YELLOWHEAD MINING INC.

Management Discussion & Analysis

FORM 51-102-F1

For the Period Ending April 30, 2011

This report contains assumptions, estimates, and other forward-looking statements regarding future events. Such forward-looking statements involve inherent risks and uncertainties and are subject to factors, many of which are beyond the Company's control that may cause actual results or performance to differ materially from those currently anticipated in such statements. Important factors that could cause actual results to differ materially from those expressed or implied by such forward looking statements include among others metal price volatility, economic and political events affecting metal supply and demand, fluctuations in ore grade, tonnes of ore milled, geological, technical, mining or processing problems

Readers are cautioned not to put undue reliance on these forward looking statements.

Yellowhead Mining Inc.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Three and Six Month Period ended April 30, 2011

June 29, 2011

Background:

The following Management Discussion and Analysis ("MD&A") provides information that management considers to be relevant to an assessment and understanding of Yellowhead Mining Inc.'s ("Yellowhead", "YMI", or the "Company") financial condition as at April 30, 2011 and the results of its operations and cash flows for the Three and Six month period ended April 30, 2011 and follows the requirements of National Instrument 51-102 ("NI 51-102"). This discussion should be read in conjunction with the Company's interim unaudited consolidated financial statements and the related notes for the period ended April 30, 2011 which have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts included therein and in the following MD&A are expressed in Canadian Dollars unless otherwise noted. The information contained within this MD&A is current to June 29, 2011.

Company Overview:

Yellowhead's principal business activity is the exploration and development of its wholly-owned Harper Creek mineral property, located in south Central British Columbia, Canada.

<u>Harper Creek Property, Vavenby, B.C.</u>

The Company's Harper Creek property is a copper deposit located approximately 150 km by road north-northeast of the city of Kamloops. The property is adjacent to the Yellowhead Highway; the Canadian National Railways transcontinental mainline, power from BC Hydro transmission lines and the town-sites at Vavenby and Clearwater. The property had been explored by Noranda and US Steel in the 1960's and 1970's. The data and a significant portion of the drill core from this period have been recovered by the Company.

The Company was a private, non-reporting, issuer in the provinces of British Columbia, Alberta and Ontario as at October 31, 2010, but became a wholly owned subsidiary of the Capital Pool Company, Four Points Capital Corporation, upon its amalgamation with 0887988 B.C. Ltd. on November 10, 2010.

Following its amalgamation, the "old" Yellowhead Mining Inc. was renamed the Harper Creek Mining Corporation and the "old" Four Points Capital Corporation became the "new" Yellowhead Mining Inc. In the future, both the Financial Statements and the Management Discussion and Analysis will be reported for Yellowhead Mining Inc., the consolidation of the "new" Yellowhead Mining Inc. with its wholly owned subsidiary, the Harper Creek Mining Corporation.

The "new" Yellowhead Mining Inc. was listed for trading on the TSX venture Exchange on November 17, 2010 under the trading symbol "YMI".

On November 18th, 2010, Yellowhead Mining Inc. became a Tier 1 issuer.

On March 8, 2011 we published the results of the Preliminary Economic Assessment[1] ("PEA") of the Harper Creek Project (the "Project"). This included an updated resource estimate that included estimates for both gold and silver. This report was filed on SEDAR on April 1, 2011.

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Highlights relating to the PEA

- 22 year project life at a milling rate of 70,000 tonnes per day. Development capital costs are estimated at C$759 million in Q4 2010 dollars, including contingency. Mine site operating costs are estimated at C$1.40/lb, before concentrate transportation and smelting/refining costs. The breakeven copper price including initial, sustaining and replacement capital (IRR=0%) is determined to be US$1.94/lb Cu using US$1,058 for gold and US$16.57 for silver.
- The NPV of the project at a discount rate of 8% assuming a long term copper and gold price of US$2.66 per lb and US1,058 per oz amounts to US$598 Million
- The Project is estimated to produce a total of 2.857 billion pounds of copper, 265 thousand ounces of gold and 4.87 million ounces of silver contained in concentrate.
- Open pit mining would continue at a rate of 25.55 million tonnes ("Mt") of mineral inventory per year for approximately 17 years., Life-of-mine ("LOM") stripping ratio after reprocessing of stockpiled material is 0.88:1. A total of 15Mt of waste rock will be stripped during pre-production. Most of this waste rock will be used for the tailings starter dam and for other construction activities.
- At a 0.20% Cu cut-off grade (a) the Measured Resource amounts to with 89.99Mt @ 0.30% Cu, 0.033g/t Au & 1.18g/t Ag; (b) the Indicated Resource amounts to 442.07Mt @ 0.31% Cu, 0.032g/t Au & 1.06g/t Ag. The total Measured and Indicated Resource amounts to for a total of 532.06Mt @ 0.31% Cu, 0.032g/t Au & 1.08g/t Ag containing 3.6Blb of in situ copper, 544koz Au and 18.5Moz Ag. The Inferred Resource amounts to 117.24Mt @ 0.29% Cu, 0.032g/t Au & 1.32g/t Ag or 0.7Blb of in situ copper. (Refer to Table 1 for Resources at varying cut-off grades).
- Total mining inventory was determined by pit optimization runs using a Lerchs Grossmann algorithm to determine "optimum" net present value of mineral processed and was estimated to be 552.8Mt @ 0.272% Cu, 0.029g/t Au and 0.997g/t Ag at a 0.13% Cu cutoff.
- Life of Mine operating costs are estimated as follows: mining C$1.21/t of material moved or C$2.52/t milled (including stockpile re-handling); milling C$4.01/t milled; G&A and surface services C$0.69/t milled for a total of C$7.22/t milled or C$1.40/lb Cu.
- Over the project life it is estimated that an additional C$481million in sustaining and replacement capital is required, of which approximately $200 million is for incrementally raising the tailings dam.

Other Highlights

- In April, the Company completed a private placement of units of one common share plus one-half share purchase warrant by an underwriting group led by Canaccord Genuity Corp. which raised $24.89 million.
- In May and early June, the Company added three key members to its technical and management team.

Significant Events, Transactions and Activities on Mineral Properties

Capital transactions:

Beginning November 3, 2010 and concluding on November 9, 2010, the Company accepted subscriptions for 2,437,863 units comprising one common share and ½ share purchase warrant each for gross proceeds of $2,632,892. Each full warrant entitles the holder to purchase a share of the Company for $1.40 for a period not to exceed 2 years from the date of issue. The Company retained the right to force the conversion of these warrants should the trading price of the Company's shares on a recognized exchange exceed $1.90 for a period of 10 consecutive trading days. Proceeds of $475,250 were received prior to October 31, 2010, and are included as share subscriptions received.

Additional finders' fees of $153,013 were paid to accredited finders together with 118,931 finders' warrants with a strike price of $1.08 per common share and a term of 2 years from the date of issue.

During February, 8,024 agents warrants priced at $0.50 were exercised for net proceeds of $4,012. These related to the financing of Four Points Capital Corp. 31,976 remain to be exercised.

Also during February, 15,000 share purchase warrants were exercised for net proceeds of $21,000. These were a portion of the units issued in the Company's financing in November, 2010.

In early March, one of the founders of Four Points Capital Corp. exercised his option to acquire 24,000 share of the Company for net proceeds of $12,000.

On April 5th, 2011, the Company close its bought deal private placement, including the partial exercise of the over-allotment option (the "Offering"). Under the Offering, the Company issued an aggregate of 14,129,655 units of the Company at a price of $1.45 per unit for gross proceeds of $20,488,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, with each whole warrant exercise able for an additional common share of the Company at a price of $2.00 per share for a period of 24 months following the closing.

The Underwriters received a total cash commission of 6% of the gross proceeds of the Offering and were issued a total of 847,779 underwriter's warrants (the "Underwriter's Warrants"). Each Underwriter's Warrant entitles the holder thereof to purchase one Common Share at a price of $1.45 per Common Share prior to April 5, 2013.

The proceeds of the Offering will be used for exploration and development of the Company's Harper Creek project and for general working capital purposes. Directors and officers of the Company, and their related parties and associated entities, purchased a total of 40,000 Units under the Offering and now hold, in the aggregate, approximately 3.2% of the issued and outstanding common shares of the Company.

On April 15, 2011, the Company closed the remaining portion of the over-allotment option previously granted to the syndicate of underwriters led by Canaccord Genuity Corp. and including Clarus Securities Inc., Jennings Capital Inc. and Stonecap Securities Inc. (collectively, the "Underwriters"). Pursuant to the over-allotment option, the Underwriters elected to purchase the remaining 1,740,345 units of the Company at a price of $1.45 per unit for gross proceeds of $2,523,500 (the "Option"). The Option was made available as part of the bought deal private placement announced on March 14, 2011.

Pursuant to a pre-emptive right granted by the Company to Anthill Resources Ltd. ("Anthill"), Anthill elected to subscribe for 1,294,632 units under an offering by the Company at a price of $1.45 per unit for gross proceeds of $1,877,216. In total, the Company has issued 17,164,632 units of the Company pursuant to the bought deal private placement and the Anthill subscription (together, the "Offering") for total gross proceeds of $24,888,716 to the Company.

The Underwriters received a total cash commission of 6% of the gross proceeds of the Option and 3% on the gross proceeds of the Anthill subscription and were issued a total of 104,421 underwriter's warrants (the "Underwriter's Warrants"). Each Underwriter's Warrant entitles the holder thereof to purchase one Common Share at a price of $1.45 per Common Share prior to April 15, 2013.

All securities issued pursuant to the Option and the Anthill subscription are subject to customary securities legislation hold periods and will not become freely trade able until August 16, 2011.

During May, 6,842 agents' options were exercised for net proceeds of $4,094. Also, during May, two Company directors exercised 200,000 share purchase options for net proceeds of $80,000.

In early June, 512,500 share purchase options were granted to officers, directors and advisors for a term of five years with a strike price of $1.25 per share.

Outlook

- The Company is to apply the funds raised in advancing the Company's Harper Creek Project.
- The Company is continuing its drilling program designed to expand and upgrade the NI 43-101-compliant resources and reserves, with an additional 30,000 metres planned for completion in 2011.
- The management of the Feasibility Study was awarded to Merit Consultants International Inc. ("Merit") after a competitive bid process. The Feasibility Study commenced on April 13, 2011 and is scheduled for completion by the end of 1Q 2012. Subject to a positive feasibility study and successful financing Yellowhead's goal is to have the project in production by the end of 2014. The Feasibility Study will be based on the design criteria in the Preliminary Assessment Report which involves processing 70,000 tonnes per day of mill feed and producing a copper concentrate containing an average of 132 million pounds copper per year plus gold and silver.
- The Feasibility Study team includes Axxent Engineering Ltd., (mill design and general engineering services); Hinz , A Rockwell Automation Company,(electrical, instrumentation, process control services); Laurion Inc., (process flowsheet and design criteria plus management of the metallurgical testwork to be performed by G&T Metallurgical Services Ltd).; Nilsson Mine Services Ltd., (mine design); and GeoSim Services Inc., (resource modelling) . Merit will provide overall management and coordination of the consultants, schedule, capital costs, infrastructure, and implementation planning.
- Merit, a Vancouver-based firm, has extensive engineering, cost estimating and construction management experience with large copper projects in British Columbia and Internationally.
- In parallel with the feasibility study, Yellowhead has awarded management of the Environmental Assessment ("EA") and geotechnical/hydrological work to Knight Piésold Limited ("KP"). Dillon Consulting Limited will continue to support the EA with the ongoing collection of baseline data. Further assistance on the EA will be provided by SRK Consulting (Canada) Inc., (geochemistry) and BioteQ Environmental Technologies Inc., (water treatment). The EA is scheduled for submission end of 1Q 2012.
- Consultation with the First Nations and local communities is ongoing.
- Beginning in June, the Company rolled out an Investor Relations program which is designed to raise the Company's profile among investors in North America, Europe and Asia.
- The Company will be investigating financing options for the Project including, but not limited to, a public offering, project financing or financing through off take agreements.

Management Team:

New senior staff appointed to support the advancement of The Project.

In May, the Company appointed Alastair Tiver as Vice President Operations.

Alastair Tiver, P.Eng., holds a Bachelor of Engineering in Mining, from South Australian University along with an MBA from Curtin University in Western Australia. Alastair has 24 years of broad international experience in operating and consulting roles ranging from exploration stage to large scale operating mines in a variety of commodities. Most recently as the Chief Engineer of Copper Mountain Mining Corporation, he was a key member of the management team responsible for bringing the Copper Mountain Project, located near Princeton, BC, back into production. Prior to Copper Mountain, he was with bcMetals Corp. as its Chief Mining Engineer, which advanced the Red Chris copper/gold porphyry project to a pre-development/financing stage before that company was taken over.

In May, Charlene Higgins began consulting to the Company before being appointed Vice President Environment, Community & First Nations Relations in June.

Charlene has a Master of Science and a Doctorate Degree in Ecology from the University of British Columbia. Charlene has over 14 years experience working with Aboriginal communities and organizations as a senior policy advisor and negotiator. She has participated as an expert and advisor in international (United Nations), national and provincial arenas on issues pertaining to the sustainable use and management of natural resources. Charlene is a member of the Canadian Standards Association (CSA) Technical Committee on Sustainable Forest Management, the Pan European Forest Certification (PEFC) National Governing Body, and the BC First Nations Environmental Assessment Technical Working Group.

The Company also hired Darlene Lynch as its Manager, Corporate Administration in early June. Darlene was Corporate Secretary and Executive Administrator at Polaris Minerals Corporation, a TSX listed company, from June 2004 to April 2011. At Polaris, Darlene successfully filled a wide variety of roles including ensuring compliance with corporate reporting and filing regulations, authoring various regulatory and policy documents, office management, option plan administration, executive and board support, meeting planning, employee benefits administration, and corporate communications. Darlene holds an Honours Bachelor of Business Administration degree from Wilfrid Laurier University and is a member of the Canadian Society of Corporate Secretaries.

Mineral Property:

Diamond Drilling

Since our last report, 12 holes have been completed (HC10-76 through HC11-87) for a total of 6,139.209 metres.   All twelve holes have been completely sampled and the results reported to the public.

These results have added significantly to our confidence in the development of the Resource and have encouraged us to continue a program designed to determine the extent to which the ore body extends further to the East and North.

For the six months ending April 30 2011 a total of 6,580 meters of drilling was completed.

Assays of significant intercepts (which approximate true widths) of significant copper mineralization drilled between October 2010 and April 2010 include:

- 242.52 metres of 0.39 Cu% in hole HC11-87 ;
- 65.83 metres of 34 Cu% in hole HC11-85
- 103.17 metres of 0.29 Cu% in hole HC11-84
- 55.80 metres of 0.35 Cu% in hole HC11-83
- 53.2 metres of 0.37 Cu% in hole HC10-82
- 98.09 metres of 0.31 Cu% in hole HC10-79
- 61.10 metres of 0.36 Cu% in hole HC10-78

The Company is continuing its drilling program designed to expand and upgrade the NI 43-101-compliant resources and reserves, with a further 30,000 metres planned for completion in 2011.

Update on Historical Core Resampling

All relogging and assaying of the old (Noranda and US Steel) core has been completed.

The Company has released the results from this work as they appeared on recent YMI drill cross sections

Resource Update

As part of the PEA, the Company received a new National Instrument 43-101 compliant resource estimate that included estimates for both gold and silver for the first time (see table below). The Technical Report was filed on SEDAR April 1, 2011.

This Table does not include the results of our most recent drill program which will be included in a future resource update. These results are released on an ongoing basis to the public as they become available.

Table 1:

Resources at Varying Cutoff Grades

Cut-off Grade [% Cu]	Resource Tonnage [kt]	Cu Grade [%Cu]	Au Grade* [g/t]	Ag Grade* [g/t]
Measured				
0.10	146,402.4	0.24	0.029	1.04
0.20	**89,992.9**	**0.30**	**0.033**	**1.18**
0.30	38,632.4	0.38	0.039	1.37
0.40	12,391.7	0.47	0.046	1.55
0.50	3,701.7	0.56	0.055	1.66
Indicated				
0.10	847,302.0	0.23	0.026	0.91
0.20	**442,071.1**	**0.31**	**0.032**	**1.06**
0.30	190,133.7	0.39	0.040	1.22
0.40	72,464.5	0.49	0.051	1.36
0.50	25,128.2	0.58	0.065	1.54

Measured and Indicated				
0.10	993,704.4	0.23	0.026	0.93
0.20	**532,064.0**	**0.31**	**0.032**	**1.08**
0.30	228,766.1	0.39	0.040	1.24
0.40	84,856.2	0.48	0.050	1.39
0.50	28,829.9	0.58	0.063	1.55
Inferred*				
0.10	231,239.0	0.22	0.027	1.09
0.20	**117,236.9**	**0.29**	**0.032**	**1.32**
0.30	47,036.7	0.38	0.037	1.49
0.40	14,116.7	0.46	0.043	1.65
0.50	3,316.1	0.56	0.051	1.81

**Inferred gold and silver grades cannot be correlated to the copper resource tonnage and shall not be used to calculate precious metal mineral content*

All YMI drill core has been analyzed for 30 elements including gold and silver, which when combined with the re-analysis data of historical core, is expected to support inclusion of gold and silver in future resource estimates.

Feasibility Study

The Preliminary Economic Assessment was filed on SEDAR on April 1, 2011. The base case design rate is 70,000 tonnes per day throughput based on large scale open pit mining equipment and a single line crush/SAG mill and ball mill circuit followed by flotation. Concentrate will be dewatered on site and trucked approximately 25km to a load out facility in Vavenby.

Concentrate is expected to be transported by rail to the port of Vancouver, a distance of 450km, for shipment to offshore smelters.

In April, we began work on the Feasibility Study. This program will include geotechnical and hydrological holes for pit and tailings dam design, foundation testing, large diameter holes for metallurgical samples for detailed test work, condemnation holes and infill and step out drilling.

Due to the late spring and slow snow melt, our drilling program was delayed and is just now starting, approximately six weeks later than originally planned.

In addition, the Company will conduct a program of step-out drilling which is expected to expand the resource. This is planned to commence in late summer 2011.

The field program and its management have been contracted to CME Consultants Inc., a geological consulting firm whose President is a director of the Company.

Our Mines Permit for exploration has been extended to December 31, 2011. Applications are pending for the work necessary to complete condemnation drilling.

On February 12, 2011, the Company extended all 131 of its claims covering 42,636.484 ha through to November 3, 2014 at a total cash cost of $59,663 after application of work-in-lieu credits.

No new reclamation bonds were required during the period.

The Environmental Assessment

Following a period during which the Environmental Assessment process had been put on hold, except for the maintenance of weather and water monitoring stations, the process has been restarted. Field crews have collected base line data collected automatically from the weather and water monitoring stations.

Compilation of this data has started. Plans are in place to complete the Environmental Assessment. A revised Project Description has been filed with the BC environmental Assessment Office and posted on their web-site

Meetings have been held with representatives of the BC Environmental Assessment Office and the Canadian Environment Assessment Agency and several other federal departments including the Ministry of Transportation and the Department of Fisheries and Oceans. The Federal Major Project Management Office has also become involved to assist in streamlining the process.

Comments on the draft Application Information Requirements (the "dAIR") were received on March 24, 2011 and a Working Group meeting to discuss these comments was held on 7 April, 2011. A revised dAIR was filed on May 19th, 2011 and copies were distributed to the local libraries. On June 1, we held our first open house in Clearwater, BC which was attended by representatives of the British Columbia Environmental Assessment Office (the"BCEAO") and the Canadian Environmental Assessment Office ("CEAA"). This event was well attended by members of the local communities and nearby First Nations communities. The dAIR is posted on the BCEAO and is open for comments and input by the public until June 30, 2011.

Environmental baseline studies will continue through 2011 gathering climate, and water quality, fish, and wildlife data.

An archaeology study is scheduled to commence during late June, 2011.

The Environmental Assessment process is being led by Knight Piesold with support by specialist consultants including Keystone Wildlife Research Ltd., Dillon Consulting Limited, and TerraArcheology.

Laurie McNeil and Associates will be conducting the socio-economic review of the project.

Representatives of the local and First Nations communities are being recruited to assist these specialists.

Mineral Properties Expenditures

As at April 30, 2011 a summary of the Company's mineral property expenditures is as follows:

	Harper Creek
Balance, October 31, 2010	$ 10,905,163
Net Additions	2,795,894
Balance, April 30, 2011	$ 13,701,057

Further details of expenditures are disclosed in Note 6 of the April 30, 2011 unaudited interim consolidated financial statements.

The Company is prepared to advance exploration and development on the property with the goal of completing a definitive feasibility study over the next 9 months.

Plans are well advanced and contracts in place for additional geological field work, metallurgical testing, environmental baseline studies and archaeological and traditional use studies.

The Company's exploration work to date indicates the potential for expansion of mineralization in several zones within the primary project area of 9,000 ha

Selected Financial Information

Amounts are expressed in thousands of Canadian dollars, except per-share amounts.

	30APR11	31JAN11	31OCT10	31JUL10	30APR10	31JAN10	31Oct09	31Jul09
Current Assets	27,407	5,920	5,345	276	585	787	887	1,337
Resource Property Interests	13,701	12,271	10,905	10,663	10,069	9,979	9,935	9,558
Other Assets	108	126	145	163	182	200	219	238
Total Assets	**41,216**	**18,217**	**16,395**	**11,102**	**10,836**	**10,966**	**11,041**	**11,133**
Current liabilities	508	570	419	272	145	137	55	38
Other liabilities	0	0	0	403	403	403	403	235
Shareholders' equity	40,708	17,747	15,976	10,427,	10,288	10,426	10,583	10860
Total liabilities and shareholders' equity	**41,216**	**18,317**	**16,395**	**11,102**	**10,836**	**10,966**	**11,041**	**11,133**
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<u>Expenses:</u>								
General & Admin	527	488	467	88	119	167	110	95
Amortization	18	18	18	19	19	19	19	19
Interest Expense	0	0	0	0	0	0	nil	nil
Interest Income	22	14	(9)	1	0	30	nil	nil
Income tax (Recovery)	0	0	(403)	0	0	0	168	0
Stock based compensation	1,271	172	578	509	0	0	30	0
Loss(Income) for the period	**1,795**	**664**	**651**	**617**	**138**	**156**	**326**	**114**
Loss (Income)per share - basic	0.05	0.02	0.03	0.02	0.01	0.01	0.01	0.004

Results of Operations

The operating results of exploration companies can fluctuate significantly from period to period. Being in the exploration stage, the Company has no revenue from operations.

Cash flows for the 3 and 6 months ended April 30, 2011 compared to the 3 and 6 months ended April 30, 2010:

During the 3 and 6 month period ended April 30, 2011 the Company had an overall cash increase of $21,550,703 and $21,940,280 respectively (April 40, 2010 – overall cash decrease of $199,738 and an increase of $359,030 respectively).

During the 3 and 6 month period ended April, 2011 the Company had cash outflows to resource property expenditures of $1,370,953 and $2,666,421 respectively compared to expenditures of $49,258 and $77,191 in the 3 and 6 months ended April 30, 2010.

During the 3 and 6 month period ended April 30, 2011, the Company had a total outflow from operating activities of $505,468 and $979,813 respectively (April 30, 2010 119,202 and $254,844 respectively).

During the 3 month period ended April 30, 2011, the Company completed the Canaccord Genuity private placement, which resulted in a cash inflow of $23,484,403 after share issue costs of $1,506,718. During the 6 month period ended April 30, 2011, the Company raise an aggregate of $25,489,032 from private placements, net of financing costs of $1,659,731. Also during this 6 month period the Company completed its reverse acquisition of Four Points Capital Inc., which resulted in a cash inflow of $261,292.

There were no proceeds from the issuance of shares in either of the 3 and 6 months ended April 30, 2010.

Net Loss for the 3 and 6 month period ended April 30, 2011 compared to the 3 and 6 month period ended April 30, 2010.

During the 3 and 6 month period ended April 30, 2011 the Company incurred an overall net loss of $1,794,937 and $ 2,459,530 respectively (April 30, 2010 - $137,953 and $294,346 respectively).

Significantly, stock based compensation represented $1,271,237 and $1,443,253 of these amounts in the 3 and 6 months ended April 30, 2011. No stock based compensation occurred in same periods ended April 30, 2010. The stock based compensation related to the grant of share purchase options to management, directors and advisors following the completion of the private placements in April.

In the 3 and 6 month period ended April 30, 2011, the Company had other non-cash charges for amortization of $18,232 and $36,464 compared to $18,751 and $37,502 respectively for those periods in 2010.

The Company incurred administrative expenses net of the non-cash charges identified above of $527,234 and $944,040 respectively during the 3 and 6 months ended April 30, 2011 (April 30, 2010 - $137,641 and $256,844, respectively).

The Company continued to significantly increase investor relation, travel and promotion expense as a result of the need to support our new status as a publically traded company. These expenses were $203,430 and $347,036 in the 3 and 6 months ended April 30, 2011 compared to $27,282 and $60,383, respectively, for the same periods in 2010.

Management fees were $123,120 and $248,500 for the 3 and 6 month period ended April 30, 2011 compared to $57,300 and $114,600 for the 3 and 6 month period ended April 30, 2010, reflecting the additions to our management team.

During the 3 and 6 month period ended April 30, 2011 the Company recorded interest income totalling $21,766 and $35,773, respectively (April 30, 2010 $Nil and $30,375 respectively).

In addition to project development and exploration expenses which have fixed budgets, our cash operating expenses for professional fees, investor relations costs and general office expenses will increase to approximately $600,000 per quarter.

Liquidity and Capital Resources

On April 30, 2011, the Company had cash of $26,675,105 (October 31, 2010 - $ 4,734,825).

These funds were held in current accounts at major Canadian Chartered bank, bank term deposits and bankers' acceptances stamped by a major Canadian Chartered bank with maturities not exceeding 90 days.

We had a working capital of $26,898,900 as at April 30, 2011 compared to working capital of $4,925,431 as at October 31, 2010.

Cash flow is monitored daily and reported monthly.

During the three and six months ended April 30, 2011 the Company had a cash burn rate, excluding project development expenses, of approximately $175,000 and $169,000 respectively per month, up substantially from $40,000 and $48,000 respectively per month for the three and six months ended April 30, 2010.

The Company's focus for the remainder of the year, and going forward, is the development of the Project. The Company's forecasted cash expenditures for the balance of the 2011 fiscal year is approximately $ 14 million, the majority of which will be incurred in exploration drilling, as well as completion of a Feasibility Study and detailed engineering.

The Company believes that it has sufficient funds on hand to complete the definitive Feasibility Study and to advance through the permitting process.

If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs.

Capital Resources

At April 30, 2011, the Company had the following capital resources and claims against capital resources:

Current capital resources

Unrestricted Cash		**$26,675,105**
HST rebate receivable		**299,344**
Deposits with suppliers		**236,263**
Mineral exploration tax credit receivable		**195,846**
	Subtotal	**27,406,558**
Amounts due for payment		**477,958**
	Subtotal	**26,928,600**
Claims against capital		
Feasibility Study [Note1]		**10,000,000**
Environmental Assessment and Community Relations		**3,000,000**
Corporate Development and Investor Relations		**1,400,000**
General and Administrative Expenses		**2,250,000**
	Subtotal	**16,650,000**
Excess Capital Resources		**10,278,600**

Note 1: The budget for the advancement of the project over the next 12 months including the Feasibility Study, the Environmental Assessment and permitting process, Corporate Development as well as General and Administrative expenses is subject to board approval.

The ongoing capital commitments are as follows:

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1 to 3 years**	**4 to 5 years**	**After 5 years**
Long term debt	Nil				
Capital :Lease Obligations	Nil				
Operating Leases	Nil				
Purchase Obligations	Nil				
Other Long Term Obligations	$584K	$92K	$230K	$242K	$20K
Total Contractual Obligations	$584K				

This long term obligation arose when the Company entered into an agreement to rent office space in downtown Vancouver with the occupancy to begin July 1, 2011 and the lease to begin on September 1, 2011 and run through August 31, 2016. One of the terms of the lease provides for an advance payment of $50,000 by Yellowhead which will be applied to the lease payments due in the final six months of the lease agreement.

Transactions with Related Parties

Transactions with related parties totalled $1,331,111 and $2,477,918 for the three and six months ended April 30, 2011 compared to $112,593 and $217,996 respectively for the three and six months ended April 30, 2010, as detailed below:

a. During the three and six months ended April 30, 2011, the Company paid or accrued management fees of $57,716 and 78,300 respectively (April 30, 2010 - $Nil) and reimbursed out-of-pocket expenses totalling $35,644 and $47,308 respectively to Andreas Consulting Inc. a company controlled by an officer and director of the Company.

b. During the three and six months ended April 30, 2011, the Company paid or accrued management fees of $25,500 and $51,000 respectively (April 30, 2010 - $18,000 and $36,000 respectively) to Elissa Cristall Galleries Ltd., a company related to an officer of the Company.

c. During the three and six months ended April 30, 2011, the Company paid or accrued management fees of $31,800 and $63,600 respectively (April 30, 2010 - $31,800 and $63,600 respectively) and reimbursed out-of-pocket expenses totalling $21,385 and $29,598 respectively to Handford Management Ltd., a company controlled by an officer of the Company.

d. During the three and six months ended April 30, 2010, the Company paid or accrued project management fees, exploration expenses and office costs of $1,136,566 and $2,163,112 respectively (April 30, 2010 - $61,546 and $99,646 respectively) to CME Consultants Inc., a contractor company whose president is a director of the Company. As at April 30, 2011, there was a balance owing to CME Consultants of $306,908 for services provided and work on the Harper Creek Project.

e. During the three and six months ended April 30, 2011 the Company paid or accrued $22,500 and $45,000 respectively (April 30, 2010 - $11,250 and $18,750 respectively) in project management fees to Twinstone Ventures Inc., a company related to a director of the Company.

The above transactions are in the normal course of operations, with terms that are similar to those with unrelated parties and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Change in Board of Directors

During the period ended April 30, 2011, there were no changes to the Company's board of directors.

At our Annual General Meeting and Special Meeting of Shareholders held on May 19^{th}, 2011, Christopher O. Naas was added to the Board of Directors. Mr. Naas had been a director of our wholly owned subsidiary company, the Harper Creek Mining Corp.

Immediately following the AGM, Mr. Morgan Li, also formerly a director of our Harper Creek Mining Corp. was also appointed to the Board by Resolution of all of the directors.

This brought the total number of directors of the Corporation to Seven.

Capital Lease Obligations

The Company has no outstanding Capital Lease Obligations.

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, short term Bankers Acceptances and bank term deposits, receivables from government agencies, accounts payable and accrued liabilities.

The terms are fully disclosed in the Company's financial statements. It is management's opinion that the Company is not exposed to significant currency, credit or interest rate risks from its financial instruments. The fair value is the carrying value unless otherwise noted.

The Company follows the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3855, "Financial Instruments - Recognition and Measurement", which established standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. The Company classifies its debt and investments into held-to-maturity, trading or available-for-sale categories. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available-for-sale. Held-to-maturity securities are recorded as either short-term or long-term on the balance sheet based on the contractual maturity date and are stated at amortized cost. Investments that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings.

Debt and investments not classified as held-to-maturity or as trading are classified as available-for-sale and carried at fair value, with the unrealized gains and losses, net of tax, included in the determination of comprehensive income and reported in shareholders' equity.

The Company adopted the CICA Section 3862, "Financial Instruments Disclosures", and Section 3863, "Financial Instruments Presentation" which provides users with information to evaluate the significance of the financial instruments of the entity's financial position and performances, nature and extent of risks arising from financial instrument, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

Critical Accounting Policies

A summary of significant accounting policies is presented in Note 3 to the audited financial statements for the year ended October 31, 2010.

Preparing financial statements in accordance with GAAP requires management to make certain judgements and estimates. Changes to these judgements and estimates could have a material effect of the Company's financial statements and results of operations and cash flows.

The carrying value of expenditures incurred in a development stage company like YMI is subject to an impairment evaluation. All of the expenditures incurred to date on the Company's Harper Creek Property have been capitalized. It is management's opinion that the estimated cash flows expected to result from the future use of the property and its eventual disposition will exceed its carrying amounts.

<u>International Financial Reporting Standards ("IFRS")</u>

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's

own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.
First Time Adoption of IFRS

IFRS 1, First-time Adoption of International Financial Reporting Standards (“IFRS 1”), sets forth guidance for the initial adoption of IFRS. Starting November 1, 2011, the Company will restate its comparative fiscal 2011 financial statements for annual and interim periods to be consistent with IFRS. In addition, the Company will reconcile equity and net loss for fiscal 2011 GAAP amounts to the restated 2011 IFRS amounts. IFRS 1 generally requires that first time adopters retrospectively apply all IFRS standards and interpretations in effect as at the first annual reporting date. IFRS 1 also provides for certain mandatory exceptions and optional exemptions to this general principle.

Changes to estimates previously made are not permitted. The estimates previously made by the Company under GAAP will not be revised for application of IFRS except where necessary to reflect any changes resulting from differences in accounting policies.

During the balance of our current fiscal year, through October 31, 2011, management in consultation with our auditors and as advised by the audit committee will specifically direct its attention to changes in reporting the Basis of Consolidation, the reporting of Mineral Exploration Expenses, Incomes Taxes, the Impairment of Assets, Asset Retirement Obligations and Share-Based Payments.

IFRS Impact on Our Organization

The conversion to IFRS will impact the way the Company presents its financial results. The first financial statements to be prepared using IFRS (i.e., interim financial statements for the three months ending January 31, 2012) will be required to include notes disclosing transition information and full disclosure of all new IFRS policies.

The financial reporting impact of the transition is expected to be minimal.

The Company will continue to ensure that key individuals involved in its financial reporting processes and the implementation of IFRS, receive adequate training in IFRS. This process has been ongoing since fiscal year 2008.

Accounting Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates relate to determination of environmental obligations, recoverability of resource property interests, rates of amortization, accrued liabilities, determination of variables used in the calculation of stock-based compensation and the determination of valuation allowance for future tax assets and mineral exploration tax credit. While management believes the estimates are reasonable, actual results could differ from these estimates and could impact future results of operations and cash flows.

Proposed Transactions

The Company has no proposed transactions.

Disclosure of Contractual Obligations

As part of its agreement with Yellowhead for the purchase of the Private Placement on September 7, 2010, Anthill Resources Limited ("Anthill") retains the right to participate in future qualified equity financing in order to maintain their interest at 15%. In our latest financing which was led by Canaccord Genuity Corp., Anthill exercised its right to participate in the Qualified Equity Financing as provided for under our agreement.

There are no other contractual obligations.

Disclosure Controls and Internal Controls over Financial Reporting

The Company has evaluated its internal controls over financial reporting and believes that as of the report date, its systems of internal controls over financial reporting as defined under MI 52-109 is sufficiently designed and maintained to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Certain weaknesses in its system are apparent. These weaknesses arise primarily from the limited number of personnel employed in the accounting and financial reporting area, a situation that is common in smaller companies. As a consequence of this situation:

1. It is not feasible to achieve the complete segregation of duties; and
2. The Company does not have full competency "in House" in complex areas of financial accounting such as taxation.

The Company believes these weaknesses are mitigated by:

1. the nature and present level of activities and transactions within the Company being readily transparent;
2. the review of the Company's financial statements by senior management and the audit committee of the board of directors;
3. the assistance and advice rendered by the Company's independent auditors; and
4. the active participation of senior management in monitoring financial reporting.

Nevertheless, these mitigating factors cannot eliminate the possibility that a material misstatement will occur as a result of the aforesaid weaknesses in the Company's internal controls over financial reporting. A cost effective system of internal controls over financial reporting, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance the objectives of the internal controls over financial reporting are achieved.

Risk Factors

Yellowhead is engaged in mineral exploration and development activities which, by their nature, are speculative due to the high risk nature of the business and the present stage of the development of the Harper Creek Project. Any investment in the common shares of Yellowhead should be considered a highly speculative investment due to the nature of the Company's business. Such risk factors could materially affect Yellowhead's future financial results and could cause actual results and events to differ materially from those described in forward looking statements and forward looking information relating to Yellowhead or the business, property or financial results, any of which could cause investors to lose part or all of their investment in Yellowhead.

Outstanding Share Data

Common shares, stock options and share purchase warrants issued and outstanding as at the quarter end are described in detail in Note 8 to the unaudited Consolidated Financial Statements for the three and six months ended April 30, 2011 and as is current to the date of this report:

	Number of Shares	Cash Consideration	Exercise Price	Expiry Date
Issued and Outstanding	52,716,088	$ 47,518,382		
	Number of Options			
	200,000		$0.40	Jun 1, 2011
	87,000		$0.50	Nov 09,2011
	500,000		$0.75	Mar 12, 2012
	50,000		$1.00	July 23, 2012
	200,000		$1.00	Oct 21, 2012
	50,000		$1.00	Nov 12, 2012
	150,000		$1.00	Nov 18, 2013
	375,000		$1.00	June 16, 2015
	750,000		$1.08	Sept 22, 2015
	5,000		$1.08	Dec 14, 2015
	100,000		$1.08	Jan 11, 2016
	100,000		$1.08	Jan 31, 2016
	1,505,000		$1.25	April 19, 2016
	10,000		$1.30	April 25, 2016
	512,500		$1.25	June 6, 2016
Total Options	4,394,500		$1.02	(weighted average)
	Number of Warrants			
	23,788		$0.50	March 29, 2012
	118,931		$1.08	November 6,2012
	2,518,004		$1.40	September 7, 2012
	1,203,933		$1.40	November 6, 2012
	952,200		$1.45	April 5, 2013
	8,582,316		$2.00	April 5, 2013
Total Warrants	13,399,172			
Fully Diluted	70,509,760			

On behalf of the Board,

Ian Smith.
Chief Executive Officer

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