



TANZANIAN ROYALTY EXPLORATION CORPORATION
(the "Corporation")

AUDIT AND COMPENSATION COMMITTEE CHARTER

(January 2014)

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AUDIT AND COMPENSATION COMMITTEE 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 Corporation's financial statements and other relevant public disclosures, the Corporation's compliance with legal and regulatory requirements relating to financial reporting, the external auditors' qualifications and independence and the performance of the internal audit function and the external auditors.

2.0 Compensation

- 2.1 The adequacy and form of director and officer compensation is reviewed on an annual basis by the Board. The Audit 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 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 Corporation'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 Corporation's hiring of employees or former employees of the external auditors who participated in any capacity in the audit of the Corporation.

5.0 Non-Audit Services

- 5.1 The external auditors are prohibited from providing any non-audit services to the Corporation, without the express written consent of the Audit and Compensation Committee. In determining whether the external auditors will be granted permission to provide non-audit services to the Corporation, the Audit and Compensation Committee must consider that the benefits to the Corporation from the provision of such services, outweighs the risk of any compromise to or loss of the independence of the external auditors in carrying out their auditing mandate.
- 5.2 Notwithstanding section 4.1, the external auditors are prohibited at all times from carrying out any of the following services, while they are appointed the external auditors of the Corporation:
- (i) acting as an agent of the Corporation for the sale of all or substantially all of the undertaking of the Corporation; and
 - (ii) performing any non-audit consulting work for any director or senior officer of the Corporation in their personal capacity, but not as a director, officer or insider of any other entity not associated or related to the Corporation.

6.0 Appointment of Auditors

- 6.1 The external auditors will be appointed each year by the shareholders of the Corporation at the annual general meeting of the shareholders.
- 6.2 The Audit 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 Corporation. The auditors must not perform any other consulting services for the Corporation, which could impair or interfere with their role as the independent auditors of the Corporation.

11.0 Role and Responsibilities of the Internal Auditor

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

12.0 Oversight of Internal Controls

12.1 The Audit 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 Corporation's size and limited financial resources, the Chief Financial Officer of the Corporation is responsible for ensuring that the Corporation's continuous reporting requirements are met and in compliance with applicable regulatory requirements.

14.0 Other Auditing Matters

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

14.2 The Auditors are authorized and directed to respond to all enquiries from the Audit 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 Corporation.

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 Corporation'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 Board of Directors of the Corporation considers its size 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. The Audit and Compensation Committee will act as Nominating Committee. When a vacancy on the Board arises, the independent directors of the Audit and Compensation Committee will be encouraged to bring forward any potential nominees that have the necessary skills and knowledge to serve on the Corporation's Board.