



MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2007

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, 2007.

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 March 7, 2008. 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 March 7, 2008.

Description of Business

Tyhee Development Corp. is an advanced 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 was purchased in 2001 for cash and royalties. It remains subject to a net smelter royalty held by the President and Chief Executive Officer of the Company. Two additional claims have been acquired by staking and have been added to the Yellowknife Gold Project.

A total resource, for the Yellowknife Gold Project, of 9.60 million tonnes (measured and indicated) grading 3.90 grams of gold per tonne containing 1,203,000 ounces of gold (at a cut-off of 1.25 grams per tonne for the Ormsby Zone, and a cut-off of 2.5 grams per tonne for the Nicholas Lake Zone) was reported on June 20, 2007. An additional 3.22 million tonnes is estimated as an inferred resource, grading 3.41 grams per tonne gold containing 353,000 ounces of gold. The gold resource was calculated in compliance with National Instrument 43-101. An economic evaluation is currently underway.



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Gold Resource

Revised resource, June 2007.

Category	Ormsby	Nicholas	Bruce	Total
	Zone	Lake Zone	Zone	Resource
Measured				
Tonnes	2,617,000	96,000		2,713,000
Gold grade, gpt	3.38	8.60		3.57
Ounces of gold	284,000	27,000		311,000
Indicated				
Tonnes	5,620,000	1,013,000	252,000	6,885,000
Gold grade, gpt	3.61	6.70	2.68	4.03
Ounces of gold	652,000	218,000	22,000	892,000
Measured plus Indicated				
Tonnes	8,237,000	1,109,000	252,000	9,598,000
Gold grade, gpt	3.53	6.87	2.68	3.90
Ounces of gold	936,000	245,000	22,000	1,203,000
Inferred				
Tonnes	2,004,000	554,000	661,000	3,219,000
Gold grade, gpt	3.02	5.57	2.79	3.41
Ounces of gold	195,000	99,000	59,000	353,000

Ormsby and Bruce Lake Zones use an ID² estimate using a 1.25 gpt cut-off and a 100 gpt top cut. A search ellipsoid having 30, 60, and 90 metre axes were used in this estimate, in two passes. The first pass considers data inside a silicified domain, and the second pass considers data outside of the silicified domain. All Ormsby data is constrained to a geologically defined solids model. Nicholas Lake Main Zone is reported by Dupre and Giroux (2003) using a 1.5 metre minimum mining width, a 2.5 gpt cut-off, 96 gpt top cut, using ordinary kriging estimation

The revised resource estimate, reported on June 20, 2007 and summarized above, was prepared 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.



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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. Gold mineralization also occurs at the Nicholas Lake 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 April 2007, approximately 477 diamond drillholes totalling more than 100,000 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 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 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 Zone. Additional mineralization is identified at the MacAskill Zone, the East Zone, and the Teapot Zone. The Nicholas Lake 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 Nicholas Lake Zone occurs within auriferous quartz veins transecting metasedimentary or metaintrusive rocks. The Nicholas Lake 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. Assay results received during the year indicate that the intervening material and the quartz veins may be sufficiently mineralized and close together to support a bulk mineable target.

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.



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Year in Review

The Company is pleased with the progress to date on the Yellowknife Gold Project.

In the year ended 2007, the Company focused on the resampling program of the Nicholas Lake Zone diamond drill core. The Yellowknife Gold Camp has been operating with 42 personnel on site, involved in drilling, sampling, rock crushing, a contract laboratory operation and logistical support.

The Company had two diamond drills operating on the property for most of the year and continues to drill with one drill from surface to identify resources outside of the established Ormsby Zone resource. Results continue to be as expected in and around the Ormsby Zone.

All of the Nicholas Lake drill core was relocated to the Yellowknife Gold Project's main camp and relogging and sampling was completed in September. The results indicate bulk-mineable potential and have identified previously unrecognized tungsten values. Work continues to assess the potential of the Nicholas Lake Zone.

Surface exploration on the Teapot Zone, 4.8 kilometres south of the Nicholas Lake Zone confirmed the location and size of the showing, and identified the presence of tungsten mineralization in addition to the gold mineralization already known. Four diamond drill holes have been completed and results returned low gold and tungsten values.

The Goodwin Lake Property was acquired by option and staking (fiscal 2006), and consists of mineral claims totalling 722 hectares (1780 acres). The claims are located 14 kilometres south of the Yellowknife Gold Project and cover a similar geology as the Ormsby Zone, including gold-bearing mafic igneous breccias. The property also hosts the historic LOG showing where government assessment records report a trench sample 2.1 metres long grading 181.4 grams of gold per tonne (McConnell and Parker, 1964). Tyhee confirmed the previously reported geology, identified an area of gold mineralization at the Vad Zone, and subsequent to the end of the year completed four drillholes. Assays reveal broad zones of low-grade gold values with narrow zones of higher-grade values within silicified, sulphidized mafic igneous rocks.

The Clan Lake Property was acquired by staking (fiscal 2006 and 2007) and consists of mineral claims totalling 2370 hectares (5,850 acres). The claims are located 12 kilometres south of the Goodwin Lake Property. It covers favourable metavolcanic and metasedimentary rocks of the Yellowknife Supergroup. Gold mineralization occurs in quartz veins and silicified and sulphidized rocks within volcanic breccias. More than 10,000 metres of diamond drilling have been recorded on the Clan Lake Property over the past 40 years. Additionally, a 1,045-tonne bulk sample from the property taken in the mid-1960's graded 14.5 grams per tonne gold. Tyhee confirmed the previously reported geology, identified an area of gold mineralization at the Nose and 330 Zones, and plans to drill test parts of the property during the first quarter of 2008.

The BigSky Property was acquired by staking (fiscal 2006) and option (fiscal 2007). It consists of mineral claims totalling 8,100 hectares (20,013 acres). The claims adjoin the Giant Yellowknife Mine (past producer of 8 million ounces of gold from 14.5 million tonnes of ore grading 17 grams per tonne) to the south and east, and



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Year in Review (continued)

the Bluefish hydroelectric power plant on the east. The property is underlain by the late stage, highly evolved Duckfish Granite as well as mafic volcanic rocks of the Kam Group and older rocks. The Duckfish Granite is a moderately peralkaline, zoned porphyritic intrusion that contains extensive domains that have been intensely altered and contain gold as well as fluorine, lead, bismuth, antimony, arsenic, silver and tellurium. Initial sampling has identified grab samples containing up to 2.2 grams per tonne gold. Peripheral to the granite, a system of mineralized shear zones extends for a width of 500 metres over a strike length of four kilometres. Individual shear zones have returned grab sample results up to 51.06 grams per tonne gold. Diamond drilling in 1945 and 1946 confirmed mineralization in some of these shear zones, however no follow-up work has been recorded. After year-end, Tyhee completed two diamond drill holes and plans an additional 30 drill holes. Initial diamond drill results confirmed the shear zones to be significantly gold-bearing, with results including 3.0 metres grading 3.209 grams per tonne gold and 2.2 metres grading 3.462 grams per tonne gold (NR S9 R3, February 4, 2008).

Ongoing and Future Developments

The Company is working on a Preliminary Assessment to ascertain the economic potential of the established resource. Delays in completing the revised NI 43-101 resource estimate (released June 20, 2007) and complexities in incorporating a mining plan for the Nicholas Lake Zone postponed the completion of the Preliminary Assessment. Studies are continuing on the Ormsby Zone and Bruce Zones while consultants examine alternatives for the Nicholas Lake Zone. The current resource estimate will be updated to include the 2007 drill program for the Ormsby Zone and the sampling of the Nicholas Lake Zone and the new resource will be used to complete the Preliminary Assessment. Additional exploration and development is ongoing, with surface diamond drilling, stepping out from the known resource.

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 during the current fiscal year.



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Discussion of Operations and Financial Condition

Overall Performance and Results of Operations

The Company incurred a net loss of \$872,286 during year ended November 30, 2007 compared to net loss of \$1,069,186 incurred during the year ended November 30, 2006.

An income tax recovery of \$1,158,848 was recorded for the year ended November 30, 2007 compared to an income tax recovery of \$1,095,258 recorded for the year ended November 30, 2006. 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, 2007 was \$2,031,134 compared to loss before income taxes of \$2,164,444 for the year ended November 30, 2006. Net loss is lower in the current year due to lower administrative expenses, as explained below.

Administrative expenses for the year ended November 30, 2007 were \$460,919 lower than for the year ended November 30, 2006. This difference is mainly a result of stock based compensation expense which decreased by \$689,963 during the year ended November 30, 2007. Stock based compensation decreased due to fewer stock option grants in the current year. Certain expenses increased during the year;

- Investor relations costs increased by \$152,799 that is attributed to:
 - (i) Travel expenses increased by \$45,865. These costs have risen due to increased investor relations and financing tours in the current year.
 - (ii) The Company increased its presence at shows and conventions and therefore, costs increased by \$31,557.
 - (iii) Consultants' fees and expenses increased by \$27,280. These expenses are higher in the current year due to the Company's engagement of an investor relations firm and other external advisory services to provide the Company with strategic communications support services and to increase its visibility. The Company did not retain any external investor relations or other advisory services during the first four months of fiscal 2006.
 - (iv) Greater efforts to increase visibility from increased advertising and wider dissemination of news releases has increased costs in the following two categories. Advertising and news release costs, combined, increased \$38,747. Costs of materials have also increased by \$10,634 in the current year.
- Salaries and benefits have increased by \$40,292 due to an increase in administrative staff.



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Overall Performance and Results of Operations (continued)

Other expenses included a write-off of exploration properties in the amount of \$316,824 of which \$314,999 relates to the Longtom Property (see Fourth Quarter section below for further details). This was partially offset by an increase to interest income of \$37,520 over the prior fiscal year.

The Company expanded its surface exploration program in the current year with exploration expenditures at November 30, 2007 exceeding those at November 30, 2006, by \$1,731,400.

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

	November 30, 2007	November 30, 2006	November 30, 2005
Net earnings (loss)	\$ (872,286)	\$ (1,069,186)	\$ 288,280
Earnings (loss) per share	(0.01)	(0.01)	0.01
Total assets	37,662,492	28,775,137	21,292,257
Total liabilities	1,018,863	456,860	2,040,306
Working capital (deficiency)	3,162,034	3,328,473	(480,754)

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 \$200,000 in 2007, \$115,000 in 2006 and \$75,000 in 2005. The Company had positive working capital positions for the years ended 2007 and 2006; the working capital deficiency at November 30, 2005 reflected a position immediately subsequent to the completion of an aggressive underground program and although funds were raised after November 30, 2005, the Company's position at November 30, 2005 was a temporary working capital deficiency.

Summary of Quarterly Results

Period Ended	2007 Nov 30	2007 Aug 31	2007 May 31	2007 Feb 28	2006 Nov 30	2006 Aug 31	2006 May 31	2006 Feb 28
Other income (expenses)	(294,260)	(1,119)	43,122	26,413	32,525	64,976	4,432	(168)
Net earnings (loss)	(362,189)	(840,510)	(353,123)	683,536	(891,121)	(236,951)	(877,340)	936,226
Earnings (loss) per share	(0.01)	(0.00)	(0.00)	0.00	(0.01)	(0.00)	(0.01)	0.01
Earnings (loss) per share, fully diluted	(0.01)	(0.00)	(0.00)	0.00	(0.01)	(0.00)	(0.01)	0.01



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Overall Performance and Results of Operations (continued)

With the exception of the two quarters ending February 28, 2007 and February 28, 2006, the Company has generally incurred net losses. For the quarters ending February 28, 2007 and February 28, 2006, income tax recoveries of \$1,296,389 and \$1,143,409 (restated to \$1,095,258 at November 30, 2006), 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 these recoveries. The net losses for the quarters ending August 31, 2007, November 30, 2006 and May 31, 2006 were mainly due to stock based compensation expenses being recorded during those quarters.

Fourth Quarter

During the fourth quarter of 2007, the Company continued its surface drill program and expended approximately \$2,500,000 on exploration.

The Company decided to write down the Longtom Property to one dollar (write off of \$314,999), as there had been little work performed on the property to November 30, 2007; there is no date specified in the agreement with Alberta Star Development Corp. dated November 14, 2002 as to when the exploration expenditures have to be incurred, and the purchaser has not advised the Company of its intention to complete the purchase.

As shown in the table above, the Company incurred a net loss of \$362,189. This loss is mainly due to the write off of exploration properties, as described above. In the fourth quarter of 2006, the Company recorded stock based compensation of \$515,492. In the fourth quarter of 2007, an amount of \$7,157 was recorded for stock based compensation for vested options that were granted earlier in the year.

The Company received gross proceeds of approximately \$4,200,000 from private placements, \$1,500,000 from the exercise of warrants and \$89,000 from the exercise of options in the fourth quarter of 2007. The Company also issued 25,000 common shares with a gross value of \$10,250 as partial payment for the acquisition of the Goodwin Lake Property.

Liquidity and Solvency

During the year ended November 30, 2007, total net proceeds of \$6,575,899 were received from private placements. In addition, net proceeds of \$3,234,538 were received from the exercise of 13,510,926 warrants and \$109,665 from the exercise of 524,500 options for the year ended November 30, 2007. These funds and the cash on hand at November 30, 2006 were used for: exploration expenditures, fixed asset purchases, acquisition of exploration properties, and the balance for working capital requirements.

For the year ended November 30, 2007 cash used in operations was \$773,808 compared to cash used in operations of \$861,989 for the year ended November 30, 2006.



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Liquidity and Solvency (continued)

The Company's investing activities are mainly additions to exploration properties and purchase of fixed assets. Expenditures on exploration properties of \$8,329,749 were incurred and fixed assets totalling \$193,140 were purchased during the year ended November 30, 2007. In 2006, expenditures on exploration properties of \$6,598,349 were incurred and fixed assets totalling \$428,431 were purchased during the same period.

At November 30, 2007, the Company had cash and cash equivalents of \$3,507,332 and a working capital position of \$3,162,034. These funds and new funds received subsequent to November 30, 2007 (detailed below) will be used to continue with the Company's 2008 surface exploration program, for further engineering and permitting work, and for general corporate purposes.

Subsequent to November 30, 2007, total gross proceeds of \$7,499,948 were received from the issuance of 9,999,931 flow-through common shares. The funds raised through flow-through private placements will be expended on exploration programs as required under the flow-through agreements.

Also, subsequent to November 30, 2007, a total of 4,202,812 warrants were exercised for gross proceeds of \$1,974,815.

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 operations and further advancement in exploration.

Accounting Policies

Effective December 1, 2006, the Company adopted CICA Handbook Section 1530, *Comprehensive Income*, CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, CICA Handbook Section 3865, *Hedges*, and CICA Handbook Section 3251, *Equity*. These new Handbook Sections provide comprehensive requirements for the recognition and measurement of financial instruments, transaction costs incurred on financial instruments, as well as standards on when and how hedge accounting may be applied. CICA Handbook Section 1530 also introduces a new component of equity referred to as comprehensive income. The Company has adopted these standards prospectively.

In accordance with this new standard, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held-for-trading, loans and receivables, or other financial liabilities. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available -for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of operations. Transaction costs are expensed as incurred.



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Accounting Policies (continued)

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Deposits are classified as held-to-maturity, and are measured at amortized cost. Accounts payable and accrued liabilities and asset retirement obligations are classified as other liabilities, which are measured at amortized cost.

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. The company had no comprehensive income or loss transactions during the year ended November 30, 2007 and no opening or closing balances for "accumulated comprehensive income or loss", and, therefore, the adoption of the standards noted above had no effect on the presentation of the Company's financial statements.

Recent Accounting Pronouncements

In June 2007, the CICA issued changes to Section 1400, *General Standards of Financial Statement Presentation*. Section 1400 has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. Management shall make an assessment of an entity's ability to continue as a going concern. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern. Section 1400 is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. Earlier adoption is encouraged. The adoption of this standard will have no impact on the Company's operating results or financial position and management expects that there will not be a material impact on the Company's financial statement disclosure.

In December 2006, the CICA issued Section 1535, *Capital Disclosures*. The main features of the new Section are as follows:

- Requirements for an entity to disclose qualitative information and its objectives, policies and processes for managing capital;
- A requirement for an entity to disclose quantitative data about what it regards as capital; and
- A requirement for an entity to disclose whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance.

Section 1535 is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The adoption of this standard will have no impact on the Company's operating results or financial position and the Company is currently assessing the impact the adoption of this standard will have on the Company's financial statement disclosure.

In June 2007, the CICA issued Section 3031, *Inventories*, replacing Section 3030 of the same title. The main



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Recent Accounting Pronouncements (continued)

differences between the two Sections are as follows:

- Measurement of inventories at the lower of cost and net realizable value, with guidance on the determination of cost, including allocation of overhead expenses and other costs to inventory;
- Consistent use (by type of inventory with similar nature and use; specific cost method used for inventories for specific projects are not ordinarily interchangeable) of either first in, first out ("FIFO") or weighted average cost formula to measure the cost of other inventories;
- Reversal of previous write-downs to net realizable value is required when there is a subsequent increase in the value of inventories; and
- The amount of inventories recognized as an expense during the period shall be disclosed in the financial statements.

Section 3031 is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. Earlier adoption is encouraged. The Company expects that the adoption of this standard will not have a material impact on its results of operations.

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.



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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.

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 and environmental policies.

The Company is dependent on its employees and contractors to carry out operations, as planned. The mining business is intensely competitive and skilful, 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, 2007, an aggregate of \$340,680 (2006: \$267,000) was paid to private companies owned by the President and Chief Executive Officer, and Executive Vice-President for consulting services. Directors' fees of \$41,250 (2006: \$36,000) were paid or payable to the independent directors of the Company at November 30, 2007. (See Note 8 of the consolidated financial statements for the year ended November 30, 2007). Related party transactions are measured at the exchange amounts, which is their fair value as agreed between management and the related parties.

The Company also entered into the following related party transactions for the year ended November 30, 2007:

An amount of \$84,960 (2006: \$73,000) was paid in consulting fees to the Chief Financial Officer of the Company.



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Related Party Transactions (continued)

An amount of \$116,603 (2006: \$98,631) was paid in legal fees to a legal firm of which a partner is an officer of the Company.

An advance net smelter royalty payment of \$22,200 (US\$20,000) was paid to the President and Chief Executive Officer of the Company in accordance with a net smelter royalty agreement on the Yellowknife Gold Project.

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.

Of the 188,500 flow through shares issued at \$0.45 on October 1, 2007, Roger Sylvestre, Executive Vice-President, and Lorne Anderson, Chief Financial Officer of the Company, purchased 33,300 and 45,000 flow through shares, respectively.

An extension was granted by the TSX Venture Exchange on 184,100 options with an exercise price of \$0.52, that were set to expire on May 22, 2007. An extension was provided due to a blackout on insider trading. The options were unexercised and deemed to have expired on July 1, 2007.

On June 27, 2007, the Company granted 1,876,000 stock options, of which 1,341,000 were to directors and officers of the Company. The exercise price is \$0.41 and the expiry date is June 27, 2012.

Subsequently, on December 14, 2007, the Company granted 3,276,000 stock options, of which 2,641,000 were to directors and officers of the Company. The exercise price is \$0.58 and the expiry date is December 13, 2012.

Also subsequent to year-end, of the 9,999,931 flow through shares issued at \$0.75 on December 13, 2008, Roger Sylvestre, Executive Vice-President and Lorne Anderson, Chief Financial Officer of the Company, purchased 15,000 and 50,000 flow through shares, respectively.



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Investor Relations

Equicom Group Inc. (“Equicom”) had been engaged since April 2006, to provide strategic communications support to the Company at \$6,500 per month. As of September 22, 2007, the Company modified its agreement to retain Equicom’s services on an “as needed” 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. A total of 850,000 stock options were granted to Axiom in 2006.

In April 2007, the Company contracted Dr. Leanne Baker to provide advisory services and to provide the Company with introductions to capital market opportunities not previously explored. The arrangement is for a twelve month period and the consideration is \$600 per day for each day services are performed for the Company. Dr. Baker was granted 150,000 stock options at an exercise price of \$0.53 with vesting provisions in accordance with the Company’s Stock Option Plan. The Company received TSX Venture Exchange acceptance for the filing of the agreement on May 3, 2007.

Guarantees and Commitments

See Note 12 and Note 13 of the consolidated financial statements for the year ended November 30, 2007 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 7 of the consolidated financial statements for the year ended November 30, 2007 for detail of the exploration and development costs.

An analysis of administrative expenses is provided in the consolidated statements of loss and deficit in the consolidated financial statements for the years ended November 30, 2007 and November 30, 2006.



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Disclosure Controls and Procedures and Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and the Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. It includes those policies and procedures that:

- (i) pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions related to the acquisition, maintenance and dispositions of assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and receipts are recorded and expenditures are incurred only in accordance with authorization of management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on financial statements.

Due to its inherent limitations, internal control over financial reporting may or may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of internal controls over financial reporting, and based on this assessment, management believes that, as of November 30, 2007, internal control over financial reporting was effective.

Outstanding Share Data

The Company has authorized an unlimited number of common shares without par value. At March 7, 2008, 163,677,227 common shares were issued and outstanding, and a further 1,622,000 common shares were subscribed for (paid for, but not issued). There is no other class or series of voting or equity securities. There are a maximum number of 3,741,100 warrants outstanding which can be converted into 3,741,100 common shares and 14,916,000 options outstanding which can be converted into 14,916,000 common shares. At March 7, 2008, there are 183,956,327 fully diluted common shares outstanding.

Additional Information

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

Consolidated financial statements of

Tyhee Development Corp.

November 30, 2007 and 2006

Tyhee Development Corp.

November 30, 2007 and 2006

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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, 2007 and 2006 and the consolidated statements of operations, comprehensive loss, 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, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) Deloitte & Touche LLP

Chartered Accountants
March 7, 2008

Tyhee Development Corp.

Consolidated statements of operations, comprehensive loss and deficit
years ended November 30, 2007 and 2006

	2007	2006
	\$	\$
Administrative expenses		
Investor relations (Note 11)	433,400	280,601
Stock-based compensation	415,934	1,105,897
Consulting	270,040	256,250
Amortization	265,917	259,949
Salaries and benefits	185,976	145,684
General corporate	80,147	59,104
Professional fees	71,460	70,059
Rent	51,731	52,178
Transfer agent and filing fees	15,470	18,444
Travel	8,489	11,225
Telephone	6,726	6,818
	1,805,290	2,266,209
Other expenses (income)		
Interest expense	14,899	2,293
Write-off of exploration properties	316,824	-
Foreign exchange loss (gain)	395	(36,392)
Loss on disposal of fixed assets	-	1,088
Interest income	(106,274)	(68,754)
	225,844	(101,765)
Loss before income taxes	(2,031,134)	(2,164,444)
Income tax recovery (Note 10)	1,158,848	1,095,258
Net loss and comprehensive loss (Note 2)	(872,286)	(1,069,186)
Deficit, beginning of year (Note 3 (m))	(17,130,979)	(16,061,793)
Deficit, end of year	(18,003,265)	(17,130,979)
Loss per share - basic and diluted	(0.01)	(0.01)
Weighted average number of shares outstanding	128,468,477	95,270,613

Tyhee Development Corp.

Consolidated balance sheets

as at November 30, 2007 and 2006

	2007	2006
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	3,507,332	2,963,569
Amounts receivable	150,368	303,678
Inventory (Note 4)	231,650	285,430
Prepaid expenses and advances	91,547	117,656
	3,980,897	3,670,333
Deposits (Note 5)	406,500	412,000
Fixed assets, net of accumulated amortization of \$729,204 (2006 - \$463,286) (Note 6)	838,813	911,590
Exploration properties (Note 7)	32,436,282	23,781,214
	37,662,492	28,775,137
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	818,863	341,860
Asset retirement obligation	200,000	115,000
	1,018,863	456,860
Shareholders' equity		
Share capital		
Authorized		
Unlimited common shares without par value		
Issued (Note 8)		
144,691,279 (2006 - 114,999,799) common shares	52,094,422	43,565,669
Contributed surplus (Note 8)	2,552,472	1,883,587
Deficit (Note 3 (m))	(18,003,265)	(17,130,979)
	36,643,629	28,318,277
	37,662,492	28,775,137

Going concern (Note 1)

Approved by the Directors

(Signed) David R. Webb

David R. Webb, Director

(Signed) Roger G. Sylvestre

Roger G. Sylvestre, Director

Tyhee Development Corp.

Consolidated statements of cash flows

years ended November 30, 2007 and 2006

	2007	2006
	\$	\$
Operating activities		
Net loss	(872,286)	(1,069,186)
Add (deduct) items not affecting cash		
Amortization	265,917	259,949
Income tax recovery	(1,158,848)	(1,095,258)
Stock-based compensation	415,934	1,105,897
Loss on disposal of fixed assets	-	1,088
Write-off of exploration properties	316,824	-
	(1,032,459)	(797,510)
Changes in non-cash operating working capital		
Amounts receivable	153,310	(21,403)
Inventory	53,780	37,960
Prepaid expenses and advances	26,109	(17,289)
Accounts payable and accrued liabilities	25,452	(63,747)
	(773,808)	(861,989)
Investing activities		
Deposits	5,500	20,000
Purchases of fixed assets	(193,140)	(428,431)
Additions to exploration properties, net of amounts in accounts payable	(8,329,749)	(6,598,349)
Acquisition of exploration properties	(85,142)	(56,705)
	(8,602,531)	(7,063,485)
Financing activities		
Issuance of shares, net of issue costs, for		
Private placements	6,575,899	7,445,240
Stock options	109,665	73,170
Warrants	3,234,538	2,592,113
	9,920,102	10,110,523
Increase in cash	543,763	2,185,049
Cash and cash equivalents, beginning of year	2,963,569	778,520
Cash and cash equivalents, end of year	3,507,332	2,963,569
Cash and cash equivalents is comprised of the following		
Cash	3,507,332	936,429
Term deposits	-	2,027,140
	3,507,332	2,963,569
Non-cash financing activities		
Issuance of common shares in exchange for services	-	60,000
Issuance of common shares for mineral property	20,450	14,350

Tyhee Development Corp.

Notes to the consolidated financial statements

November 30, 2007 and 2006

1. Going concern

Tyhee Development Corp. (the "Company") is an advanced exploration 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 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 phase of the project 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. Change in accounting policies

Effective December 1, 2006, the Company adopted CICA Handbook Section 1530, *Comprehensive Income*, CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, CICA Handbook Section 3865, *Hedges*, and CICA Handbook Section 3251, *Equity*. These new Handbook Sections provide comprehensive requirements for the recognition and measurement of financial instruments, transaction costs incurred on financial instruments, as well as standards on when and how hedge accounting may be applied. CICA Handbook Section 1530 also introduces a new component of equity referred to as comprehensive income. The Company has adopted these standards prospectively.

In accordance with this new standard, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held-for-trading, loans and receivables, or other financial liabilities. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of operations. Transaction costs are expensed as incurred.

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Deposits are classified as held-to-maturity, and are measured at amortized cost. Accounts payable are classified as other liabilities, which are measured at amortized cost.

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. The Company had no other comprehensive income or loss transactions during the year ended November 30, 2007 and no opening or closing balances for "accumulated comprehensive income or loss" and, therefore, the adoption of the standards noted above had minimal effect on the presentation of the Company's financial statements.

Tyhee Development Corp.

Notes to the consolidated financial statements

November 30, 2007 and 2006

3. 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, Tyhee N.W.T. Corp., a Northwest Territories registered company.

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 ("Canadian GAAP") 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 and have maturities of three months or less from the date of issue.

(d) *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.

(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) *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 denominated in a foreign currency 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 monetary items are charged to earnings.

Tyhee Development Corp.

Notes to the consolidated financial statements

November 30, 2007 and 2006

3. Significant accounting policies (continued)

(g) *Earnings (loss) per share*

The basic earnings (loss) per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share are 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.

(h) *Financial instruments*

The Company classifies its financial instruments into one of the following categories: held-for-trading (assets and liabilities), available-for-sale (assets), loans and receivables, held-to-maturity (assets) and other financial liabilities. All financial instruments are measured at fair value on initial recognition.

(i) *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.

(j) *Stock options*

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 accounting principles generally accepted in Canada. Stock-based compensation expense is calculated using the Black-Scholes option pricing model. The resulting value is charged to the income statement and the contributed surplus account is increased.

(k) *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, assets held for use are written down to their fair values.

Tyhee Development Corp.

Notes to the consolidated financial statements

November 30, 2007 and 2006

3. Significant accounting policies (continued)

(l) *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. The increase in the liability from the prior year reflects increases in the estimated fair value of the liability.

(m) *Comparative figures*

As described below, certain of the prior year's figures have been reclassified to conform to the current year presentation.

The Company identified a presentation inconsistency with respect to the tax impact of the renouncement of flow through shares. Canadian GAAP requires that the tax effect of the impact of a renouncement of flow through shares be treated the same way as share issue costs which the Company records as a reduction in share capital. As a result, the Company has reduced share capital by \$3,766,319 and decreased the deficit by the same amount for the year ended November 30, 2006. The reclassification had no impact on the total balance of shareholders' equity as previously presented and had no impact on the consolidated statements of operations or cash flows for the year ended November 30, 2006.

(n) *Recent accounting pronouncements*

In June 2007, the CICA issued changes to Section 1400, *General Standards of Financial Statement Presentation*. Section 1400 has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. Management shall make an assessment of an entity's ability to continue as a going concern. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern. Section 1400 is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. Earlier adoption is encouraged. The adoption of this standard will have no impact on the Company's operating results or financial position and management expects that there will not be a material impact on the Company's financial statement disclosure.

In December 2006, the CICA issued Section 1535, *Capital Disclosures*. The main features of the new Section are as follows:

- Requirements for an entity to disclose qualitative information about its objectives, policies and processes for managing capital;

Tyhee Development Corp.

Notes to the consolidated financial statements

November 30, 2007 and 2006

3. Significant accounting policies (continued)

(n) *Recent accounting pronouncements (continued)*

- A requirement for an entity to disclose quantitative data about what it regards as capital; and
- A requirement for an entity to disclose whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance.

Section 1535 is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The adoption of this standard will have no impact on the Company's operating results or financial position and the Company is currently assessing the impact the adoption of this standard will have on the Company's financial statement disclosure.

In June 2007, the CICA issued Section 3031, *Inventories*, replacing Section 3030 of the same title. The main differences between the two Sections are as follows:

- Measurement of inventories at the lower of cost and net realizable value, with guidance on the determination of cost, including allocation of overhead expenses and other costs to inventory;
- Consistent use (by type of inventory with similar nature and use; specific cost method used for inventories for specific projects are not ordinarily interchangeable) of either first in, first out ("FIFO") or weighted average cost formula to measure the cost of other inventories;
- Reversal of previous write-downs to net realizable value is required when there is a subsequent increase in the value of inventories; and
- The amount of inventories recognized as an expense during the period shall be disclosed in the financial statements.

Section 3031 is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. Earlier adoption is encouraged. The Company expects that the adoption of this standard will not have a material impact on its results of operations.

4. Inventory

	2007	2006
	\$	\$
Inventory, at the lower of cost and market value	231,650	285,430

At November 30, 2007, the inventory consists of diesel, gasoline and propane that will be charged to exploration properties based on consumption.

Tyhee Development Corp.

Notes to the consolidated financial statements

November 30, 2007 and 2006

5. Security deposits

	2007	2006
	\$	\$
Mackenzie Valley Land and Water Board	406,500	412,000

Security deposits of \$406,500 have been posted with the Mackenzie Valley Land and Water Board for land use permits and a water license on the Company's exploration properties.

6. Fixed assets

	2007		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Automobiles	273,919	133,524	140,395
Boats and canoes	14,465	7,522	6,943
Camp facilities	328,814	142,762	186,052
Computer/electronic equipment	111,161	71,057	40,104
Data network infrastructure	33,537	21,142	12,395
Leasehold improvements	3,120	1,387	1,733
Mining equipment	752,882	317,030	435,852
Office furniture	50,119	34,780	15,339
	1,568,017	729,204	838,813

	2006		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Automobiles	184,877	92,436	92,441
Boats and canoes	14,465	6,297	8,168
Camp facilities	328,814	80,745	248,069
Computer/electronic equipment	88,535	51,660	36,875
Data network infrastructure	33,536	15,830	17,706
Leasehold improvements	3,120	347	2,773
Mining equipment	678,549	184,134	494,415
Office furniture	42,980	31,837	11,143
	1,374,876	463,286	911,590

Tyhee Development Corp.

Notes to the consolidated financial statements

November 30, 2007 and 2006

7. Exploration properties

	(a) Yellowknife Gold Project	(b) Longtom Property	(c) BigSky Property	(d) Goodwin Lake Property	(e) Clan Lake Property	(f) Other properties	Total
	\$	\$	\$	\$	\$	\$	\$
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							
Assaying/preparation	229,713	-	822	-	-	-	230,535
Camp costs	147,503	-	182	-	-	-	147,685
Consulting fees	463,901	-	-	-	-	-	463,901
Drilling	2,099,106	-	-	-	-	-	2,099,106
Equipment rentals/repairs	39,711	-	-	-	-	-	39,711
Environmental	290,852	-	990	-	-	-	291,842
Flights/travel	280,336	-	20,010	-	-	-	300,346
Geology	27,315	-	2,862	-	-	1,350	31,527
Project management	-	-	5,350	-	-	475	5,825
Property holding costs	12,488	-	-	-	-	-	12,488
Supplies (operating)	378,217	-	100	-	-	-	378,317
Reports	36,246	-	-	-	-	-	36,246
Wages and benefits	1,041,121	-	-	-	-	-	1,041,121
Winter road	-	-	-	-	-	-	-
	5,046,509	-	30,316	-	-	1,825	5,078,650
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
Write-offs/adjustments							
Acquisitions	-	(127,437)	-	-	-	-	(127,437)
Exploration	-	(187,562)	-	-	-	(1,825)	(189,387)
	-	(314,999)	-	-	-	(1,825)	(316,824)
Additions							
Acquisition	24,802	-	45,071	11,689	21,350	2,680	105,592
Exploration							
Assaying/preparation	1,259,280	-	24,754	16,874	15,665	-	1,316,573
Camp costs	618,435	-	28,225	20,166	28,602	-	695,428
Drilling	2,780,579	-	49,336	-	-	-	2,829,915
Equipment rentals/repairs	84,099	-	325	320	-	-	84,744
Environmental	573,390	-	-	-	-	-	573,390
Flights/travel	408,022	-	263,468	128,779	135,770	9,295	945,334
Geology	627,556	-	135,084	32,881	193,902	88	989,511
Project management	340,173	-	42,448	27,356	27,752	867	438,596
Property holding costs	23,657	-	675	-	-	-	24,332
Supplies (operating)	470,605	-	14,060	9,997	19,457	-	514,119
Reports	326,087	-	-	-	18,371	-	344,458
Winter road	109,900	-	-	-	-	-	109,900
	7,621,783	-	558,375	236,373	439,519	10,250	8,866,300
November 30, 2007							
Acquisition	674,457	1	72,829	30,865	21,350	2,680	802,182
Exploration	30,359,267	-	588,691	236,373	439,519	10,250	31,634,100
	31,033,724	1	661,520	267,238	460,869	12,930	32,436,282

Tyhee Development Corp.

Notes to the consolidated financial statements

November 30, 2007 and 2006

7. Exploration properties (continued)

(a) *Yellowknife Gold Project*

The Company has a 100% interest in the Yellowknife Gold Project (the Company's primary focus) that consists of 14 mineral leases and two mineral claims. The project is located 90 km north of Yellowknife, Northwest Territories, Canada.

The Yellowknife Gold Project has a net smelter royalty payable to David R. Webb, President and CEO of the Company. The terms of the net smelter return royalty ("NSR") are 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).

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 which is deductible from the NSR, described above. These advance payments have been paid to date.

A total of 914.10 hectares of new claims have been added to the Yellowknife Gold Project properties since 2006. The NSR agreement does not include the new claims.

To November 30, 2007, the Company has spent \$31,033,724 on acquisition and exploration of the Yellowknife Gold Project.

(b) *Longtom Property*

The Company sold its 50% interest in the Longtom Property, which is located in the Northwest Territories, Canada, to Alberta Star Development Corp. for \$315,000 in 2002. The Longtom Property is comprised of the DAMP mining lease and encompasses the Damp Zone, hosting mineralization. It is 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 property ("Notice Date"). The purchase price may be paid in cash or 50% in cash and 50% in common shares of Alberta Star. At November 30, 2007, the Notice Date had not been triggered.

The Company assessed the carrying value of the Longtom Property as of November 30, 2007 and determined to write down the property to a carrying value of \$1.

Tyhee Development Corp.

Notes to the consolidated financial statements

November 30, 2007 and 2006

7. Exploration properties (continued)

(c) *BigSky Property*

The BigSky property is located 17 km north of Yellowknife, Northwest Territories, Canada. The Company staked 21 claims covering 7,576.1 hectares (18,721 acres) comprising the BigSky Property in fiscal 2006 for total acquisition costs approximating \$28,000. During the current fiscal year, three additional claim groups (the "Ken claims", the "Blue claims" and the "YK claims") were added to the property.

The Ken claims, covering 193 hectares (477 acres) were acquired for \$13,500 and a 2% NSR, one-half of which can be purchased by the Company for \$500,000 at any time.

The Company entered into a property option agreement to acquire the Blue Claims covering 588 hectares (1,453 acres) with an arm's length Yellowknife businessman on January 15, 2007. The consideration was 60,000 common shares and a 2% NSR, of which one-half may be purchased by the Company for \$500,000. The Company received TSX Venture Exchange acceptance of the agreement on February 12, 2007 and issued the first 20,000 shares at \$0.51 per share for a gross value of \$10,200 on February 14, 2007. An additional 20,000 shares are payable on or before February 12, 2008 (issued subsequent to November 30, 2007) and the final 20,000 shares are payable on or before February 12, 2009.

The YK Claims (approximately 870 hectares, or 2,150 acres) were staked in August 2007; staking and prospecting costs were paid to the prospector.

To November 30, 2007, the Company has spent \$661,520 on acquisition and exploration of the BigSky Property.

(d) *Goodwin Lake Property*

The Company optioned three mineral claims in November 2006 from an arm's length, Yellowknife-based prospector for 85,000 shares issuable over 2 years and a 2% NSR, half of which may be purchased by the Company for \$1 million. The property is located 60 km north of Yellowknife, Northwest Territories, Canada and covers approximately 459.8 hectares (1,136.3 acres).

The TSX Venture Exchange accepted the agreement and on November 15, 2006, 35,000 shares at \$0.41 per share for a gross value of \$14,350 were issued in accordance with the terms of the property option agreement. An additional 25,000 shares at \$0.41 for a gross value of \$10,250 were issued on October 19, 2007. The final 25,000 shares are issuable on or before November 14, 2008.

In the current fiscal year, the Company added another claim that will become part of the Goodwin Lake Property option agreement. Staking costs were paid to the prospector; no other payments are required.

To November 30, 2007, the Company has spent \$267,238 on the acquisition and exploration of the Goodwin Lake Property.

Tyhee Development Corp.

Notes to the consolidated financial statements

November 30, 2007 and 2006

7. Exploration properties (continued)

(e) *Clan Lake Property*

The Clan Lake property is located 50 km north of Yellowknife, Northwest Territories, Canada. It is comprised of mineral claims, staked by the Company in the current year, totaling approximately 2,370 hectares (5,850 acres).

At November 30, 2007, the Company has spent \$460,869 on the acquisition and exploration of the Clan Lake Property.

(f) *Other properties*

The Company has incurred an additional \$12,930 on acquisition and exploration expenditures to assess other potential targets in the Yellowknife area.

8. Share capital

	Number	Amount	Contributed surplus
		\$	\$
Balance, November 30, 2005	57,718,552	33,473,346	812,318
Issued during the year for cash - private placements	45,529,522	8,413,320	-
Exercise of warrants for cash	10,873,234	2,592,113	-
Exercise of options for cash	350,000	109,100	(35,930)
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)	1,302
Renunciation of flow through shares	-	(1,095,258)	-
Stock-based compensation	-	-	1,105,897
Balance, November 30, 2006	114,999,799	43,565,669	1,883,587
Issued during the year for cash - private placements	15,611,054	6,239,344	336,555
Exercise of warrants for cash	13,510,926	3,264,945	(30,407)
Exercise of options for cash	524,500	162,862	(53,197)
Issued during the year for mineral property	45,000	20,450	-
Renunciation of flow through shares	-	(1,158,848)	-
Stock-based compensation	-	-	415,934
Balance, November 30, 2007	144,691,279	52,094,422	2,552,472

(a) *Private placements*

- (i) 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 consisted 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 (1) a cash commission of \$132,055 and (2) warrants to acquire up to 255,500 common shares at a price of \$0.51 per share for a period of 12 months expiring December 21, 2007. David Webb, President and CEO participated in this private placement for 50,000 units.

Tyhee Development Corp.

Notes to the consolidated financial statements

November 30, 2007 and 2006

8. Share capital (continued)

(a) Private placements (continued)

(i) (continued)

The value allocated to the common share purchase warrants and broker compensation warrants of \$285,192 and \$51,363, respectively, was determined using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 3.98%, annual dividends of Nil, expected volatility of 84% and expected life of one year.

- (ii) On August 30, 2007, the Company issued a total of 2,222,220 flow through common shares at a price of \$0.45 for gross proceeds of \$1,000,000. The Company paid a cash finder's fee of 7% of the proceeds.
- (iii) On September 5, 2007, the Company issued 4,788,334 flow through shares at \$0.45 per flow through share for gross proceeds of \$2,154,750. A cash fee of 7% was paid to the brokerage firm.
- (iv) On September 10, 2007, the Company issued 4,762,000 common shares at \$0.42 per common share for gross proceeds of \$2,000,040. A cash fee of 5% was paid to the brokerage firm.
- (v) On October 1, 2007, the Company issued 188,500 flow through shares at \$0.45 per flow through share for gross proceeds of \$84,825. Mr. Roger Sylvestre, Executive Vice-President, and Mr. Lorne Anderson, Chief Financial Officer of the Company, participated in this private placement for 33,300 and 45,000 flow through shares, respectively.

	Number of units	Proceeds \$
December 21, 2006 (i)	3,650,000	2,007,500
August 30, 2007 (ii)	2,222,220	1,000,000
September 5, 2007 (iii)	4,788,334	2,154,750
September 6, 2007 (iv)	4,762,000	2,000,040
October 1, 2007 (v)	188,500	84,825
	15,611,054	7,247,115
Less: Share issue costs (including value allocated to warrants of \$336,555)	-	(1,007,771)
	15,611,054	6,239,344

(b) Share purchase warrants

	2007	2006
Warrants outstanding, beginning of year	34,885,833	20,707,802
Warrants issued during the year	2,080,500	40,204,209
Warrants exercised	(13,510,926)	(10,873,234)
Warrants expired/cancelled	(6,743,790)	(15,152,944)
Warrants outstanding, end of year	16,711,617	34,885,833

Tyhee Development Corp.

Notes to the consolidated financial statements

November 30, 2007 and 2006

8. Share capital (continued)

(b) Share purchase warrants (continued)

Share purchase warrants outstanding at November 30, 2007 are as follows:

Number of warrants	Class of shares	Expiry date	Exercise price
			\$
2,750,000	Common	December 21, 2007	0.45
1,770,000	Common	December 21, 2007	0.65
140,000	Common	December 21, 2007	0.51
1,553,500	Common	January 7, 2008	0.50
215,500	Common	January 13, 2008	0.45
97,812	Common	January 17, 2008	0.45
58,500	Common	January 17, 2008	0.45
8,646,352	Common	March 8, 2008	0.28
1,479,953	Common	April 13, 2008	0.28
16,711,617			

(c) Stock options

	2007		2006	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
		\$		\$
Outstanding, beginning of year	10,475,100	0.34	4,120,100	0.47
Granted	2,026,000	0.42	7,506,500	0.28
Exercised	(524,500)	0.21	(350,000)	0.21
Expired	(336,600)	0.51	(801,500)	0.53
Outstanding, end of year	11,640,000	0.35	10,475,100	0.34

Tyhee Development Corp.

Notes to the consolidated financial statements

November 30, 2007 and 2006

8. Share capital (continued)

(c) Stock options (continued)

At November 30, 2007, the following stock options were outstanding and exercisable:

Date of grant	Options outstanding			Options exercisable	
	Number of shares outstanding	Exercise price	Expiry date	Number of shares exercisable	Exercise price
		\$			\$
September 29, 2003	469,000	0.60	September 29, 2008	469,000	0.60
February 6, 2004	150,000	0.50	February 6, 2009	150,000	0.50
September 3, 2004	780,000	0.38	September 3, 2009	780,000	0.38
March 2, 2005	1,393,000	0.45	March 2, 2010	1,393,000	0.45
May 16, 2005	190,000	0.33	May 16, 2010	190,000	0.33
March 21, 2006	3,782,000	0.21	March 21, 2011	3,782,000	0.21
May 1, 2006	250,000	0.34	May 1, 2011	250,000	0.34
May 1, 2006	500,000	0.35	May 1, 2011	500,000	0.35
October 25, 2006	2,050,000	0.42	October 25, 2011	2,050,000	0.42
October 25, 2006	50,000	0.50	October 25, 2011	50,000	0.50
April 19, 2007	150,000	0.53	April 19, 2012	75,000	0.53
June 27, 2007	1,876,000	0.41	June 27, 2012	1,876,000	0.41
	11,640,000	0.35		11,565,000	0.35

At November 30, 2007, the average remaining contractual life was 3.29 years (2006 - 3.90 years).

Stock-based compensation expense of \$415,934 was recorded for the year ended November 30, 2007 (2006 - \$1,105,897) 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:

	2007	2006
Risk free interest rate	4.16 - 4.64%	4.07 - 4.32%
Annual dividends	Nil	Nil
Expected stock volatility	74 - 84%	76 - 78%
Expected life	3 years	3 years

Tyhee Development Corp.

Notes to the consolidated financial statements

November 30, 2007 and 2006

9. Related party transactions

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

- (a) Related party transactions with a director and companies controlled by directors for the year ended November 30:

	2007	2006
	\$	\$
Consulting fees		
Roger's Drilling Services Inc. ("RDS")	163,260	126,500
DRW Geological Consultants Ltd. ("DRW")	177,420	140,500
	340,680	267,000

An amount of \$185,080 (2006 - \$183,250) 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, 2007:
- An amount of \$84,960 (2006 - \$73,000) was paid in consulting fees to the Chief Financial Officer of the Company.
 - An amount of \$116,603 (2006 - \$98,631) was charged in legal fees by a legal firm of which a partner is an officer of the Company.
 - An advance net smelter royalty payment of \$22,200 (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 7 (a)).
- (c) Of the 3,650,000 units issued on December 21, 2006 at a price of \$0.55 per unit, David R. Webb, President and Chief Executive Officer of the Company, purchased 50,000 units.
- (d) Of the 188,500 flow through shares issued on October 1, 2007 at a price of \$0.45 per flow through share, Mr. Roger Sylvestre, Executive Vice-President, and Mr. Lorne Anderson, Chief Financial Officer of the Company, participated in the private placement for 33,300 and 45,000 flow through shares, respectively.
- (e) Directors' fees (included in salaries and benefits) are as follows:

	2007	2006
	\$	\$
Denis M. Taschuk	14,500	12,000
William D. Burton	13,750	12,000
Dave Nickerson	13,000	12,000
	41,250	36,000

Tyhee Development Corp.

Notes to the consolidated financial statements

November 30, 2007 and 2006

9. Related party transactions (continued)

(f) Included in accounts payable and accrued liabilities at November 30, 2007 are the following balances with directors and officers and companies controlled by directors:

	2007	2006
	\$	\$
DRW Geological Consultants Ltd.	25,920	23,899
Roger's Drilling Services Inc.	23,760	14,500
Lorne B. Anderson	14,803	12,000
Roger G. Sylvestre	-	1,396
Dave Nickerson	1,285	-
	65,768	51,795

10. 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:

	2007	2006
	\$	\$
Statutory tax rate	34.12%	34.12%
Recovery relating to income taxes computed at standard rates	693,023	738,075
Non-deductible stock-based compensation	(141,917)	(377,332)
Tax effect of flow through renunciation	1,158,848	1,095,258
Tax benefit not recognized in prior year	(551,106)	(360,743)
	1,158,848	1,095,258

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

	2007	2006
	\$	\$
Net operating loss carryforwards	1,771,530	1,550,264
Unutilized exploration expenditures	(898,371)	225,942
Other share deductions (S20(1)(e))	399,824	-
Capital assets	283,773	391,575
	1,556,756	2,167,781
Less: Valuation allowance	(1,556,756)	(2,167,781)
	-	-

Tyhee Development Corp.

Notes to the consolidated financial statements

November 30, 2007 and 2006

10. Income taxes (continued)

At November 30, 2007, the Company has available losses that may be carried forward to apply against future income for tax purposes as follows:

<u>Expiry date</u>	<u>Amount</u>
	\$
2008	183,117
2009	30,587
2010	558,436
2014	916,618
2015	1,292,390
2016	1,256,249
2027	1,570,898

The exploration expenditures funded by the 2007 flow through share issuances were renounced for tax purposes in fiscal 2007. The renouncement has resulted in a \$1,158,848 (2006 - \$1,095,258) 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.

11. Investor relations

	<u>2007</u>	<u>2006</u>
	\$	\$
Shows and conventions	112,655	81,098
Travel	99,331	53,466
Consultants' fees and expenses	84,365	57,085
Advertising	41,449	13,562
Annual general meeting	33,953	33,714
Materials	21,411	10,777
Meals and entertainment	17,711	14,611
News releases	14,490	3,630
Telephone	5,538	7,166
Subscriptions and dues	1,708	4,429
Other	789	1,063
	433,400	280,601

Tyhee Development Corp.

Notes to the consolidated financial statements

November 30, 2007 and 2006

12. Commitments

- (a) The Company entered into a lease agreement for head office 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:

	\$
2008	54,996
2009	54,996

- (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 7 (a) and 9 (b).

13. 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.

14. Subsequent events (in addition to transactions disclosed elsewhere)

On December 13, 2007 the Company issued a total of 9,999,931 common shares, designated as flow through shares, at a price of \$0.75 for gross proceeds of \$7,499,948. The Company paid a cash commission of 7% to the brokerage firm. TSX Venture Exchange approval was received on December 19, 2007. Mr. Roger Sylvestre, Executive Vice-President and Mr. Lorne Anderson, Chief Financial Officer of the Company participated in this private placement for 15,000 and 50,000 flow through shares, respectively.

On December 14, 2007, the Company granted 3,276,000 options, with an exercise price of \$0.58 per option and expiring on December 14, 2012, to directors, officers and employees of the Company.

Subsequent to November 30, 2007, a total of 10,588,017 warrants were exercised for gross proceeds of \$3,762,673 and 2,382,500 warrants expired unexercised.