

Auditors' Report and Consolidated Financial Statements of

TYHEE DEVELOPMENT CORP.

November 30, 2005 and 2004



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Auditors' Report

To the Shareholders of
Tyhee Development Corp.

We have audited the consolidated balance sheets of Tyhee Development Corp. as at November 30, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
January 27, 2006

TYHEE DEVELOPMENT CORP.
Consolidated Balance Sheets
November 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 178,520	\$ 4,804,414
Cash held in trust	600,000	-
Amounts receivable	282,275	214,763
Prepaid expenses and advances (Note 3)	423,757	872,368
	<u>1,484,552</u>	<u>5,891,545</u>
DEPOSITS (Note 4)	432,000	120,000
FIXED ASSETS, net of accumulated amortization of \$213,606 (2004 - \$78,917) (Note 5)	744,196	97,883
EXPLORATION PROPERTIES (Note 6)	18,631,509	9,823,664
	<u>\$ 21,292,257</u>	<u>\$ 15,933,092</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,965,306	\$ 1,925,780
ASSET RETIREMENT OBLIGATION	75,000	-
	<u>2,040,306</u>	<u>1,925,780</u>
SHAREHOLDERS' EQUITY		
Share capital		
Authorized		
Unlimited common shares without par value		
Issued (Note 7)		
57,718,552 (2004 - 41,897,951) common shares	36,144,407	30,871,465
Share subscriptions	1,028,080	37,600
Contributed surplus	812,318	330,812
Deficit	(18,732,854)	(17,232,565)
	<u>19,251,951</u>	<u>14,007,312</u>
	<u>\$ 21,292,257</u>	<u>\$ 15,933,092</u>

GOING CONCERN (Note 1)

APPROVED BY THE DIRECTORS:

(Signed) David R. Webb

David R. Webb, Director

(Signed) Roger G. Sylvestre

Roger G. Sylvestre, Director

TYHEE DEVELOPMENT CORP.
Consolidated Statements of Operations and Deficit
Years ended November 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ADMINISTRATIVE EXPENSES		
Amortization	\$ 134,689	\$ 24,644
Consulting	190,113	156,500
General corporate	49,507	33,155
Investor relations (Note 10)	379,903	253,411
Professional fees	57,249	58,782
Rent	44,731	34,690
Salaries and benefits	170,984	115,357
Stock-based compensation	481,506	330,812
Telephone	7,558	7,309
Transfer agent and filing fees	11,500	10,481
Travel	10,452	9,535
	<u>1,538,192</u>	<u>1,034,676</u>
OTHER EXPENSES (INCOME)		
Capital tax expense	-	12,829
Foreign exchange gain	(70)	(938)
Interest expense	20,489	10,356
Interest income	(28,322)	(30,250)
Other mineral property income	(30,000)	-
Write-off of exploration properties	-	305,102
	<u>(37,903)</u>	<u>297,099</u>
LOSS BEFORE INCOME TAXES	<u>(1,500,289)</u>	<u>(1,331,775)</u>
INCOME TAX RECOVERY (Note 9)	<u>1,788,569</u>	<u>882,492</u>
NET EARNINGS (LOSS) FOR THE YEAR	<u>288,280</u>	<u>(449,283)</u>
RENOUNCEMENT OF TAX DEDUCTIBILITY RELATING TO FLOW-THROUGH SHARES	<u>(1,788,569)</u>	<u>(882,492)</u>
DEFICIT, BEGINNING OF YEAR	<u>(17,232,565)</u>	<u>(15,900,790)</u>
DEFICIT, END OF YEAR	<u>\$ (18,732,854)</u>	<u>\$ (17,232,565)</u>
EARNINGS (LOSS) PER SHARE - basic and diluted	<u>\$ 0.01</u>	<u>\$ (0.02)</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>51,682,938</u>	<u>25,432,062</u>

TYHEE DEVELOPMENT CORP.
Consolidated Statements of Cash Flows
Years ended November 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
OPERATING ACTIVITIES		
Net earnings (loss)	\$ 288,280	\$ (449,283)
Add (deduct) items not affecting cash		
Amortization	134,689	24,644
Income tax recovery	(1,788,569)	(882,492)
Stock-based compensation	481,506	330,812
Write-off of exploration expenditures	-	305,102
	<u>(884,094)</u>	<u>(671,217)</u>
Changes in non-cash operating working capital		
Accounts receivable	(67,512)	(129,379)
Prepaid expenses and advances and deposits	246,114	(895,789)
Accounts payable and accrued liabilities	79,157	1,874,216
	<u>(626,335)</u>	<u>177,831</u>
INVESTING ACTIVITIES		
Purchases of fixed assets	(781,002)	(62,585)
Additions to exploration properties, net of accounts payable	(8,747,689)	(6,697,358)
Additions to exploration properties - royalty	(24,787)	(25,956)
Prepaid expenses and advances	(109,503)	-
	<u>(9,662,981)</u>	<u>(6,785,899)</u>
FINANCING ACTIVITIES		
Issuance of shares and share subscriptions, net of issue costs for		
Private placements	6,223,156	10,414,801
Stock options	40,266	54,432
Warrants	-	68,180
Loans payable	-	(96,500)
	<u>6,263,422</u>	<u>10,440,913</u>
(DECREASE) INCREASE IN CASH	(4,025,894)	3,832,845
CASH, BEGINNING OF YEAR	4,804,414	971,569
CASH, END OF YEAR	\$ 778,520	\$ 4,804,414

TYHEE DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Years ended November 30, 2005 and 2004

1. GOING CONCERN

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

These consolidated financials statements have been prepared on a going concern basis that contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company’s ability to proceed with the next planned 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. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

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

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

(b) Use of estimates

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

(c) Cash and cash equivalents

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

TYHEE DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Years ended November 30, 2005 and 2004

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) *Fixed assets*

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

(e) *Exploration properties*

The investigation, pre-acquisition costs, costs of acquiring mineral properties and the related exploration and development expenses are deferred and allocated to individual properties until the properties are brought into production, at which time they are amortized on a unit-of-production basis, or until the properties are abandoned or sold, at which time the costs are charged to operations.

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

(f) *Foreign currency translation*

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

(g) *Earnings (loss) per share*

The basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed to give effect to the incremental common shares issuable upon the exercise of stock options and warrants. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method only "in-the-money" dilutive instruments impact the dilution calculations.

(h) *Financial instruments*

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

TYHEE DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Years ended November 30, 2005 and 2004

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) *Income taxes*

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

(j) *Stock options*

The Company accounts for all grants of options to employees, non-employees and directors in accordance with the fair value method for accounting for stock-based compensation as defined by accounting principles generally accepted in Canada. Stock-based compensation expense is calculated using the Black-Scholes option-pricing model.

(k) *Impairment of long-lived assets*

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

(l) *Asset retirement obligation*

The Canadian Institute of Chartered Accountants (“CICA”) issued a new section in the CICA Handbook, section 3110, *Asset retirement obligations*, which applies to fiscal years beginning on or after January 1, 2004. The standard 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 to be capitalized to the related asset and amortized into earnings over time. Environmental expenditures relating to clean up are charged to earnings as incurred during the exploration phase. Significant environmental expenditures to be incurred subsequent to the cessation of exploration are accrued when their extent can be reasonably estimated. The Company has estimated (before discounting) and recorded the fair value of this liability as it is uncertain when the Company will be required to commence the remediation process.

TYHEE DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Years ended November 30, 2005 and 2004

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) *Comparative figures*

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

3. PREPAID EXPENSES

	<u>2005</u>	<u>2004</u>
Camlaren Mine Development Ltd.	\$ 323,390	\$ 699,000
Other prepaids and advances	100,367	173,368
Total prepaids and advances	\$ 423,757	\$ 872,368

Camlaren Mine Development Ltd. (the contractor of the Yellowknife Gold Project) and other suppliers require assurances before mobilizing equipment and supplies on site, as all heavy equipment and bulk supplies brought to the property on the winter road are "captured" and cannot easily be recovered until the next winter season. At November 30, 2005, the Company had advances to Camlaren Mine Development Ltd. of \$323,390 for diesel and gasoline. These advances will be charged to exploration expenditures on a monthly basis, based on consumption.

4. DEPOSITS

	<u>2005</u>	<u>2004</u>
Mackenzie Valley Land and Water Board	\$ 432,000	\$ 120,000

Security deposits totalling \$432,000 have been posted with the Mackenzie Valley Land and Water Board for a water license and land use permits on the Yellowknife Gold Project.

5. FIXED ASSETS

	<u>2005</u>			<u>2004</u>
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Net book value</u>
Automobiles	\$ 184,877	\$ 40,742	\$ 144,135	\$ 18,252
Boats and canoes	14,465	4,855	9,610	11,780
Computer/electronic equipment	84,258	43,142	41,116	29,158
Data network infrastructure	24,786	10,117	14,669	18,130
Office furniture	41,493	29,625	11,868	6,190
Mining equipment	607,923	85,125	522,798	14,373
	\$ 957,802	\$ 213,606	\$ 744,196	\$ 97,883

TYHEE DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Years ended November 30, 2005 and 2004

6. EXPLORATION PROPERTIES

	2003	Additions	2004	Additions	2005
(i) Yellowknife Gold Project					
Acquisition	\$ 573,677	\$ 27,070	\$ 600,747	\$ 24,787	\$ 625,534
Exploration	2,212,041	6,695,876	8,907,917	8,909,943	17,817,860
	2,785,718	6,722,946	9,508,664	8,934,730	18,443,394
Recovery of Costs				(126,885)	(126,885)
	2,785,718	6,722,946	9,508,664	8,807,845	18,316,509
(ii) Longtom Property					
Acquisition	127,438	-	127,438	-	127,438
Exploration	187,562	-	187,562	-	187,562
	315,000	-	315,000	-	315,000
(iii) Cobalt Property					
Acquisition	134,850	(134,850)	-	-	-
Exploration	117,259	(117,259)	-	-	-
	252,109	(252,109)	-	-	-
(iv) Terra Silver Mines					
Exploration	52,625	(52,625)	-	-	-
	\$ 3,405,452	\$ 6,418,212	\$ 9,823,664	\$ 8,807,845	\$ 18,631,509

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

(i) *Ormsby Zone and Nicholas Lake Main Zone*

These two zones are located 90 km north of Yellowknife, Northwest Territories, Canada.

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

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

- (a) recovery of the capital costs (without interest) incurred by the Company in constructing the mining facilities and processing, treatment and other capital facilities; and
 - (b) the fifth anniversary of the commencement of commercial production,
- the percentage of the NSR will be 0.75%.
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TYHEE DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Years ended November 30, 2005 and 2004

6. EXPLORATION PROPERTIES (Continued)

(i) *Ormsby Zone and Nicholas Lake Main Zone (continued)*

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

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

(ii) *Longtom Property*

The Company holds a 50% interest in the Longtom Property located in the Northwest Territories, Canada. The other 50% interest is held by Alberta Star Development Corp. ("Alberta Star"), subject to a 2% net smelter royalty on the property. The combined claim and lease group is registered in the name of Alberta Star. Alberta Star has the right to acquire the balance of the Company's interest for \$315,000, half of which may be payable in shares of Alberta Star at any time but must acquire the balance of the Company's interest upon expending a cumulative \$5,000,000 on the property.

(iii) *Cobalt Property*

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

It was determined that resources could not be made available at any time in the near future to advance this project and that it was not cost effective to continue maintaining the property. Therefore, the property was written off in 2004.

(iv) *Terra Silver Mines*

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

On July 22, 2003, 974114 entered into an agreement with Fronteer Development Group Inc. to exchange a 50% interest in each of their wholly owned properties in the Camsell River area of the Northwest Territories (Terra Silver Mine and Conjuror Bay Properties) in order to more effectively option them to a larger company.

However, these plans did not materialize in a timely manner and the Company felt that it could not see any future benefit of continuing to maintain the property. Therefore, the property was written off in 2004.

TYHEE DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Years ended November 30, 2005 and 2004

7. SHARE CAPITAL

	<u>Number</u>	<u>Amount</u>
Balance, November 30, 2003	15,860,321	\$ 20,371,652
Issued during the year for cash - private placements	25,606,010	10,377,201
Exercise of warrants	90,720	54,432
Exercise of options	340,900	68,180
Balance, November 30, 2004	41,897,951	30,871,465
Issued during the year for cash - private placements	15,727,271	5,232,676
Exercise of warrants	-	-
Exercise of options	93,330	40,266
Balance, November 30, 2005	57,718,552	\$ 36,144,407

(a) *Private placements*

	<u>Number of units</u>	<u>Net proceeds</u>
March 31, 2005 and April 15, 2005	13,875,421	\$ 4,794,599
September 1, 2005	1,851,850	438,077
	15,727,271	\$ 5,232,676

(b) *Share purchase warrants*

Share purchase warrants outstanding at November 30, 2005 are as follows:

<u>Number of warrants</u>	<u>Class of shares</u>	<u>Expiry date</u>	<u>Exercise price</u>
2,750,000	Common	June 30, 2006	\$ 0.50
1,012,500	Common	June 30, 2006	0.40
6,025,000	Common	June 30, 2006	0.50
426,944	Common	June 30, 2006	0.45
602,500 ¹	Common	June 30, 2006	0.40
6,743,790	Common	March 31, 2007	0.50
496,846	Common	March 31, 2007	0.38
539,503 ²	Common	March 31, 2007	0.38
73,684	Common	April 15, 2007	0.38
1,851,850 ³	Common	September 2, 2007	0.40 / 0.55
185,185 ³	Common	September 2, 2007	0.40 / 0.55
20,707,802			

TYHEE DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Years ended November 30, 2005 and 2004

7. SHARE CAPITAL (continued)

(b) *Share purchase warrants (continued)*

- ¹ Unit warrants can be exercised to acquire one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire a further common share at a price of \$0.50 per share.
- ² Unit warrants can be exercised to acquire one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire a further common share at a price of \$0.38 per share.
- ³ Each warrant is exercisable to purchase a common share at \$0.40 per share if exercised during the first year and at \$0.55 if exercised during the second year.

	<u>2005</u>	<u>2004</u>
Warrants outstanding, beginning of year	14,203,884	3,930,100
Warrants issued during the year	9,890,858	14,203,884
Warrants exercised	-	(90,720)
Warrants expired	(3,386,940)	(3,839,380)
Warrants outstanding, end of year	20,707,802	14,203,884

- (i) On March 31, 2005, the Company issued 6,210,579 flow through shares at a price of \$0.38 per flow through share, and 6,743,790 non-flow through units at a price of \$0.38 per unit for gross proceeds of \$4,922,660. Each unit consists of one common share and one common share purchase warrant, each warrant exercisable to purchase a further common share at any time on or before March 31, 2007 at \$0.50 per share. An additional 496,846 warrants were issued to an agent to purchase 496,846 common shares and 539,503 units, each unit comprised of one common share and one common share purchase warrant. The warrants are exercisable on or before March 31, 2007 at an exercise price of \$0.38 per share or unit, respectively.
- (ii) On April 15, 2005, the Company issued 921,052 flow through shares at a price of \$0.38 per flow through share for gross proceeds of \$350,000. Compensation options to purchase 73,684 common shares were issued, exercisable at any time on or before April 15, 2007 at an exercise price of \$0.38 per share.
- (iii) On September 2, 2005, the Company issued 1,851,850 units, each unit consisting of one flow through share and one common share purchase warrant, at a price of \$0.27 per unit for gross proceeds of \$500,000. Each warrant is exercisable to purchase a further common share on or before September 2, 2007, at \$0.40 per share if exercised during the first year and at \$0.55 per share if exercised during the second year. An additional 185,185 warrants were issued to the finder to purchase 185,185 common shares, having the same terms as the warrants issued to investors.
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TYHEE DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Years ended November 30, 2005 and 2004

7. SHARE CAPITAL (Continued)

(c) *Stock options*

At November 30, 2005, 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>
May 22, 2002	209,100	\$ 0.52	May 22, 2007
July 31, 2002	180,000	0.50	July 31, 2007
September 29, 2003	568,000	0.60	September 29, 2008
February 6, 2004	300,000	0.50	February 6, 2009
February 6, 2004	150,000	0.75	February 6, 2009
September 3, 2004	880,000	0.38	September 3, 2009
March 2, 2005	1,643,000	0.45	March 2, 2010
May 16, 2005	190,000	0.33	May 16, 2010
	4,120,100		

	<u>2005</u>		<u>2004</u>	
	<u>Shares</u>	<u>Weighted average exercise price</u>	<u>Shares</u>	<u>Weighted average exercise price</u>
Outstanding, beginning of year	2,440,430	\$ 0.49	1,580,330	\$ 0.46
Granted	1,833,000	0.44	1,350,000	0.45
Exercised	(93,330)	0.43	(340,900)	0.20
Expired	(60,000)	0.20	(149,000)	0.51
Outstanding, end of year	4,120,100	\$ 0.47	2,440,430	\$ 0.49

At November 30, 2005, the average remaining contractual life was 3.59 years (2004 - 3.94 years).

At the Company's Annual General Meeting ("AGM") held on April 28, 2005, the Company's shareholders agreed to implement a rolling stock option plan (the "Plan") whereby a maximum of 10% of the issued shares will be reserved for issuance under the Plan.

Stock-based compensation expense of \$481,506 was recorded for the year ended November 30, 2005 and added to contributed surplus in shareholders' equity.

TYHEE DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Years ended November 30, 2005 and 2004

7. SHARE CAPITAL (Continued)

(c) *Stock options (continued)*

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

	<u>2005</u>	<u>2004</u>
Risk free interest rate	3.5%	3.5% - 3.8%
Annual dividends	Nil	Nil
Expected stock volatility	90 - 100%	20%
Expected life	3 years	3 - 5 years

8. RELATED PARTY TRANSACTIONS

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

	<u>2005</u>	<u>2004</u>
Consulting fees		
Roger's Drilling Services Inc. ("RDS")	\$ 108,000	\$ 89,500
DRW Geological Consultants Ltd. ("DRW")	119,525	101,000
Denis M. Taschuk	-	50,000
	\$ 227,525	\$ 240,500

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

The following transactions were also included in the financial statements for the year ended November 30, 2005:

- An amount of \$35,000 (2004: Nil) was paid in consulting fees to an officer of the Company.
 - An amount of \$89,008 (2004: Nil) was paid or accrued in legal fees to a legal firm of which an associate is an officer of the Company.
 - A passenger vehicle was purchased from DRW Geological Consultants (a company owned by David R. Webb, CEO of the Company) for \$13,192, at fair value, for use on the Company's Yellowknife Gold Project.
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TYHEE DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Years ended November 30, 2005 and 2004

8. RELATED PARTY TRANSACTIONS (Continued)

(a) (continued)

- An advance net smelter royalty payment of \$24,787 (US\$20,000) was paid to the President and CEO of the Company in accordance with a net smelter return royalty agreement on the Yellowknife Gold Project (See Note 6(i)).

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

	<u>2005</u>	<u>2004</u>
Directors' fees (included in salaries and benefits)		
Alan W. Tambosso	\$ 11,933	\$ 12,000
Dave Nickerson	12,000	12,000
William D. Burton	12,000	6,840
Denis M. Taschuk	12,000	2,000
Michael W. Hitch	9,374	-
	<u>\$ 57,307</u>	<u>\$ 32,840</u>

- (b) Included in accounts payable and accrued liabilities at November 30, 2005 are the following balances with directors and companies controlled by directors:

	<u>2005</u>	<u>2004</u>
DRW Geological Consultants Ltd.	\$ 45,458	\$ 17,571
Roger's Drilling Services Inc.	35,785	-
Roger G. Sylvestre	3,882	6,115
Alan W. Tambosso	3,433	-
Dave Nickerson	4,000	-
Denis Taschuk	4,000	-
William D. Burton	4,000	-
Michael W. Hitch	3,767	-
	<u>\$ 104,325</u>	<u>\$ 23,686</u>

TYHEE DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Years ended November 30, 2005 and 2004

9. INCOME TAXES

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

	<u>2005</u>	<u>2004</u>
Statutory tax rate	35.62%	35.62%
Recovery relating to income taxes computed at standard rates	\$ 534,403	\$ 474,378
Non-deductible stock-based compensation	(171,512)	(117,835)
Tax benefit not recognized in prior year	1,425,678	525,949
	\$ 1,788,569	\$ 882,492

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

	<u>2005</u>	<u>2004</u>
Net operating loss carryforwards	\$ 1,190,137	\$ 1,009,748
Unutilized exploration expenditures	975,867	2,657,521
Capital assets	130,597	73,438
	2,296,601	3,740,707
Less: Valuation allowance	(2,296,601)	(3,740,707)
	\$ -	\$ -

At November 30, 2005, the Company has available losses that may be carried forward to apply against future income for tax purposes as follows:

<u>Expiry date</u>	<u>Amount</u>
2006	493,745
2007	282,555
2008	183,117
2009	30,587
2010	558,436
2010	916,618
2015 (estimated)	876,146

The exploration expenditures funded by the 2004 flow through share issuances were renounced for tax purposes in fiscal 2005. The renouncement has resulted in a \$1,788,569 (2004 - \$882,492) income tax recovery and an equal reduction in shareholders' equity. The resulting future income tax liability has been offset by tax losses previously not brought to account.

TYHEE DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Years ended November 30, 2005 and 2004

10. INVESTOR RELATIONS

	<u>2005</u>	<u>2004</u>
Travel	\$ 134,752	\$ 39,457
Shows and conventions	78,624	37,986
Consultants' fees and expenses	67,024	73,528
Annual general meeting	31,744	23,598
Materials	25,886	12,872
Advertising	12,976	14,103
Meals and entertainment	9,692	9,411
Subscriptions and dues	8,027	1,446
Telephone	7,521	4,621
News releases	2,605	5,193
Courier and postage	814	1,420
Salaries and benefits	238	29,776
	<u>\$ 379,903</u>	<u>\$ 253,411</u>

11. COMMITMENTS

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

2006	50,515
2007	50,515
2008	50,515
2009	29,467

- (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 (i) and Note 8 (a).
-

TYHEE DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Years ended November 30, 2005 and 2004

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 has purchased directors' and officers' liability insurance in the amount of \$5,000,000. There are no material indemnification claims known to the Company at this time and no amount has been accrued in the consolidated balance sheets with respect to any indemnifications.
- (c) The Company also entered into flow through subscription agreements with subscribers in which the Company agreed to indemnify and save the subscriber harmless for the full amount of any additional tax payable by the subscriber under the Income Tax Act or the laws of any province of Canada as a consequence of any failure of the Company to renounce an amount to the subscriber as required under the agreement.

13. SUBSEQUENT EVENTS

On December 1, 2005 and December 13, 2005, the Company issued a total of 14,482,333 units at a price \$0.12 per unit for \$1,737,880. Each unit consists of one common share and one common share purchase warrant at a price of \$0.12 per unit. Each warrant is exercisable to purchase a further common share on or before December 1, 2007 at \$0.15 per share. The finders, on a portion of the placement, received cash commissions and/or warrants to purchase 602,500 common shares exercisable on or before December 1, 2006 at \$0.15 per share.

Subsequent to November 30, 2005, 150,000 options at \$0.50 and 150,000 options at \$0.75 have expired.

On January 19, 2006, the Company issued 1,637,500 units for gross proceeds of \$262,000. Each unit consists of one common share and one common share purchase warrant at a price of \$0.16 per unit. Each warrant is exercisable to purchase a further common share on or before January 19, 2007 at \$0.28 per share.



MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2005

The following is a discussion and analysis of the consolidated financial condition and operating results of Tyhee Development Corp (the "Company") for the year ended November 30, 2005.

Some of the statements set forth are forward-looking statements relating to the Company's future operating results based on the information available to the Company at November 30, 2005. These forward-looking statements are subject to a variety of risks and uncertainties and other factors, but are not limited to, changes in government legislation and regulations and assumptions. The actual results may vary from the results anticipated in these statements. The effective date of this report is January 27, 2006.

Description of Business

Tyhee Development Corp. is a junior exploration company that trades on the TSX Venture Exchange under the symbol TDC. The Company is a reporting issuer in British Columbia, Alberta and Ontario. Its focus is the exploration and development of mineral resource properties, located in politically and socially stable environments, where there is a reasonable expectation to identify 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.

The current focus of corporate resources is on one project:

Yellowknife Gold Project

The Yellowknife Gold Project is located 90 kilometres north of Yellowknife, NT, Canada and consists of two, 100% owned properties, the Discovery Mine Property and the Nicholas Lake Property. Both properties were purchased in 2001 for cash and royalties. The properties remain subject to a net smelter royalty held by a director of the company.

Gold Mineralization

A number of potentially economic gold zones are located on mining leases of the Yellowknife Gold Project. Past production of 1,023,575 ounces of gold from 1,018,786 tons of ore occurred from the Discovery Main Zone between 1949 and 1969. Mineralization remains open to depth below the shaft bottom 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 on the Ormsby Zone. Gold mineralization also occurs at Nicholas Lake in the Main Zone, 8 km northeast of the Ormsby Zone.



MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2005

Gold Mineralization (continued)

Exploration since the mid 1990's has focused on a new form of mineralization in the Ormsby Zone that had previously not been recognized. Over 300 diamond drillholes totalling more than 60,000 metres have 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 some of these resources that improved the understanding of the geological and engineering characteristics.

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

Gold mineralization at the Ormsby Zone occurs within a hydrothermal breccia, which occurs within the Discovery Shear Zone. The 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.

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.

There have been several diamondiferous kimberlite bodies discovered within 50 km of the Yellowknife Gold Project, none of which have proved to be economic at this time. In 2003, the Company entered into an agreement with Majescor Resources Inc., allowing them to explore for diamonds on the Yellowknife Gold Project. Majescor terminated the agreement during the third quarter because of poor kimberlite indicator mineral results in till samples collected over the property. They consequently transferred two mineral claims that they had staked to cover potential kimberlite targets to the Company.



MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2005

Gold Resources

The gold resource reported here has been calculated by independent consultants in conformity with National Instrument 43-101 and has been presented in two forms, corresponding to the two possible development options that may be available on the property, firstly, a potentially bulk-minable development and secondly, a lower tonnage, more selectively minable development. Insufficient engineering work has been completed to determine whether the resource is mineable and which method of extraction would be economically viable. Both resource options are presented below to demonstrate potential development options. A revised resource estimate is currently being determined. This will form the basis of a pre-feasibility study currently underway by Micon International Limited, which was expected to be completed during the fourth calendar quarter of this year, but has been extended to the first quarter of 2006. A delay in receipt of the revised resource estimate due to significant changes in the geological model and personnel constraints extended the time frame to complete the pre-feasibility study.

Global Resource

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

The global gold resource has been established at the Yellowknife Gold Project containing 16 million tonnes (measured and indicated) grading 3.60 grams of gold per tonne containing 1,826,000 ounces of gold at a cut-off of 1 gram per tonne. An additional 3.2 million tonnes are inferred, grading 3.37 grams per tonne gold containing 343,000 ounces of gold (Table 1). No disseminated mineralization has been identified at the Nicholas Lake Main Zone, so it has been excluded from this calculation.

Table 1. Yellowknife Gold Project, Ormsby and West Zones Measured, Indicated and Inferred Gold Resource at 1 gpt cut-off

Category	Tonnes	Gold Grade (grams per tonne)	Ounces
Measured	10,544,000	3.69	1,250,000
Indicated	5,215,000	3.43	576,000
Subtotal	15,758,000	3.60	1,826,000
Inferred	3,158,000	3.37	343,000

The Ormsby Zone and West Zone resource was calculated by Pratico, Kirkham and Stewart (2005). Inverse distance to the fourth power with 10 x 20 x 10 metre blocks, an arbitrary 1.0 gpt cut-off (without implying economic status) and a 60 gpt cap is used. All samples >60 gpt are restricted in influence to a maximum 20 metre extrapolation. A specific gravity of 3.04 is used in tonnage conversion, as measured from 85 sample determinations. Figures are rounded for presentation.



MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2005

Underground Resource

Using a cut-off higher than that used for the Global Resource, (3.5 grams per tonne for the Ormsby and West Zones, and 5.0 grams per tonne for the Nicholas Lake Main Zone), the total measured and indicated gold resource is 1,049,000 ounces of gold from 3.6 million tonnes grading 9.01 grams per tonne gold. The inferred gold resource is 426,000 ounces of gold in 1.7 million tonnes grading 8.01 grams per tonne gold (Table 2).

Table 2 Measured, Indicated and Inferred Gold Resource, Yellowknife Gold Project at 3.5 and 5 gram per tonne cut-off.

Category	Nicholas Main ^(a)	Ormsby Zone ^(b)	West Zone ^(b)	Total
Measured				
Tonnes	59,000	1,692,000		1,751,000
Grade, Gold gpt	11.76	8.82		8.92
Ounces, Gold	22,300	480,000		502,300
Indicated				
Tonnes	553,000	1,314,000		1,867,000
Grade, Gold gpt	9.25	9.03		9.10
Ounces, Gold	164,500	382,000		546,500
Subtotal				
Tonnes	612,000	3,007,000		3,619,000
Grade, Gold gpt	9.49	8.91		9.01
Ounces, Gold	186,800	862,000		1,048,800
Inferred				
Tonnes	210,000	1,223,000	222,000	1,654,000
Grade, Gold gpt	8.64	7.57	9.81	8.01
Ounces, Gold	58,300	298,000	70,000	426,300

(a) The Nicholas Lake Main Zone resource was calculated by Dupre and Giroux (2003) and has previously been reported. D.G. Dupre P.Geol. is the qualified person for this resource figure. Ordinary kriging on a solids model with a minimum width of 1.5 metres, 5 gpt cut-off, and a 96 gpt cut is used. (b) The Ormsby Zone resource was calculated by Pratico, Kirkham and Stewart (2005). Inverse distance to the fourth power with 5 x 5 x 5 metre blocks, an arbitrary 3.5 gpt cut-off without implying any economic status, and a 60 gpt cap is used. All samples >60 gpt are restricted in influence to a maximum 20 metre extrapolation. A specific gravity of 3.04 is used in tonnage conversion, as measured from 85 sample determinations. Figures are rounded for presentation.



MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2005

Year in Review

The Company is pleased with the progress to date on the Yellowknife Gold Project. The Company submitted its Project Description Report to the regulatory authorities, applying for permits to construct and operate a mine and mill complex on the property. Scoping sessions were held, and the final Terms of Reference and Final Work Plan have been received.

The Company completed a surface drill program and a program to expand the underground development. The underground development successfully demonstrated the lateral and vertical continuity of the mineralized domains within the Ormsby Zone and established engineering data on rock strengths, mining costs and potential stope geometry. The surface diamond drilling has supplemented the underground data and has added details beyond the extent of the underground workings as well as, confirming gold mineralization in the Ormsby Zone at depths of up to 700 metres below surface.

Ongoing and Future Developments

The Company is finalizing a revised resource estimate that will be used as the base for a prefeasibility study that should be completed after the resource figures are finalized. Additional exploration and development will be finalized upon receipt of these reports, but in the interim, additional surface diamond drilling, which is currently underway, will be completed. Additional engineering for the prefeasibility and permitting work will continue in 2006. The Company intends to mobilize sufficient materials to complete ongoing surface and underground exploration and development.

Changes in Management and Board

Two directors, Mr. Alan Tambosso and Mr. Michael Hitch, resigned as Directors during the fourth quarter because of other commitments.

During the second quarter of the current year, Mr. David Webb, President of the Company was appointed Chief Executive Officer of the Company and Mr. Denis Taschuk, Director of the Company, was appointed Chairman of the Board.

In May 2005, Lorne B. Anderson C.A. joined the Company as Chief Financial Officer. He has ten years experience in the mining industry with Glamis Gold Ltd; is a director and officer of a small company in the oil and gas industry and also is a director of another company developing base metals.

Also joining the Company during the year were Doug Levesque as Vice President Operations, Tyhee N.W.T. Corp., Hugh Wilson as Vice President, Environment and Community Affairs, Tyhee N.W.T. Corp., and Val Pratico as Chief Geologist, Tyhee N.W.T. Corp. Tyhee N.W.T. Corp. is a wholly owned subsidiary of Tyhee Development Corp.



MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2005

Discussion of Operations and Financial Condition

Overall Performance and Results of Operations

The Company realized net income of \$288,280 for the year ended November 30, 2005 compared to a net loss of \$449,283 for the year ended November 30, 2004. Net income has been realized in the current year due to an income tax recovery of \$1,788,569 that was recognized in the first quarter. This tax recovery was due to the renouncement of flow through expenditures that caused a recognition of the income tax benefit that had previously been subject to a valuation allowance. Excluding the income tax recovery, the loss before income taxes for the year ended November 30, 2005 was \$1,500,289 compared to the net loss before income taxes of \$1,331,775 for the year ended November 30, 2004.

Administrative expenses increased by approximately \$500,000 to \$1,538,192 for the year ended November 30, 2005 compared to \$1,034,676 for the year ended November 30, 2004. The increase is mainly due to:

- Stock based compensation of \$481,506 recorded in the current year compared to \$330,812 recorded in 2004.
- Investor relations costs of \$379,903 in the current year compared to \$253,411 in 2004. The increase of \$126,492 resulted from increased travel for investor relations and financing tours as well as attendance at mineral shows and conventions for continued efforts to raise awareness of the Company.
- Amortization expense at November 30, 2005 of \$134,689 compared to \$24,644 at November 30, 2004. The increase is attributable to purchases of fixed assets during the last two years to support ongoing operations on the Company's Yellowknife Gold Project.
- Salaries and benefits of \$170,984 at November 30, 2005 compared to \$115,357 at November 30, 2004. The higher salaries are a result of increased directors' fees and administrative support during the current year.

The write off of exploration properties in the amount of \$305,102 relating to the Cobalt and Terra Silver Mine properties contributed to the loss in 2004.

For the year ended November 30, 2005, cash used in operations was \$626,335 compared to cash of \$177,831 being generated from operations for the year ended November 30, 2004. Investing activities arise mainly from additions to exploration properties and purchase of fixed assets; this trend has continued in the current year and is expected to continue into the future. Expenditures of \$8,807,845 were incurred on exploration; additionally, \$781,002 was spent on the purchase of fixed assets during the current year. Financing activities provided net cash inflows of \$6,263,422 at November 30, 2005 in comparison with net cash inflows of \$10,440,913 at November 30, 2004.



MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2005

Overall Performance and Results of Operations (continued)

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

	November 30, 2005	November 30, 2004	November 30, 2003
Net earnings (loss)	\$ 288,280	\$ (449,283)	\$ (494,575)
Earnings (loss) per share	0.01	(0.02)	(0.04)
Total assets	21,292,257	15,933,092	4,618,926
Total liabilities	2,040,306	1,925,780	148,064
Working Capital (deficiency)	(480,754)	3,965,765	1,101,968

The Company does not produce any revenues and has generally incurred losses; the current year's net income is a result of an income tax recovery. The Company's project has advanced and total assets have noticeably increased over the last three years. Total liabilities at November 30, 2005 and November 30, 2004 consisted of current accounts payable and accrued liabilities and an estimated asset retirement obligation of \$75,000. Working capital has fluctuated over the past three years and although the Company raised net proceeds of \$6,223,156 from private placements during the current year, additional financing is required for operations.

Summary of Quarterly Results

Period Ended	2005 Nov 30	2005 Aug 31	2005 May 31	2005 Feb 28	2004 Nov 30	2004 Aug 31	2004 May 31	2004 Feb 29
Other Income	(125,889)	33,988	138,632	11,591	12,999	8,504	925	8,760
Net Earnings (loss)	(425,874)	(179,000)	(626,992)	1,520,146	438,159	(117,867)	(548,914)	(220,661)
Earnings (loss) per share	(0.01)	(0.00)	(0.01)	0.04	0.01	(0.00)	(0.03)	(0.01)
Earnings (loss) per share, fully diluted	(0.01)	(0.00)	(0.01)	0.03	0.00	(0.00)	(0.03)	(0.01)

With the exception of the two quarters ending February 28, 2005 and November 30, 2004, the Company has generally incurred net losses. At February 28, 2005 and November 30, 2004, income tax recoveries of \$1,788,569 and \$882,492, 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 increase to net loss in the May 31, 2004 quarter resulted from the write-off of the Cobalt and Terra Mine properties. The net loss at May 31, 2005 was higher mainly due to stock compensation expense being recorded during that quarter.



MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2005

Financings

On March 31, 2005, the Company issued 6,210,579 flow through shares at a price of \$0.38 per flow through share, and 6,743,790 non-flow through units at a price of \$0.38 per unit for gross proceeds of \$4,922,660. Each unit consists of one common share and one common share purchase warrant, each warrant exercisable to purchase a further common share at any time on or before March 31, 2007 at \$0.50 per share. The agents received a cash commission equal to 7% of the gross proceeds and also received 496,846 warrants to purchase 496,846 common shares and 539,503 units, each unit comprised of one common share and one common share purchase warrant. The warrants and units are exercisable on or before March 31, 2007 at an exercise price of \$0.38.

On April 15, 2005, the Company issued 921,052 flow through shares at a price of \$0.38 per flow through share for gross proceeds of \$350,000. The agent received a cash commission equal to 7% of the gross proceeds and compensation options to purchase 73,684 common shares, exercisable at any time on or before April 15, 2007 at an exercise price of \$0.38 per share.

On September 2, 2005, the Company issued 1,851,850 units, each unit consisting of one flow through share and one common share purchase warrant, at a price of \$0.27 per unit for gross proceeds of \$500,000. Each warrant is exercisable to purchase a further common share on or before September 2, 2007, at \$0.40 per share if exercised during the first year and at \$0.55 per share if exercised during the second year. An additional 185,185 warrants were issued to the finder to purchase 185,185 common shares, having the same terms as the warrants issued to investors.

Subsequent to the year-end, on December 1, 2005 and December 13, 2005, the Company issued a total of 14,482,333 units for \$1,737,880. Each unit consists of one common share and one common share purchase warrant at a price of \$0.12 per unit. Each warrant is exercisable to purchase a further common share on or before December 1, 2007 at \$0.15 per share. The finders received cash commissions and/or warrants on a portion of the placement to purchase 602,500 common shares, exercisable on or before December 1, 2006 at \$0.15 per share.

Also, subsequent to fiscal year-end, on January 19, 2006, the Company issued 1,637,500 units at a price of \$0.16 per unit for gross proceeds of \$262,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable to purchase a further common share at \$0.28 per share for a period of one year from closing.

In 2004, a total of \$7,498,768 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. In 2005, \$3,210,020 flow through funds were raised; \$3,010,020 of these funds have been expended, as intended, on exploration programs. The balance will be incurred on a surface exploration program in early 2006.



MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2005

Liquidity and Solvency

At November 30, 2005, the Company had cash and cash equivalents of \$178,520 compared to \$4,804,414 at November 30, 2004. A further \$600,000 was held in trust for share subscriptions at November 30, 2005 pending the issuance of shares. The Company had a working capital position of \$(480,754) at November 30, 2005 compared to working capital of \$3,965,765 as at November 30, 2004.

Gross proceeds from share issuances of \$971,800 received subsequent to November 30, 2005 and the \$600,000 held in trust, will be used for a surface drill program and the payment of outstanding accounts payable. The Company will require further cash to meet current and ongoing working capital requirements and to fund continued operations on the Yellowknife Gold Project.

Cash on hand at November 30, 2004, \$4,804,414 and net proceeds of \$6,223,156 raised during the current year were used for: exploration expenditures of \$8,807,845, fixed asset purchases of \$781,002, and the balance for working capital requirements.

The source of funds for continued operations is through the issuance of equity securities and the exercise of warrants and options. For the Company to meet its current and ongoing obligations, it will have to secure additional financing through the issuance of securities.

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 these properties. This 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.

Access to the winter road and all-weather airstrip is determined during the permitting process. These are seen as sensitive issues to the affected communities and the licensing board due to environmental concerns. It cannot



MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2005

Operational Risks and Uncertainties (continued)

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, environmental policies and also the outcome of various settlements concerning title to surface and mineral rights which, in Canada, may be subject to First Nations claims.

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 subsequent to a downturn in a cyclical industry as they might be in industries with steady growth prospects. Also, failure of third parties such as mining contractors or drilling contractors in meeting their obligations under contracts or agreements may delay and/or negatively affect operations.

Related Party Transactions

During the year ended November 30, 2005, an aggregate of \$227,525 (2004; \$190,500) was paid to private companies owned by the President & CEO and Executive Vice-President for consulting services. Directors' fees of \$38,107 were paid to, and another \$19,200 was payable to the independent directors of the Company at November 30, 2005. (See Note 8 in the financial statements for the year ended November 30, 2005). 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:

An amount of \$35,000 was paid in consulting fees to an officer of the Company.

An amount of \$89,008 was paid or accrued in legal fees to a legal firm of which an associate is an officer of the Company.

A passenger vehicle was purchased from DRW Geological Consultants Ltd. (a company owned by the President and CEO of the Company) for \$13,192 for use on the Company's Yellowknife Gold Project.

An advance net smelter royalty payment of \$24,787 (US\$20,000) was paid to the President and CEO of the Company in accordance with a net smelter return royalty agreement on the Yellowknife Gold Project.

On March 2, 2005, the Company granted 1,643,000 new options, of which 1,460,000 were to directors and officers. These options can be exercised at \$0.45, have an expiry date of March 2, 2010 and a four-month hold period expiring July 2, 2005. On May 16, 2005, the Company granted 190,000 options to two new officers of



MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2005

Related Party Transactions (continued)

the Company. These options can be exercised at \$0.33, have an expiry date of May 16, 2010 and a four-month hold period expiring September 16, 2005.

Investor Relations

In December 2003, the Company had engaged Cavalcanti Hume Funfer Inc. ("CHF") of Toronto, Ontario, as the Company's investor relations counsel. The Company paid CHF \$5,000 per month plus disbursements. CHF assisted the Company to increase its presence in the investment community; however, the Company terminated its agreement with CHF in November 2005. Consequently, subsequent to November 30, 2005, 300,000 options granted to CHF expired. Investor relations counsel is engaged and paid for, on an "as needed" basis.

Guarantees and Commitments

See Note 11 and Note 12 of the Consolidated Financial Statements for the year ended November 30, 2005 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 our financial instruments and that their fair values approximate their carrying values.

Disclosure for Venture Issuers Without Significant Revenue

See Note 6 of the Consolidated Financial Statements for the year ended November 30, 2005 for detail of the exploration and development costs.

An analysis of Administrative Expenses is provided in the Consolidated Financial Statements for the years ended November 30, 2005 and November 30, 2004.

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company. Based on an evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this MD&A, management believes such controls and procedures are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.



MANAGEMENT DISCUSSION AND ANALYSIS

November 30, 2005

Outstanding Share Data

The Company has authorized an unlimited number of common shares without par value. At January 27, 2006, 73,838,385 common shares were issued and outstanding. There is no other class or series of voting or equity securities. There are a maximum number of 37,430,135 warrants outstanding which can be converted into 37,430,135 common shares and 3,820,100 options outstanding which can be converted into 3,820,100 common shares.

Additional Information

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