

A N N U A L R E P O R T



yhee
Development Corp



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PROFILE

Tyhee Development Corp is a Canadian exploration and development company which trades on the TSX-Venture Exchange under the symbol TDC. Its primary focus is the exploration and development of its 100% owned Yellowknife Gold Project, north of Yellowknife, NWT, Canada. The project currently contains a higher grade measured plus indicated resource of 1,049,000 ounces, with additional inferred resources and exploration potential. Tyhee is completing a pre-feasibility study and has initiated mine permitting with the intent of putting the Yellowknife Gold Project into production.

2004 ACCOMPLISHMENTS

- Identified a measured plus indicated 1.8 million ounce global gold resource on its Yellowknife Gold Project
- Increased the higher grade measured plus indicated resource by 19% to 1,049,000 ounces contained in 3.6 million tonnes at a grade of 9.01 grams per tonne
- Verified and refined the deposit modeling by excavating 600 metres of underground development
- Hired an experienced development and operations management team
- Initiated baseline environmental studies and permitting applications



2005 GOALS

- Increase shareholder value and market capitalization by expanding awareness of Tyhee's potential
- Complete the project pre-feasibility study
- Apply for mining permits
- Expand the mineral resource with continued surface and underground drilling along strike and at depth
- Upgrade inferred resources with additional underground development

STOCK INFORMATION as of March 15, 2005

Symbol/Exchange	TDC/ TSX Venture
Shares Outstanding	42.0 million
Fully Diluted	60.2 million
52-Week Hi/Lo Range	\$0.60 / \$0.28

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TO OUR SHAREHOLDERS

Your Company has made significant advancements both corporately and on the operational level at the wholly-owned Yellowknife Gold Project, 90 kilometres northeast of Yellowknife. In 12 short months, major milestones were reached, transforming your Company beyond the realm of pure exploration to that of exploration and development. Our proudest achievement and most important milestone in 2004 was the more than doubling of our measured and indicated gold resource from 445,000 ounces to over 1.1 million ounces, and we firmly believe in the potential for additional ounces given that we have yet to delimit the vertical and lateral extent of the gold-mineralized zones.

On-site in the Northwest Territories, Tyhee successfully completed an underground exploration program, which included 600 metres of decline and drift. This significantly improves our understanding of the Ormsby Zone. The underground work, together with a 10,000-metre surface diamond drill program, lead to a re-defined gold resource (measured and indicated) of more than 1.8 million ounces of gold. Within this inventory, there is a higher grade measured and indicated component of more than 1 million ounces of gold in 3.6 million tonnes grading 9.0 grams of gold per tonne. Much of this improvement came from the enhanced understanding of the gold mineralization, which is hosted within large, hydrothermally-altered volcanic breccias occurring within shear zones similar to those that host the multi-million ounce deposits in Yellowknife.

We completed all this (the Company's largest exploration and development program ever) with no lost-time accidents and no negative safety inspection reports. The Company's operations team, field personnel, and consultants are to be congratulated for achieving this high standard.

Our progress on the ground also paid dividends at the corporate level because we were able to recruit highly visible and capable talent to our management team, Board of Directors and operations. For example, we appointed Doug Levesque, Vice President of Operations, who is charged with the overall operations on site; Val Pratico, Chief Geologist who takes charge of the geological controls and interpretations for the project; and Hugh Wilson, Vice President of Environment and Community Affairs, who is responsible for the Company's environmental policies, permits, and liaising with affected communities. The additions to our management team subsequent to year-end will bring more technical expertise to bear on the continued development of our gold project. At the Board level, Bill Burton, a seasoned mining engineer with past experience in senior management positions in northern gold mines, was added in the second quarter of the year. Subsequent to year-end, to strengthen the capital markets side of the equation, Michael Hitch, Executive Chairman of Apac Minerals Inc, was added to your Board of Directors.

As you can see from the above, Tyhee is intent on making the successful transition from exploration to



development, with the ultimate goal of becoming a producing Company. We know we have a project of impeccable merit, one that has shown a rapid growth in its resources from under 500,000 of gold on acquisition to over 1.8 million ounces of gold. We anticipate further growth in the future and an orderly transformation towards production from our key assets.

In some ways, we have been fortunate in our timing. The acquisition of the Yellowknife Gold Project in 2001 occurred as gold prices were within a few dollars of the bottom of a prolonged tailspin. Now, gold prices are touching 10 to 15-year highs.

As well, we are very fortunate to have such a dedicated and loyal staff, consultants who continually demonstrate a real sense of commitment to the projects, and a Board of Directors that we believe is second to none in the junior sector. And to Tyhee's shareholders, we offer our very special thanks for your ongoing support. While stock market recognition has not kept pace with our accomplishments so far, we expect that our expanded investor relations programs, plus the anticipated stream of news coming throughout 2005, will provide us with better exposure to the financial markets and thus improved liquidity and share price.



Respectfully Submitted on Behalf of the Board of Directors,



Dave Webb, President and Chief Executive Officer

March 15, 2005

MANAGEMENT'S DISCUSSION & ANALYSIS

The following is a discussion and analysis of our operations, results and financial position for the year ended November 30, 2004. This discussion may contain forward looking statements which may involve assumptions, uncertainties and risks that may cause our actual results to be materially different from the forward looking statements. The effective date of this report is February 8, 2005.

DESCRIPTION OF BUSINESS

Tyhee Development Corp. is a junior exploration company and trades only on the TSX Venture Exchange under the symbol TDC. We are a reporting issuer in British Columbia, Alberta and Ontario. Our focus is the exploration and development of mineral resource properties, located in politically and socially stable environments, where there is a reasonable expectation to identify a world-class deposit. We strive to increase shareholder value by advancing projects in a manner that optimizes the potential of a property while minimizing costs.

We are currently focusing our resources on one project:

YELLOWKNIFE GOLD PROJECT

The Yellowknife Gold Project is located 88 kilometres north of Yellowknife, NWT, Canada and consists of two, 100% owned properties, the Discovery Mine Property and the Nicholas Lake Property. Both properties were purchased in 2001 for cash and royalties. The properties remain subject to a net smelter royalty held by one of our directors. See Note 5 of our financial statements for the year ended November 30, 2004.

Gold Mineralization

A number of potentially economic gold zones are located on mining leases of the Yellowknife Gold Project. Past production of 1,023,575 ounces of gold from 1,018,786 tons of ore occurred from the Discovery Main Zone between 1949 and 1969.

Mineralization remains open to depth below the shaft bottom (1,235 metres (4,000 feet)). The Ormsby Zone, located two kilometres southwest of the Discovery Main Zone, was partially developed by Ormsby Mines Ltd. in the 1950's. We have been focusing our recent exploration on the Ormsby Zone. Gold mineralization also occurs at Nicholas Lake in the Main Zone, 8 km northeast of the Ormsby Zone. Additional work since then, has increased the estimated resource on the property.



Exploration since the mid 1990's has focused on a new form of mineralization in the Ormsby Zone which had previously not been recognized. Over 60,000 metres of diamond drilling completed in 268 holes since then has expanded the resources on the property.

Additional untested potential occurs to depth and along strike of both zones where gold values have been found. An underground exploration program completed in December 2004 exposed some of these resources for a better understanding of the geological and engineering characteristics.

A number of gold zones occur in the northern portion of the Yellowknife Gold Project, the most developed of which is referred to as the Nicholas Lake Main Zone. Additional mineralization is identified at the MacAskill Zone, the East Zone, and the Teapot Zone. The Nicholas Lake Main Zone was discovered in 1985 and has been partially developed to a depth of 90 metres below surface via a decline. Four veins have been subdrifted on, and a bulk sample of developmental muck is on surface. The established resource is presented in the table "Gold Resource Estimate, Undiluted, Yellowknife Gold Project". This figure is currently being revised and will be reported shortly.

There have been several diamondiferous kimberlite bodies discovered within 50 km of our properties, none of which have proved to be economic at this time. In 2003, we entered into an agreement with Majescor Resources Inc., allowing them to explore for diamonds on our Yellowknife Gold Project. They may obtain a 100% interest in the diamond rights on the property subject to a 4% gross overriding royalty, split 3:1 between the Company and a director of the company. Till samples have been collected during and immediately subsequent to year end.

Gold Resources

The gold resource reported here has been calculated by our independent consultants in conformity with National Instrument 43-101 and has been presented in two forms, corresponding to two of the possible development options that may be available on our property, namely a potentially bulk-minable development or a lower tonnage, more selectively minable development. Insufficient engineering work has been completed to determine whether it is minable and the method of extraction using two development options, depending on economics. They are presented to demonstrate potential development options only.

Global Resource

The Global Resource was determined as part of our investigation of the potential for the property to host a bulk mineable resource. The potential bulk mineable resource has been identified in two areas within the Discovery Shear Zone, the Ormsby Zone and the West Zone, separated by two kilometres, open in all directions. In part, it incorporates the high-grade resource from the Ormsby Zone reported below.

At an arbitrary 0.5 gpt cut-off, the Ormsby Zone and West Zone contain an undiluted measured and indicated 26,995,000 tonnes grading 2.30 gpt gold for 1,824,000 ounces of gold. An additional 18,146,000 tonnes grading 2.30 gpt gold for 1,341,000 ounces of gold are inferred. At an arbitrary 1.0 gpt cut-off the measured and indicated gold resource is 15,069,000 tonnes grading 3.65 gpt gold for 1,556,000 ounces of gold. An additional 9,817,000 tonnes grading 3.65 gpt gold containing 1,153,000 ounces of gold are inferred. No disseminated mineralization has been identified at the Nicholas Lake Main Zone, so it has been excluded from this calculation.

Only eight widely-spaced diamond drillholes have been completed between the Ormsby and West Zones, six of which intersected significant mineralization (fifteen significant intersections ranging up to 89.827 gpt gold over 0.61 metres with a length weighted average of 10.51 gpt gold over 0.93 metres).

Underground Resource

A higher-grade resource, utilizing an arbitrary 5.0 gpt cut-off has been calculated, incorporating both the Ormsby Zone and Nicholas Lake Main Zone mineralization. A total of 232 diamond drillholes totalling 62,028 metres and 49,718 fire assays were used in the estimation.

Gold Resource Estimate, Undiluted, Yellowknife Gold Project

Category		Nicholas Main ⁽¹⁾	Ormsby ⁽²⁾	Total
Measured	Tonnes	59,000	1,073,189	1,132,189
	Grade, Gold gpt	11.76	11.58	11.59
	Gold Grams	693,840	12,428,385	13,122,225
	Ounces, Gold	22,307	399,582	421,889
Indicated	Tonnes	553,000	983,262	1,536,262
	Grade, Gold gpt	9.25	9.32	9.30
	Gold Grams	5,115,250	9,165,865	14,281,115
	Ounces, Gold	164,459	294,689	459,149
Total Measured and Indicated	Tonnes	612,000	2,056,450	2,668,450
	Grade, Gold gpt	9.49	10.50	10.27
	Gold Grams	5,809,090	21,594,250	27,403,340
	Ounces, Gold	186,767	694,271	881,038
Inferred	Tonnes	210,000	1,937,520	2,147,520
	Grade, Gold gpt	8.64	10.22	10.07
	Gold Grams	1,814,400	19,809,011	21,623,411
	Ounces, Gold	58,334	636,874	695,209

1. Dupre D.G., P.Geol and Giroux, G., P.Eng., August 2003.

2. Dupre, D.G. P.Geol. and Kirkham, G., P.Geoph. April 2004.

Gold mineralization on the properties occurs within the Discovery Shear Zone, which has been traced for over three kilometres across the properties. Numerous auriferous quartz veins transect deformed and altered Archean mafic metavolcanic rocks in the Ormsby and West Zones and metasedimentary rocks at the Discovery Main Zone.

The quartz veins are generally small (ranging from less than one centimetre to several metres in width, 10 to 50 metres in length) and are aligned in an en-echelon distribution dipping moderately to the southwest.

The metavolcanic rocks adjacent to or on strike from the veins have been altered and mineralized for up to several metres away from the veins, introducing gold, carbonate, biotite, garnet, and sulphides. Individual mineralized domains are subparallel and may coalesce to form larger zones.

Gold mineralization on the Nicholas Lake Main Zone occurs within auriferous quartz veins transecting metasedimentary or metaintrusive rocks. The Nicholas Main Zone hosts at least 15 auriferous quartz sulphide veins that range from approximately one metre to several metres in width, and 50 to 100 metres in length.

YEAR IN REVIEW

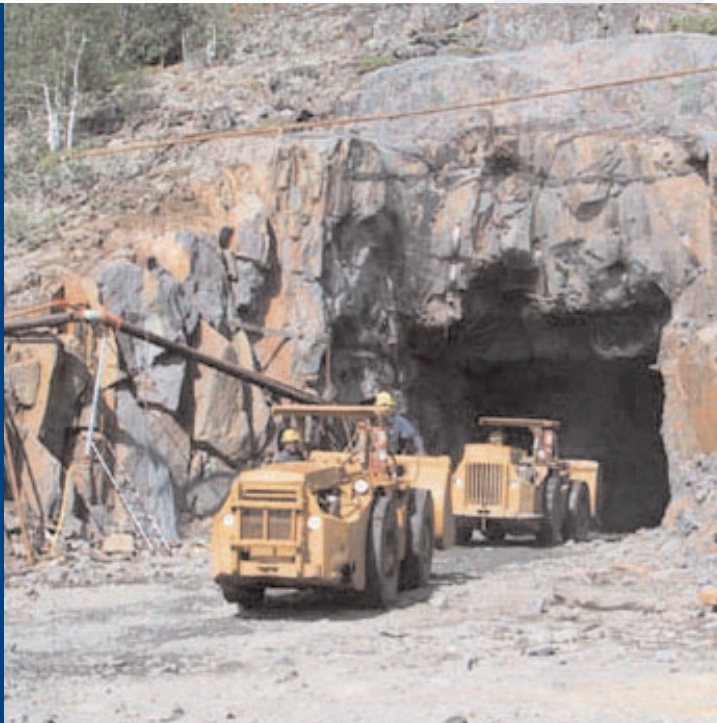
During 2004, all of the necessary heavy equipment and bulk supplies to complete the planned underground exploration and development program on the Ormsby Zone were mobilized onto the property via a winter road. A new camp was installed and activated, and the surface diamond drill program of 10,000 metres was completed. The diamond drill program tested edges of the Ormsby Zone (north, south, east, and west). Underground development widened the existing portal and decline, and extended the decline to a depth of approximately 75 metres below surface. Exposures of the mineralization showed it to be wider, longer, and more northerly in strike than anticipated.

ONGOING AND FUTURE DEVELOPMENTS

Management is pleased with the progress to date on the Yellowknife Gold Project. The budget for 2004 included diamond drilling, ramp development, and lateral and vertical development to a depth of 75 metres. This year saw the implementation of this program and the confirmation of 5 significant mineralized zones.

The diamond drill program was completed and it succeeded in extending the Ormsby Zone beyond the previously established boundaries. Baseline and permitting studies continued during 2004.

We expect to complete a revised resource estimate based on the results of the 2004 surface drilling program, and intend to expand the planned underground work program in 2005. The underground program is designed to define the lateral and vertical continuity of several of the mineralized domains within the Ormsby Zone to establish engineering data on rock strengths, mining costs and potential stope geometry. This, and data from the baseline studies will be used to produce a prefeasibility study which we anticipate delivery in calendar 2005.



CHANGES IN MANAGEMENT AND BOARD

Mr. William D. Burton joined our Board of Directors in May, 2004, expanding our Board to a total of six directors. Mr. Burton has extensive experience in the mining business, a large part of

it being in the Northwest Territories. He joined Echo Bay Mines Ltd. in 1987 as Chief Engineer at the Lupin Mine and advanced successively through to more senior positions, ending as General Manager where he managed all aspects of this remote 350-person, 1,800-tonne per day gold mine in Nunavut. As Director, Mining for Echo Bay from 1995 to 2002, he was involved extensively in property evaluations and feasibility studies. He coordinated and led the technical due diligence reviews completed by Echo Bay during their merger with Kinross Gold Corp and TVX Gold Corp. He is currently Vice President, Operations for Western Canadian Coal Corp.

Subsequent to year-end, we announced the hiring of Doug Levesque as Vice President Operations, Hugh Wilson as Vice President, Environment and Community Affairs, and Val Pratico as Chief Geologist of the Yellowknife Gold Project by Tyhee N.W.T. Corp., our wholly owned subsidiary.

They all bring valuable experience and skills we require to move our project successfully forward.

DISCUSSION OF OPERATIONS AND FINANCIAL CONDITION

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

We incurred a net loss of \$449,283 during the year ended November 30, 2004 compared to a net loss of \$494,575 during the year ended November 30, 2003. Net loss has been reduced in the current year by an income tax recovery of \$882,492 recognized as a result of the flow through share tax benefit that has been transferred to our investors, which would have otherwise been available to the Company in the future. Loss before income taxes amounted to \$1,331,775 in 2004 compared to \$494,575 in 2003. The increase in loss in the current year can be attributed to:

- 1) A write-off of exploration properties relating to the Cobalt and Terra Silver Mine properties in the amount of \$305,102. We determined that the cost of maintaining the Cobalt and Terra Silver Mine properties outweighed any potential benefits at this time. Resources could not be made available to advance these projects, and the agreement with Fronteer Development Group Inc. relating to the Terra Silver Mine property did not materialize in a timely manner. Most of the funds raised and resources available have been committed to our main focus, the Yellowknife Gold Project.
- 2) An increase in administrative expenses of \$577,884. Of this increase, \$330,812 is attributable to stock option compensation expense as a result of a change in accounting policy and the prospective application of the fair value method for recording stock option awards. Investor relations costs increased by \$92,302 mainly due to the increase in consultants fees and expenses, increased costs relating to our annual general meeting and an increase in advertising. Consultants fees and expenses have increased due to the involvement of Cavalcanti Hume Funfer Inc., as the Company's investor relations counsel (consultants fees and expenses of \$73,528 at November 30, 2004 compared to \$8,000 at November 30, 2003). Annual general meeting costs rose (\$23,598 at November 30, 2004 compared to \$9,951 at November 30, 2003) mainly as a result of our decision to produce an annual report and increased mailing costs.

Consulting fees increased due to the payment of consulting fees to a director of the Company for added efforts to help us raise funds and in turn, advance the Yellowknife Gold Project (See Note 8 in the financial statements).

As of June 1, 2004, we engaged Kennedy Brothers Enterprises Pty. Ltd., to provide us geological services in search for viable investment opportunities and paid a total of \$18,000 to date for these services. Subsequent to year-end, these services were terminated.

Salaries and benefits increased due to the inclusion of directors' fees (totalling \$32,840) during our current financial year and the hiring of office support staff to help with the increased administrative workload.

For the years ending November 30, 2004 and November 30, 2003, cash provided (used) in operations was \$176,716 and \$(188,391) respectively. While cash flow from operations has improved in the current year, net use of cash in operations increased significantly as discussed above; however, the increase was offset with a corresponding increase in accounts payable for amounts owing to suppliers and contractors at November 30, 2004.

Our historical investing activities have mainly arisen from additions to exploration properties and purchase (sale) of capital assets; this trend has continued in the current year and is expected to continue into the future. A significant investment was made on our Yellowknife Gold Project in the current year in comparison to prior years and hence, cash used in investing activities was \$6,785,899 at November 30, 2004 in comparison to \$1,239,613 at November 30, 2003.

Financing activities provided a net cash inflow of \$10,440,913 at November 30, 2004 in comparison with net cash inflows of \$2,188,860 at November 30, 2003. Financing activities, historically have provided the receipt of cash from the issuance of securities and the use of cash in the repayment of loans from previous years. All loans have been paid at November 30, 2004; the issuance of securities to generate cash will continue into the foreseeable future.

The following are highlights of financial data on the Company for the most recently completed three financial years:

	November 30, 2004	November 30, 2003	November 30, 2002
Net income (loss)	\$ (449,283)	\$ (494,575)	\$ 381,836
Income (loss) per share	(0.02)	(0.04)	0.05
Total assets	15,933,092	4,618,926	2,950,769
Total liabilities	1,925,780	148,064	242,592
Working Capital (deficiency)	3,965,765	1,101,968	647,969

Net Income in 2002 of \$381,836 resulted from a gain on the sale of the Bumbat Property in Mongolia. In 2003, we recorded a foreign exchange loss and bad debt expense relating to the early settlement of the balance due on the Bumbat Property. This contributed to the net loss position in 2003. Also contributing to net loss in 2003 and 2004 was increased administrative expenses, resulting from increased activity over the past two years; this trend is expected to continue.

Our project has advanced and our cash position has strengthened. Total assets have noticeably increased over the last three years and our working capital position has improved. Total liabilities at November 30, 2002 and November 30, 2003 included long term liabilities, specifically loans payable. At November 30, 2004, total liabilities consisted of current accounts payable and accrued liabilities only.

Summary of Quarterly Results

Period Ended	2004 Nov 30	2004 Aug 31	2004 May 31	2004 Feb 29	2003 Nov 30	2003 Aug 31	2003 May 31	2003 Feb 28
Total Revenue	13,154	8,504	925	8,760	4,112	22,049	6,201	195
Net Earnings (loss)	438,159	(117,867)	(548,914)	(220,661)	(131,581)	(110,191)	(145,025)	(107,778)
Earnings (loss) per share	0.01	0.00	(0.03)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Earnings (loss) per share, fully diluted	0.00	0.00	(0.03)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

Total revenues shown in the table above relate to gain on sale of property, interest income and revenue from the rental of camp. Total revenue does not include any tax recoveries.

Net loss has increased in each of the quarters in the current year in comparison with corresponding quarters in the previous year, with the exception of the current quarter ending November 30, 2004. During the current quarter, an income tax recovery of \$882,492 was recorded due to the benefit recognition of tax losses from the tax effect of issuing flow through shares. The positive earnings per share for the current quarter was a result of this recovery. Stock compensation expense was recorded for \$231,076. We also received a capital tax assessment in the amount of \$23,185 relating to 1996 and 1997, of which \$10,356 represented interest charges.

The increase to net loss in the May 31, 2004 quarter resulted from the write-off of the Cobalt and Terra Mine properties, as discussed above. Loss per share has remained constant, on the whole.

FINANCING

On December 29 and December 31, 2003, we raised \$2,477,518 from the sale of 3,811,566 flow through units. Each unit consisted of one flow through share and one half of one non-transferable common share purchase warrant, priced at \$0.65 per unit. Each full warrant may be exercised to acquire a further common share at \$0.85 per share until June 30, 2005. The agent for the financing received a cash commission of \$235,364 and 381,157 agent's options to purchase one Unit at a price of \$0.65 at any time until June 30, 2005.

On January 20, 2004, we completed our non-brokered private placement of 1,000,000 units at \$0.50 per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant. Each share purchase warrant may be exercised to acquire a further common share at any time on or before July 13, 2005 at a price of \$0.85 per share. We paid a finder's fee of \$30,000 cash and 100,000 warrants. The warrants are exercisable to acquire units having the same terms as the units issued to the investor at a price of \$0.51 per unit until July 13, 2005.

On June 30, 2004, we completed a private placement of 7,750,000 flow through shares at a price of 0.40 per flow through share and 2,750,000 non-flow through units, also at a price of \$0.40 for gross proceeds of \$4,200,000. Each unit consists of one share and one warrant, each warrant exercisable to purchase a further share at any time on or before June 30, 2006 at \$0.50 per share. The agent for the financing received a cash commission of \$283,500 and an option to purchase 1,012,500 common shares at any time on or before June 30, 2006 at \$0.40 per share.

On November 10, 2004, we received gross proceeds of \$4,331,250 from the sale of 4,269,444 flow through shares at a price of \$0.45 per share and 6,025,000 non-flow through units at a price of \$0.40. Each unit consisted of one common share and one common share purchase warrant, each warrant exercisable to purchase a further share at any time on or before June 30, 2006 at \$0.50 per share. The agents received a



cash commission of \$303,187 and an option to purchase a total of 602,500 units at any time on or before June 30, 2006 at \$0.40 per share and 426,944 common shares at any time before June 30, 2006 at \$0.45 per common share.

Approximately \$2.0 million of the flow through financings discussed above was used for our surface exploration program on the Yellowknife Gold Project; the remaining net proceeds from our financings (approximately \$8.4 million net proceeds) were used to proceed with an underground program and for general and administrative expenses. The winter road was constructed and a 10,000-metre surface drill program was completed in the second quarter. The underground program was completed subsequent to year-end. Both programs were fully funded in 2004.

A total of \$7,498,768 was raised from flow through financings. The table below outlines how these funds were to be spent and any amounts that remained unspent at year-end.

	Surface Program	Exploration Program (Surface or Underground)	Total flow through funds Committed	Flow through funds remaining to be spent
December 2003 financing	\$ 1,439,599	\$ 1,037,919	\$ 2,477,518	\$ –
June 2004 financing	–	3,100,000	3,100,000	–
November 2004 financing	–	1,921,250	1,921,250	1,921,250
Total	\$ 1,439,599	\$ 6,059,169	\$ 7,498,768	\$ 1,921,250

The exploration expenditures funded by the December 2003 flow through share issue in the amount of \$2,477,518 was renounced to our investors for tax purposes in fiscal 2004. The expenditures funded by our June 2004 financing and the funds remaining to be spent on the November 2004 financing will be renounced to our investors in 2005; the expenditures from the November 2004 financing will be incurred in 2005 using the look-back flow through tax rule.

LIQUIDITY AND SOLVENCY

At November 30, 2004, we had cash and cash equivalents of \$4,804,414 compared to \$971,569 at November 30, 2003, and a positive working capital position of \$3,965,765, as compared to working capital of \$1,031,968 as at November 30, 2003.

Significant receipts and disbursements of funds during the year ended November 30, 2004 include:

Net proceeds of approximately \$10,500,000 were received from private placements and the exercise of warrants and options. Funds year-to-date were used for: a security deposit of \$70,000 for a water license, exploration expenditures including advances to our mining contractor totalling approximately \$7,400,000, prepayments of \$30,000 for a drilling contract, capital asset purchases of \$63,000, repayment of past accrued consulting fees of \$96,500, payment of an advanced net smelter returns royalty of \$25,956 and the balance for general and administrative purposes.

Cash on hand at November 30, 2004, \$4,804,414, will be used for continued expenditures on our exploration program on the Yellowknife Gold project, and for administrative expenses. These funds are considered by Management to be sufficient to complete the 2004 program, for some start up costs for the 2005 program, and for working capital for the early part of 2005.

Our source of funds for continued operations is through the issuance of equity securities and the exercise of warrants and options. While current cash levels are sufficient to meet short-term obligations, a significant cash investment will be required to proceed with the next planned phase of our project in the year 2005. Continued financings will be required (see risks and uncertainties below).

FINANCIAL RISKS AND UNCERTAINTIES

Future financings cannot be guaranteed as external factors are beyond the control of management and development results cannot be assured. We do not have any operating revenues and do not anticipate any operating revenues until we are able to place into production, and operate a profitable mining property. Our share price, general market conditions and commodity prices may affect investor preferences and interest in resource properties and the development of, and production from these properties. This may adversely affect our ability to raise capital to acquire, explore and develop our properties.

Substantial funding is required to advance our Yellowknife Gold Project. Adequate funding may not be available when required, or at favourable terms.

OPERATIONAL RISKS AND UNCERTAINTIES

Our operations are still at an advanced exploration stage and while we are seeing positive results, there is no assurance that our exploration and development activities will result in a profitable mine. Some of the operational obstacles that may pose problems include winter road access, recruitment of qualified individuals, obtaining necessary permits, environmental concerns, and title to surface and mineral rights.

Access to the winter road and all-weather air strip is determined during the permitting process. These are seen as sensitive issues to the affected communities and the licensing board due to environmental concerns. It cannot be guaranteed that access will be permitted, or if permitted, that access will continue in the future. We also rely on winter road access for most of our heavy equipment and bulk supplies. The establishment of the winter road is weather dependant and available for a short period. Missing the winter road season for any reason could delay development plans.

Our mine development and operational permits require extensive baseline environmental geotechnical and community studies and consultations with interested parties and are by no means assured. Other potential risks may result from changes in government regulations relating to land use, taxes, environmental policies and also the outcome of various settlements concerning title to surface and mineral rights which, in Canada, may be subject to First Nations claims.

We are dependent on our employees and contractors to carry out operations, as planned. However, the mining business is intensely competitive and skillful, qualified individuals may not be as readily available subsequent to a downturn in a cyclical industry as they might be in industries with steady growth prospects. Also, failure of third parties such as mining contractors or drilling contractors in meeting their obligations under contracts or agreements may delay and/or negatively affect operations.

RELATED PARTY TRANSACTIONS

During the year ended November 30, 2004, we paid an aggregate of \$190,500 to private companies owned by the President and Executive Vice-President, as well as, \$50,000 to a director of the Company for consulting services and supplies. Directors' fees amounted to \$32,840 (See Note 8 (a) for a breakdown).

On January 1, 2004, we entered into a consulting agreement with DRW Geological Consultants Ltd. ("DRW"), a company controlled by our President, David R. Webb, to provide management and advisory services to the Company. DRW is paid a monthly fee of \$8,000 and is reimbursed for expenses incurred in connection with providing services to the Company, and is entitled to receive options to purchase common shares in the Company's stock option plan. We may terminate the agreement on six months' notice. The agreement is deemed to terminate in the event of change of control of the Company and we shall pay \$48,000 in lieu of notice.

On January 1, 2004, we also entered into a consulting agreement with Roger's Drilling Services Inc. ("RDS"), a company controlled by our Executive Vice President, Roger Sylvestre, to provide management and advisory services to the Company. RDS is paid a monthly fee of \$7,000, is reimbursed for expenses incurred in connection with providing services to the Company, and is entitled to receive options to purchase common shares in the Company's stock option plan. We may terminate the agreement on six months' notice. The agreement is deemed to terminate in the event of change of control of the Company and we shall pay \$42,000 in lieu of notice.

The Board set directors' fees at \$1,000 per month and, when a director spends a substantial portion of any day to the affairs of the Company, an additional fee of \$500 per day is paid. Denis Taschuk received a fee of \$5,000 per month for consulting services in lieu of the foregoing arrangements. Effective October 1, 2004, Mr. Taschuk's compensation will revert back to an independent director's fees of \$1000.00 per month.

An amount of \$25,956 was paid in the current quarter to our President, David R. Webb for an advance net smelter returns royalty payment which became due April, 2004.

Dave Webb, President and Roger Sylvestre (indirectly), Executive Vice-President participated in the June 2004 financing, purchasing a total of 125,000 flow through shares and 200,000 units.

Dave Webb also indirectly purchased a total of 66,000 flow through shares in the November 2004 financing.

INVESTOR RELATIONS

Since February 2003, we had retained James G. Brown ("Brown") of Vancouver, British Columbia to act as our in-house investor relations representative. Brown was paid a salary of \$2,500 per month, and was reimbursed for all reasonable expenses. During the last quarter, CHF (as discussed below) has agreed to perform all investor relation services required by us and we no longer have an in-house investor relations representative.

On December 9, 2003, we retained Cavalcanti Hume Funfer Inc. ("CHF") of Toronto, Calgary, as our Investor Relations counsel. The Investor Relations program has focused on shareholder communications, market maintenance and building the Company an active following of investment professionals in Canada. We pay CHF \$6,000 per month plus disbursements. Cancellation of the agreement by either party requires three months notice in writing. CHF also received incentive stock options equalling approximately 1.5% of the issued share capital, and were granted stock options in the first quarter, as described below. TSX Venture Exchange ("TSX") acceptance of the Investor Relations Agreement dated December 3, 2003 between the Company and CHF was received on February 17, 2004. In the third quarter, we ceased all market maintenance activities provided by CHF due to regulatory changes and hence, our compensation to CHF has been reduced to \$5,000 per month.

On February 6, 2004, we granted 300,000 options to CHF for Investor Relations services, 150,000 at a price of \$0.50 per share and 150,000 at \$0.75 per share. The options have an expiry date of February 6, 2009. The options were granted in accordance with our Stock Option Plan, had a four-month hold period expiring June 6, 2004, and are subject to a 12 month vesting period according to TSX Venture Exchange Policy.

CHANGES IN ACCOUNTING POLICIES AND OFF-BALANCE SHEET ARRANGEMENTS

See Note 3 for changes in accounting policies and Note 12 for guarantees provided to third parties in our November 30, 2004 audited financial statements. Also, see Note 11 outlining our contractual commitments.

FINANCIAL INSTRUMENTS

The terms of any financial instruments are disclosed in our financial statements. It is management's opinion that we are not exposed to significant interest, currency or credit risks arising from our financial instruments and that their fair values approximate their carrying values.

DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

We do not have any revenue from operations. Our business primarily involves mining exploration and development. The following table provides a breakdown of exploration and development costs by property:

	Capitalized Exploration and Development Costs	
	November 30, 2004	November 30, 2003
Discovery Mine Property	\$ 6,672,225	\$ 1,004,981
Nicholas Lake Property	23,651	111,076
Longtom Property	–	–
Cobalt Property	–	27,069
Terra Silver Mine Property	368	5,821

A breakdown of our general and administrative expenses is provided with our consolidated financial statements for the years ended November 30, 2004 and 2003.

OUTSTANDING SHARE DATA

We have 100,000,000 authorized common shares and 41,897,951 common shares issued at November 30, 2004. We do not have any other class or series of voting or equity securities. There are a maximum number of 14,203,884 warrants outstanding which can be converted into 14,203,884 common shares and 2,360,430 options outstanding which can be converted into 2,360,430 common shares.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Tyhee Development Corp. and all the information in the annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

Tyhee Development Corp. maintains systems of internal accounting and administrative controls in order to provide, on a reasonable basis, assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board. The majority of the Committee is independent of management. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders.

The Consolidated financial statements have been audited by Deloitte and Touche, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders.

Deloitte and Touche has full and free access to the Audit Committee.

David R. Webb Ph.D., P.Geol. President

March 15, 2005

AUDITORS' REPORT

To the Shareholders of Tyhee Development Corp.

We have audited the consolidated balance sheets of Tyhee Development Corp. as at November 30, 2004 and 2003 and the consolidated statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Vancouver, British Columbia
February 4, 2005

CONSOLIDATED BALANCE SHEETS

November 30, 2004 and 2003	2004	2003
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 4,804,414	\$ 971,569
Amounts receivable	214,763	85,384
Prepaid expenses and advances (Note 4)	872,368	26,579
	5,891,545	1,083,532
DEPOSITS	120,000	70,000
FIXED ASSETS, net of accumulated amortization of \$78,917 (2003 - \$54,273)	97,883	59,942
EXPLORATION PROPERTIES (Note 5)	9,823,664	3,405,452
	\$ 15,933,092	\$ 4,618,926
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,925,780	\$ 51,564
LOANS PAYABLE (Note 6)	–	96,500
	1,925,780	148,064
SHAREHOLDERS' EQUITY		
Share capital		
Authorized		
100,000,000 common shares		
Issued (Note 7)		
41,897,951 (2003 - 15,860,321) common shares	30,871,465	20,371,652
Share subscriptions	37,600	–
Contributed surplus	330,812	–
Deficit	(17,232,565)	(15,900,790)
	14,007,312	4,470,862
	\$ 15,933,092	\$ 4,618,926

APPROVED BY THE DIRECTORS



D.R. Webb, Director



Roger G. Sylvestre, Director

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

Years ended November 30, 2004 and 2003	2004	2003
ADMINISTRATIVE EXPENSES		
Amortization	\$ 24,644	\$ 13,973
Bad debts	–	47,250
Consulting	156,500	83,500
General corporate	33,155	17,572
Investor relations and promotional material (Note 10)		
Stock-based compensation expense	66,324	–
Other	253,411	161,109
Professional fees	58,782	33,143
Rent	34,690	19,640
Salaries and benefits		
Stock-based compensation expense	264,488	–
Other	115,357	55,504
Telephone	7,309	3,959
Transfer agent and filing fees	10,481	15,353
Travel	9,535	5,789
	1,034,676	456,792
OTHER EXPENSES (INCOME)		
Capital tax expense	12,829	–
Foreign exchange (gain) loss	(938)	62,624
Gain on sale of investment	–	(18,510)
Interest expense	10,356	–
Interest income	(30,250)	(11,243)
Loss on sale and write-off of fixed assets	–	2,484
Rental of camp	–	(2,804)
Site reclamation costs	–	3,852
Write-off of exploration properties (Note 5)	305,102	–
Write-down of investment	–	1,380
	297,099	37,783
LOSS BEFORE INCOME TAXES	(1,331,775)	(494,575)
INCOME TAX RECOVERY (Note 9)	882,492	–
NET LOSS FOR THE YEAR	(449,283)	(494,575)
RENOUNCEMENT OF TAX DEDUCTIBILITY RELATING TO FLOW-THROUGH SHARES	(882,492)	–
DEFICIT, BEGINNING OF YEAR	(15,900,790)	(15,406,215)
DEFICIT, END OF YEAR	\$ (17,232,565)	\$ (15,900,790)
LOSS PER SHARE – basic and diluted	\$ (0.02)	\$ (0.04)
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING	25,432,062	12,959,084

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended November 30, 2004 and 2003	2004	2003
OPERATING ACTIVITIES		
Net loss	\$ (449,283)	\$ (494,575)
Add (deduct) items not affecting cash		
Amortization	24,644	13,973
Stock-based compensation expense	330,812	–
Write-down of accounts receivable	–	47,250
Foreign exchange loss	–	55,146
Gain on sale of investment	–	(18,510)
Income tax recovery	(882,492)	–
Loss on sale and write-off of fixed assets	–	2,484
Write-off of exploration properties	305,102	–
Write-down of investment	–	1,380
	(671,217)	(392,852)
Changes in non-cash operating working capital		
Accounts receivable	(129,379)	272,368
Prepaid expenses and advances and deposits	(895,789)	(41,779)
Accounts payable and accrued liabilities	1,874,216	(26,128)
	177,831	(188,391)
INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	–	2,850
Purchases of fixed assets	(62,585)	(54,095)
Additions to exploration properties	(6,697,358)	(1,148,947)
Additions to exploration properties – royalty	(25,956)	(75,000)
Sales of shares in Alberta Star Development Corp.	–	35,579
	(6,785,899)	(1,239,613)
FINANCING ACTIVITIES		
Issuance of shares and share subscriptions, net of issue costs	10,537,413	2,257,260
Loans payable	(96,500)	(18,400)
Long-term obligation	–	(50,000)
	10,440,913	2,188,860
INCREASE IN CASH	3,832,845	760,856
CASH, BEGINNING OF YEAR	971,569	210,713
CASH, END OF YEAR	\$ 4,804,414	\$ 971,569

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 GOING CONCERN

Tyhee Development Corp. (the "Company") is a development stage enterprise with no ongoing revenues. The Company is in the process of exploring its various mineral properties.

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company incurred a loss of \$449,283 during the year ended November 30, 2004 (2003 - \$494,575). Current operations are funded through the issuance of equity securities and the exercise of warrants and options. The Company's ability to proceed with the next planned phase of the project and continue as a going concern is dependent upon its ability to attract new significant cash investments and ultimately upon attaining future profitable operations.

These factors indicate that there is substantial doubt as to the Company's ability to continue as a going concern. If the going concern basis was not appropriate for these financial statements, then significant adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company (a British Columbia company), its 100% owned subsidiary and its proportionate interests in joint ventures.

The Company owns 100% of Tyhee NWT Corp., a Northwest Territories registered company. Tyhee NWT Corp. was incorporated by registration of a Memorandum and Articles of incorporation filed with the Registrar of Companies for the Northwest Territories on April 20, 2001.

Inter-company transactions and balances have been eliminated upon consolidation.

(b) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring management estimates relate to the carrying value of mining properties and deferred exploration costs; and provision for future site restoration costs. Actual results could differ from those estimates.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid interest bearing securities which can be redeemed after one month and have maturities of twelve months or less.

(d) Fixed assets

Fixed assets include office furniture, automobiles and various equipment which are stated at cost and amortized at 15% to 30% per annum on a declining balance basis.

(e) Exploration properties

The investigation, pre-acquisition costs, costs of acquiring mineral properties and the related exploration and development expenses are deferred and allocated to individual properties 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, at which time the costs are charged to operations.

Management reviews the carrying value of each property on a regular basis. This review generally is made by reference to the timing of exploration and/or development work, work programs proposed, the exploration results achieved by Tyhee and by others, and, in the case of producing properties, the estimated future operating results and net cash flows. When the carrying value of a property is estimated to exceed its net recoverable amount, provision is made for the decline in value.

(f) Environmental expenditures

Environmental expenditures relating to clean up are charged to earnings as incurred during the exploration phase. Significant environmental expenditures to be incurred subsequent to the cessation of exploration are accrued when their extent can be reasonably estimated.

(g) Foreign currency translation

Transactions denominated in a foreign currency are translated using the rate of exchange at the date of the transaction. Monetary assets and liabilities are translated at the rate in effect on the balance sheet date. Other balance sheet items and revenues and expenses are translated at the rates prevailing on the respective transaction dates. Exchange gains and losses related to current monetary items are charged to earnings.

(h) Earnings (loss) per share

The basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed to give effect to the incremental common shares issuable upon the exercise of stock options and warrants. Fully diluted loss per share was not presented in the current year as the effect is anti-dilutive.

(i) Financial instruments

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and loans payable, and have fair values approximating their carrying values.

(j) Income taxes

The fundamental principle of "future income taxes" is that an enterprise recognizes a future income tax liability whenever recovery or settlement of the carrying amount of an asset or liability would result in future income tax outflows. Similarly, an enterprise recognizes a future income tax asset whenever recovery or settlement of the carrying amount of an asset or liability would generate future income tax reductions. An extension of this fundamental principle is that in the case of unused tax losses, income tax reductions, and certain items that have a tax basis but cannot be identified with an asset or liability on the balance sheet, the recognition of future income tax benefits is determined by reference to the likely realization of a future income tax reduction.

(k) Stock options

Effective December 1, 2003, the Company adopted the amended recommendations (Note 3) of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870 for stock-based compensation. The amended standard requires recognition of an estimate of the fair value of stock-based awards in earnings. Previously, the Company provided note disclosure of pro forma net income as if a fair value based method had been used. This amendment has been applied prospectively.

(l) Impairment of long-lived assets

In 2004, the Company adopted a new accounting standard contained in CICA Handbook Section 3063, "Impairment of Long-Lived Assets", which establishes standards for the recognition, measurement and disclosure of the impairment of long-lived assets. The adoption of this new standard did not have any material effect on the Company's financial position or results of operations.

(m) Comparative figures

Certain of the prior year's figures have been reclassified to conform to the current year presentation.

3 CHANGES IN ACCOUNTING POLICY

Effective December 1, 2003, the Company changed its accounting policy with respect to the method of accounting for stock-based compensation. The Company adopted CICA 3870, Stock-based Compensation and Other Stock-based Payments, and has chosen to account for all grants of options to employees, non-employees and directors after December 1, 2003 in accordance with the fair value method for accounting for stock-based compensation as defined by accounting principles generally accepted in Canada. Stock-based compensation awards expense is calculated using the Black-Scholes option pricing model ("Black-Scholes"). Previously, the Company provided note disclosure of pro forma net income as if a fair value based method had been used. This amendment has been applied prospectively.

4 PREPAID EXPENSES

	2004	2003
Camlaren Mine Development Ltd.	\$ 699,000	\$ -
Mackenzie Valley Land and Water Board (deposits)	20,000	-
Other prepaids and advances	153,368	26,579
Total prepaids, deposits and advances	\$ 872,368	\$ 26,579

Camlaren Mine Development Ltd. (the contractor of the Yellowknife Gold Project) and other suppliers require assurances before mobilizing equipment and supplies on site, as all heavy equipment and bulk supplies brought to the property on the winter road are "captured" and cannot easily be recovered until the next winter season. At November 30, 2004, the Company had advances to Camlaren Mine Development Ltd. of \$699,000 on lease charges. These advances will be charged to exploration expenditures over the balance of the terms on these leases, on a monthly basis.

The Mackenzie Valley Land and Water Board deposits relate to land use and water permits on the project.

5 EXPLORATION PROPERTIES

	2002	Additions	2003	Additions	Write-offs/ Adjustments	2004
(i) Discovery Mine Property						
Acquisition	\$ 273,677	\$ 37,500	\$ 311,177	\$ 27,070	\$ -	\$ 338,247
Exploration	643,671	1,004,981	1,648,652	6,672,225	-	8,320,877
	917,348	1,042,481	1,959,829	6,699,295	-	8,659,124

(ii) Nicholas Lake Property						
Acquisition	225,000	37,500	262,500	–	–	262,500
Exploration	452,313	111,076	563,389	23,651	–	587,040
	677,313	148,576	825,889	23,651	–	849,540
(iii) Longtom Property						
Acquisition	127,438	–	127,438	–	–	127,438
Exploration	187,562	–	187,562	–	–	187,562
	315,000	–	315,000	–	–	315,000
(iv) Cobalt Property						
Acquisition	134,850	–	134,850	–	(134,850)	–
Exploration	90,190	27,069	117,259	–	(117,259)	–
	225,040	27,069	252,109	–	(252,109)	–
(v) Terra Silver Mines						
Exploration	46,804	5,821	52,625	368	(52,993)	–
	\$ 2,181,505	\$ 1,223,947	\$ 3,405,452	\$ 6,723,314	\$ (305,102)	\$ 9,823,664

The Company has a 100% interest in the Yellowknife Gold Project (the Company's primary focus), which consists of:

(i) Discovery Mine Property and Nicholas Lake Property

These two properties are located in the Northwest Territories, Canada.

A net smelter return royalty ("NSR") is payable to David R. Webb, a director of the Company, on the Yellowknife Gold Project (Discovery Mine Property and Nicholas Lake Property) as follows:

For the period beginning on the commencement of commercial production and expiring on the earlier of:

(a) recovery of the capital costs (without interest) incurred by the Company in constructing the mining facilities and processing, treatment and other capital facilities; and

(b) the fifth anniversary of the commencement of commercial production,

the percentage of the NSR will be 0.75%.

Thereafter, the percentage will be 1% to 2.25%, depending on the monthly average gold price (with 2.25% applicable at a monthly average gold price greater than US\$500 per ounce).

Commencing in April 2004 and on every anniversary thereafter, the Company has agreed to advance to David R. Webb a non-refundable minimum payment of US\$20,000 credited against the NSR, described above. The royalty payment due in April 2004 was paid on August 19, 2004.

On September 19, 2003, the Company reached an agreement with Majescor Resources Inc. ("Majescor"), whereby Majescor can acquire 100% of the rights and interests in diamonds on the Discovery Mine and Nicholas Lake properties. The diamond rights and interests are subject to a 4% gross overriding royalty to be divided amongst the Company and David R. Webb on a 3:1 ratio, respectively.

(ii) Longtom Property

The Longtom Property consists of one mining lease and eight mineral claims.

The Company has a 50% interest in the Longtom Property located in the Northwest Territories. The property was acquired through two transactions and the Company subsequently optioned a half interest in the property to Alberta Star Development Corp. ("Alberta Star").

- (a) The Damp Mining Lease was purchased from Central Electricity Generating Board of Canada Ltd. on April 29, 1996.
- (b) The balance of the mineral claims were purchased subject to a NSR of 2%. The Company may reduce this by one half by making a one time payment of \$1,500,000 any time within 20 years of the date of the agreement.
- (c) Alberta Star has earned 50% in the combined claim and lease group in the Company's Longtom Property subject to a 2% NSR to the Company. Alberta Star has the right to acquire the balance of the Company's interest by making additional payments of \$315,000, half of which may be payable in shares of Alberta Star at any time but must acquire the balance of the Company's interest upon expending a cumulative \$5,000,000 on the property.

In 1998, the property was written down by 50%. In 2002, an additional \$177,820 was written down to reflect the estimated fair value of the Company's interest.

(iii) Cobalt Property

The Company had a 100% interest in twelve mineral claims in the Northwest Territories (collectively referred to as the "Cobalt Property").

At November 30, 2004, seven of these mineral claims had lapsed. The remaining five claims are in good standing; however, it is the intention of the Company to allow these claims to lapse as they become due. It was determined that resources could not be made available at any time in the near future to advance this project and that it was not cost effective to continue maintaining the property. Therefore, the property was written off in 2004.

(iv) Terra Silver Mines

The Company owns a 50% interest in 974114 NWT Ltd. ("974114"), 974114 held 100% of five mineral claims in the Camsell River Camp in the Northwest Territories. In 2004, there were advances owed from 974114 of \$22,525 for expenditures made by the Company on behalf of 974114.

On July 22, 2003, 974114 entered into an agreement with Fronteer Development Group Inc. to exchange a 50% interest in each of their wholly-owned properties in the Camsell River area of the Northwest Territories (Terra Silver Mine and Conjuror Bay Properties) in order to more effectively option them to a larger company. The agreement includes, among other items, clauses outlining the allocation of expenses and revenues amongst the partners and areas of mutual interest, should such an option occur.

However, these plans did not materialize in a timely manner and the Company felt that it could not see any future benefit at this time of continuing to maintain the property. At November 30, 2004, four of the mineral claims had been allowed to lapse and one remains in good standing. However, it is the intention of the Company to allow this claim to lapse as well, and hence the property was written off in 2004.

6 LOANS PAYABLE

Directors loans of \$96,500 in 2003, which were comprised of accrued consulting fees and were non-interest bearing, were paid during the 2004 fiscal year. There is no outstanding balance as at November 30, 2004.

7 SHARE CAPITAL

	Number	Amount
Balance, November 30, 2002	10,434,321	\$ 18,114,392
Issued during the year for cash – private placements	3,348,500	1,608,694
Exercise of warrants	2,042,500	631,350
Exercise of options	35,000	17,216
Balance, November 30, 2003	15,860,321	20,371,652
Issued during the year for cash – private placements	25,606,010	10,377,201
Exercise of warrants	90,720	54,432
Exercise of options	340,900	68,180
Balance, November 30, 2004	41,897,951	\$ 30,871,465

(a) Private placements

	Number of Units	Net Proceeds
December 29, 2003 and December 31, 2003	3,811,566	\$ 2,128,040
January 12, 2004	1,000,000	459,665
June 30, 2004	10,500,000	3,827,866
November 10, 2004	10,294,444	3,961,630
	25,606,010	\$ 10,377,201

(b) Share purchase warrants

Share purchase warrants outstanding at November 30, 2004 are as follows:

Number of Warrants	Class of Shares	Expiry Date	Exercise Price
1,905,783	Common	June 30, 2005	\$ 0.85
381,157 ¹	Common	June 30, 2005	0.65
1,000,000	Common	July 13, 2005	0.85
100,000 ²	Common	July 13, 2005	0.51
2,750,000	Common	June 30, 2006	0.50
1,012,500	Common	June 30, 2006	0.40
6,025,000	Common	June 30, 2006	0.50
426,944	Common	June 30, 2006	0.45
602,500 ³	Common	June 30, 2006	0.40
14,203,884			

- (1) Unit warrants can be exercised to acquire one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire a further common share at a price of \$0.85 per share.
- (2) Unit warrants can be exercised to acquire one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire a further common share at a price of \$0.85 per share.
- (3) Unit warrants can be exercised to acquire one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire a further common share at a price of \$0.50 per share.

Warrants outstanding at November 30, 2003	3,930,100
Warrants issued during the year	14,203,884
Warrants exercised	(90,720)
Warrants expired	(3,839,380)
Warrants outstanding at November 30, 2004	14,203,884

- (i) On December 29, 2003 and December 31, 2003, the Company issued a total of 3,811,566 flow through units at \$0.65 per unit, each unit consisting of one flow through share and one-half of one non-transferable common share purchase warrant. Each full warrant may be exercised to acquire a further common share at \$0.85 per share for a period of eighteen months. An additional 381,157 units were issued as broker's warrants to acquire 381,157 units at a price of \$0.65 per unit for a period of eighteen months. The broker's warrants have the same terms as the units issued to investors.

The exploration expenditures funded by the December 2003 flow through share issue were renounced for tax purposes in fiscal 2004.

The renouncement has resulted in a \$882,492 income tax recovery and an equal reduction in shareholders' equity.

The resulting future income tax liability has been offset by tax losses previously not brought to account.

- (ii) On January 12, 2004, the Company issued 1,000,000 units at \$0.50 per unit. Each unit consists of one common share and one non-transferable common share purchase warrant. Each share purchase warrant may be exercised to acquire a further common share for a period of eighteen months at a price of \$0.85 per share. An additional 100,000 warrants were issued to the finder to purchase 100,000 units at a price of \$0.51 per unit for eighteen months, having the same terms as the units issued to investors.
- (iii) On June 30, 2004, the Company issued 7,750,000 flow through shares at \$0.40 per flow through share and 2,750,000 non-flow through units at a price of \$0.40. Each non-flow through unit consists of one share and one warrant, each warrant exercisable to purchase a further share for a period of two years at a price of \$0.50 per share. An additional 1,012,500 warrants were issued as broker's warrants to purchase 1,012,500 common shares at a price of \$0.40 per share for a period of two years.
- (iv) On November 10, 2004, the Company issued 4,269,444 flow through shares at \$0.45 per share and 6,025,000 non-flow through units at a price of \$0.40. Each unit consists of one common share and one common share purchase warrant, each warrant exercisable to purchase a further share on or before June 30, 2006 at \$0.50 per share. The agents received a warrant to purchase a total of 602,500 units before June 30, 2006 at \$0.40 per share and 426,944 common shares on or before June 30, 2006 at \$0.45 per common share.

(c) Stock options

At November 30, 2004, the following stock options were outstanding and exercisable:

Date of Grant	Number of Shares	Exercise Price	Expiry Date
October 24, 2000	73,330	\$ 0.20	October 24, 2005
May 22, 2002	209,100	0.52	May 22, 2007
July 31, 2002	180,000	0.50	July 31, 2007
September 29, 2003	568,000	0.60	September 29, 2008
February 6, 2004	300,000	0.50	February 6, 2009
February 6, 2004	150,000	0.75	February 6, 2009
September 3, 2004	880,000	0.38	September 3, 2009
	2,360,430		

	2004		2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	1,580,330	\$ 0.46	1,013,330	\$ 0.40
Granted	1,350,000	0.45	767,000	0.58
Exercised	(420,900)	0.25	(35,000)	0.50
Expired	(149,000)	0.51	(165,000)	0.50
Outstanding, end of year	2,360,430	\$ 0.49	1,580,330	\$ 0.46

At November 30, 2004, the average remaining contractual life was 3.95 years (2003 - 3.63 years).

At the Company's Annual General Meeting ("AGM") held on May 6, 2004, the Company's shareholders agreed to implement a rolling stock option plan (the "Plan") whereby a maximum of 10% of the issued shares will be reserved for issuance under the Plan.

Stock-based compensation expense of \$330,812 was recorded for the year ended November 30, 2004 and added to contributed surplus in shareholders' equity.

The fair value of stock options is estimated using the Black-Scholes option pricing model with the following assumptions:

	2004	2003
Risk free interest rate	3.5% - 3.8%	2.6% - 3.6%
Annual dividends	-	-
Expected stock volatility	20%	48% - 57%
Expected life	3 - 5 years	5 years

At November 30, 2003, when stock-based compensation awards were granted to employees, no compensation cost was recognized at the date of grant. Accordingly, no compensation cost was recognized for its fixed stock option plans and its stock purchase plans. Had compensation cost for the Company's stock-based compensation plans been determined for employees and the fair value based method of accounting for stock-based compensation been applied, the Company's net loss would have been increased by \$240,535 for the year ended November 30, 2003, to the pro forma amounts indicated below:

Year ended November 30	2003
Net loss	
As reported	\$ (494,575)
Pro forma	(735,110)
Basic loss per share	
As reported	(0.04)
Pro forma	(0.06)

8 RELATED PARTY TRANSACTIONS

(a) Related party transactions with a director and companies controlled by directors for the year:

	2004	2003
Consulting fees		
Roger's Drilling Services Inc. ("RDS")	\$ 89,500	\$ 78,000
DRW Geological Consultants Ltd. ("DRW")	101,000	84,000
Denis M. Taschuk	50,000	5,000
	\$ 240,500	\$ 167,000

Of the \$240,500, \$141,500 has been recorded as consulting fees. The balance of fees relating to RDS and DRW have been charged to exploration properties for time spent overseeing operations and administration and review of properties.

	2004	2003
Directors' fees (included in salaries and benefits)		
Alan W. Tambosso	\$ 12,000	\$ —
Dave Nickerson	12,000	—
William D. Burton	6,840	—
Denis M. Taschuk	2,000	—
	\$ 32,840	\$ —

(b) Included in accounts payable at November 30, 2004 are the following balances with directors and companies controlled by directors:

	2004	2003
DRW Geological Consultants Ltd.	\$ 17,571	\$ 107,801
Roger G. Sylvestre	6,115	5,866
	\$ 23,686	\$ 113,667

David R. Webb, President, and Roger Sylvestre (indirectly), Executive Vice-President, participated in the June 30, 2004 financing, purchasing a total of 125,000 flow through shares and 200,000 units.

David R. Webb, President, also indirectly participated in the November 10, 2004 financing, purchasing a total of 66,000 flow through shares.

On January 1, 2004, the Company entered into a consulting agreement with DRW, a company controlled by David R. Webb, President of the Company, to provide management and advisory services to the Company. Pursuant to the terms of this agreement, DRW is paid a monthly fee of \$8,000. In addition, DRW is also reimbursed for expenses incurred in connection with providing services to the Company, and to receive options to purchase common shares in the Company's stock option plan.

On January 1, 2004, the Company also entered into a consulting agreement with RDS, a company controlled by Roger Sylvestre, Executive Vice-President of the Company, to provide management and advisory services to the Company. Pursuant to the terms of this agreement, RDS is paid a monthly fee of \$7,000. In addition, RDS is also reimbursed for expenses incurred in connection with providing services to the Company, and to receive options to purchase common shares in the Company's stock option plan.

The Board of Directors set directors' fees at \$1,000 per month, and when a director spends a substantial portion of any day on the affairs of the Company, an additional fee of \$500 per day is due. Denis Taschuk received a fee of \$5,000 per month to September 2004 for consulting services in lieu of the foregoing arrangements.

9 INCOME TAXES

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

	2004	2003
Statutory tax rate	35.62%	37.62%
Recovery relating to income taxes computed at standard rates	\$ 474,378	\$ 236,153
Non-deductible stock-based compensation	(117,835)	-
Tax benefit not recognized in prior year	525,949	-
Tax losses not recognized in the period that the benefit arose	-	(236,153)
	\$ 882,492	\$ -

The approximate tax effect of each type of temporary difference that gives rise to the Company's future income tax assets are as follows:

	2004	2003
Net operating loss carryforwards	\$ 1,009,748	\$ 1,119,000
Unutilized exploration expenditures	2,657,521	3,385,000
Capital assets	73,438	81,000
	3,740,707	4,585,000
Less valuation allowance	(3,740,707)	(4,585,000)
	\$ -	\$ -

At November 30, 2004, the Company has available losses which may be carried forward to apply against future income for tax purposes as follows:

Expiry Date	Amount
2005	\$ 620,003
2006	493,745
2007	282,555
2008	185,473
2009	30,587
2010	558,436
2014 (estimated)	663,979

10 INVESTOR RELATIONS

	2004	2003
Consultants' fees and expenses	\$ 73,528	\$ 8,000
Shows and conventions	37,986	43,477
Annual general meeting	23,598	9,951
Salaries and benefits	29,776	22,304
Travel	39,457	40,748
Materials	12,872	11,719
Advertising	14,103	6,881
Meals and entertainment	9,411	7,722

Subscriptions and dues	1,446	–
News releases	5,193	6,313
Telephone	4,621	2,691
Courier and postage	1,420	1,303
	253,411	161,109
Stock-based compensation expense	66,324	–
	\$ 319,735	\$ 161,109

11 COMMITMENTS

- (a) In 2001 (renegotiated in January 2004), the Company entered into a lease agreement for premises for a term of five years ending May 31, 2006. The aggregate minimum future annual rentals under the lease (including utilities) are as follows:

2005	\$ 37,875
2006	18,692

- (b) The Company entered into an agreement relating to rental of camp equipment totaling approximately \$1,500 per month with a lease term of eighteen months dated August 20, 2004.
- (c) Commencing in April 2004 and on every anniversary thereafter, the Company entered into an agreement with a director which stipulated annual non-refundable advanced net smelter royalty payments of US\$20,000 (see Note 5). The advance is applied to future NSR payments calculated on the property if production does not start in 2004. The advance is an obligation of the Company, and is to be paid each year. As this NSR obligation relates to future earnings, no provision has been made in the current year reflecting future years' obligations.

12 GUARANTEES

Guarantees the Company has provided to third parties are as follows:

- (a) The Company entered into indemnity agreements with its directors/officers during the first quarter. Under the agreement, the Company will indemnify and save harmless the indemnitee from and against any and all claims, proceedings, whether civil, criminal, quasi-criminal or administrative, of every nature and kind whatsoever made or brought at any time against the indemnitee by reason that the indemnitee is or was a director of the Company or a subsidiary provided that, at all relevant times, the indemnitee acted honestly and in good faith with a view to the best interests of the Company and, in the case of a criminal or administrative action or proceeding, had reasonable grounds for believing that the indemnitee's conduct was lawful.
- (b) The Company has purchased directors' and officers' liability insurance. There are no material indemnification claims known to the Company at this time and no amount has been accrued in the consolidated balance sheets with respect to any indemnifications.
- (c) The Company also entered into flow through subscription agreements with subscribers in which the Company agreed to indemnify and save the subscriber harmless for the full amount of any additional tax payable by the subscriber under the Income Tax Act or the laws of any province of Canada as a consequence of any failure of the Company to renounce an amount to the subscriber as required under the agreement.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Directors

Dave Nickerson
Yellowknife, Canada

Roger R. Sylvestre
Vancouver, Canada

***Alan W. Tambosso**
Calgary, Canada

***Denis M. Taschuk**
Edmonton, Canada

***David R. Webb**
Surrey, Canada

William D. Burton
Coquitlam, Canada

Michael W. Hitch
Brantford, Canada

*Audit Committee

Officers

David R. Webb
President & CEO

Roger R. Sylvestre
Executive Vice-President

Luard J. Manning
Corporate Secretary

Operations

Tyhee N.W.T. Corp.

Doug Levesque
VP Operations

Hugh Wilson
VP Environmental and
Community Affairs

Val Pratico
Chief Geologist

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Symbol: TDC

INVESTOR RELATIONS COUNSEL

Cavalcanti Hume Funfer Inc
Nick Kohlmann, M.Sc., Vice President

Tel 416.868.1079 x222

Fax 416.868.6198

Email nick@chfir.com

TRANSFER AGENT

Pacific Corporate Trust Company

AUDITORS

Deloitte and Touche LLP

LEGAL COUNSEL

Lang Michener

ANNUAL GENERAL MEETING

Tyhee's Annual General Meeting will be held Thursday, April 28 at 10:00 AM PST at Suite 1500 – 1055 West Georgia Street Vancouver, British Columbia.

You are cordially invited to attend.



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