



Third Quarter Report

For the Period Ended August 31, 2007

The consolidated financial statements for the nine-month period ended August 31, 2007 and 2006 have not been reviewed by the Company's auditors. This notice is being provided in accordance with National Instrument 51-102 Continuous Disclosure Obligations.



Third Quarter Report

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

Unaudited - Prepared by Management

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<u>August 31, 2007</u>	<u>August 31, 2006</u>	<u>August 31, 2007</u>	<u>August 31, 2006</u>
ADMINISTRATIVE EXPENSES				
Amortization	\$ 67,562	\$ 73,658	\$ 197,845	\$ 216,132
Consulting	51,000	37,250	161,100	153,700
General corporate	22,076	16,825	53,376	42,413
Investor relations (Note 10)	80,998	47,946	361,046	183,828
Professional fees	13,069	12,876	37,829	31,848
Rent	12,971	12,935	38,900	38,702
Salaries and benefits	48,136	36,295	133,387	106,455
Stock based compensation	538,126	56,519	865,796	590,405
Telephone	1,691	1,656	5,025	5,049
Transfer agent and filing fees	1,882	4,361	14,209	16,489
Travel	1,880	1,606	6,387	5,692
	<u>839,391</u>	<u>301,927</u>	<u>1,874,900</u>	<u>1,390,713</u>
OTHER EXPENSES (INCOME)				
Foreign exchange loss (gain)	51	(38,566)	(119)	(35,948)
Interest income	(757)	(26,410)	(70,120)	(33,291)
Write-off of exploration property	1,825	-	1,825	-
	<u>1,119</u>	<u>(64,976)</u>	<u>(68,414)</u>	<u>(69,239)</u>
LOSS BEFORE INCOME TAXES	<u>(840,510)</u>	<u>(236,951)</u>	<u>(1,806,486)</u>	<u>(1,321,474)</u>
INCOME TAX RECOVERY	-	-	1,296,389	1,143,409
NET LOSS	<u>(840,510)</u>	<u>(236,951)</u>	<u>(510,097)</u>	<u>(178,065)</u>
RENOUNCEMENT OF TAX DEDUCTIBILITY RELATING TO FLOW-THROUGH SHARES	-	-	(1,296,389)	(1,143,409)
DEFICIT, BEGINNING OF PERIOD	<u>(21,863,274)</u>	<u>(19,817,377)</u>	<u>(20,897,298)</u>	<u>(18,732,854)</u>
DEFICIT, END OF PERIOD	<u>\$ (22,703,784)</u>	<u>\$ (20,054,328)</u>	<u>\$ (22,703,784)</u>	<u>\$ (20,054,328)</u>
LOSS PER SHARE				
Basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding	128,441,472	105,475,481	124,355,765	92,714,106



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CONSOLIDATED BALANCE SHEET

Unaudited – Prepared by Management

	<i>As at</i>	
	August 31, 2007 (Unaudited)	November 30, 2006 (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,410,999	\$ 2,963,569
Amounts receivable	144,703	303,678
Inventory (Note 3)	339,505	285,430
Prepaid expenses and advances	128,625	117,656
	2,023,832	3,670,333
SECURITY DEPOSITS (Note 4)	406,500	412,000
FIXED ASSETS, net of accumulated amortization (Note 5)	894,368	911,590
EXPLORATION PROPERTIES (Note 6)	30,171,093	23,781,214
	33,495,793	\$ 28,775,137
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,503,174	\$ 341,860
ASSET RETIREMENT OBLIGATION (Note 7)	115,000	115,000
	1,618,174	456,860
SHAREHOLDERS' EQUITY		
SHARE CAPITAL		
Common shares (Unlimited, without par value) (Note 8)		
Issued 130,662,853 (November 30, 2006 – 114,999,799)	51,841,845	47,331,988
CONTRIBUTED SURPLUS (Note 8 (d))	2,739,558	1,883,587
DEFICIT	(22,703,784)	(20,897,298)
	31,877,619	28,318,277
	\$ 33,495,793	\$ 28,775,137
GOING CONCERN (Note 1)		

Approved by the Directors:

David R. Webb, Director

Roger G. Sylvestre, Director



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CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited – Prepared by Management

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	August 31, 2007	August 31, 2006	August 31, 2007	August 31, 2006
OPERATING ACTIVITIES				
Net (loss) earnings	\$ (840,510)	\$ (236,951)	\$ (510,097)	\$ (178,065)
Add (deduct) items not affecting cash				
Amortization	67,562	73,658	197,845	216,132
Income tax recovery	-	-	(1,296,389)	(1,143,409)
Stock-based compensation	538,126	56,519	865,796	590,405
Write-off of exploration property	1,825	-	1,825	-
	(232,997)	(106,774)	(741,020)	(514,937)
Changes in non-cash operating working capital				
Accounts receivable	(1,475)	31,573	158,975	147,393
Inventory	78,857	17,737	(54,075)	(36,613)
Prepaid expenses and advances	99,363	(22,019)	(10,969)	7,010
Accounts payable and accrued liabilities	847,309	(49,319)	1,161,314	(1,216,912)
	791,057	(128,802)	514,225	(1,614,059)
INVESTING ACTIVITIES				
Security deposits	(44,500)	-	5,500	-
Purchase of fixed assets	(15,964)	(18,944)	(180,623)	(395,786)
Additions to exploration properties	(2,906,250)	(1,602,963)	(6,296,711)	(3,570,889)
Acquisition of exploration properties	(10,964)	-	(84,793)	-
	(2,977,678)	(1,621,907)	(6,556,627)	(3,966,675)
FINANCING ACTIVITIES				
Issuance of shares and share subscriptions, net of issue costs for				
Private placements	921,486	4,393,380	2,706,117	7,446,899
Stock options	-	10,500	20,950	10,500
Warrants	24,640	482,582	1,762,765	1,342,232
	946,126	4,886,462	4,489,832	8,799,631
(DECREASE) INCREASE IN CASH	(1,240,495)	3,135,753	(1,552,570)	3,218,897
CASH, BEGINNING OF PERIOD	2,651,494	861,664	2,963,569	778,520
CASH, END OF PERIOD	\$ 1,410,999	\$ 3,997,417	\$ 1,410,999	\$ 3,997,417

Cash and cash equivalents is comprised of the following

Cash	\$ 1,410,999	\$ 1,989,724	\$ 1,410,999	\$ 1,989,724
Term deposits	-	2,007,693	-	2,007,693
	\$ 1,410,999	\$ 3,997,417	\$ 1,410,999	\$ 3,997,417

Supplementary Cash Flow Information

Non-cash financing activity:

Issuance of common shares in exchange for a finder's fee	\$ -	\$ -	\$ -	\$ 60,000
Issuance of common shares for acquisition of mineral property	-	-	10,200	-

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. 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, 2006. 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, 2006.

Certain of the prior year figures have been re-classified to conform to the current year presentation.

New Accounting Pronouncements

In January 2005, the Canadian Institute of Chartered Accountants issued four new accounting standards effective for financial statements relating to fiscal years beginning on or after October 1, 2006. These new accounting standards relate to Handbook Section 1530, Comprehensive Income, Handbook Section 3251, Equity, Handbook Section 3855, Financial Instruments – Recognition and Measurement, and Handbook Section 3865, Hedges. The Company has adopted these standards for fiscal and interim periods beginning December 1, 2006.

3. INVENTORY

	<u>August 31, 2007</u>	<u>November 30, 2006</u> (Audited)
At Cost	\$ 339,505	\$ 285,430

At August 31, 2007, the inventory consists of diesel, gasoline and propane that will be charged to exploration properties on a monthly basis, based on consumption.

4. SECURITY DEPOSITS

	<u>August 31, 2007</u>	<u>November 30, 2006</u> (Audited)
Mackenzie Valley Land and Water Board	\$ 406,500	\$ 412,000

Security deposits of \$362,000 have been posted with the Mackenzie Valley Land and Water Board for land use permits and a water license on the Yellowknife Gold Project. During the current year, \$50,000 was refunded for a security deposit on a land use permit no longer required.

New security deposits of \$44,500 were posted for land use permits on the Clan Lake, BigSky and Goodwin Lake properties.

5. FIXED ASSETS

	<u>August 31, 2007</u>			<u>November 30, 2006</u> (Audited)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Automobiles	\$ 268,968	\$ (122,695)	\$ 146,273	\$ 92,441
Boats & Canoes	14,465	(7,216)	7,249	8,168
Camp Facilities	328,814	(127,258)	201,556	328,814
Computer/electronic equipment	106,171	(65,366)	40,805	36,875
Data network infrastructure	33,537	(19,814)	13,723	17,706
Leasehold improvements	3,120	(1,127)	1,993	2,773
Mining equipment	752,882	(283,806)	469,076	413,670
Office furniture	47,544	(33,851)	13,693	11,143
	<u>\$ 1,555,501</u>	<u>\$ (661,133)</u>	<u>\$ 894,368</u>	<u>\$ 911,590</u>

6. EXPLORATION PROPERTIES

	(a) Yellowknife Gold Project	(b) Longtom Property	(c) BigSky Property	(d) Goodwin Lake Property	(e) Clan Lake Property	(f) Other Properties	Total
	\$	\$	\$	\$	\$	\$	\$
Acquisition	649,655	127,438	27,758	19,176	-	-	824,027
Exploration	22,737,484	187,562	30,316	-	-	1,825	22,957,187
Balance, November 30, 2006	23,387,139	315,000	58,074	19,176	-	1,825	23,781,214
Write-offs/Writedowns	-	-	-	-	-	(1,825)	(1,825)
Additions							
Acquisition	24,802	-	44,722	1,440	21,350	2,680	94,994
Exploration							
Assaying/Preparation	1,028,194	-	11,169	575	15,212	-	1,055,150
Camp Costs	384,811	-	22,925	4,115	29,433	-	441,284
Drilling	2,109,282	-	-	-	-	-	2,109,282
Equipment Rentals/Repairs	59,272	-	325	1,120	-	-	60,717
Environmental	324,582	-	-	-	-	-	324,582
Flights/Travel	231,046	-	142,135	14,549	114,210	9,295	511,235
Geology	439,292	-	116,040	20,428	175,627	88	751,475
Project Management	260,438	-	26,627	13,655	25,361	867	326,948
Property holding costs	15,700	-	-	-	-	-	15,700
Supplies (Operating)	370,312	-	411	855	21,740	-	393,318
Reports	192,821	-	-	-	4,298	-	197,119
Winter Road	109,900	-	-	-	-	-	109,900
	5,525,650	-	319,632	55,297	385,881	-	6,296,710
Acquisition	674,457	127,438	72,480	20,616	21,350	2,680	919,021
Exploration	28,263,134	187,562	349,948	55,297	385,881	10,250	29,252,072
Balance, August 31, 2007	28,937,591	315,000	422,428	75,913	407,231	12,930	30,171,093

(a) *The Yellowknife Gold Project*

The Company has a 100% interest in the Yellowknife Gold Project (the Company's primary focus) that consists of the Discovery Mine and Nicholas Lake properties. The properties are located 90 km north of Yellowknife, Northwest Territories, Canada.

These two properties were purchased in 2001 and have a net smelter royalty payable to David R. Webb, President and CEO of the Company. In fiscal 2006, a new 349.1 hectare claim was staked and added to the Yellowknife Gold Project properties. In March 2007, another claim (approximately 565 hectares) was added to the Yellowknife Gold Project properties.

To August 31, 2007, the Company has spent \$28,937,591 on acquisition and exploration of the Yellowknife Gold Project.

6. EXPLORATION PROPERTIES (continued)

(b) *Longtom Property*

The Company has a 50% ownership interest in the Longtom Property, which is located in the Northwest Territories, Canada. The other 50% was sold 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 the \$5,000,000 in 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). At August 31, 2007, the Notice Date had not been triggered. The purchase price may be paid in cash or 50% in cash and 50% in common shares of Alberta Star.

(c) *BigSky Property*

The BigSky property is located 17 km north of Yellowknife, Northwest Territories. 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 \$30,000. During the current fiscal year, three additional claim groups (the "Ken claims" the "Blue claims" and the "YK claims") were added to this property. The Ken claims, covering 193 hectares (477 acres) were acquired for \$13,500 with a 2% net smelter royalty, 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 arms-length Yellowknife businessman (the "Optionor") on January 15, 2007. The consideration payable is 60,000 common shares. The optionor retains a 2% net smelter return royalty, of which one-half may be purchased 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 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 will be paid to the prospector.

To August 31, 2007, the Company has spent \$422,428 on acquisition and exploration of the BigSky Property.

(d) *Goodwin Lake Property*

The Company optioned three mineral claims in November 2006 (Goodwin Lake Property) from an arms-length, Yellowknife-based prospector for 85,000 shares payable over two years and a 2% net smelter return royalty, 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 (1136.3 acres).

6. EXPLORATION PROPERTIES (continued)

Upon TSX Venture Exchange acceptance of the agreement, on November 15, 2006, 35,000 shares at \$0.41 per share for a gross value of \$14,350, had been issued in accordance with the terms of the property option agreement. An additional 25,000 shares are payable on or before November 14, 2007, which the Company intends to pay, and the final 25,000 shares are payable 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 will be paid to the prospector; no other payments are required.

To August 31, 2007, the Company has spent \$75,913 on the acquisition and exploration of the Goodwin Lake Property.

(e) *Clan Lake Property*

The Company staked claims, comprising the Clan Lake property during the current year. The Clan Lake property is located 21 km north of the BigSky Property and 50 km north of the city of Yellowknife, Northwest Territories, Canada. It is comprised of mineral claims totaling approximately 2,370 hectares (5,850 acres).

At August 31, 2007, the Company has spent \$407,231 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.

7. ASSET RETIREMENT OBLIGATION

A review of operations during the period ended August 31, 2007 determined that no material amount of liability should be added to the amount estimated at November 30, 2006.

8. SHARE CAPITAL

	Number	Amount
Balance, November 30, 2006	114,999,799	\$47,331,988
Issued during the year		
For cash		
- private placements	5,872,220	2,706,117
- exercise of warrants	9,670,834	1,762,765
- exercise of options	100,000	30,775
For acquisition - mineral properties	20,000	10,200
Balance, August 31, 2007	130,662,853	\$ 51,841,845

8. SHARE CAPITAL (continued)

(a) Private placements

On December 1, 2006, the Company issued a total of 3,650,000 units at a price of \$0.55 for gross proceeds of \$2,007,500. Each unit consists of one common share, which has been designated as a flow through share and one half of one common share purchase warrant. Each whole warrant is exercisable to acquire a further common share on or before December 21, 2007 at \$0.65 per share. The agent received (i) a cash commission of \$132,055 and (ii) warrants to acquire up to 255,500 common shares at a price of \$0.51 per share for a period of twelve months expiring December 21, 2007. David Webb, President and CEO participated in this private placement for 50,000 units.

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.

	Number of Units	Proceeds
December 21, 2006	3,650,000	\$ 2,007,500
August 30, 2007	2,222,220	1,000,000
	5,872,220	3,007,500
Less: Share issue costs	-	(301,383)
	5,872,220	\$ 2,706,117

(b) Share purchase warrants

Share purchase warrants outstanding at August 31, 2007 are as follows:

Number of Warrants	Class of Shares	Expiry date	Exercise Price
425,333 ⁽¹⁾	Common	December 1, 2007	\$0.15
2,750,000	Common	December 21, 2007	\$0.45
1,825,000	Common	December 21, 2007	\$0.65
255,500	Common	December 21, 2007	\$0.51
1,583,500	Common	January 7, 2008	\$0.50
2,418,000	Common	January 13, 2008	\$0.45
155,312	Common	January 17, 2008	\$0.45
71,000	Common	January 17, 2008	\$0.45
600,000	Common	January 31, 2008	\$0.30
8,646,352	Common	March 8, 2008	\$0.28
1,821,712	Common	April 13, 2008	\$0.28
20,551,709			

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

8. SHARE CAPITAL (continued)

Warrants outstanding at November 30, 2006	34,885,833
Warrants issued during the nine months ended August 31, 2007	2,080,500
Warrants exercised during the nine months ended August 31, 2007	(9,670,834)
Warrants expired/cancelled during the nine months ended August 31, 2007	(6,743,790)
Warrants outstanding at August 31, 2007	20,551,709

The fair value of options/warrants is calculated on the date that they are granted or issued. The fair value of the 1,825,000 warrants and the 255,500 broker compensation warrants issued with the private placement on December 21, 2006 were estimated at \$269,357 and \$49,394 respectively, using the Black-Scholes pricing model. The following assumptions were used: risk-free rate – 3.98%; expected volatility – 80%; dividend yield – Nil; and an expected life of one year.

(c) Stock options

At August 31, 2007, the following stock options were outstanding and exercisable:

<u>Date of Grant</u>	<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry date</u>
September 29, 2003	469,000	\$0.60	September 29, 2008
February 6, 2004	150,000	0.50	February 6, 2009
September 3, 2004	780,000	0.38	September 3, 2009
March 2, 2005	1,393,000	0.45	March 2, 2010
May 16, 2005	190,000	0.33	May 16, 2010
March 21, 2006	4,206,500	0.21	March 21, 2010
May 1, 2006	250,000	0.34	May 1, 2011
May 1, 2006	500,000	0.35	May 1, 2011
October 25, 2006	2,050,000	0.42	October 25, 2011
October 25, 2006	50,000	0.50	October 25, 2011
April 19, 2007	150,000	0.53	April 19, 2012
June 27, 2007	1,876,000	0.41	June 27, 2012
	<u>12,064,500</u>		

	<u>Shares</u>	<u>Weighted-average exercise price</u>
Outstanding, November 30, 2006	10,475,100	\$ 0.34
Granted	2,026,000	0.42
Exercised	(100,000)	0.21
Cancelled/expired	(336,600)	0.51
	<u>12,064,500</u>	<u>\$ 0.35</u>

At August 31, 2007, the average remaining contractual life was 3.52 years (November 30, 2006 – 3.90 years).

8. SHARE CAPITAL (continued)

Stock based compensation of \$37,188 was calculated for the 150,000 options granted on April 19, 2007 and \$533,106 was calculated for the 1,876,000 options granted on June 27, 2007. Due to vesting provisions on the 150,000 option grant, \$13,939 has been included in stock based compensation for a total of \$547,045 for the nine months ended August 31, 2007 and added to contributed surplus in shareholder's equity on the balance sheet. The remaining \$23,249 will be added in future periods, as the options vest.

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

Risk free interest rate	4.16 – 4.64%
Annual dividends	Nil
Expected stock volatility	74 – 84%
Expected life	3 years

(d) Contributed Surplus

Balance, November 30, 2006	\$ 1,883,587
Fair value of warrants issued during the nine months ended August 31, 2007	318,751
Fair value of options granted and vested – April 2007 option grant	13,939
Fair value of options granted and vested – June 2007 option grant	533,106
Fair value of options exercised during the nine months ended August 31, 2007	(9,825)
Balance, August 31, 2007	\$ 2,739,558

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 nine months ended August 31, 2007:

	August 31, 2007	August 31, 2006
Consulting fees		
Roger's Drilling Services Inc. ("RDS")	\$ 106,500	\$ 84,000
DRW Geological Consultants Ltd. ("DRW")	115,500	93,000
	\$ 207,000	\$ 177,000

An amount of \$107,100 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.

9. RELATED PARTY TRANSACTIONS (continued)

(b) The following transactions were also included in the financial statements for the nine months ended August 31, 2007:

- An amount of \$54,000 (at August 31, 2006: \$45,000) was paid in consulting fees to the Chief Financial Officer of the Company.
- An amount of \$73,338 (at August 31, 2006: \$86,461) 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 return royalty agreement on the Yellowknife Gold Project (see Note 6(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) Directors' fees (included in salaries and benefits) are as follows:

	August 31, 2007	August 31, 2006
Dave Nickerson	\$ 9,500	\$ 9,000
William D. Burton	9,875	9,000
Denis M. Taschuk	10,250	9,000
	\$ 29,625	\$ 27,000

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

	August 31, 2007	August 31, 2006
Roger Sylvestre	\$ 1,658	\$ -
Roger's Drilling Services Inc.	11,000	-
DRW Geological Consultants Ltd.	12,000	29,778
	\$ 24,658	\$ 29,778



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10. INVESTOR RELATIONS

	August 31, 2007	August 31, 2006
Advertising	\$ 34,312	\$ 9,695
Annual general meeting	33,915	33,714
Consultants' fees and expenses	78,998	31,573
Courier and postage	598	862
Materials	18,209	4,186
Meals and entertainment	14,495	11,323
News releases	10,540	1,623
Shows and conventions	68,712	50,525
Subscriptions and dues	1,156	3,582
Telephone	3,895	5,296
Travel	96,216	31,449
	\$ 361,046	\$ 183,828

11. 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:

2007	13,749
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 Note 6(a) and 9(b).
- (d) Future share issuances are required in accordance with the BigSky property option agreement (Note 6(c)).
- (e) Future share issuances are required in accordance with the Goodwin Lake property option agreement (Note 6(d)).

12. GUARANTEES

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

- (a) The company entered into indemnity agreements with its directors/officers. Under the agreements, the Company will indemnify and save harmless the indemnitee from and against any and all claims, proceedings, whether civil, criminal, quasi-criminal or administrative, of every nature and kind whatsoever made or brought at any time against the indemnitee by reason that the indemnitee is or was a director of the Company or a subsidiary provided that, at all relevant times, the indemnitee acted honestly and in good faith with a view to the best interests of the Company and, in the case of a criminal or administrative action or proceeding, had reasonable grounds for believing that the indemnitee's conduct was lawful.
- (b) The Company also entered into flow through subscription agreements with subscribers in which the Company agreed to indemnify and save the subscriber harmless for the full amount of any additional tax payable by the subscriber under the Income Tax Act or the laws of any province of Canada as a consequence of any failure of the Company to renounce an amount to the subscriber as required under the agreement.

13. SUBSEQUENT EVENTS

On 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. TSX Venture Exchange acceptance was received on September 10, 2007.

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. The Company paid the broker a cash fee equal to 5% of the proceeds of the sale of the shares. TSX Venture Exchange acceptance was received on September 14, 2007.

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. The Company received TSX Venture acceptance on September 28, 2007. 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.

On October 11, 2007, 150,000 options were exercised at \$0.21.

On October 19, 2007, the Company issued 25,000 shares which were payable on or before November 14, 2007, in accordance with the Goodwin Lake Property option agreement.



Third Quarter Report

MANAGEMENT DISCUSSION AND ANALYSIS

August 31, 2007

The following is a discussion and analysis of the consolidated financial condition and operating results of Tyhee Development Corp. (the "Company") for the nine months ended August 31, 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 October 19, 2007. These forward-looking statements are subject to a variety of risks, uncertainties and other factors including, but not limited to, changes in government legislation, regulations and corporate assumptions. The actual results may vary from the results anticipated in these statements. The effective date of this report is October 19, 2007.

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 consists of two, 100% owned properties, the Discovery Mine Property and the Nicholas Lake Property. Both properties were purchased in 2001 for cash and royalties. The properties remain subject to a net smelter royalty held by the President and Chief Executive Officer of the Company. In March 2007, another claim (approximately 565 hectares) was added to the Yellowknife Gold Project properties.

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 gpt for the Nicholas Lake Main 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. Insufficient engineering work has been completed to determine whether the resource is economically mineable and if so, which would be the best method of extraction. An economic evaluation is currently underway that may incorporate some of the inferred resource, and therefore must be referred to as a preliminary assessment under National Instrument 43-101.

MANAGEMENT DISCUSSION AND ANALYSIS

August 31, 2007

Gold Resource

Revised resource, June 2007.

Category	Ormsby	Nicholas	Bruce	Total
	Zone	Main 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.

MANAGEMENT DISCUSSION AND ANALYSIS

August 31, 2007

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 Main Zone, eight kilometres northeast of the Ormsby Zone.

Exploration since the mid 1990's has focused on a different form of mineralization in the Ormsby Zone that had previously not been recognized. By 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 Main Zones where gold values have been found. Two underground exploration programs, one completed in December 2004 and the second completed in September 2005, on the Ormsby Zone exposed mineralization that improved the understanding of geological and engineering characteristics.

A number of gold zones occur in the northern portion of the Yellowknife Gold Project, the most developed of which is referred to as the Nicholas Lake Main Zone. Additional mineralization is identified at the MacAskill Zone, the East Zone, and the Teapot Zone. The Nicholas Lake Main Zone was discovered in 1985 and has been partially developed to a depth of 90 metres below surface via a decline. Four veins have been subdrifted on, and a bulk sample of development muck is on surface.

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

MANAGEMENT DISCUSSION AND ANALYSIS

August 31, 2007

Quarter in Review

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

In the quarter ended August 31, 2007, the Company focused on the resampling program of the Nicholas Lake Main 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, which has two diamond drills operating on the property, continues to drill from surface, and work 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 subsequent to the end of this quarter.. Initial results, released July 9, 2007 (NR S.8 R.13), August 2, 2007 (NR S.8 R.15) and August 23, 2007 (NR S.8 R.19) indicates a bulk-mineable potential as well as previously unrecognized but significant tungsten values. Work continues to assess both of these items at the Nicholas Lake Main Zone. Surface exploration on the Teapot Zone, 4.8 kilometres south of the Nicholas Lake Main 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 subsequent to the end of this quarter, and results are pending.

Regional exploration on the Goodwin Lake, Clan Lake, and BigSky Properties to confirm the location, size and grade of previously known mineralization as well as to identify other prospective areas on these properties has commenced. Initial diamond drilling of four holes on the Goodwin Lake Property was completed subsequent to the end of this quarter, and results are pending. Initial diamond drilling commenced on the BigSky Property subsequent to the end of this quarter.

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 Main Zone have delayed the completion of the Preliminary Assessment. Studies are continuing on the Ormsby Zone and Bruce Zones while consultants examine alternatives for the Nicholas Lake Main Zone. 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.



Third Quarter Report

MANAGEMENT DISCUSSION AND ANALYSIS

August 31, 2007

Changes in Management and Board

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

Discussion of Operations and Financial Condition

Accounting Policies

The Company has adopted four new accounting standards, applied on a prospective basis for fiscal and interim periods beginning December 1, 2006. These new accounting standards relate to Handbook Section 1530, Comprehensive Income; Handbook Section 3251, Equity; Handbook Section 3855, Financial Instruments – Recognition and Measurement, and Handbook Section 3865, Hedges.

Overall Performance and Results of Operations

The nine month period ended August 31, 2007 compared to the nine month period ended August 31, 2006

The Company incurred a net loss of \$510,097 during the nine month period ended August 31, 2007 compared to net loss of \$178,065 incurred during the nine month period ended August 31, 2006.

An income tax recovery of \$1,296,389 was recorded for the nine months ended August 31, 2007 compared to an income tax recovery of \$1,143,409 recorded for the nine months ended August 31, 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 nine months ended August 31, 2007 was \$1,806,486 compared to loss before income taxes of \$1,321,474 for the nine months ended August 31, 2006. Net loss is higher in the current year due to higher administrative expenses, as explained below.

Administrative expenses were \$1,874,900 for the nine months ended August 31, 2007 compared to \$1,390,713 for the nine months ended August 31, 2006. This difference is mainly a result of:

- Stock based compensation expense increased by \$275,391 during the nine months ended August 31, 2007 compared to the nine months ended August 31, 2006.
- Investor relations costs increased by \$177,218 at August 31, 2007 compared to August 31, 2006. This increase can be attributed to:
 - (i) Travel expenses increased by \$64,767 at August 31, 2007 compared to August 31, 2006. These costs have risen due to increased investor relations and financing tours in the current year.



Third Quarter Report

MANAGEMENT DISCUSSION AND ANALYSIS

August 31, 2007

Overall Performance and Results of Operations (continued)

- (ii) Consultants' fees and expenses increased by \$47,425 at August 31, 2007 compared to August 31, 2006. 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.
 - (iii) The Company has increased its presence at shows and conventions and hence, costs increased by \$18,187 at August 31, 2007 compared to August 31, 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, for the nine months ended August 31, 2007 increased \$33,534 compared with the nine months ended August 31, 2006. Costs of materials have also increased by \$14,023 in the current year.
- Salaries and benefits have increased during the nine months ended August 31, 2007 by \$26,932 due to an increase in administrative staff.

The Company expanded its surface exploration program in the current year with exploration expenditures at August 31, 2007 exceeding those at August 31, 2006, by \$2,810,615.

The three month period ended August 31, 2007 compared to the three month period ended August 31, 2006

For the three month period ended August 31, 2007, the net loss was \$840,510 compared to \$236,951 for the three month period ended August 31, 2006. The difference is mainly attributable to the stock based compensation expense increase of \$481,607. Investor relations costs increased \$33,052 for the three month period ended August 31, 2007 compared with the same period in 2006. Salaries and benefits increased \$11,841 for the three months ended August 31, 2007 compared to August 31, 2006.

The analyses for the increases to investor relations by \$33,052 and salaries and benefits by \$11,841 are commensurate with the analyses provided above for the year-to-date results.

MANAGEMENT DISCUSSION AND ANALYSIS

August 31, 2007

Overall Performance and Results of Operations (continued)

Exploration expenditures for the three month period ended August 31, 2007 increased by \$1,314,251 compared to the same period in 2006.

Summary of Quarterly Results

Period Ended	2007 Aug 31	2007 May 31	2007 Feb 28	2006 Nov 30	2006 Aug 31	2006 May 31	2006 Feb 28	2005 Nov 30
Other income (expenses)	68,414	43,122	26,413	32,525	64,976	4,432	(168)	(125,889)
Net earnings (loss)	(510,097)	(353,123)	683,536	(891,121)	(236,951)	(877,340)	936,226	(425,874)
Earnings (loss) per share	(0.00)	(0.00)	0.00	(0.01)	(0.00)	(0.01)	0.01	(0.01)
Earnings (loss) per share, fully diluted	(0.00)	(0.00)	0.00	(0.01)	(0.00)	(0.01)	0.01	(0.01)

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, respectively, were recorded due to the benefit recognition of tax losses from the tax effect of issuing flow through shares. The positive earnings for those two quarters were a result of this recovery. The net losses for the quarters ending August 31, 2007, November 30, 2006 and May 31, 2006 were mainly due to stock based compensation expense being recorded during those quarters.

Liquidity and Solvency

On December 21, 2006, the Company issued a total of 3,650,000 units at a price of \$0.55 per unit, for gross proceeds of \$2,007,500. Each unit consists of one common share, which has been designated as a flow through share and one half of one common share purchase warrant. Each whole warrant is exercisable to acquire a further common share on or before December 21, 2007 at \$0.65 per share. The agent received (i) a cash commission of \$132,055 and (ii) warrants to acquire up to 255,000 common shares at a price of \$0.51 per share for a period of twelve months expiring December 21, 2007. TSX Venture Exchange acceptance was received on December 20, 2006.

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. Final TSX Venture acceptance was received on September 10, 2007.

Net proceeds of \$1,762,765 were received from the exercise of 9,670,834 warrants during the nine months ended August 31, 2007. In addition, the Company received net proceeds of \$20,950 from the exercise of 100,000 options for the nine months ended August 31, 2007.

The December 2006 flow through financing discussed above has been renounced to the investors in the current year; the expenditures from this financing were incurred in 2007 on surface exploration, using the look-back flow through tax rule.



Third Quarter Report

MANAGEMENT DISCUSSION AND ANALYSIS

August 31, 2007

Liquidity and Solvency (continued)

In fiscal 2006, a total of \$1,792,000 was raised through flow through financings. All of these funds were spent on exploration programs, as intended and have been renounced to the flow through investors for tax purposes in the current year.

At August 31, 2007, the Company had cash and cash equivalents of \$1,410,999 compared to \$2,963,569 at November 30, 2006. The Company had working capital of \$520,658 at August 31, 2007 compared to working capital of \$3,328,473 as at November 30, 2006.

For the nine months ended August 31, 2007 cash provided from operations was \$514,225 compared to cash used in operations of \$1,614,059 for the nine months ended August 31, 2006. The difference is mainly due to the accounts payable balances at the end of these periods.

The Company's investing activities are mainly additions to exploration properties and purchase of fixed assets. Expenditures on exploration properties of \$6,296,711 were incurred and fixed assets totalling \$180,623 were purchased during the nine months ended August 31, 2007. In 2006, expenditures on exploration properties of \$3,570,889 were incurred and fixed assets totalling \$395,786 were purchased during the same period.

Cash on hand at November 30, 2006 of \$2,963,569, net proceeds of \$2,706,117 from private placements, and \$1,783,715 from the exercise of warrants and options during the nine months ended August 31, 2007 were used for: exploration expenditures, fixed asset purchases, acquisition of exploration properties, and the balance for working capital requirements.

Cash on hand at August 31, 2007 of \$1,410,999 and new funds received subsequent to August 31, 2007 (detailed below) will be used to continue with the Company's 2007 surface exploration program, for further engineering and permitting work, and for general corporate purposes.

Subsequent to August 31, 2007, total gross proceeds of \$4,239,615 were received from the issuance of 4,762,000 common shares at \$0.42 per common share and 4,976,834 flow-through shares at \$0.45 per flow-through share. The funds raised through flow-through private placements will be expended on exploration programs as required under the flow-through agreements.

Also, subsequent to August 31, 2007, 150,000 options with an exercise price of \$0.21 and an expiration date of March 21, 2010, were exercised for gross proceeds of \$31,500.

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

MANAGEMENT DISCUSSION AND ANALYSIS

August 31, 2007

Financial Risks and Uncertainties

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

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

Operational Risks and Uncertainties

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

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

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

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 skillful, qualified individuals may not be as readily available due to the cyclical nature of the industry. Also, failure of third parties such as mining contractors or drilling contractors in meeting their obligations under contracts or agreements may delay and/or negatively affect operations.



Third Quarter Report

MANAGEMENT DISCUSSION AND ANALYSIS

August 31, 2007

Related Party Transactions

During the nine months ended August 31, 2007, an aggregate of \$207,000 (2006: \$177,000) was paid to private companies owned by the President and Chief Executive Officer, and Executive Vice-President for consulting services. Directors' fees of \$29,625 (2006: \$27,000) were paid or payable to the independent directors of the Company at August 31, 2007. (See Note 9 of the interim consolidated financial statements for the nine months ended August 31, 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 nine months ended August 31, 2007:

An amount of \$54,000 (2006: \$45,000) was paid in consulting fees to the Chief Financial Officer of the Company.

An amount of \$73,338 (2006: \$86,461) 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.

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, 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.



Third Quarter Report

MANAGEMENT DISCUSSION AND ANALYSIS

August 31, 2007

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 has 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 11 and Note 12 of the consolidated financial statements for the interim period ended August 31, 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 6 of the consolidated financial statements for the nine months ended August 31, 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 interim periods ended August 31, 2007 and August 31, 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

August 31, 2007

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 assessed the effectiveness of internal controls over financial reporting as of December 1, 2006. Based on this assessment, management believes that, as of August 31, 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 October 19, 2007, 140,576,687 common shares were issued and outstanding. There is no other class or series of voting or equity securities. There are a maximum number of 20,551,709 warrants outstanding which can be converted into 20,551,709 common shares and 11,914,500 options outstanding which can be converted into 11,914,500 common shares. At October 19, 2007, there are 173,042,896 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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