



Second Quarter Report

For the Period Ended May 31, 2009

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the entity's auditor.



SECOND QUARTER REPORT

Consolidated statements of operations, comprehensive earnings and deficit (Unaudited – Prepared by Management)

	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Administrative Expenses:				
Amortization	\$ 52,771	\$ 65,919	\$ 104,097	\$ 120,493
Consulting	78,100	81,250	152,900	135,450
General corporate	10,220	17,177	26,438	43,563
Investor relations (Note 13)	122,701	106,952	159,209	181,963
Professional fees	13,472	26,735	19,469	34,690
Rent	14,005	13,600	27,876	26,991
Salaries and benefits	44,290	47,879	89,958	91,749
Stock-based compensation	1,029	8,223	186,947	916,779
Telephone	1,825	2,105	3,808	3,854
Transfer agent and filing fees	5,521	10,127	12,747	13,213
Travel	2,709	3,002	5,731	6,305
	346,643	382,969	789,180	1,575,050
Other expenses (income)				
Foreign exchange (gain) loss	3,039	(965)	2,276	(7,262)
Interest expense	-	2,790	-	9,765
Interest income	(1,951)	(68,504)	(8,764)	(127,432)
Write off of plant and equipment	380	-	380	7,190
	1,468	(66,679)	(6,108)	(117,739)
Loss before income taxes	\$ (348,111)	\$ (316,290)	\$ (783,072)	\$ (1,457,311)
Income tax recovery (Note 12)	-	-	122,460	2,792,277
Net (loss) earnings and comprehensive (loss) earnings	(348,111)	(316,290)	(660,612)	1,334,966
Deficit, beginning of period	(19,135,671)	(16,352,009)	(18,823,170)	(18,003,265)
Deficit, end of period	\$ (19,483,782)	\$ (16,668,299)	\$ (19,483,782)	\$ (16,668,299)
(Loss) earnings per share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ 0.01
Weighted average number of shares outstanding				
Basic	171,326,160	167,985,590	170,948,338	162,233,507
Diluted	171,326,160	173,487,590	170,948,338	167,735,507



SECOND QUARTER REPORT


Consolidated Balance Sheets (Unaudited – Prepared by Management)

ASSETS	<i>As at</i>	
	2009 May 31	2008 November 30
Current Assets		
Cash and cash equivalents	\$ 1,627,740	\$ 2,669,436
Amounts receivable	23,925	42,037
Inventory (Note 6)	228,284	263,010
Prepaid expenses and advances	56,729	42,853
	1,936,678	3,017,336
Security deposits (Note 7)	474,000	474,000
Plant and equipment (Note 8)	704,170	784,987
Exploration properties (Note 9)	44,566,634	43,646,610
	\$ 47,681,482	\$ 47,922,933
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 178,945	\$ 258,549
Asset retirement obligation	490,000	490,000
Future income tax liability	1,346,760	1,124,306
	2,015,705	1,872,855
SHAREHOLDERS' EQUITY		
Share capital		
Unlimited Common shares without par value) (Note 10)		
Issued 171,326,158 (November 30, 2008 – 169,063,302)	61,166,574	61,077,210
Contributed surplus	3,982,985	3,796,038
Deficit	(19,483,782)	(18,823,170)
	45,665,777	46,050,078
	\$ 47,681,482	\$ 47,922,933

Going Concern (Note 1)
Approved by the Directors



David R. Webb, Director



Roger G. Sylvestre, Director



SECOND QUARTER REPORT

Consolidated statements of cash flows

(Unaudited – Prepared by Management)

	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Operating activities				
Net (loss) earnings	\$ (348,111)	\$ (316,290)	\$ (660,612)	\$ 1,334,966
Add (deduct) items not affecting cash -				
Amortization	52,771	65,919	104,097	120,493
Income tax recovery	-	-	(122,460)	(2,792,277)
Stock-based compensation	1,029	8,223	186,947	916,779
Write off of plant and equipment	380	-	380	7,190
	(293,931)	(242,148)	(491,648)	(412,849)
Changes in non-cash operating working capital				
Amounts receivable	(5,601)	(35,884)	18,112	(21,176)
Inventory	27,667	24,555	34,726	(151,138)
Prepaid expenses and advances	6,221	43,540	(13,876)	(4,335)
Accounts payable and accrued liabilities	(8,099)	15,086	(143,261)	(89,622)
	(273,743)	(194,851)	(595,947)	(679,120)
Investing activities				
Deposits	-	(75,000)	-	(75,000)
Purchase of plant and equipment	(23,660)	(166,835)	(23,660)	(171,077)
Additions to exploration properties, net of amounts in accounts payable	(407,459)	(3,891,310)	(821,967)	(5,942,481)
Acquisition of exploration properties	(24,200)	(41,943)	(24,200)	(41,943)
	(455,319)	(4,175,088)	(869,827)	(6,230,501)
Financing activities				
Issuance of shares, net of issue costs, for				
Private placements	-	(347)	424,078	6,902,870
Stock options	-	-	-	-
Warrants	-	2,489,003	-	4,807,337
	-	2,488,656	424,078	11,710,207
(Decrease) increase in cash	(729,062)	(1,881,283)	(1,041,696)	4,800,586
Cash and cash equivalents, beginning of period	2,356,802	10,189,201	2,669,436	3,507,332
Cash and cash equivalents, end of period	\$ 1,627,740	\$ 8,307,918	\$ 1,627,740	\$ 8,307,918
Cash and cash equivalents is comprised of the following				
Cash	\$ 151,246	\$ 3,258,675	\$ 151,246	\$ 3,258,675
Term deposits	1,476,494	5,049,243	1,476,494	5,049,243
	\$ 1,627,740	\$ 8,307,918	\$ 1,627,740	\$ 8,307,918
Non-cash financing activities				
Issuance of common shares for mineral property	\$ -	\$ -	\$ 10,200	\$ 10,200

Notes to the consolidated financial statements

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 exploration properties, all of which are located in Canada.

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.

The financial markets throughout the world have experienced a dramatic decline which has affected the market value of the Company’s shares. The decline in equity markets and value of the Company’s shares may affect its ability to finance further exploration for the foreseeable future. There is sufficient cash in the treasury to maintain the Company as a going concern for the foreseeable future based on its current reduced level of 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**

These unaudited consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles. These financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements dated November 30, 2008. For further information, refer to the audited consolidated financial statements and notes thereto included in the Company’s annual consolidated financial statements for the year ended November 30, 2008.

Certain of the prior years’ figures have been reclassified to conform to the current year presentation.

On March 27, 2009, the Emerging Issues Committee of the CICA approved abstract EIC 174 – Mining Exploration Costs, that provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The adoption of this abstract had no impact on the Company’s presentation of its financial position or results of operations as of May 31, 2009.

In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, and amended Section 1000, *Financial Statement Concepts*, clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized with assets. The standard is effective for fiscal years beginning on or after October 1, 2008. The Company has adopted this standard; adoption of this standard has not had a material impact on its results or operations.

In January 2006, the CICA adopted a strategic plan for the direction of accounting standards in Canada. Accounting standards for public companies in Canada will converge with the International Financial Reporting

Notes to the consolidated financial statements

2. Change in Accounting Policies (continued)

Standards (“IFRS”) by 2011 and the Company will be required to report according to IFRS standards in the year ended November 30, 2012. The Company is currently assessing the impact of the convergence of Canadian GAAP with IFRS on the results of operations, financial position and disclosures.

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 incorporated 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 mineral 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 securities and have maturities of three months or less from the date of issue.

(d) Inventory

Inventory is comprised of diesel, gasoline and propane and is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out method of accounting. During the current fiscal year, the amount of inventory consumed during the period is reported as an increase in exploration properties.

(e) Plant and equipment

Plant and equipment includes office furniture, automobiles and various equipment that are stated at cost and amortized at 20% to 45% per annum on a declining balance basis.

Notes to the consolidated financial statements

3. 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) 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.

(h) 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 the statement of operations over time. Environmental expenditures relating to clean up are charged to the statement of operations 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.

(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

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

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) *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 the statement of operations.

(l) *Loss per share*

The basic loss per share is 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.

(m) *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.

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.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(n) *Comprehensive income*

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 six months ended May 31, 2009 and May 31, 2008, and no opening or closing balances for "accumulated other comprehensive income or loss". During the six months ended May 31, 2009 and May 31, 2008, comprehensive loss was equal to net loss.

4. Capital management

The Company's objectives when managing capital are to:

- (a) safeguard the Company's ability to continue as a going concern;
- (b) maintain sufficient capital to develop and explore the Company's mineral properties; and
- (c) provide sufficient funds for the Company's corporate activities.

The capital of the Company consists of the items included in shareholder's equity. The Company is able to sustain its operations at its current reduced level, and in order to carry out the Company's planned exploration and development programs and to pay for administrative costs, the Company will spend its existing working capital and raise additional funds as required. The Company has historically relied on equity financings to finance its exploration properties. To effectively manage the Company's capital requirements, the Company's management has in place a planning and budgeting process. The Company is not subject to any externally imposed capital requirements.

The Company is subject to its flow through obligations to investors, which require it to use the funds raised through the issue of "flow through shares" on exploration expenditures.

5. Financial instruments

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include currency, credit, interest rate and liquidity risks. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) *Credit risk*

The Company manages credit risk by investing its cash with Canadian chartered banks. The Company's other assets consist primarily of tax receivables due from the federal government. The maximum exposure to credit risk at the reporting date is the carrying value of the Company's receivables and cash.

Credit risk has not changed significantly from the prior year.



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Notes to the consolidated financial statements

5. Financial instruments (continued)

(b) *Interest rate risk*

The Company's interest income earned on cash and cash equivalents is exposed to interest rate risk.

(c) *Currency risk*

The Company is exposed to currency risk on a U.S. dollar bank account it holds. At May 31, 2009, the Company held \$10,990 in U.S. dollars. The Company does not have a formal policy to manage currency risk, however management actively monitors movements in foreign currency and forecasts foreign currency payments.

(d) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required through future equity or debt financings, asset sales or exploration option agreements, or a combination thereof. The Company has no regular cash inflow from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned development, exploration and corporate activities and anticipating investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of annual budgets and significant expenditures and commitments. Failure to realize additional funding, as required, could result in the delay or indefinite postponement of further exploration and development of the Company's exploration properties.

Liquidity risk has not changed significantly from the prior year.

Accounts payable and accrued liabilities are generally settled within 30 days.

6. Inventory

At May 31, 2009, the inventory consists of diesel, gasoline and propane and amounted to \$228,284 (November 30, 2008 - \$263,010). During the six months ended May 31, 2009, inventory purchases amounted to \$30,302 and, based on consumption, an amount of \$65,028 was charged to exploration properties in the six months ended May 31, 2009. Cost of inventory includes amounts paid to the supplier including transportation costs, and is measured using the first-in, first-out ("FIFO") method.



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Notes to the consolidated financial statements

7. Security Deposits

	May 31, 2009	November 30, 2008 (Audited)
Mackenzie Valley Land and Water Board	\$ 474,000	\$ 474,000

Security deposits of \$474,000 in cash have been posted with the Mackenzie Valley Land and Water Board for land use permits and a water license for the Company's exploration properties.

8. Plant and equipment

	May 31, 2009			November 30, 2008 (Audited)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Automobiles	\$ 262,920	\$ (180,426)	\$ 82,494	\$ 97,052
Boats and canoes	14,465	(9,006)	5,459	5,901
Camp Facilities	330,781	(206,673)	124,108	141,838
Computer/electronic equipment	98,551	(78,358)	20,193	26,038
Data network infrastructure	36,744	(27,461)	9,283	10,921
Leasehold improvements	3,120	(2,947)	173	693
Mining equipment	943,722	(500,004)	443,718	481,757
Office furniture	56,694	(37,952)	18,742	20,787
	\$ 1,746,997	\$ (1,042,827)	\$ 704,170	\$ 784,987

Notes to the consolidated financial statements

9. Exploration Properties

	Yellowknife Gold Project				BigSky Property	Other properties	Total
	Ormsby, Nicholas Lake, Bruce Lake	Goodwin Lake Property	Clan Lake Property	Total			
	\$	\$	\$	\$	\$	\$	\$
November 30, 2008							
Acquisition	694,597	41,115	24,528	760,240	107,245	2,681	870,166
Exploration	34,746,207	1,476,369	3,413,598	39,636,174	3,125,638	14,632	42,776,444
	35,440,804	1,517,484	3,438,126	40,396,414	3,232,883	17,313	43,646,610
Additions							
Acquisition	24,200	-	-	24,200	10,200	-	34,400
Exploration							
Assaying/preparation	5,345	-	76,492	81,837	-	-	81,837
Camp costs	129,924	-	3,459	133,383	-	-	133,383
Drilling	-	-	-	-	-	-	-
Equipment rentals/repairs	15,157	-	-	15,157	-	-	15,157
Environmental	177,742	-	-	177,742	-	-	177,742
Flights/travel	30,619	-	4,871	35,490	-	-	35,490
Geology	44,414	12,249	32,547	89,210	22,348	-	111,558
Project management	167,922	10,560	25,301	203,783	1,320	-	205,103
Property holding costs	6,299	165	787	7,251	34,676	-	41,927
Supplies (operating)	50,579	-	4,430	55,009	-	-	55,009
Reports	28,418	-	-	28,418	-	-	28,418
Winter road	-	-	-	-	-	-	-
	656,419	22,974	147,887	827,280	58,344	-	885,624
May 31, 2009							
Acquisition	718,797	41,115	24,528	784,440	117,445	2,681	904,566
Exploration	35,402,626	1,499,343	3,561,485	40,463,454	3,183,982	14,632	43,662,068
	36,121,423	1,540,458	3,586,013	41,247,894	3,301,427	17,313	44,566,634

Yellowknife Gold Project

(a) *Ormsby, Nicholas Lake and Bruce Lake*

The Company has a 100% interest in the Ormsby, Nicholas Lake and Bruce Lake properties that consist of 14 mineral leases and two mineral claims. The properties are located 90 km north of Yellowknife, Northwest Territories, Canada.

As part of the purchase price of the Ormsby, Nicholas Lake and Bruce Lake properties, the Company agreed, that commencing in April 2004 and on every anniversary thereafter, to advance to Giaque Holdings Ltd., a private company in which David Webb (Director, President and Chief Executive Officer of Tyhee) is a director and officer, a non-refundable minimum payment of US\$20,000 which is deductible from the NSR described in the Company's annual audited consolidated financial statements for the year ended November 30, 2008. These advance payments have been paid to date.

Notes to the consolidated financial statements

9. Exploration properties (continued)

To May 31, 2009, the Company has spent \$36,121,423 on acquisition and exploration of Ormsby, Nicholas Lake and Bruce Lake.

(b) *Goodwin Lake Property*

The Goodwin Lake property is located 60 km north of Yellowknife, Northwest Territories, Canada and is comprised of four mineral claims and covers approximately 722 hectares (1,780 acres).

The Company optioned three of the mineral claims in November 2006 from an arm's length, Yellowknife-based prospector for a 2% NSR, half of which may be purchased by the Company for \$1 million. In addition, a total of 85,000 shares at \$0.41 per share for a gross value of \$34,850 were issued in accordance with the terms of the property option agreement.

To May 31, 2009, the Company has spent \$1,540,458 on the acquisition and exploration of the Goodwin Lake Property.

(c) *Clan Lake Property*

The Clan Lake property is located 50 km north of Yellowknife, Northwest Territories, Canada. It is comprised of seven mineral claims, staked by the Company in fiscal 2007 and 2008, totalling approximately 2,809 hectares (6,935 acres).

At May 31, 2009, the Company has spent \$3,586,013 on the acquisition and exploration of the Clan Lake property.

BigSky Property

The BigSky property is located 17 km north of Yellowknife, Northwest Territories, Canada. The property is comprised of five mining leases covering 137 hectares (338 acres) and 20 claims totalling 1,853 hectares (4,579 acres).

The Ken claims, covering 193 hectares (477 acres) includes 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 included a 2% NSR, of which one-half may be purchased by the Company for \$500,000. In addition, the Company was required to issue a total of 80,000 common shares at \$0.51 per share for a gross value of \$40,800 of which 60,000 shares were issued in prior years; the final payment of 20,000 common shares was issued on February 12, 2009.



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Notes to the consolidated financial statements

9. Exploration properties (continued)

BigSky Property (continued)

In 2008, the Company purchased a 100% interest in five mining leases (Oro Lake Property) adjacent to and forming part of the BigSky Property for a one-time payment of \$20,000. The Company will return the mining leases to the seller if the Company no longer wishes to retain the mining leases or fails to expend \$100,000 on the leases within five years of the date of the agreement for the purchase of the leases. To date, the Company has expended approximately \$59,750 in exploration expenditures on these leases.

To May 31, 2009 the Company has spent \$3,301,427 on acquisition and exploration of the BigSky Property.

Other Properties

At May 31, 2009, the Company has incurred an additional \$17,313 on acquisition and exploration expenditures to assess other potential targets in the Yellowknife area.

10. Share capital

	Number	Amount	Contributed Surplus
		\$	\$
Balance, November 30, 2008	169,063,302	61,077,210	3,796,038
Issued during the period for cash – private Placements	2,242,856	424,078	-
Exercise of warrants for cash	-	-	-
Exercise of options for cash	-	-	-
Issued during the period for mineral property	20,000	10,200	-
Renunciation of flow through shares	-	(344,914)	-
Stock-based compensation	-	-	186,947
Balance, May 31, 2009	171,326,158	61,166,574	3,982,985

(a) *Private Placements*

On December 31, 2008, the Company issued a total of 2,242,856 common shares, designated as flow through shares, at a price of \$0.21 for gross proceeds of \$471,000. A finder's fee was paid consisting of \$36,000 cash and 128,571 warrants to purchase common shares at a price of \$0.21 per share. The warrants can be exercised at any time on or before December 31, 2009. All securities issued in connection with the private placement were subject to a hold period which expired May 1, 2009. Final TSX Venture Exchange acceptance was received on January 6, 2009.



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Notes to the consolidated financial statements

10. Share capital (continued)

(b) Share purchase warrants

Warrants outstanding at November 30, 2008	-
Warrants issued during the six months ended May 31, 2009	128,571
Warrants exercised during the six months ended May 31, 2009	-
Warrants expired during the six months ended May 31, 2009	-
Warrants outstanding at May 31, 2009	128,571

Share purchase warrants outstanding at May 31, 2009 are exercisable into 128,571 common shares at an exercise price of \$0.21 on or before December 31, 2009. The fair value of the warrants issued was estimated using the Black-Scholes model and an amount of \$3,972 was recorded as stock-based compensation expense and added to contributed surplus in the shareholder's equity.

(c) Stock options

The Company has adopted a stock option plan (the "Plan") available to eligible persons, whereby a maximum of 10% of the issued shares of the Company, from time to time, may be reserved for issuance pursuant to the exercise of options. Options issued under the Plan vest immediately, except certain options which vest over a 12 month period. The minimum exercise price of a stock option cannot be less than the applicable closing market price of the Company's shares on the date prior to the stock option grant. Options issued under the Plan have a maximum life of five years from the date of grant.

	Shares	Weighted- average exercise price
		\$
Options outstanding at November 30, 2008	15,285,000	0.40
Options granted during the six months ended May 31, 2009	1,378,000	0.18
Options expired during the six months ended May 31, 2009	(350,000)	0.45
Options outstanding at May 31, 2009	16,313,000	0.38

Notes to the consolidated financial statements

10. Share capital (continued)

At May 31, 2009, the following stock options were outstanding and exercisable:

Date of grant	Number of shares outstanding	Exercise Price	Expiry date	Number of shares exercisable	Exercise price
		\$			\$
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
October 25, 2006	2,000,000	0.42	October 25, 2011	2,000,000	0.42
June 27, 2007	1,676,000	0.41	June 27, 2012	1,676,000	0.41
December 14, 2007	3,276,000	0.58	December 14, 2012	3,276,000	0.58
July 21, 2008	1,688,000	0.38	July 21, 2013	1,688,000	0.38
September 15, 2008	150,000	0.38	September 15, 2013	75,000	0.38
December 15, 2008	1,378,000	0.18	December 15, 2013	1,378,000	0.18
	16,313,000	0.38		16,238,000	0.38

At May 31, 2009, the average remaining contractual life was 2.68 years (November 30, 2008 – 2.99 years).

Stock-based compensation expense of \$186,947 was recorded for the six months ended May 31, 2009 (November 30, 2008 - \$1,287,681) and added to contributed surplus in shareholders' equity. The weighted average fair value of stock options granted during the six months ended May 31, 2009 was \$0.13 per share (November 30, 2008 - \$0.25 per share).

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

	May 31, 2009	November 30, 2008
Risk free interest rate	1.1 – 3.0%	2.76 – 3.96%
Annual dividends	Nil	Nil
Expected stock volatility	93 - 109%	75 - 89%
Expected life	4 years	3 years



SECOND QUARTER REPORT

Notes to the consolidated financial statements

11. 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 six months ended:

	May 31, 2009	May 31, 2008
	\$	\$
Consulting fees		
Roger's Drilling Services Inc. ("RDS")	72,600	71,500
DRW Geological Consultants Ltd. ("DRW")	79,200	78,000
	151,800	149,500

An amount of \$92,180 (at May 31, 2008 - \$78,850) 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 six months ended May 31, 2009:

- An amount of \$60,720 (at May 31, 2008 - \$56,600) was paid in consulting fees to the Chief Financial Officer of the Company.
- An amount of \$33,666 (at May 31, 2008 - \$43,742) was paid in legal fees to a legal firm of which a partner is an officer of the Company.

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

	May 31, 2009	May 31, 2008
	\$	\$
Denis M. Taschuk	8,500	8,500
William D. Burton	7,750	7,750
Dave Nickerson	7,000	7,000
	23,250	23,250



SECOND QUARTER REPORT

Notes to the consolidated financial statements

11. Related party transactions (continued)

- (d) Included in accounts payable and accrued liabilities are the following balances with directors and officers and companies controlled by directors:

	May 31, 2009	May 31, 2008
	\$	\$
Lorne B. Anderson	-	11,582
Roger G. Sylvestre	-	1,037
	-	12,619

12. Income taxes

The exploration expenditures funded by the 2008 flow through share issuances were renounced for tax purposes in fiscal 2009. The renouncement has resulted in a \$122,460 (2008 - \$2,792,277) income tax recovery and an increase in shareholders' equity of \$222,454 and an increase to the future income tax liability.

13. Investor relations

	May 31, 2009	May 31, 2008
	\$	\$
Advertising	6,660	11,464
Annual general meeting	78,661	29,044
Consultants' fees and expenses	29,884	6,880
Courier and postage	201	610
Materials	2,951	17,705
Meals and entertainment	5,540	7,932
News releases	3,424	5,145
Shows and conventions	24,384	76,307
Subscriptions and dues	1,594	1,094
Telephone	2,011	2,075
Travel	3,899	23,707
	159,209	181,963

14. Commitments

- (a) Annual lease payments of \$17,000 are required to keep the Company's mining properties in good standing.
- (b) A non-refundable advance net smelter royalty of US\$20,000 is payable yearly, as described in Note 9 (a).

Notes to the consolidated financial statements

15. 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.

16. Subsequent Events

On July 15, 2009, the Company announced that it raised, through a brokered private placement, \$2.65 million through the issue of \$552,000 of flow through common shares at a price of \$0.125 per share, and \$2.1 million of units. Each unit consists of one common share at \$0.10 and one common share purchase warrant exercisable to acquire an additional common share for a period of 24 months from closing, at a price of \$0.15 per share.

The Company paid a cash commission equal to 7% of the proceeds from the sale of the flow through shares and 6% of the proceeds from the sale of the non-flow through shares. In addition, the Agents received share purchase warrants equal to 4% of the number of units sold under the private placement, with each warrant being exercisable at any time for one common share of the Company at a price of \$0.15 per share for a period of 15 months following the closing of the private placement. Certain insiders of the Company participated in this private placement as follows: Dave Nickerson and William Burton, Directors of the Company, purchased 50,000 and 200,000 units, respectively; DRW Geological Consultants Ltd., (a private company where David Webb, President and Chief Executive Officer of the Company is a director and officer) purchased 50,000 units and 36,000 flow through shares and Lorne Anderson, Chief Financial Officer of the Company purchased 30,000 units and 180,000 flow through shares.

All securities issued in connection with the private placement are subject to a minimum four month hold period. The Company received final TSX Venture Exchange acceptance of the private placement on July 17, 2009.



MANAGEMENT DISCUSSION AND ANALYSIS

May 31, 2009

The following is a discussion and analysis of the consolidated financial condition and operating results of Tyhee Development Corp. (the "Company") for the six months ended May 31, 2009.

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 July 22, 2009. 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 July 22, 2009.

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 N.W.T. Corp., a wholly-owned subsidiary of Tyhee Development Corp.

Overview

Tyhee continues to focus on advancing engineering and permitting of the Yellowknife Gold Project. Tyhee has received the final Terms of Reference and Work Plan from the Mackenzie Valley Environmental Review Board (MVEIRB). It will form the basis of revisions to the plans and will be incorporated into the Developers Assessment Report.

The Company's targeted exploration has recently focused on low-cost assessment of its library of diamond drill core including re-logging and sampling of core from holes drilled in the 1990's.

General Economic Conditions

Tyhee has monitored the equity markets and has adjusted its plans accordingly. The Company has not restarted the diamond drills on its properties and has deferred any decision on expanding its exploration and development programs until market conditions improve. However, subsequent to quarter-end, the Company announced a financing and intends to use the funds raised for the preliminary feasibility study, continued permitting and environmental work, and an exploration program on its Clan Lake property, as well as general corporate purposes.



MANAGEMENT DISCUSSION AND ANALYSIS

May 31, 2009

Yellowknife Gold Project

The Ormsby, Nicholas Lake and Bruce Zones, purchased in 2001 for cash and royalties, are located 90 kilometres north of Yellowknife, Northwest Territories, Canada. They remain subject to a net smelter royalty that was held by David Webb, Director, President and Chief Executive Officer of the Company. In 2007, Mr. Webb sold his royalty interest to a private company in which Mr. Webb is also a director and officer. These zones have been submitted in a Project Description Report to the Mackenzie Valley Land and Water Board (MVLWB) for permitting to establish a mine and mill and ancillary facilities.

A Preliminary Assessment that encompasses only the Ormsby, Nicholas and Bruce Lake zones, utilized the then current Measured and Indicated Resource of 11.2 million tonnes grading 3.52 gpt gold containing 1,270,000 ounces of gold plus 3.6 million tonnes of Inferred Resources grading 3.21 gpt gold containing 374,000 ounces of gold. This assessment complies with NI 43-101 standards, is preliminary in nature and the economic analysis includes inferred resources that are considered too speculative geologically to have economic considerations applied to them so that they may be categorized as mineral reserves. There is no certainty that the results of this Preliminary Assessment will be realized.

The base case considers a 3,000 tonne per day operation, initially as an open pit with underground operations commencing in year two at Nicholas Lake and year three at Ormsby, recovering an average of 163,500 ounces of gold per year for 7 years (total 1,144,500 ounces) at an average operating cost of \$384 per ounce of gold. Initial capital costs are projected to be \$150 million, including a contingency of 30% of direct costs. At a base case of \$750 per ounce of gold, and a 5% discount rate, the project has an IRR of 21.3% and a NPV of \$145 million. All cost estimates are at +/- 30% for accuracy. The \$US/\$CAN rate is assumed to be at par.

Gold Price	Pre-Tax Net Present Value at 0% Discount	Pre-Tax Internal Rate of Return	Pre-Tax Net Present Value at 5% Discount
\$650	\$135,884,000	14.8%	\$73,149,000
\$750	\$235,845,000	21.3%	\$144,905,000
\$900	\$415,702,000	30.9%	\$268,993,000
\$1,000	\$504,668,000	31.2%	\$320,675,000

The Ormsby open pit mine would extract 2 million tonnes of ore grading 3.08 gpt with an overall strip ratio of 5.9, while the Nicholas Lake open pit mine would extract 470,000 tonnes grading 4.11 gpt with an overall strip ratio of 6.26. The underground operations using a 2.5 gpt cut-off would extract 3.8 million tonnes grading 5.55 gpt from the Ormsby Zone and 1.4 million tonnes grading 6.16 gpt from Nicholas Lake.

Subsequent to completing the Preliminary Assessment and the filing of the Project Description Report, Tyhee identified additional gold resources, some at the Ormsby Zone and some on the Goodwin Lake and Clan Lake properties. A total resource, for the Yellowknife Gold Project, of 17.0 million tonnes (measured and indicated) grading 3.39 grams of gold per tonne containing 1,847,000 ounces of gold (at a cut-off of 1.25 grams per tonne for the Ormsby, Goodwin, Bruce and Clan Lake Main Zone, and a cut-off of 1.1 grams per tonne (gpt) for the Nicholas Lake Zone) was reported on January 22, 2009. An additional 2.5 million tonnes is estimated as an



MANAGEMENT DISCUSSION AND ANALYSIS

May 31, 2009

Yellowknife Gold Project (continued)

inferred resource, grading 3.29 grams per tonne gold containing 269,000 ounces of gold. The gold resource was calculated in compliance with National Instrument 43-101.

Gold Resource Table, Yellowknife Gold Project, 2009-01-22

Measured	Tonnes	Gold grade (gpt)	Ounces of gold
Ormsby Zone ¹	3,003,000	3.41	329,000
Nicholas Zone ²	1,249,000	3.81	153,000
Bruce Zone ¹			
GL Vad Zone ¹			
Clan Main Zone ¹			
Total	4,252,000	3.53	482,000

Indicated			
Ormsby Zone ¹	7,898,000	3.42	869,000
Nicholas Zone ²	1,484,000	3.32	158,000
Bruce Zone ¹	791,000	3.31	84,000
GL Vad Zone ¹			
Clan Main Zone ¹	2,527,000	3.12	254,000
Total	12,700,000	3.34	1,365,000

M&I			
Ormsby Zone ¹	10,901,000	3.42	1,198,000
Nicholas Zone ²	2,733,000	3.54	311,000
Bruce Zone ¹	791,000	3.31	84,000
GL Vad Zone ¹			
Clan Main Zone ¹	2,527,000	3.12	254,000
Total	16,952,000	3.39	1,847,000

Inferred			
Ormsby Zone ¹	223,000	3.14	23,000
Nicholas Zone ²	955,000	3.92	120,000
Bruce Zone ¹	396,000	2.76	35,000
GL Vad Zone ¹	971,000	2.91	91,000
Clan Main Zone ¹			
Total	2,545,000	3.29	269,000

¹Ormsby, Bruce Lake, GL Vad and Clan Main Zones at 1.25 gpt cut-off

²Nicholas Lake Main Zone at 1.1 gpt cut-off

Figures are rounded for presentation

NI 43-101 reported January 22 2009, V.V. Pratico QP.



MANAGEMENT DISCUSSION AND ANALYSIS

May 31, 2009

Yellowknife Gold Project (continued)

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 July 2008, approximately 585 diamond drillholes totalling more than 136,000 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.

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 Zone occurs within and adjacent to 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. A revised resource estimate was published April 3, 2008.

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.

The Clan Lake resource was developed from 43 new diamond drillholes. Mineralization at Clan Lake is largely constrained to a 6.5 kilometre long, 900 m wide north-northeast striking domain (open in strike). Mapping and prospecting has identified significant gold mineralization throughout this zone including the 330, Pond, Main, Cranberry, Morel, Iceberg, and Cub Zones. Mineralization consists of altered, silicified, and sulphidized rocks that generally strike to the northwest and individually may exceed 100 m in width. A 1,045-tonne bulk sample from the property taken in the mid-1960's graded 14.5 grams per tonne gold¹. Current sampling of the

¹ Webb, D.R. 1994. Report on the Diamond Drill Program on the Clan Lake Property, Lease 2495, Lot 913, and Lease 2707, Lot 943 (Nose Claims) Yellowknife Greenstone Belt, 85-J-16 Claim Sheet, 62° 55' N Latitude, 114° 14' W Longitude, Mackenzie District, Northwest Territories. Completed May 1992 to December 1993.



MANAGEMENT DISCUSSION AND ANALYSIS

May 31, 2009

Gold Mineralization (continued)

Company's library of diamond drill core from the Main Zone and sampling of the Pond Zone has been completed.

The Clan Lake Property was acquired in 2006 and 2007 by staking and consists of mineral claims totalling 2,809 hectares (6,935 acres). The claims are located 12 kilometres south of the Goodwin Lake Property. Gold mineralization occurs in quartz veins and silicified and sulphidized rocks within volcanic breccias. More than 10,000 metres of diamond drilling has been recorded on the Clan Lake Property over the past 40 years.

The Goodwin Lake Vad Zone (GL Vad) resource was developed from 28 diamond drillholes over a 400 m long portion of a mafic intrusion. Mineralization occurs in shallow-plunging prolate domains of silicification, and potassium and sulphide enrichment. Sulphide enrichment is minor and consists primarily of pyrrhotite, sphalerite and galena. Arsenopyrite is rare to absent. The zone is open along strike and to depth.

The Goodwin Lake Property was acquired in 2006 by option and staking, and consists of mineral claims totalling 722 hectares (1780 acres). A 2% Net Smelter Returns Royalty is payable to the arms-length vendor of the claims. The claims are located 14 kilometres south of the Ormsby Zone and cover a similar geology as the Ormsby Zone, including gold-bearing mafic igneous breccias. In 2008, Tyhee completed 28 diamond drillholes into the Vad Zone and identified significant mineralization, resulting in an initial resource calculation.

The BigSky Property was acquired in 2006 by staking and by option in 2007. Five mining leases covering extensions of historic gold showings were purchased in June 2008 to expand the property by approximately 338 acres. The claims adjoin the Giant Yellowknife Mine (past producer of 8 million ounces of gold from 14.5 million tonnes of ore grading 17.0 grams per tonne) to the south and east, and 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. Claims encompassing the western-most extent of the Duckfish Granite were dropped in the current year in order to focus on the eastern extent of the property. A second type of mineralization was identified peripheral to the granite where 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 51.1 grams per tonne gold. Tyhee's initial diamond drill results confirmed the shear zones to be significantly gold-bearing, with results including 3.0 metres grading 3.2 grams per tonne gold and 2.2 metres grading 3.5 grams per tonne gold (NR S9 R3, February 4, 2008) and expanded the mineralized portion of the WK Shear to a minimum strike length of 300 metres (NR S.9, R.8, April 29, 2008 and NR S.9, R.10, July 8, 2008).



MANAGEMENT DISCUSSION AND ANALYSIS

May 31, 2009

Gold Mineralization (continued)

In 2008, the Oro Lake Property (338 acres of mining leases) was acquired, as part of the BigSky Property, from an arms-length company for a one time payment of \$20,000. Tyhee will return the mining leases to the vendor if Tyhee:

- a) no longer wishes to retain the mining leases or
- b) fails to expend \$100,000 on the leases within 5 years of the date of the agreement for the purchase of the leases (the Company has spent approximately \$60,000 on exploration expenditures on these leases to date).

The Oro Lake Property was worked on in the 1930's and 1940's, and drilled by Lynx Yellowknife Gold Mines in 1944, resulting in the discovery of a gold-bearing shear zone transecting Kam Group volcanic rocks. Narrow high-grade gold mineralization has been defined in several places along the shear zone from historic work including drillholes which returned values including 208.1 grams per tonne (gpt) gold over 0.6 metres (m) in diamond drill hole (ddh)19, 27.8 gpt gold over 1.8 m in ddh 23, and 9.9 gpt over 0.8 m in ddh 52 (Mason, J.D., 1975²). These are historic assay results and cannot be verified. They are reported because the Company believes they are reliable, and identify a potential exploration target to guide additional work. The mineralized structure extends onto the BigSky Property, and is located 6.5 km south of Tyhee's southern-most drillholes. Tyhee intends to assess the previous work completed on the Oro Lake Property.

Ongoing and Future Developments

The Preliminary Assessment recommended completing a Prefeasibility Study on the Yellowknife Gold Project. Subsequent to the end of this quarter the Company announced the initiation of a Preliminary Feasibility Study.

Tyhee continues to advance the permitting to develop a producing mine on the Yellowknife Gold Project. The Company submitted a revised Project Description Report in July 2008 withdrawing the previously submitted Project Description Report. The Yellowknife Gold Project was referred to the MVEIRB for an Environmental Assessment in August 2008. Scoping sessions were held in Yellowknife in October 2008 and that input plus additional data were compiled to develop a draft Terms of Reference and draft Work Plan received in January 2009. The Company and other interested parties have responded to these documents. The MVEIRB developed a final Terms of Reference and Work Plan which was filed May 22, 2009. These documents will guide the development of a Developers Assessment Report. The Developers Assessment Report represents a principal document upon which the regulators assess if and under what conditions a mine may be operated in the Northwest Territories. Subsequent to the end of the quarter Tyhee announced it will continue with this process.

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. Subsequent to the end of this quarter the Company announced it has raised funds for further exploration work on Clan Lake.

² Mason, J.D., 1975. Diamond drill report for Lynx-Yellowknife Gold Mines Ltd., Oro Lake Property. Assessment Report NTGO file 061577, pp.66.



MANAGEMENT DISCUSSION AND ANALYSIS

May 31, 2009

Ongoing and Future Developments (continued)

On March 31, 2009, the Board of Directors of the Company approved the adoption of a shareholder rights plan, subject to the ratification of the Company's shareholders at the Company's annual shareholder meeting to be held on May 7, 2009. The Rights Plan has been adopted to ensure the fair treatment of shareholders in connection with any take-over bid for common shares of the Company. The Rights Plan seeks to provide shareholders with adequate time to properly assess a take-over bid without undue pressure. It also provides the Board with more time to fully consider an unsolicited take-over bid and, if applicable, to explore other alternatives to maximize shareholder value. The Rights Plan was not adopted in response to an anticipated takeover bid. A copy of the Rights Plan is available on SEDAR.

Changes in Management and Board

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



MANAGEMENT DISCUSSION AND ANALYSIS

May 31, 2009

Discussion of Operations and Financial Condition

Overall Performance and Results of Operations

The six months ended May 31, 2009 compared to the six months ended May 31, 2008

The Company incurred a net loss of \$660,612 during the six months ended May 31, 2009 compared to net earnings of \$1,334,966 realized during the six months ended May 31, 2008.

An income tax recovery of \$122,460 was recorded for the six months ended May 31, 2009 compared to an income tax recovery of \$2,792,277 recorded for the six months ended May 31, 2008. 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 six months ended May 31, 2009 was \$783,072 compared to loss before income taxes of \$1,457,311 for the six months ended May 31, 2008. Net loss is lower in the current year due to lower administrative expenses.

Administrative expenses for the six months ended May 31, 2009 were \$785,870 lower than for the six months ended May 31, 2008. This difference is mainly a result of stock based compensation expense which decreased by \$729,832 during the six months ended May 31, 2009 due to a lower benefit recognition value calculated for the option grant and a fewer number of options granted in the current year. Investor relations costs decreased by \$22,754, general corporate expenses decreased by \$17,125 and professional fees decreased by \$15,221; this is a result of the current reduced level of activity. Other income decreased by \$111,631 mainly as a result of a decrease in interest income of \$118,668 during the six months ended May 31, 2009 due to lower interest earned on bank accounts.

Exploration expenditures decreased by \$5,120,514 in the six months ended May 31, 2009 compared to the same period last year. This reduction is in line with the Company's focus of curtailing any expansion of exploration programs until further funds are raised.

The three month period ended May 31, 2009 compared to the three month period ended May 31, 2008

Net loss for the three month period ended May 31, 2009 was \$348,111 compared to net loss of \$316,290 for the same period last year. Administrative expenses for the three months ended May 31, 2009 were \$346,643 compared to \$382,969 for the three month period ended May 31, 2008

Investor relations costs overall increased by \$15,749; however, within the investor relations category, show and convention costs and travel decreased by approximately \$40,000, annual general meeting costs increased by \$49,500 due to the engagement of proxy solicitation services and consultant fees and expenses increased by \$8,000.

Other income decreased by \$65,211 as a result of a decrease in interest income earned.



MANAGEMENT DISCUSSION AND ANALYSIS

May 31, 2009

Overall Performance and Results of Operations (continued)

Summary of Quarterly Results

Period Ended	2009 May 31	2009 Feb 28	2008 Nov 30	2008 Aug 31	2008 May 31	2008 Feb 29	2007 Nov 30	2007 Aug 31
Other income (expenses)	(1,468)	7,576	23,271	53,674	66,679	51,060	(294,260)	(1,119)
Net earnings (loss)	(348,111)	(312,501)	(1,546,034)	(608,837)	(316,290)	1,651,256	(362,189)	(840,510)
Earnings (loss) per share	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	0.01	(0.01)	(0.00)
Earnings (loss) per share, fully diluted	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	0.01	(0.01)	(0.00)

With the exception of the quarter ended February 29, 2008, the Company has generally incurred net losses. For the quarter ended February 29, 2008, an income tax recovery of \$2,792,277 was recorded due to the benefit recognition of tax losses from the tax effect of issuing flow-through shares. The positive earnings for that quarter was a result of that recovery. The net losses for the quarters ending August 31, 2008 and August 31, 2007 were higher mainly due to stock options being granted and hence, stock based compensation expenses being recorded during those quarters.

Liquidity and Solvency

During the six months ended May 31, 2009, total net proceeds of \$424,078 were received from a private placement. These funds and the cash on hand at November 30, 2008 were used for exploration expenditures and for working capital requirements.

The Company's investing activities were mainly additions to exploration properties. Expenditures on exploration properties of \$885,624 were incurred during the six months ended May 31, 2009. In 2008, expenditures on exploration properties of \$5,768,116 were incurred during the same period.

At May 31, 2009, the Company had cash and cash equivalents of \$1,627,740 and a working capital position of \$1,757,733. The recent economic situation affecting the financial markets and market value of the Company's shares has shifted the Company's focus to preserving its cash so that it can continue as a "going concern" until markets improve. During the first six months of 2009, the Company has continued its advancement with geological, environmental and permitting work; any expansion of exploration drill programs have been curtailed. The Company does not have any long-term debt or capital commitments.

Further to Tyhee's news release dated April 20, 2009 relating to financing, market conditions dictated a reduction in the offering price to that announced previously and the Board of Directors determined to reduce the total funds raised to minimize dilution to existing shareholders while still enabling the company to advance the Yellowknife Gold Project.

The Company amended the terms of the private placement and on July 15, 2009, the Company closed a \$2.655 million financing which consisted of 21,030,000 units at a price of \$0.10 per unit and 4,416,000 flow through



MANAGEMENT DISCUSSION AND ANALYSIS

May 31, 2009

Liquidity and Solvency (continued)

common shares at a price of \$0.125 per flow through share. Each unit consists of one common share and one common share purchase warrant exercisable to acquire an additional common share for a period of 24 months from closing, at a price of \$0.15 per share. Tyhee paid a total cash commission of \$147,325 to the Agents. In addition, Tyhee issued to the Agents common share purchase warrants entitling them to purchase a total of up to 631,000 common shares for a period of 15 months at a price of \$0.15 per share.

Proceeds of the financing will be used to complete the preliminary feasibility study and advance permitting for the Yellowknife Gold Project. Funds will also be allocated to exploration and general corporate purposes.

Final acceptance from the TSX Venture Exchange for the private placement was received on July 17, 2009. All securities issued are subject to a hold period of four months in accordance with the rules and policies of the Exchange and applicable Canadian securities laws.

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.

Changes in Accounting Policies

On March 17, 2009, the Emerging Issues Committee of the CICA approved abstract EIC-174 – Mining Exploration Costs, that provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The adoption of this abstract had no impact on the Company's presentation of its financial position or results of operations as of May 31, 2009.

In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, and amended Section 1000, *Financial Statement Concepts*, clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Items that no longer meet the definition of an asset are no longer recognized with assets. The standard is effective for fiscal years beginning on or after October 1, 2008. The Company has adopted this standard; adoption of this standard has not had a material impact on its results or operations.



MANAGEMENT DISCUSSION AND ANALYSIS

May 31, 2009

New Accounting Pronouncements

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan for the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS"). In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's reporting no later than in the first quarter of 2012 with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency activities, certain contractual arrangements and capital requirements. The Company is currently evaluating the future impact of IFRS on its financial statements and will continue to invest in training and additional resources to ensure a timely conversion.

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.

The financial markets throughout the world have experienced a dramatic decline which has affected the market value of the Company's shares. The decline in equity markets and value of the Company's shares may affect its ability to finance further exploration for the foreseeable future.



MANAGEMENT DISCUSSION AND ANALYSIS

May 31, 2009

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 six months ended May 31, 2009, an aggregate of \$151,800 (at May 31, 2008: \$149,500) was paid to private companies owned by the President and Chief Executive Officer, and Executive Vice-President for consulting services. Directors' fees of \$23,250 (at May 31, 2008: \$23,250) were paid to the independent directors of the Company at May 31, 2009. (See Note 11 of the consolidated financial statements for the six months ended May 31, 2009). 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 six months ended May 31, 2009:

An amount of \$60,720 (at May 31, 2008: \$56,600) was paid in consulting fees to the Chief Financial Officer of the Company.



MANAGEMENT DISCUSSION AND ANALYSIS

May 31, 2009

Related Party Transactions (continued)

An amount of \$33,666 (at May 31, 2008: \$43,742) was paid in legal fees to a legal firm of which a partner is an officer of the Company.

On December 15, 2008, the Company granted 1,378,000 stock options to directors, officers and employees of the Company. The exercise price is \$0.18 and the expiry date is December 15, 2013.

On April 17, 2009, an advance net smelter royalty payment of \$24,200 (US\$20,000) was paid to a private company in which David Webb (President and Chief Executive Officer of Tyhee) is a director and officer (See Note 9(a) in the consolidated financial statements for the six months ended May 31, 2009).

Subsequent to May 31, 2009, the Company issued 21,030,000 units and 4,416,000 flow through shares (as described in the Liquidity and Solvency section). Certain insiders of the Company participated in this private placement as follows: Dave Nickerson and William Burton, Directors of the Company, purchased 50,000 and 200,000 units, respectively; DRW Geological Consultants Ltd., (a private company where David Webb, President and Chief Executive Officer of the Company is a director and officer) purchased 50,000 units and 36,000 flow through shares and Lorne Anderson, Chief Financial Officer of the Company purchased 30,000 units and 180,000 flow through shares.

Investor Relations

The Company retains The Equicom Group ("Equicom") to provide strategic communications support to the Company on an "as needed" basis, at a rate of \$200 per hour.

On September 15, 2008, the Company renewed its contract with Dr. Leanne Baker (Investor Resources LLC) and entered into an agreement with Kathleen Walton (The Basic Industries Group) to provide capital market exposure and increase market awareness of the Company. 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 and Ms. Walton were granted 75,000 options each, vesting over a period of one year and exercisable at \$0.38 for a period of five years or earlier, upon expiry of their contracts.

Guarantees and Commitments

See Note 14 and Note 15 of the consolidated financial statements for the six months ended May 31, 2009 outlining the contractual commitments and guarantees provided to third parties.

Financial Instruments

The financial instruments of the Company are comprised of cash and cash equivalents (term deposits). 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.



MANAGEMENT DISCUSSION AND ANALYSIS

May 31, 2009

Disclosure for Venture Issuers Without Significant Revenue

See Note 9 of the consolidated financial statements for the six months ended May 31, 2009 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 six months ended May 31, 2009 and May 31, 2008.

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.

Disclosure Controls and Procedures

Company management, with the participation of the Chief Executive Officer and Chief Financial Officer have assessed the effectiveness of internal controls over financial reporting. Based on this assessment, management believes that, as of May 31, 2009, internal control over financial reporting was effective to provide reasonable assurance that the information to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods and forms.



MANAGEMENT DISCUSSION AND ANALYSIS

May 31, 2009

Outstanding Share Data

The Company has authorized an unlimited number of common shares without par value. At July 22, 2009, 196,772,158 common shares were issued and outstanding. There is no other class or series of voting or equity securities. There are a maximum number of 16,663,000 options outstanding which can be converted into 16,663,000 common shares and 21,789,571 warrants outstanding which can be converted into 21,789,571 common shares. At July 22, 2009, there are 235,224,729 fully diluted common shares outstanding.

Additional Information

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



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