geita District, QDS 45/2 defined by lines of latitude and longitude having the following corner coordinates (Arc 1960):

Corner	Latitude(S)	Longitude(E)
1	- 03 deg. 07 min. 43.00 sec.	31 deg. 59 min. 20.00 sec.
2	- 03 deg. 09 min. 00.00 sec.	31 deg. 59 min. 20.00 sec.
3	- 03 deg. 09 min. 00.00 sec.	31 deg. 56 min. 37.00 sec.
4	- 03 deg. 08 min. 49.00 sec.	31 deg. 56 min. 37.00 sec.
5	- 03 deg. 08 min. 49.00 sec.	31 deg. 57 min. 36.00 sec.
6	- 03 deg. 08 min. 33.00 sec.	31 deg. 57 min. 36.00 sec.
7	- 03 deg. 08 min. 33.00 sec.	31 deg. 57 min. 59.77 sec.
8	- 03 deg. 08 min. 33.28 sec.	31 deg. 57 min. 59.88 sec.
9	- 03 deg. 08 min. 33.00 sec.	31 deg. 58 min. 00.59 sec.
10	- 03 deg. 08 min. 33.00 sec.	31 deg. 58 min. 26.00 sec.
11	- 03 deg. 08 min. 19.00 sec.	31 deg. 58 min. 26.00 sec.

12	- 03 deg. 08 min. 19.00 sec.	31 deg. 58 min. 42.00 sec.
13	- 03 deg. 07 min. 43.00 sec.	31 deg. 58 min. 42.00 sec.
An area of approximately 5.29 Square Kilometres		

12. Prospecting License No. PL 6548/2010 granted to M/S State Mining Corporation on July 12, 2010 and is valid for a period of thirty six (36) months from the date of grant.

Description of mining license area: Nyambare Boss-Reef area in Geita District, QDS 46/1 defined by lines of latitude and longitude having the following corner coordinates (Arc 1960):

Corner	Latitude(S)	Longitude(E)
1	- 03 deg. 04 min. 58.00 sec.	32 deg. 03 min. 07.00 sec.
2	- 03 deg. 04 min. 58.00 sec.	32 deg. 03 min. 29.00 sec.
3	- 03 deg. 05 min. 16.60 sec.	32 deg. 03 min. 29.00 sec.
4	- 03 deg. 05 min. 16.60 sec.	32 deg. 04 min. 36.60 sec.
5	- 03 deg. 05 min. 39.00 sec.	32 deg. 04 min. 36.60 sec.
6	- 03 deg. 05 min. 39.00 sec.	32 deg. 03 min. 32.00 sec.
7	- 03 deg. 05 min. 22.00 sec.	32 deg. 03 min. 32.00 sec.
8	- 03 deg. 05 min. 22.00 sec.	32 deg. 03 min. 07.00 sec.
An area of approximately 1.89 Square Kilometres		

13. Prospecting License No. PL 6549/2010 granted to M/S State Mining Corporation on July 12, 2010 and is valid for a period of thirty six (36) months from the date of grant.

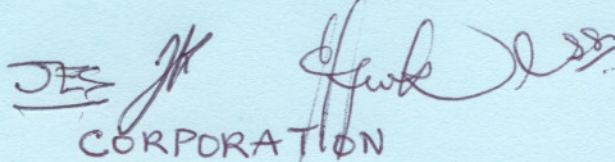
Description of mining license area: Nyamalimbe area in Biharamulo and Geita Districts, QDS 45/2 defined by lines of latitude and longitude having the following corner coordinates (Arc 1960):

Corner	Latitude(S)	Longitude(E)
1	- 03 deg. 08 min. 31.00 sec.	31 deg. 55 min. 00.00 sec.
2	- 03 deg. 08 min. 31.20 sec.	31 deg. 56 min. 37.00 sec.
3	- 03 deg. 09 min. 00.00 sec.	31 deg. 56 min. 37.00 sec.
4	- 03 deg. 09 min. 00.00 sec.	31 deg. 55 min. 00.00 sec.
An area of approximately 2.66 Square Kilometres		

HEADS OF AGREEMENT

This Heads of Agreement is dated December 16th 2010.

BETWEEN:



STATE MINING COMPANY of the UNITED REPUBLIC OF TANZANIA

("Stamico")

- and -

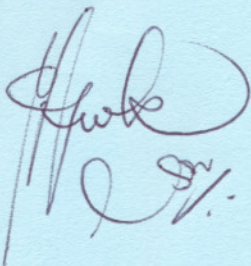
TANZANIAN ROYALTY EXPLORATION CORPORATION

("TRE")


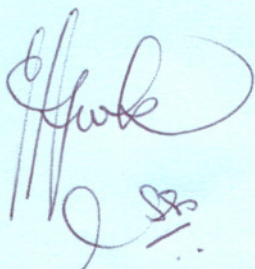
WHEREAS:

- A. Stamico and TRE propose to become shareholders of a corporation ("Joint Ventureco") formed under the laws of the United Republic of Tanzania, forty-five (45%) percent of the shares of which will be held by Stamico, and fifty-five (55%) percent of the shares of which will be held by TRE or a wholly-owned subsidiary corporation of TRE.
- B. Joint Ventureco will hold certain prospecting and other licences issued by the United Republic of Tanzania relating to the region known as "Buck Reef," (the "Buck Reef Properties"), as listed on Schedule A attached to this Heads of Agreement.
- C. Joint Ventureco will undertake the exploration and development of the Buck Reef Properties, and the management of Joint Ventureco will be governed by and provided for in a shareholder agreement (the "Shareholder Agreement") to be entered into by Stamico and TRE.
- D. The parties wish to enter into this Heads of Agreement providing for the key terms of a definitive agreement (the "Definitive Joint Venture Agreement") that will govern their joint ownership and management of their venture (the "Joint Venture") relating to the Buck Reef Properties.

NOW THEREFORE in consideration of the mutual covenants and promises contained herein, the receipt and sufficiency of which consideration is hereby acknowledged, the parties covenant and agree as follows:

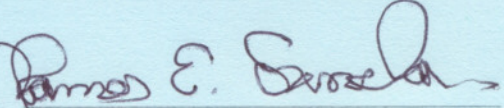
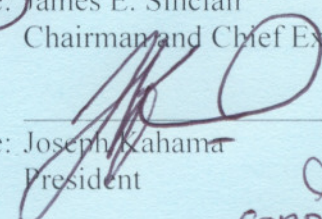
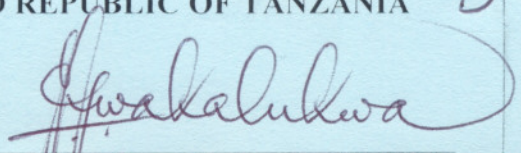
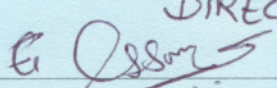


1. **Buck Reef Properties Awarded to Joint Ventureco.** Stamico acknowledges and agrees that each of the licences listed on Schedule A has been awarded by the Minister responsible for Mines of the United Republic of Tanzania to Joint Ventureco, which is now the lawful licensee under each of such licences, collectively referred to in this Heads of Agreement as the Buck Reef Properties. Stamico agrees to use its best efforts to ensure that Joint Ventureco is registered as the holder of each of such licences in the official Tanzanian registry of holders of mineral rights as soon as possible after the signing of this Heads of Agreement.
2. **Lump Sum Payment to Stamico.** Immediately following the signing of this Heads of Agreement, TRE agrees to pay to Stamico the amount of three million (USD\$3,000,000) U.S. dollars, in consideration of the awarding to Joint Ventureco of the Buck Reef Properties.
3. **Security Services at Buck Reef Properties.** As soon as practicable following the signing of this Heads of Agreement, TRE will arrange for adequate security personnel to be stationed and appropriate security installations to be made at the Buck Reef Properties in order to protect the properties and facilitate the commencement of the exploration, development and other activities constituting the Joint Venture to be carried out by Joint Ventureco.
4. **Diamond Drills.** The parties acknowledge that there are currently in the possession of Stamico approximately six (6) diamond core rigs located in Dodoma. TRE will send management personnel, and Stamico will arrange for and permit such personnel to access and to inspect the drill rigs and determine their suitability for use at the Buck Reef Properties or any other jointly held properties as the case may be in the future. If TRE determines that the rigs are suitable, the parties will negotiate and agree upon the terms of an equipment lease agreement pursuant to which the rigs will be leased to Joint Ventureco for use at the Buck Reef Properties or on any other properties that may be subject to joint-ownership between the parties in the future.
5. **Project Timeline.** The parties acknowledge that it is their intention that the Buck Reef Properties be brought into mining production within thirty (30) months after the entering into of the Definitive Joint Venture Agreement, and agree to cooperate in good faith in order to achieve such goal.
6. **Definitive Joint Venture Agreement.** TRE and Stamico acknowledge and agree that it is their mutual intent to negotiate diligently and in good faith with a view to concluding a Definitive Joint Venture Agreement, to which agreement the form of the Shareholder Agreement



will be attached, as soon as possible following the signing of this Heads of Agreement.

In witness whereof the parties have signed this Heads of Agreement effective on the date set out above.

	<p>TANZANIAN ROYALTY EXPLORATION CORPORATION</p> <p>Per:  Name: James E. Sinclair Title: Chairman and Chief Executive Officer</p> <p>Per:  Name: Joseph Kahama Title: President</p>
	<p>STATE MINING CORPORATION COMPANY OF THE UNITED REPUBLIC OF TANZANIA</p> <p>Per:  Name: GRAY L. MWAKALUKWA Title: DIRECTOR GENERAL</p> <p>Per:  Name: GIDEON T. MWAYA Title: DIRECTOR OF MINERAL EXPLORATION</p>

SCHEDULE A

BUCKREEF LICENCES

1. Mining Licence No. SML 04/92 granted to M/S Buckreef Gold Mining Co. Limited on June 12, 2000 and is valid for a period of seventeen (17) years from the date of grant.
2. Prospecting Licence No. PL 6427/2010 granted to M/S State Mining Corporation on June 21, 2010 and is valid for a period of thirty six (36) months from the date of grant.
3. Prospecting Licence No. PL 6428/2010 granted to M/S State Mining Corporation on June 21, 2010 and is valid for a period of thirty six (36) months from the date of grant.
4. Prospecting Licence No. PL 6429/2010 granted to M/S State Mining Corporation on June 21, 2010 and is valid for a period of thirty six (36) months from the date of grant.
5. Prospecting Licence No. PL 6430/2010 granted to M/S State Mining Corporation on June 21, 2010 and is valid for a period of thirty six (36) months from the date of grant.
6. Prospecting Licence No. PL 6431/2010 granted to M/S State Mining Corporation on June 21, 2010 and is valid for a period of thirty six (36) months from the date of grant.
7. Prospecting Licence No. PL 6432/2010 granted to M/S State Mining Corporation on June 21, 2010 and is valid for a period of thirty six (36) months from the date of grant.
8. Prospecting Licence No. PL 6544/2010 granted to M/S State Mining Corporation on July 12, 2010 and is valid for a period of thirty six (36) months from the date of grant.
9. Prospecting Licence No. PL 6545/2010 granted to M/S State Mining Corporation on July 12, 2010 and is valid for a period of thirty six (36) months from the date of grant.
10. Prospecting Licence No. PL 6546/2010 granted to M/S State Mining Corporation on July 12, 2010 and is valid for a period of thirty six (36) months from the date of grant.
11. Prospecting Licence No. PL 6547/2010 granted to M/S State Mining Corporation on July 12, 2010 and is valid for a period of thirty six (36) months from the date of grant.
12. Prospecting Licence No. PL 6548/2010 granted to M/S State Mining Corporation on July 12, 2010 and is valid for a period of thirty six (36) months from the date of grant.
13. Prospecting Licence No. PL 6549/2010 granted to M/S State Mining Corporation on July 12, 2010 and is valid for a period of thirty six (36) months from the date of grant.