Consolidated financial statements of

Tyhee Development Corp.

November 30, 2006 and 2005

Tyhee Development Corp.

November 30, 2006 and 2005

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Auditors' report

To the Shareholders of
Tyhee Development Corp.

We have audited the consolidated balance sheets of Tyhee Development Corp. as at November 30, 2006 and 2005 and the consolidated statements of operations 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, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
February 9, 2007

Tyhee Development Corp.

Consolidated statements of operations and deficit
years ended November 30, 2006 and 2005

	2006	2005
	$	$
Administrative expenses		
Stock-based compensation (Note 7 (c))	**1,105,897**	481,506
Investor relations (Note 10)	**280,601**	379,903
Amortization	**259,949**	134,689
Consulting	**256,250**	190,113
Salaries and benefits	**145,684**	170,984
Professional fees	**70,059**	57,249
General corporate	**59,104**	49,507
Rent	**52,178**	44,731
Transfer agent and filing fees	**18,444**	11,500
Travel	**11,225**	10,452
Telephone	**6,818**	7,558
	2,266,209	1,538,192
Other expenses (income)		
Interest expense	**2,293**	20,489
Loss on disposal of fixed assets	**1,088**	-
Other mineral property income	**-**	(30,000)
Foreign exchange gain	**(36,392)**	(70)
Interest income	**(68,754)**	(28,322)
	(101,765)	(37,903)
Loss before income taxes	**(2,164,444)**	(1,500,289)
Income tax recovery (Note 9)	**1,095,258**	1,788,569
Net (loss) earnings	**(1,069,186)**	288,280
Renouncement of tax deductibility relating to flow through shares	**(1,095,258)**	(1,788,569)
Deficit, beginning of year	**(18,732,854)**	(17,232,565)
Deficit, end of year	**(20,897,298)**	(18,732,854)
(Loss) earnings per share - basic and diluted	**(0.01)**	0.01
Weighted average number of shares outstanding	**95,270,613**	51,682,938

Tyhee Development Corp.

Consolidated balance sheets
as at November 30, 2006 and 2005

	2006	2005
	$	$
Assets		
Current assets		
Cash and cash equivalents	**2,963,569**	178,520
Cash held in trust	**-**	600,000
Amounts receivable	**303,678**	282,275
Inventory (Note 3)	**285,430**	323,390
Prepaid expenses and advances	**117,656**	100,367
	3,670,333	1,484,552
Deposits (Note 4)	**412,000**	432,000
Fixed assets, net of accumulated amortization of $463,286 (2005 - $213,606) (Note 5)	**911,590**	744,196
Exploration properties (Note 6)	**23,781,214**	18,631,509
	28,775,137	21,292,257
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**341,860**	1,965,306
Asset retirement obligation (Note 2 (m))	**115,000**	75,000
	456,860	2,040,306
Shareholders' equity		
Share capital		
Authorized		
Unlimited common shares without par value		
Issued (Note 7)		
114,999,799 (2005 - 57,718,552) common shares	**47,331,988**	36,144,407
Share subscriptions	**-**	1,028,080
Contributed surplus (Note 7)	**1,883,587**	812,318
Deficit	**(20,897,298)**	(18,732,854)
	28,318,277	19,251,951
	28,775,137	21,292,257

Going concern (Note 1)

Approved by the Directors:

David R. Webb, Director

Roger G. Sylvestre, Director

Tyhee Development Corp.

Consolidated statements of cash flows
years ended November 30, 2006 and 2005

	2006	2005
	$	$
Operating activities		
Net (loss) earnings	**(1,069,186)**	288,280
Add (deduct) items not affecting cash		
Amortization	**259,949**	134,689
Income tax recovery	**(1,095,258)**	(1,788,569)
Stock-based compensation	**1,105,897**	481,506
Loss on disposal of fixed assets	**1,088**	-
	(797,510)	(884,094)
Changes in non-cash operating working capital		
Accounts receivable	**(21,403)**	(67,512)
Inventory	**37,960**	-
Prepaid expenses and advances	**(17,289)**	136,611
Accounts payable and accrued liabilities	**(1,583,446)**	79,157
	(2,381,688)	(735,838)
Investing activities		
Deposits	**20,000**	-
Purchase of fixed assets	**(428,431)**	(781,002)
Additions to exploration properties	**(5,078,650)**	(8,747,689)
Acquisition of exploration properties	**(56,705)**	(24,787)
	(5,543,786)	(9,553,478)
Financing activities		
Issuance of shares and share subscriptions, net of issue costs for		
Private placements	**7,445,240**	6,223,156
Stock options	**73,170**	40,266
Warrants	**2,592,113**	-
	10,110,523	6,263,422
Increase (decrease) in cash	**2,185,049**	(4,025,894)
Cash and cash equivalents, beginning of year	**778,520**	4,804,414
Cash and cash equivalents, end of year	**2,963,569**	778,520
Cash and cash equivalents is comprised of the following		
Cash	**936,429**	178,520
Term deposits	**2,027,140**	-
Cash held in trust	**-**	600,000
	2,963,569	778,520
Supplemental cash flow information		
Non-cash financing activities		
Issuance of common shares in exchange for services	**60,000**	-
Issuance of common shares for mineral property	**14,350**	-

Tyhee Development Corp.

Notes to the consolidated financial statements
November 30, 2006 and 2005

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 financials statements have been prepared on a going concern basis that contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company's ability to proceed with the next planned phases of the projects and to continue as a going concern is dependent upon its ability to attract significant cash investments and ultimately upon attaining future profitable operations.

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 expenses, and the balance sheet classifications.

2. Significant accounting policies

(a) Basis of consolidation

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

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.

Intercompany transactions and balances have been eliminated upon consolidation.

(b) Measurement uncertainty

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; provision for future site restoration costs; and determination of stock-based compensation charges. 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 three months or less from the date of issue.

(d) Inventory

Inventory is carried at the lower of cost and market value.

(e) Fixed assets

Fixed assets include office furniture, automobiles and various equipment that are stated at cost and amortized at 15% to 45% per annum on a declining balance basis.

Leasehold improvements are capitalized and amortized over the term of the lease on a straight line basis.

2. Significant accounting policies (continued)

(f) 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.

(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. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method only “in-the-money” dilutive instruments impact the dilution calculations.

(i) Financial instruments

The Company’s financial instruments consist primarily of cash and cash equivalents, amounts receivable and accounts 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.

2. Significant accounting policies (continued)

(k) *Stock-based compensation*

The Company accounts for all grants of options to employees, non-employees and directors in accordance with the fair value method for accounting for stock-based compensation as defined by Canadian generally accepted accounting principles.

The Company records stock-based compensation as required under the Canadian Institute of Chartered Accountants ("CICA") Handbook, section 3870, *Stock-based Compensation and Other Stock-based Payments,* for stock options issued, as they are issued at market price and are valued using the Black-Scholes pricing model. The resulting value is charged to the income statement and the contributed surplus account is increased.

Warrants issued as compensation for brokered financings have not been valued using the Black-Scholes model at the date of issuance, as the issue price is at a significant premium to market price and therefore, at the date of issuance, they are deemed to have no value. Should a review, at the time of issuance, determine that the warrants have value, they would be valued using the Black-Scholes model and the value would be charged to share capital as issue costs and contributed surplus would be increased.

(l) *Impairment of long-lived assets*

The Company reviews the carrying amount of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or has been impaired. The determination of any impairment would be based on a comparison of estimated future cash flows anticipated to be generated during the remaining life of the asset to the net carrying value of the asset. If impairment is determined to exist, assets held for use are written down to their fair values.

(m) *Asset retirement obligation*

CICA Handbook, section 3110, *Asset Retirement Obligations*, focuses on the recognition and measurement of liabilities related to legal obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for the accretion of discount and any changes in the underlying cash flows. The asset retirement cost is capitalized to the related asset and amortized into earnings over time. 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. The Company has estimated (before discounting) and recorded the fair value of this liability as it is uncertain when the Company will be required to commence the remediation process.

(n) *Comparative figures*

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

Tyhee Development Corp.

Notes to the consolidated financial statements
November 30, 2006 and 2005

3. Inventory

	2006	2005
	$	$
Inventory	**285,430**	323,390

At November 30, 2006, inventory consists of diesel, gasoline and propane that will be charged to exploration properties on a monthly basis, based on consumption.

4. Deposits

	2006	2005
	$	$
Mackenzie Valley Land and Water Board	**412,000**	432,000

Security deposits totalling $412,000 have been posted with the Mackenzie Valley Land and Water Board for a water license and land use permits on the Yellowknife Gold Project.

5. Fixed assets

			2006
	Cost	**Accumulated depreciation**	**Net book value**
	$	**$**	**$**
Automobiles	**184,877**	**92,436**	**92,441**
Boats and canoes	**14,465**	**6,297**	**8,168**
Computer/electronic equipment	**88,535**	**51,660**	**36,875**
Data network infrastructure	**33,536**	**15,830**	**17,706**
Office furniture	**42,980**	**31,837**	**11,143**
Mining equipment and camp facilities	**1,007,363**	**264,879**	**742,484**
Leasehold improvements	**3,120**	**347**	**2,773**
	1,374,876	**463,286**	**911,590**

			2005
	Cost	Accumulated depreciation	Net book value
	$	$	$
Automobiles	184,877	40,742	144,135
Boats and canoes	14,465	4,855	9,610
Computer/electronic equipment	84,258	43,142	41,116
Data network infrastructure	24,786	10,117	14,669
Office furniture	41,493	29,625	11,868
Mining equipment and camp facilities	607,923	85,125	522,798
	957,802	213,606	744,196

6. Exploration properties

	(a) Yellowknife Gold Project	(b) Longtom Property	(c) BigSky Property	(d) Goodwin Lake Property	(e) Other Properties	Total
	$	$	$	$	$	$
November 30, 2004						
Acquisition	600,747	127,438	-	-	-	728,185
Exploration	8,907,917	187,562	-	-	-	9,095,479
	9,508,664	315,000	-	-	-	9,823,664
Additions						
Acquisition	24,787	-	-	-	-	24,787
Exploration	8,783,058	-	-	-	-	8,783,058
	8,807,845	-	-	-	-	8,807,845
November 30, 2005						
Acquisition	625,534	127,438	-	-	-	752,972
Exploration	17,690,975	187,562	-	-	-	17,878,537
	18,316,509	315,000	-	-	-	18,631,509
Additions						
Acquisition	24,121	-	27,758	19,176	-	71,055
Exploration	5,046,509	-	30,316	-	1,825	5,078,650
	5,070,630	-	58,074	19,176	1,825	5,149,705
November 30, 2006						
Acquisition	649,655	127,438	27,758	19,176	-	824,027
Exploration	22,737,484	187,562	30,316	-	1,825	22,957,187
	23,387,139	315,000	58,074	19,176	1,825	23,781,214

(a) Yellowknife Gold Project

The Company has a 100% interest in the Yellowknife Gold Project (the Company's primary focus), which is located 90 km north of Yellowknife, 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 as follows:

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

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

(ii) 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).

6. Exploration properties (continued)

(a) Yellowknife Gold Project (continued)

The Company has agreed, commencing in April 2004 and on every anniversary thereafter, to advance to David R. Webb a non-refundable minimum payment of US$20,000 credited against the NSR, described above. These advance payments have been paid to date.

In the current year, the Company staked a 862.6 acre claim adjacent to the existing claims and leases of the Yellowknife Gold Project.

(b) Longtom Property

The Company sold its 50% ownership interest in the Longtom Property, which is located in the Northwest Territories, Canada, to Alberta Star Development Corp. for $315,000 in 2002. The combined claim and lease group comprising the Longtom Property had been registered in the name of Alberta Star Development Corp. ("Alberta Star"). To purchase the Company's 50% interest in the Longtom Property, Alberta Star must pay the purchase price of $315,000 on the date which is the earlier of: (1) within 90 days from the date it has incurred $5,000,000 in cumulative exploration expenditures on the Longtom Property; or (2) at the date Alberta Star advises the Company in writing that it will complete the purchase of the Company's 50% interest in the Longtom Property ("Notice Date").

At November 30, 2006, the Notice Date had not been triggered. The purchase price may be paid in cash or 50% in cash and 50% in common shares of Alberta Star. Alberta Star informed the Company of their intention to abandon certain claims and have allowed them to lapse due to limited exploration potential. Alberta Star has maintained the DAMP mining lease as it currently hosts the Damp Zone with mineralization and existing camp facilities (which now comprises the Longtom Property).

(c) BigSky Property

The Company acquired the BigSky Property during the fiscal year by staking 21 claims consisting of 7,576.1 hectares (18,721 acres). This property is located 17 km north of Yellowknife, Northwest Territories. Subsequent to year end, two additional claim groups have been staked to add to this property (See Note 13).

(d) Goodwin Lake Property

The Company optioned three mineral claims (Goodwin Lake Property) from an arm's length party for 85,000 shares issuable over three years and a 2% net smelter returns royalty, half of which may be purchased by the Company for $1 million. The property is located 50 km north of Yellowknife, Northwest Territories, Canada, and covers approximately 459.8 hectares (1,136.3 acres).

At November 30, 2006, 35,000 shares at $0.41 per share for a gross value of $14,350, had been issued in accordance with the terms of the property option agreement. Subsequent to year end, the Company added another claim to this property (See Note 13).

(e) Other properties

The Company has incurred an additional $1,825 on exploration expenditures to assess other potential targets in the Yellowknife area.

7. Share capital

	Number	Amount
		$
Balance, November 30, 2004	41,897,951	30,871,465
Issued during the year for cash - private placements	15,727,271	5,232,676
Exercise of options for cash	93,330	40,266
Balance, November 30, 2005	57,718,552	36,144,407
Issued during the year for cash - private placements	45,529,522	8,413,320 (1)
Exercise of warrants for cash	10,873,234	2,592,113
Exercise of options for cash (including transfer from contributed surplus of $35,930)	350,000	109,100
Issued during the year for services	500,000	60,000
Issued during the year for mineral property	35,000	14,350
Cancellation of escrow shares	(6,509)	(1,302)
Balance, November 30, 2006	114,999,799	47,331,988

(1) The 2006 amount for private placements includes $1,028,080 in share subscriptions received in the prior year for shares issued in the current year. These funds were classified as share subscriptions on the November 30, 2005 consolidated balance sheet.

(a) *Private placements*

(i) On December 1, 2005, the Company issued 13,817,333 units at a price of $0.12 per unit for gross proceeds of $1,658,080. Each unit consists of one common share and one common share purchase warrant, each warrant is exercisable to purchase a common share at any time on or before December 1, 2007 at $0.15 per share. An additional 500,000 units having the same terms as those issued to investors were issued in exchange for a cash commission of $60,000 relating to a finder’s fee. Also, 602,500 broker’s warrants were issued to purchase 602,500 common shares, exercisable at any time on or before December 1, 2006 at $0.15 per share. The Company may accelerate the expiry date on 9,317,333 share purchase warrants if, after December 1, 2005, the closing price of the common shares of the Company on the TSX Venture Exchange is equal to or greater than $0.25 for ten or more consecutive trading days. The Company shall have the right to accelerate the expiry of the Warrants to such date that is not less than 30 days from the date on which the notice of the acceleration of the Expiry Date is sent by the Company to the Warrant holder. At November 30, 2006, 6,073,666 warrants and 602,500 broker’s warrants had been exercised.

(ii) On December 13, 2005, the Company issued 165,000 units at a price of $0.12 per unit for gross proceeds of $19,800. Each unit consists of one common share and one common share purchase warrant, each warrant is exercisable to purchase a further common share at any time on or before December 13, 2007 at $0.15 per share.

(iii) On January 19, 2006, the Company issued 1,637,500 units at a price of $0.16 per unit for gross proceeds of $262,000. Each unit consists of one common share and one common share purchase warrant, each warrant is exercisable to purchase a further common share at any time on or before January 19, 2007 at $0.28. At November 30, 2006, 500,000 warrants had been exercised.

7. Share capital (continued)

(a) Private placements (continued)

(iv) On January 31, 2006, the Company issued 650,000 units at a price of $0.195 per unit for gross proceeds of $126,750. Each unit consists of one common share and one common share purchase warrant, each warrant is exercisable to purchase a further common share at any time on or before January 31, 2008 at $0.30. At November 30, 2006, 50,000 warrants had been exercised.

(v) On March 8, 2006, the Company issued 13,482,352 units at a price of $0.17 per unit for gross proceeds of $2,292,000. Each unit consists of one common share and one common share purchase warrant, each warrant is exercisable to purchase a further common share at any time on or before March 8, 2008 at $0.28. A total of 4,836,000 warrants were tendered for cancellation for the participation in the July 13, 2006 private placement, as described in Note 7 (a)(ix).

(vi) On April 13, 2006, the Company issued 1,821,712 units at a price of $0.17 per unit for gross proceeds of $309,691. Each unit consists of one common share and one common share purchase warrant, each warrant is exercisable to purchase a further common share at any time on or before April 13, 2008 at $0.28.

(vii) On June 21, 2006, the Company issued 5,500,000 units at a price of $0.30 per unit for gross proceeds of $1,650,000. Each unit consists of one flow through share and one half of one common share purchase warrant, each whole warrant is exercisable to purchase a further non-flow through common share at any time on or before December 21, 2007 at $0.45. The finder received warrants to purchase 550,000 common shares exercisable at any time on or before December 21, 2007 at $0.45 per share.

(viii) On July 7, 2006, the Company issued 3,167,000 units, each unit comprised of one share and one half of one common share purchase warrant, at a price of $0.32 per unit for gross proceeds of $1,013,440. Each whole warrant is exercisable to purchase a further common share at any time on or before January 7, 2008 for $0.50.

(ix) On July 13, 2006, the Company issued 4,836,000 units, each unit comprised of one share and one half of one common share purchase warrant at a price of $0.28 per unit for gross proceeds of $1,354,080. Each whole warrant is exercisable to purchase a common share at any time on or before January 13, 2008 for $0.45. To participate in this placement, 4,836,000 outstanding warrants which were exercisable at $0.28 until March 8, 2008 were tendered for cancellation.

(x) On July 17, 2006, the Company issued 452,625 units; 310,625 units at $0.32 for gross proceeds of $99,400 and 142,000 units at $0.30 for gross proceeds of $42,600. Each unit consists of one flow through share and one half of one common share purchase warrant; each warrant is exercisable to purchase a common share at any time on or before January 17, 2008 for $0.45.

7. Share capital (continued)

(a) Private placements (continued)

	Number of units	Proceeds
		$
December 1, 2005	13,817,333	1,658,080
December 13, 2005	165,000	19,800
January 19, 2006	1,637,500	262,000
January 31, 2006	650,000	126,750
March 8, 2006	13,482,352	2,292,000
April 13, 2006	1,821,712	309,691
June 21, 2006	5,500,000	1,650,000
July 7, 2006	3,167,000	1,013,440
July 13, 2006	4,836,000	1,354,080
July 17, 2006	310,625	99,400
July 17, 2006	142,000	42,600
	45,529,522	8,827,841
Less: Share issue costs	-	(414,521)
	45,529,522	8,413,320

(b) Share purchase warrants

Share purchase warrants outstanding at November 30, 2006 are as follows:

Number of warrants		Class of shares	Expiry date	Exercise price
				$
1,137,500		Common	January 19, 2007	0.28
6,743,790		Common	March 31, 2007	0.50
3,243,667	(1)	Common	December 1, 2007	0.15
5,000,000		Common	December 1, 2007	0.15
165,000	(1)	Common	December 13, 2007	0.15
3,300,000		Common	December 21, 2007	0.45
600,000		Common	January 31, 2008	0.30
8,646,352		Common	March 8, 2008	0.28
1,821,712		Common	April 13, 2008	0.28
1,583,500		Common	January 7, 2008	0.50
2,418,000		Common	January 13, 2008	0.45
226,312		Common	January 17, 2008	0.45
34,885,833				

(1) The Company may accelerate the expiry date if, for any ten consecutive trading days after December 1, 2005, the closing price of the Common Shares of the Company on the TSX Venture Exchange is equal to or greater than $0.25 for 10 or more consecutive trading days, the Company shall have the right to accelerate the expiry of the warrants to such date that is not less than 30 days from the date on which the notice of the acceleration of the expiry date is sent by the Company to the warrant holder.

7. Share capital (continued)

(b) Share purchase warrants (continued)

	2006	2005
Warrants outstanding, beginning of year	**20,707,802**	14,203,884
Warrants issued during the year	**40,204,209**	9,890,858
Warrants exercised	**(10,873,234)**	-
Warrants expired/cancelled	**(15,152,944)**	(3,386,940)
Warrants outstanding, end of year	**34,885,833**	20,707,802

(c) Stock options

At November 30, 2006, the following stock options were outstanding and exercisable:

Date of grant	Number of shares	Exercise price	Expiry date
		$	
May 22, 2002	189,100	0.52	May 22, 2007
July 31, 2002	147,500	0.50	July 31, 2007
September 29, 2003	469,000	0.60	September 29, 2008
February 6, 2004	150,000	0.50	February 6, 2009
September 3, 2004	780,000	0.38	September 3, 2009
March 2, 2005	1,393,000	0.45	March 2, 2010
May 16, 2005	190,000	0.33	May 16, 2010
March 21, 2006	4,306,500	0.21	March 21, 2011
May 1, 2006	250,000	0.34	May 1, 2011
May 1, 2006	500,000	0.35	May 1, 2011
October 25, 2006	2,050,000	0.42	October 25, 2011
October 25, 2006	50,000	0.50	October 25, 2011
	10,475,100		

		2006		2005
	Shares	**Weighted average exercise price**	Shares	Weighted average exercise price
		$		$
Outstanding, beginning of year	**4,120,100**	**0.47**	2,440,430	0.49
Granted	**7,506,500**	**0.28**	1,833,000	0.44
Exercised	**(350,000)**	**0.21**	(93,330)	0.43
Expired/cancelled	**(801,500)**	**0.53**	(60,000)	0.20
Outstanding, end of year	**10,475,100**	**0.34**	4,120,100	0.47

At November 30, 2006, the average remaining contractual life was 3.90 years (2005 - 3.59 years).

7. Share capital (continued)

(c) Stock options (continued)

At the Company's Annual General Meeting ("AGM") held on April 27, 2006, 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 $1,105,897 was recorded for the year ended November 30, 2006 (2005 - $481,506) 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:

	2006	2005
Risk free interest rate	**4.07 - 4.32%**	3.5%
Annual dividends	**Nil**	Nil
Expected stock volatility	**76 - 78%**	90 - 100%
Expected life	**3 years**	3 years

8. Related party transactions

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

	2006	2005
	$	$
Consulting fees		
Roger's Drilling Services Inc. ("RDS")	**126,500**	108,000
DRW Geological Consultants Ltd. ("DRW")	**140,500**	119,525
	267,000	227,525

An amount of $183,250 (2005 - $152,113) has been recorded as consulting fees; the balance of fees relating to RDS and DRW have been charged to exploration properties for time spent managing operations, administration and review of properties.

(b) The following transactions were also included in the financial statements for the year ended November 30, 2006:

- An amount of $73,000 (2005 - $35,000) was paid in consulting fees to an officer of the Company.
- An amount of $98,631 (2005 - $89,008) was paid or accrued in legal fees to a legal firm of which an associate is an officer of the Company.
- An advance net smelter royalty payment of $22,777 (US$20,000) was paid to the President and Chief Executive Officer of the Company in accordance with a net smelter return royalty agreement on the Yellowknife Gold Project (See Note 6 (a)).

(c) Of the 13,817,333 units issued on December 1, 2005 at a price of $0.12 per unit, Dave Nickerson, a director of the Company, purchased 42,000 units and Lorne B. Anderson, the Chief Financial Officer of the Company, purchased 75,000 units.

8. Related party transactions (continued)

(d) Of the 1,637,500 units issued on January 19, 2006 at a price of $0.16 per unit, Lorne B. Anderson, the Chief Financial Officer of the Company purchased 75,000 units and DRW Geological Consultants Ltd., a company wholly-owned by David R. Webb, President and Chief Executive Officer of the Company, purchased 42,000 units.

(e) Of the 310,625 shares issued on July 17, 2006 at $0.32, Dave Nickerson, Director of the Company, purchased 15,000 shares, Lorne Anderson, Chief Financial Officer, purchased 100,000 shares, Roger Sylvestre, Executive Vice-President, purchased 50,000 shares, David Webb, President and Chief Executive Officer, purchased 50,000 shares, and Cory Kent, the Company's Corporate Secretary, purchased 15,625 shares. The balance was purchased by the spouses of the executives.

(f) On March 21, 2006, the Company granted 4,656,500 new stock options, of which 3,841,500 were to directors and officers. These options can be exercised at $0.21 and have an expiry date of March 21, 2011. On October 25, 2006, the Company granted 2,100,000 new stock options, of which 1,640,000 were to directors and officers. These options can be exercised at $0.42, have an expiry date of October 25, 2011 and a hold period expiring February 26, 2007.

(g) These transactions were in the normal course of operations and were measured at the exchange amount.

(h) Directors' fees (included in salaries and benefits) are as follows:

	2006	2005
	$	$
Dave Nickerson	**12,000**	12,000
William D. Burton	**12,000**	12,000
Denis M. Taschuk	**12,000**	12,000
Alan W. Tambosso	**-**	11,933
Michael W. Hitch	**-**	9,374
	36,000	57,307

(i) Included in accounts payable and accrued liabilities at November 30, 2006 are the following balances with directors and companies controlled by directors:

	2006	2005
	$	$
DRW Geological Consultants Ltd.	**23,899**	45,458
Roger's Drilling Services Inc.	**14,500**	35,785
Roger G. Sylvestre	**1,396**	3,882
Lorne B. Anderson	**12,000**	-
Alan W. Tambosso	**-**	3,433
Dave Nickerson	**-**	4,000
Denis Taschuk	**-**	4,000
William D. Burton	**-**	4,000
Michael W. Hitch	**-**	3,767
	51,795	104,325

8. Related party transactions (continued)

(j) On November 1, 2006, the Company entered into a consulting agreement with DRW Geological Consultants Ltd. ("DRW"), a company controlled by David R. Webb, President and Chief Executive Officer 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 $12,000. In addition, DRW is also reimbursed for expenses incurred in connection with providing services to the Company.

(k) On November 1, 2006, the Company entered into a consulting agreement with Roger's Drilling Services Inc. ("RDS"), a company controlled by Roger G. 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 $11,000. In addition, RDS is also reimbursed for expenses incurred in connection with providing services to the Company.

(l) On November 1, 2006, the Company entered into a consulting agreement with Lorne B. Anderson, the Chief Financial Officer of the Company, to provide consulting services to the Company. Pursuant to the terms of this agreement, Mr. Lorne B. Anderson is paid a monthly fee of $6,000. In addition, Lorne B. Anderson is also reimbursed for expenses incurred in connection with providing services to the Company.

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:

	2006	2005
	$	$
Statutory tax rate	**34.12%**	35.62%
Recovery relating to income taxes computed at standard rates	**738,075**	534,403
Non-deductible stock-based compensation	**(377,332)**	(171,512)
Tax benefit not recognized in prior year	**734,515**	1,425,678
	1,095,258	1,788,569

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

	2006	2005
	$	$
Net operating loss carryforwards	**1,550,264**	1,190,137
Unutilized exploration expenditures	**225,942**	975,867
Capital assets	**391,575**	130,597
	2,167,781	2,296,601
Less: Valuation allowance	**(2,167,781)**	(2,296,601)
	-	-

9. Income taxes (continued)

At November 30, 2006, the Company has available losses that may be carried forward to apply against future income for tax purposes as follows:

Expiry date	Amount
	$
2007	282,555
2008	183,117
2009	30,587
2010	558,436
2011	916,618
2015	1,292,390
2026	786,116

The exploration expenditures funded by the 2005 flow through share issuances were renounced for tax purposes in fiscal 2006. The renouncement has resulted in a $1,095,258 (2005 - $1,788,569) 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.

10. Investor relations

	2006	2005
	$	$
Shows and conventions	**81,098**	78,624
Consultants' fees and expenses	**57,085**	67,024
Travel	**53,466**	134,752
Annual general meeting	**33,714**	31,744
Meals and entertainment	**14,611**	9,692
Advertising	**13,562**	12,976
Materials	**10,777**	25,886
Telephone	**7,166**	7,521
Subscriptions and dues	**4,429**	8,027
News releases	**3,630**	2,605
Other	**1,063**	1,052
	280,601	379,903

11. Commitments

(a) The Company entered into a lease agreement for premises for a term of five years ending May 31, 2006. On June 1, 2005, the Company renewed and amended the lease agreement for a further term of three years ending May 31, 2009. The aggregate minimum future annual rentals under the lease for years ended November 30, including utilities, are as follows:

	$
2007	51,883
2008	51,883
2009	30,265

(b) Annual lease payments of $15,650 are required to keep the Company's mining properties for the Yellowknife Gold Project in good standing.

(c) A non-refundable advance net smelter royalty of US$20,000 is payable yearly, as described in Notes 6 (a) and 8 (b).

12. Guarantees

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

(a) The Company entered into indemnity agreements with its directors/officers. Under the agreements, 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 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.

13. Subsequent events

On December 21, 2006, the Company issued a total of 3,650,000 units at a price of $0.55, for gross proceeds of $2,007,500. Each unit consists of one common share, which has been designated as a flow through share and one half of one common share purchase warrant. Each whole warrant is exercisable to acquire a further common share on or before December 21, 2007 at $0.65 per share. The agent received (i) a cash commission of $132,055 and (ii) warrants to acquire up to 255,500 common shares at a price of $0.51 per share for a period of twelve months expiring December 21, 2007. David Webb, President and CEO, participated in this private placement for 50,000 units.

Subsequent to November 30, 2006, gross proceeds of $560,000 have been received from the exercise of 1,610,000 warrants at $0.15 and 1,137,500 warrants at $0.28.

13. Subsequent events (continued)

The Company acquired two new claim groups adjacent to and contiguous with its BigSky project. The Ken claims have been acquired for $13,500 with a 2% net smelter royalty, one half of which can be purchased by the Company for $500,000 any time. The Blue claims have been optioned through the issuance of 60,000 shares, price to be determined and upon TSX Venture Exchange approval.

The Company has also acquired another claim that will become part of an option agreement relating to the Goodwin Lake property. The cost to stake this additional claim and other prospecting costs will be paid to the prospector; no other payments are required.

A single claim with total acquisition costs approximating $2,500 at November 30, 2006, originally included as part of the BigSky Property, will be reclassified to form part of the Clan Lake Property.

MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2006

The following is a discussion and analysis of the consolidated financial condition and operating results of Tyhee Development Corp. (the "Company") for the year ended November 30, 2006.

Some of the statements set forth are forward-looking statements relating to the Company's expected future operating results based on the information available to the Company at February 9, 2007. These forward–looking statements are subject to a variety of risks, uncertainties and other factors including, but not limited to, changes in government legislation, regulations and corporate assumptions. The actual results may vary from the results anticipated in these statements. The effective date of this report is February 9, 2007.

Description of Business

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

All properties and licenses are owned by Tyhee NWT Corp., a wholly-owned subsidiary of Tyhee Development Corp.

Yellowknife Gold Project

The Yellowknife Gold Project is located 90 kilometres north of Yellowknife, Northwest Territories, 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 a director and officer of the Company. In the current year, a new 862.6 acre claim was staked and added to the existing leases on the Yellowknife Gold Project.

A total resource, for the Yellowknife Gold Project, of 7.26 million tonnes (measured and indicated) grading 3.99 grams of gold per tonne containing 932 thousand ounces of gold at a cut-off of 1.25 grams per tonne was reported on December 21, 2006. An additional 4.49 million tonnes is estimated as an inferred resource, grading 3.42 grams per tonne gold containing 493,000 ounces of gold. The gold resource was calculated by independent consultants in compliance with National Instrument 43-101. Insufficient engineering work has been completed to determine whether the resource is economically mineable and if so, which would be the best method of extraction. An economic evaluation, is currently underway that may incorporate some of the inferred resource, and therefore must be referred to as a preliminary economic evaluation under National Instrument 43-101.

MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2006

Gold Resource

Table 1: Yellowknife Gold Project

Resource Category	Ormsby Zone	Nicholas Main Zone	Bruce Zone	West Zone	Total Resource
Measured					
Tonnes	2,477,000	96,000			**2,573,000**
Grade, Gold gpt	3.20	8.60			**3.41**
Ounces, Gold	255,000	27,000			**282,000**
Indicated					
Tonnes	3,417,000	1,013,000		255,000	**4,685,000**
Grade, Gold gpt	3.74	6.70		2.66	**4.31**
Ounces, Gold	410,000	218,000		22,000	**650,000**
Measured and Indicated					
Tonnes	5,894,000	1,109,000		255,000	**7,258,000**
Grade, Gold gpt	3.51	6.87		2.66	**3.99**
Ounces, Gold	665,000	245,000		22,000	**932,000**
Inferred					
Tonnes	3,233,000	554,000	244,000	458,000	**4,489,000**
Grade, Gold gpt	3.11	5.57	4.77	2.32	**3.42**
Ounces, Gold	323,000	99,000	37,000	34,000	**493,000**

Ormsby, Bruce and West Zones use an ID2 estimate using a 1.25 gpt cut-off, 60 gpt top cut. The search ellipsoid having 30, 60, and 93 metre axes were used in the estimate by Pratico, and Moffett. Nicholas Lake Main Zone is reported by Dupre and Giroux (2003) and restated by Bullis et al. (2006) using a 1.5 metre minimum mining width, a 2.5 gpt cut-off, 96 gpt top cut, using ordinary kriging estimation.

The full National Instrument 43-101 report is available on www.sedar.com

A revised resource estimate was prepared in 2006 to accommodate additional diamond drill information and all previously reported data. The Company has concentrated its efforts on a potentially open pit mineable resource. Further revisions are expected from ongoing exploration and development work.

MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2006

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 tonnes of ore occurred from the Discovery Main Zone between 1949 and 1969. Mineralization remains open to depth below the shaft bottom at 1,235 metres. The Ormsby Zone, located two kilometres southwest of the Discovery Main Zone, was partially developed by Ormsby Mines Ltd. in the 1950's. The Company has been focusing its recent exploration in the area between the Ormsby Zone and the Discovery Main Zone. Additional exploration targets tested this year include the Typhoon Zone, north of the Discovery Main Zone. Gold mineralization also occurs at the Nicholas Lake Main Zone, eight kilometres northeast of the Ormsby Zone.

Exploration since the mid 1990's has focused on a different form of mineralization in the Ormsby Zone that had previously not been recognized. By December 1, 2006, approximately 424 diamond drillholes totalling more than 99,000 metres, exclusive of Nicholas Lake, had been completed since the mid 1990's, expanding the known resource on the properties.

Additional untested potential occurs to depth and along strike of the Ormsby and Nicholas Lake Main Zones where gold values have been found. Two underground exploration programs, one completed in December 2004 and the second completed in September 2005, on the Ormsby Zone exposed mineralization that improved the 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 development muck is on surface.

Gold mineralization at the Ormsby Zone is found within a hydrothermal breccia, which occurs within the Discovery Shear Zone. This shear zone has been traced for over three kilometres across the properties. The brecciated metavolcanic rocks encompassing the quartz veins have been sulphidized, with the introduction of various concentrations of gold, carbonate, biotite, garnet, and sulphides. Individual mineralized domains are subparallel and may coalesce to form larger zones. Elsewhere in the Discovery Shear Zone, similar mineralization has been identified at the West Zone and Bruce Lake Zone.

Gold mineralization at 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. Subsequent to the end of the year, assay results received indicate that the intervening material between the quartz veins may be sufficiently mineralized and that the quartz veins may be sufficiently close together to support a bulk mineable target. Work has commenced to confirm this.

MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2006

Quarter in Review

The Company is pleased with the progress to date on the Yellowknife Gold Project**.** The Company previously submitted its Project Description Report (2005) to the regulatory authorities, applying for permits to construct and operate a mine and mill complex on the property. Scoping sessions were held, and the final Terms of Reference and Final Work Plan have been received. The component reports are being drafted, and the final site and mining plans are awaiting the preliminary economic evaluation.

The Company continues to diamond drill from surface, and to work to identify resources outside of the established Ormsby Zone resource. The Company presently has two diamond drills operating on the property.

In the last fiscal quarter of 2006, the Company staked the BigSky Property located 17 kilometres north of Yellowknife, Northwest Territories, Canada consisting of 18,721 acres. Acquisition costs have only included staking and other prospectors' expenses for a total of $27,758 to date. Some initial exploration work has been carried out.

The Company also has optioned the Goodwin Lake Property located 50 kilometres north of Yellowknife, Northwest Territories, Canada covering approximately 1,136.3 acres for 85,000 common shares of the Company, payable over a two-year period for a gross value of $34,850. The Optionor will retain a 2% net smelter returns royalty, half of which may be purchased by the Company for $1 million. The first 35,000 shares were issued upon TSX Venture Exchange approval on November 15, 2006.

Ongoing and Future Developments

The Company is working on a preliminary economic evaluation to ascertain the economic potential of the established resource. Additional exploration and development is ongoing, with surface diamond drilling stepping out from the known resource.

Subsequent to November 30, 2006, the Company has acquired two new claim groups contiguous with its BigSky Project. The Ken Claims have been acquired for $13,500. The Prospector retains a 2% net smelter royalty, one half of which may be purchased for $500,000 any time. The Blue Claims have been optioned from an arms-length Yellowknife-based prospector through the issuance of 60,000 shares, price to be determined upon TSX Venture Exchange approval.

The Company also acquired a single claim that will become part of the option agreement relating to the Goodwin Property (described above). There will be no additional costs, other than staking costs for this addition.

A single claim with total acquisition costs approximating $2,500 at November 30, 2006, originally included as part of the BigSky Property will be reclassified to form part of the Clan Lake Property.

Ongoing and Future Developments (continued)

The Company continues to focus on the potential of its existing claims, the acquisition of claims immediately adjacent to the Yellowknife Gold Project, and other properties in the Yellowknife Greenstone Belt. Additional opportunities for exploration and development are considered on a case by case basis.

Changes in Management and Board

No changes at the management or board level have occurred in the current fiscal year.

Discussion of Operations and Financial Condition

Overall Performance and Results of Operations

The Company incurred a net loss of $1,069,186 for the year ended November 30, 2006 compared to net income of $288,280 for the year ended November 30, 2005.

An income tax recovery of $1,095,258 was recorded for the year ended November 30, 2006 compared to an income tax recovery of $1,788,569 recorded for the year ended November 30, 2005. Income tax recoveries were recognized in both years due to the renouncement of flow through expenditures that caused a recognition of the income tax benefit that had previously been subject to a valuation allowance. Excluding the income tax recovery, the loss before income taxes for the year ended November 30, 2006 was $2,164,444 compared to loss before income taxes of $1,500,289 for the year ended November 30, 2005. The higher loss before income taxes in the current year is mainly attributed to an increase in stock based compensation expense (details provided below).

Other Income has increased by $63,862 in the current year. Interest earned on term deposits and bank accounts during the year ended November 30, 2006 was $68,754 compared to $28,322 for the year ended November 30, 2005. The Company also recognized a foreign exchange gain of $36,392 during the current year upon conversion of US dollars to Canadian dollars.

Administrative expenses were $2,266,209 for the year ended November 30, 2006 compared to $1,538,192 for the year ended November 30, 2005. Material variations can be explained as follows:

- Stock based compensation expense of $1,105,897 was recorded at November 30, 2006 compared to $481,506 recorded at November 30, 2005.
- Consulting fees at November 30, 2006 were $256,250 compared to $190,113 at November 30, 2005. The increase is mainly due to the addition of consulting fees for the Company's Chief Financial Officer, who joined the Company in May 2005 and the inclusion of bonuses paid to management for fiscal 2006.
- Amortization expense was $259,949 at November 30, 2006 compared to $134,689 at November 30, 2005. Amortization has increased in the current period due to fixed asset purchases in 2005 and in the current year to support ongoing operations on the Yellowknife Gold Project.

Overall Performance and Results of Operations (continued)

- Professional fees have increased in the current year by $12,810 due to higher legal fees as a result of an increase in the number of financings in the current year and general corporate expenses have increased by $9,597 due to higher insurance costs, TSX fees, and other office costs.

- Rent increased by $7,447 due to an expansion of head office space and transfer agent costs have increased by $6,944 due to increased financings and warrant exercises during the current year.

- Investor relations costs were $280,601 at November 30, 2006 compared to $379,903 at November 30, 2005. These costs have decreased in the current year as a result of decreased travel relating to investor relations and financing tours, and decreased materials costs.

- Salaries and benefits decreased by $25,300 due to a decrease in the number of independent directors being paid directors fees and the reduction of temporary office staff during the first part of the current year.

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

	November 30, 2006	November 30, 2005	November 30, 2004
Net earnings (loss)	$ (1,069,186)	$ 288,280	$ (449,283)
Earnings (loss) per share	(0.01)	0.01	(0.02)
Total assets	28,775,137	21,292,257	15,933,092
Total liabilities	456,860	2,040,306	1,925,780
Working capital (deficiency)	3,328,473	(480,754)	3,965,765

The Company does not produce any revenues and has generally incurred losses; the net income realized in 2005 is the result of a higher income tax recovery recorded in that year. Higher stock based compensation expense has contributed to the higher net loss in 2006. The Company's project has advanced and is reflected in the steady increase in total assets over the last three years. Total liabilities in each of the three consecutive years consists of current accounts payable and accrued liabilities, and includes an estimated asset retirement obligation of $115,000 in 2006 and $75,000 in 2005. The Company has a positive working capital position for the year ended 2006; the working capital deficiency at November 30, 2005 reflects a position immediately subsequent to the completion of an aggressive underground program and although, funds were raised subsequent to November 30, 2005, the Company's position at November 30, 2005 was a temporary working capital deficiency.

Overall Performance and Results of Operations (continued)

Summary of Quarterly Results

Period Ended	2006 Nov 30	2006 Aug 31	2006 May 31	2006 Feb 28	2005 Nov 30	2005 Aug 31	2005 May 31	2005 Feb 28
Other income (expenses)	32,525	64,976	4,432	(168)	(125,889)	33,988	138,632	11,591
Net earnings (loss)	(891,121)	(236,951)	(877,340)	936,226	(425,874)	(179,000)	(626,992)	1,520,146
Earnings (loss) per share	(0.01)	(0.00)	(0.01)	0.01	(0.01)	(0.00)	(0.01)	0.04
Earnings (loss) per share, fully diluted	(0.01)	(0.00)	(0.01)	0.01	(0.01)	(0.00)	(0.01)	0.03

With the exception of the two quarters ending February 28, 2006 and February 28, 2005, the Company has generally incurred net losses. For the quarters ending February 28, 2006 and February 28, 2005, income tax recoveries of $1,095,258 and $1,788,569, respectively, were recorded due to the benefit recognition of tax losses from the tax effect of issuing flow through shares. The positive earnings for those two quarters were a result of this recovery. The net losses for the quarters ending May 31, 2005, May 31, 2006 and November 30, 2006 were mainly due to stock based compensation expense recorded during those quarters.

Fourth Quarter

During the fourth quarter of 2006, the Company continued its surface drill program and expended approximately $1,500,000 on exploration.

As shown in the table above, the Company incurred a net loss of $891,121. This loss is mainly due to stock based compensation expense of $515,492 recorded in the fourth quarter relating to the October 2006 stock option grant. Consulting fees were higher by approximately $40,000 for the three months ended November 30, 2006 in comparison with the three months ended November 30, 2005, due to the inclusion of management bonuses for 2006. Professional fees were higher by approximately $12,000 in the fourth quarter of 2006 compared with the fourth quarter of 2005 due to higher legal fees as a result of increased financings.

Investor relations consulting fees and the cost of shows and conferences increased by $9,500 and $14,373 respectively in the fourth quarter of 2006 over the previous year as a result of higher fees due to an expanded investor relations consultant group and due to the addition of the Toronto Cambridge show to the portfolio of shows attended. These costs were more than offset by a reduction in travel by $51,677 in the three month period ended November 30, 2006 compared with the three month period ended November 30, 2005 due to decreased financing tours in the fourth quarter of the current year.

In the fourth quarter of 2005, revenue from the rental of camp was reallocated and credited against exploration properties; as a result, other income was higher by approximately $155,000 in the fourth quarter of 2006.

The Company received approximately $1,250,000 from the exercise of warrants and $63,000 from the exercise of options in the fourth quarter of 2006. The Company also issued 35,000 common shares with a gross value of $14,350 for the partial payment of the acquisition of the Goodwin Lake Property.

MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2006

Liquidity and Solvency

The Company completed eleven private placements during the year ended November 30, 2006. 45,529,522 shares were issued that provided the Company with $8,413,320 in net cash proceeds. Details of the issues are discussed in Note 7 of the consolidated financial statements at November 30, 2006. TSX Venture Exchange approval was received for all of these financings.

Subsequent to year-end, on December 21, 2006, the Company issued a total of 3,650,000 units at a price of $0.55 per unit, for gross proceeds of $2,007,500. Details of the issue are shown in Note 13 of the consolidated financial statements at November 30, 2006.

Net proceeds of $2,592,113 was received from the exercise of 10,873,234 warrants during the year ended November 30, 2006 and a further $560,000 was received from the exercise of 2,747,500 warrants subsequent to November 30, 2006. In addition, the Company received net proceeds of $73,170 from the exercise of 350,000 options for the year ended November 30, 2006.

In June and July of the current year, $1,729,000 was raised through flow through financings. The Company has expended these funds on surface exploration, as required under the flow through agreements. Subsequent to year-end, a further $2,007,500 was raised through flow through financing. This latter financing will be renounced to the investors in 2007; the expenditures from this financing will be incurred in 2007, using the look-back flow through tax rule.

In 2005, a total of $3,210,020 was raised through flow through financings. All of these funds were spent on exploration programs, as intended and have been renounced to the flow through investors for tax purposes in the current year.

At November 30, 2006, the Company had cash and cash equivalents of $2,963,569 compared to $778,520 at November 30, 2005. The Company had a working capital position of $3,328,473 at November 30, 2006 compared to a working capital deficiency of $480,754 at November 30, 2005.

For the years ended November 30, 2006 and November 30, 2005, cash used in operations was $2,421,688 and $735,838, respectively.

The Company's investing activities are mainly additions to exploration properties and purchase of fixed assets. Expenditures on exploration properties of $5,078,650 were incurred and fixed assets totalling $428,431 were purchased during the year ended November 30, 2006. In 2005, expenditures on exploration properties of $8,747,689 were incurred and fixed assets totalling $781,002 were purchased.

Cash on hand at November 30, 2005 of $778,520 and net proceeds of $7,383,938 (net of subscriptions of $1,028,080 received at November 30, 2005 for shares issued subsequent to November 30, 2005, and the cancellation of escrow shares valued at $1,302) from private placements and $2,665,283 from the exercise of warrants and options during the year ended November 30, 2006 were used for: exploration expenditures of $5,078,650, fixed asset purchases of $428,431, acquisition of an exploration property and royalty payment of $56,705, and the balance for working capital requirements.

Liquidity and Solvency (continued)

Cash on hand at November 30, 2006 and the funds received subsequent to November 30, 2006 from warrant exercises will be used to complete the Company's 2007 surface exploration program, for further engineering and permitting work, and for general corporate purposes.

The source of funds for continued operations is through the issuance of equity securities and the exercise of warrants and options. The Company will continue to require additional financings for further advancement.

Financial Risks and Uncertainties

Future financings cannot be guaranteed as external factors are beyond the control of management and development results cannot be assured. The Company does not have any operating revenues and does not anticipate any operating revenues until it is able to place a profitable mining operation into production. Share price, general market conditions and commodity prices may affect investor preferences and interest in resource properties and the development of, and production from the Company's properties. These factors may adversely affect the company's ability to raise capital to acquire, explore and develop its properties.

Substantial funding is required to advance the Yellowknife Gold Project. The funds raised through the issuance of equity securities, will reduce the percentage ownership of current shareholders and such equity securities may have rights, preferences, or privileges senior to those of the holders of the Company's common stock. No assurance can be given that additional financing will be available, or that it can be obtained on terms acceptable to the Company and its shareholders.

Operational Risks and Uncertainties

Operations are still at an advanced exploration stage and while there are positive results, there is no assurance that the 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.

The federal government is settling native land claim issues throughout Canada, and the Yellowknife Gold Project area lies within an area subject to native land claims. Agreements between the federal government and native groups may affect title, licensing, and access, and impose operational structures not currently contemplated.

Access to the winter road and all-weather airstrip is determined during the permitting process. Due to environmental concerns, these are seen as sensitive issues by the affected communities and the licensing authorities. It cannot be guaranteed that access will be permitted, or if permitted, that access will continue in the future. The Company also relies on winter road access for moving most of the heavy equipment and bulk supplies. The establishment of the winter road is weather dependent and available for only a short period. Missing the winter road season for any reason could delay development plans.

Operational Risks and Uncertainties (continued)

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.

The Company is dependent on its employees and contractors to carry out operations, as planned. The mining business is intensely competitive and skillful; qualified individuals may not be as readily available due to the cyclical nature of the industry. 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, 2006, an aggregate of $267,000 (2005; $227,525) was paid to private companies owned by the President & CEO and Executive Vice-President for consulting services. Directors' fees of $36,000 (2005: $57,307) were paid to the independent directors of the Company at November 30, 2006. (See Note 8 of the consolidated financial statements for the year ended November 30, 2006). Related party transactions are measured at the exchange amounts, which is their fair value as agreed between management and the related parties.

On November 1, 2006, the Company entered into a consulting agreement with DRW Geological Consultants Ltd., ("DRW"), a company controlled by David R. Webb, President and CEO 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 $12,000. In addition, DRW is also reimbursed for expenses incurred in connection with providing services to the Company.

On November 1, 2006, the Company entered into a consulting agreement with Roger's Drilling Services Inc. ("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 $11,000. In addition, RDS is also reimbursed for expenses incurred in connection with providing services to the Company.

On November 1, 2006, the Company entered into a consulting agreement with Lorne B. Anderson, the Chief Financial Officer of the Company, to provide consulting services to the Company. Pursuant to the terms of this agreement, Mr. Lorne B. Anderson is paid a monthly fee of $6,000. In addition, Lorne B. Anderson is also reimbursed for expenses incurred in connection with providing services to the Company.

The Company also entered into the following related party transactions:

An amount of $73,000 (2005: $35,000) was paid in consulting fees to an officer of the Company.

An amount of $98,631 (2005: $89,008) was paid in legal fees to a legal firm of which a partner is an officer of the Company.

Related Party Transactions (continued)

An advance net smelter royalty payment of $22,777 (US$20,000) was paid to the President and CEO of the Company in accordance with a net smelter return royalty agreement on the Yellowknife Gold Project.

On March 21, 2006, the Company granted 4,656,500 new options, of which 3,841,500 were to directors and officers. These options can be exercised at $0.21 and have an expiry date of March 21, 2011.

On October 25, 2006, the Company granted 2,100,000 new options, of which 1,640,000 were to directors and officers. These options can be exercised at $0.42 and have an expiry date of October 25, 2011.

Of the 13,817,333 units issued on December 1, 2005 at a price of $0.12 per unit, Dave Nickerson, a director of the Company, purchased 42,000 units and Lorne B. Anderson, the Chief Financial Officer of the Company, purchased 75,000 units.

Of the 1,637,500 units issued on January 19, 2006 at a price of $0.16 per unit, Lorne B. Anderson, the Chief Financial Officer of the Company, purchased 75,000 units and DRW Geological Consultants Ltd., a company wholly-owned by David R. Webb purchased 42,000 units.

Of the 310,625 shares issued on July 17, 2006 at $0.32, Dave Nickerson, Director of the Company, purchased 15,000 shares, Lorne B. Anderson, Chief Financial Officer, purchased 100,000 shares, Roger Sylvestre, Executive Vice-President, purchased 50,000 shares, David Webb, President & CEO, purchased 50,000 shares, and Cory Kent, the Company's Corporate Secretary, purchased 15,625 shares. The balance was purchased by the spouses of the executives.

Subsequent to year-end, of the 3,650,000 units issued at $0.55 on December 21, 2006, David Webb, President and CEO of the Company, purchased 50,000 units.

Investor Relations

In April 2006, Equicom Group Inc. ("Equicom") was engaged to provide strategic communications support to the Company for an initial six month term at $6,500 per month. The Company has continued with Equicom's services on a month-to-month basis. The Company has also retained Axiom Consulting Corp. ("Axiom") as a Corporate Development consultant, to assist the Company in advancing its corporate objectives for a fee of $500 per month, renewable on a month to month basis. On May 1, 2006, Axiom was granted 750,000 options with 250,000 options exercisable at $0.34 and 500,000 options exercisable at $0.35 to vest over a four month period. On October 25, 2006, a further 100,000 options were granted with 50,000 options exercisable at $0.42 and 50,000 options exercisable at $0.50. All options have a four month hold period. External advisory services are also sought on an "as needed" basis for services relating to marketing strategies for advertising and trade shows.

Guarantees and Commitments

See Note 11 and Note 12 of the consolidated financial statements for the year ended November 30, 2006 outlining the contractual commitments and guarantees provided to third parties.

Financial Instruments

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

Disclosure for Venture Issuers Without Significant Revenue

See Note 6 of the consolidated financial statements for the year ended November 30, 2006 for detail of the exploration and development costs.

An analysis of administrative expenses is provided in the statement of operations and deficit in the consolidated financial statements for the years ended November 30, 2006 and November 30, 2005.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Management is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company. Based on an evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this Management Discussion and Analysis, management believes such controls and procedures are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner. Management has designed the internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

Outstanding Share Data

The Company has authorized an unlimited number of common shares without par value. At February 9, 2007, 121,397,299 common shares were issued and outstanding. There is no other class or series of voting or equity securities. There are a maximum number of 32,138,333 warrants outstanding which can be converted into 32,138,333 common shares and 10,475,100 options outstanding which can be converted into 10,475,100 common shares. At February 9, 2007, there are 164,010,732 fully diluted common shares outstanding.

Additional Information

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