YELLOWHEAD MINING INC.
(An Exploration Stage Company)
Condensed Consolidated Interim Financial Statements
December 31, 2011

(Unaudited) – Prepared by Management

(Expressed in Canadian Dollars)

NOTICE TO READERS

Under National Instrument 51-102, Part 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company for the period ending December 31, 2011 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed consolidated interim financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these condensed consolidated interim financial statements.

YELLOWHEAD MINING INC.
(An Exploration Stage Company)
Condensed Consolidated Interim Statement of Financial Position
(Unaudited)
(In Canadian dollars)

	NOTES	As at December 31, 2011	October 31, 2011	November 1, 2010
ASSETS				
Current assets				
Cash and cash equivalents	8	**$10,491,895**	$ 15,668,987	$ 4,734,825
Mineral exploration tax credit receivable		**2,363,337**	2,559,183	195,846
HST receivable		**1,548,158**	1,530,825	87,778
Prepaid expenses and deposits		**235,091**	345,099	326,141
		14,638,481	20,104,094	5,344,590
Non-current assets				
Property, plant and equipment	9	**2,411,497**	203,362	144,778
Mineral interests	10	**885,235**	834,026	767,984
Reclamation bond		**85,000**	75,000	75,000
Long-term deposits		**50,000**	50,000	-
		3,431,732	1,162,388	987,762
TOTAL ASSETS		**$18,070,213**	$ 21,266,482	$ 6,332,352
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		**$ 1,495,248**	$ 1,804,138	$ 87,853
Due to related parties	12	**227,736**	362,988	331,306
		1,722,984	2,167,126	419,159
EQUITY				
Share capital	11	**44,083,396**	43,875,032	17,338,694
Share subscriptions received		**-**	-	475,250
Equity reserves		**4,403,595**	4,476,095	1,874,205
Accumulated deficit		**(32,139,762)**	(29,251,771)	(13,774,956)
		16,347,229	19,099,356	5,913,193
TOTAL LIABILITY AND EQUITY		**$18,070,213**	$ 21,266,482	$ 6,332,352

Commitment (note 14)
Subsequent event (note 17)

The accompanying notes are an integral part of these condensed consolidated interim financial statements

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"R. Stuart (Tookie) Angus" — DIRECTOR

"Andy Graetz" — DIRECTOR

YELLOWHEAD MINING INC.
(An Exploration Stage Company)
Condensed Consolidated Interim Statement of Comprehensive Income
(Unaudited)
(In Canadian dollars)

	NOTES	Two months ended December 31, 2011	Three months ended January 31, 2011
Administrative expenses			
Wages and benefits		**$ 247,607**	$ 125,380
Share-based compensation	11	**25,615**	172,016
Investor relations		**166,069**	142,581
Consulting fees		**177,455**	30,410
Professional fees		**11,138**	128,728
Filing fees		**471**	32,425
Office supplies and services		**9,387**	20,581
Amortization		**15,978**	18,232
Rent		**31,376**	1,710
Insurance		**5,777**	6,461
		690,873	678,524
Evaluation and exploration expenses	7	**2,222,014**	1,362,356
Other expenses/(income)			
Share issue costs on reverse take over	4	**-**	1,190,813
Interest income		**(31,773)**	(14,006)
Other expenses		**6,877**	75
Net loss and comprehensive loss		**$ 2,887,991**	3,217,762
Loss per share			
Basic and diluted		**$ 0.05**	$ 0.10
Weighted average number of shares outstanding			
Basic and diluted		**52,827,477**	31,889,636

The accompanying notes are an integral part of these condensed consolidated interim financial statements

YELLOWHEAD MINING INC.
(An Exploration Stage Company)
Condensed Consolidated Interim Statement of Changes in Equity
(Unaudited)
(In Canadian dollars)

	NOTES	Number of shares	Common shares	Share subscription received	Equity reserves	Accumulated deficit	Total
Balances as at November 1, 2010		31,598,382	$ 17,338,694	$ 475,250	$ 1,874,205	$ (13,774,956)	$ 5,913,193
Shares issued for:							
Private placements, for cash		2,437,863	2,632,892	-	-	-	2,632,892
Share issue costs		-	(224,371)	-	71,358	-	(153,013)
Conversion of Four Points shares	4	1,110,000	1,354,326	-	96,630	-	1,450,956
Share-based compensation		-	-	-	172,016	-	172,016
Adjustment for subscriptions receivable		-	-	(475,250)	-	-	(475,250)
Net loss and comprehensive loss for the period		-	-	-	-	(3,217,762)	(3,217,762)
Balances as at January 31, 2011		35,146,245	$ 21,101,541	$ -	$ 2,214,209	$ (16,992,718)	$ 6,323,032
Balances as at October 31, 2011		**52,761,969**	**$ 43,875,032**	**$ -**	**$4,476,095**	**$ (29,251,771)**	**$19,099,356**
Shares issued for:							
Exercise of stock options		**165,500**	**208,364**	**-**	**(98,115)**	**-**	**110,249**
Share-based compensation		**-**	**-**	**-**	**25,615**	**-**	**25,615**
Net loss and comprehensive loss for the period		**-**	**-**	**-**	**-**	**(2,887,991)**	**(2,887,991)**
Balances as at December 31, 2011		**52,927,469**	**$ 44,083,396**	**$ -**	**$4,403,595**	**$ (32,139,762)**	**$16,347,229**

The accompanying notes are an integral part of these condensed consolidated interim financial statements

YELLOWHEAD MINING INC.
(An Exploration Stage Company)
Condensed Consolidated Interim Statement of Cash Flows
(Unaudited)
(In Canadian dollars)

	NOTES	Two months ended December 31, 2011	Three months ended January 31, 2011
Operating activities			
Net Loss for the period		**$ (2,887,991)**	$ (3,217,762)
Items not involving cash:			
Share issue costs on reverse take over	4	**-**	1,190,813
Share-based compensation		**25,615**	172,016
Amortization		**15,978**	18,232
Changes in non-cash working capital			
Mineral exploration tax credit receivable		**195,846**	-
HST receivable		**(17,333)**	(127,529)
Prepaid expenses and deposits		**110,008**	(52,584)
Accounts payable and accrued liabilities		**(308,890)**	162,446
Due to related parties		**(135,252)**	(18,580)
Cash used in operating activities		**(3,002,019)**	(1,872,948)
Investing activities			
Acquisition of property, plant and equipment	9	**(2,224,113)**	-
Acquisition of mineral interests	10	**(51,209)**	(3,396)
Payment of reclamation bond		**(10,000)**	-
Cash received upon acquisition of Four Points	4	**-**	261,292
Cash used in investing activities		**(2,285,322)**	257,896
Financing activities			
Proceeds from issuance of capital stock, net of share issue costs		**110,249**	2,004,629
Cash provided by financing activities		**110,249**	2,004,629
Net (decrease)/increase in cash and cash equivalents		**(5,177,092)**	389,577
Cash and cash equivalents, beginning of period		**15,668,987**	4,734,825
Cash and cash equivalents, end of period		**$10,491,895**	$ 5,124,402

Supplemental cash flow information (Note 13)

The accompanying notes are an integral part of these condensed consolidated interim financial statements

1. NATURE OF OPERATIONS

Yellowhead Mining Inc. ("Yellowhead" or the "Company") was incorporated on August 23, 2005 under the laws of British Columbia and is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties.

The head office, principal address and registered and records office of the Company are located at 800 West Pender Street, Suite 730, Vancouver, British Columbia, V6C 2V6.

On November 10, 2010, the Company completed a reverse acquisition as further described in Note 4.

These financial statements have been prepared on a going-concern basis, which contemplates the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company will require additional financing or outside participation to undertake further exploration and subsequent development of its mineral property interests. Future operations of the Company are dependent on its ability to raise additional equity financing and the attainment of profitable operations.

The Company's investment in and expenditures on mineral properties comprise a significant portion of the Company's activities. Realization of the Company's investment in these properties is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for resource properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future production or proceeds from the disposition thereof.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34 - *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These are the Company's first consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and, accordingly, IFRS 1 - *First-time Adoption of International Financial Reporting Standards* has been applied.

These are the Company's first IFRS condensed consolidated interim financial statements for part of the period covered by the Company's first IFRS consolidated annual financial statements to be presented in accordance with IFRS for the fourteen months ending December 31, 2012. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

2. BASIS OF PRESENTATION (Continued)

(b) Basis of presentation

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these condensed consolidated interim financial statements are in accordance with IFRS and have not been audited.

The preparation of the interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both and current and future periods. The interim financial statements do not include all of the required disclosures which would be included in the annual financial statements.

On February 20, 2012, the Company announced that it was switching its fiscal year end date from October 31st to December 31st on a go forward basis. In accordance with relevant legislation the Company will prepare condensed consolidated interim financial statements for the periods ending and as at December 31, 2011, March 31, 2012, June 30, 2012 and September 30, 2012 for the current fiscal year. The Company's next annual financial statements will be for the fourteen months ended December 31, 2012.

(c) Adoption of IFRS

The policies applied in these interim condensed consolidated interim financial statements are based on IFRS standards that are effective for annual periods beginning on or after October 31, 2011. Any subsequent changes to IFRS that are given effect in the Corporation's annual consolidated financial statements for the fourteen months ending December 31, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on transition to IFRS.

The preparation of these condensed consolidated interim financial statements resulted in changes to the accounting policies used in the most recent annual financial statements prepared under Canadian GAAP. The accounting policies used have been applied to all periods presented in these condensed consolidated interim financial statements. They have also been applied in preparing an opening Statement of Financial Position as at November 1, 2010 as required by IFRS 1 – *First Time Adoption of International Financial Reporting Standards*. Detailed disclosures of the effects of transition to IFRS from Canadian GAAP can be found in Note 15.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its controlled subsidiaries. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The only subsidiary of the Company as at the date of these financial statements is the wholly-owned Harper Creek Mining Corporation based in British Columbia, Canada. All intercompany balances and transactions have been eliminated.

(b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 – *Business Combinations* are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations*, which are recognized and measured at fair value less costs to sell.

(c) Evaluation and exploration expenses

Exploration and evaluation expenses are comprised of costs that are directly attributable to:

- researching and analyzing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

All exploration and evaluation expenditures are expensed until properties are determined to contain economically viable reserves. When economically viable reserves have been determined, technical feasibility has been determined and the decision to proceed with development has been approved, the subsequent costs incurred for the development of that project are capitalized as mining properties, a component of property, plant and equipment.

Development expenditures are net of the proceeds of the sale of ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

The costs of removing overburden to access ore are capitalized as mining properties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Share-based compensation

The Company grants share-based awards to certain officers, employees, directors and other eligible persons. For equity settled awards, the fair value is charged to the consolidated statement of comprehensive income and credited to the related reserve account, on a straight-line basis over the vesting period, after adjusting for the estimated number of awards that are expected to vest.

The fair value of the equity-settled awards is determined at the date of the grant. In calculating fair value, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Corporation. The fair value is determined by using the Black-Scholes option pricing model. At each balance sheet date, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognised in the consolidated statement of comprehensive income with a corresponding entry against the related reserve. No expense is recognised for awards that do not ultimately vest.

(e) Interest income

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(f) Taxes

Current tax
Current tax for the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the balance sheet date, and includes adjustments to tax payable or recoverable in respect of previous years.

Deferred tax
Deferred tax is accounted for using the liability method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred income tax liabilities are recognized for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss in respect of taxable temporary differences associated with investments in subsidiaries and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and losses can be utilized, except where the deferred income tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. In respect of deductible temporary differences associated with investments in subsidiaries and interest in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilized. To the extent that an asset not previously recognized fulfils the criteria for recognition, a deferred income tax asset is recorded.

Deferred tax is measured on an undiscounted basis using the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

Mining taxes and royalties are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to revenue derived (net of any allowable deductions) after adjustment for items comprising temporary differences.

(g) Comprehensive loss

Comprehensive loss consists of net loss and other comprehensive income/(loss) ("OCI"). OCI represents changes in shareholders' equity during a period arising from transactions and other events with non-owner sources. For all periods covered by these consolidated financial statements comprehensive loss and net loss are the same.

(h) Share capital

Common shares
Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Equity Units
Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated based on their relative fair values, calculated using the Black-Scholes option pricing model for warrants and the market price of common shares.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period if dilutive. The treasury stock method is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares of the Company at the average market price during the period. The effect is to increase the number of shares used to calculate diluted earnings per share.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, deposits held at call and certificates of deposits, money market instruments, including cashable guaranteed investment certificates with an original term to maturity of three months or less at date of purchase, and are carried at amortized cost.

(k) Property, plant and equipment ("PPE")

Property, plant and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE includes its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated close down and restoration costs associated with dismantling and removing the asset.

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the straight-line method or unit-of-production method over their expected useful lives as follows:

- Field camp equipment – 5 years straight-line basis
- Furniture and fixtures – 5 years straight-line basis
- Computer equipment and software – 3 years straight line basis
- Construction in progress – see below
- Mining properties – unit-of-production basis based on reserves

Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of PPE when completed and ready for its intended use at which time depreciation begins based on the appropriate category of PPE.

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal, determined as the difference between the net disposal proceeds and the carrying value of the asset, is recognized in the consolidated statement of comprehensive income.

Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Depreciation commences on the date when the asset is available for use.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Mineral interests

Mineral interests include the purchase price of mineral properties and any costs incurred for mineral properties not classified as evaluation and exploration expenses. When economically viable reserves have been determined, technical feasibility has been determined and the decision to proceed with development has been approved, the capitalized mineral interests for that project are capitalized as mining properties, a component of PPE.

Stripping costs
Stripping costs (also referred to as costs of removing overburden) incurred during the development of a mine are capitalized into PPE. Stripping costs incurred during the commercial production phase are variable production costs that are included in the costs of inventory produced during the period that the stripping costs are incurred, unless the stripping activity can be shown to give rise to future benefits from the mineral property, in which case the stripping costs would be capitalized into PPE.

Future benefits arise when stripping activity increases the future output of the mine by providing access to a new ore body that the previously deferred stripping costs in an area did not give access to. When stripping activities give rise to a future economic benefit, the costs associated with these activities are capitalized into PPE. Capitalized stripping costs are depleted on a unit-of-production basis, using estimated reserves as the depletion base.

(m) Decommissioning, restoration and similar liabilities

The Company recognizes provisions for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and mineral assets under PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for a decommissioning liability (also referred to as an asset retirement obligation) is recognized as its present value in the period in which it is incurred. Upon initial recognition of the liability, a corresponding amount is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation.

The provision is reviewed on an annual basis for changes to obligations, legislation or discount rates that impact estimated costs or lives of operations. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments

Financial assets
All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities
All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. At the end of each reporting period subsequent to initial recognition, financial liabilities classified as FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset is impaired.

Assets carried at amortized cost
If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Available for sale
If an available for sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

(p) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where a provision is measured using the cash flows estimated to the settle the obligation, its carrying amount is the present value of those cash flows.

(r) Critical accounting judgments and estimates

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The most significant areas of judgments and estimates made by management are as follows:

Recoverability of accounts receivable and investments
Provision is made against accounts that in the estimation of management may be impaired. The recoverability assessment of accounts receivable is based on a range of factors including the age of the receivable and the creditworthiness of the customer. The provision is assessed monthly with a detailed formal review of balances and security being conducted annually. Determining the recoverability of an account involves estimation as to the likely financial condition of the customer and their ability to subsequently make payment. To the extent that future events impact the financial condition of the customers these provisions could vary significantly.

Estimated reserves, resources and exploration potential
Reserves are estimates of the amount of product that can be extracted from the Company's properties, considering both economic and legal factors. Calculating reserves and estimates requires decisions on assumptions about geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, prices and exchange rates.

Estimating the quantity and/or grade of reserves require the analysis of drilling samples and other geological data. Estimates of reserves may change from period to period as the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations. Changes in reported reserves may affect the Company financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of property, plant and equipment

Assets or cash generating units are evaluated at each reporting date to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognized to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal.

Present values are determined using a risk-adjusted pre-tax discount rate appropriate to the risks inherent to the asset. Future cash flow estimates are based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves, operating costs, restoration and rehabilitation costs and future capital expenditure. The Company's management is required to make these estimates and assumptions which are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the asset may be impaired and the impairment would be charged against the consolidated statement of comprehensive income.

Fair value of share-based compensation

The Company grants share-based awards to certain officers, employees, directors and other eligible persons. For equity settled awards, the fair value is charged to the consolidated statement of comprehensive income and credited to the related reserve account, on a straight-line basis over the vesting period, after adjusting for the estimated number of awards that are expected to vest.

The fair value of the equity-settled awards is determined at the date of the grant using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected price and volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

Decommissioning, restoration and similar liabilities

Decommissioning and restoration obligation provisions represents management's best estimate of the present value of the future costs. Significant estimates and assumptions are made in determining the amount of obligations provisions. Those estimates and assumptions deal with uncertainties such as: requirements of the relevant legal and regulatory framework; the magnitude of possible disturbance; and the timing, extent and costs of required restoration and rehabilitation activity. These uncertainties may result in future actual expenditures differing from the amounts currently provided.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

The provision for income taxes and composition of income tax assets and liabilities requires management's judgment as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgment is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized in the balance sheet.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, and other capital management transactions. The application of income tax legislation also requires judgments. These judgments and assumptions are subject to risk and uncertainty, therefore there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the balance sheet and the amount of other tax losses and temporary differences not yet recognized.

(s) Adoption of new and revised standards and interpretations

The following new standards, amendments to standards and interpretations have been issued but are not effective for the fourteen months ended December 31, 2012:

IFRS 9 – *Financial Instruments (2011)* – This standard incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing de-recognition requirements from and replaces IAS 39 - *Financial Instruments: Recognition and Measurement*. Effective for annual periods beginning on or after January 1, 2015

IFRS 10 – *Consolidated Financial Statements* - This standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in "special purpose entities"). Under IFRS 10, control is based on whether an investor has power over the investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the returns. Effective for annual periods beginning on or after January 1, 2013.

IFRS 11 – *Joint Arrangements* – This standard replaces IAS 31 - *Interests in Joint Ventures* and requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. Effective for annual periods beginning on or after January 1, 2013.

IFRS 13 – *Fair Value Measurement* – This standard replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. Effective for annual periods beginning on or after January 1, 2013.

IAS 28 – *Investment in Associates and Joint Ventures (2011)* - This standard supersedes IAS 28 (2003) and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. Effective for annual periods beginning on or after January 1, 2013.

(In Canadian dollars)

4. REVERSE TAKE-OVER

On November 10, 2010, Four Points Capital Corp. ("Four Points") completed the amalgamation (the "Amalgamation") of its wholly owned subsidiary, 0887988 B.C. Ltd., with Yellowhead Mining Inc. ("Former Yellowhead"). The resulting amalgamated entity will continue operations as Harper Creek Mining Corporation. Under the agreement, the shareholders of Former Yellowhead exchanged all their issued and outstanding shares on a one-for-one basis for shares of Four Points. Upon completion, Four Points changed its name to Yellowhead Mining Inc. ("New Yellowhead").

As a result of the transaction, the former shareholders of Former Yellowhead owned in excess of 50% of the outstanding shares of New Yellowhead. The transaction will be accounted for as a continuity of interests with the continuing company a continuation of Former Yellowhead, including the presentation of Former Yellowhead's comparative figures. New Yellowhead is the resulting legal parent and accounting subsidiary and Harper Creek is the accounting parent and 100% owned legal subsidiary.

On November 17, 2010, pursuant to the closing of the Amalgamation, the Company's common shares were listed for trading on the TSX-V under the symbol "YMI", under the name Yellowhead Mining Inc. Upon conversion the 1,110,000 Four Points shares were converted into shares of the Company. In addition 111,000 stock options and 40,000 share purchase warrants were issued with an exercise price of $0.50 respectively.

As consideration for the acquisition, a total of 1,110,000 common shares of Yellowhead were issued at a fair value of $1,199,493 and 151,000 stock options and share purchase warrants were issued at a fair value of $96,630 calculated using the Black-Scholes option pricing model. The Company incurred legal fees of $160,227 in conjunction with the transaction. The total consideration was allocated to share capital as follows, with amounts allocated to the tangible net assets of Four Points first and the remainder treated as a share issue cost.

	Amount
Consideration	
Fair value of shares issued	$ 1,199,493
Fair value of stock options and warrants issued	96,630
Transaction costs	160,227
Total Consideration	$ 1,456,350
Assets acquired	
Cash	$ 261,292
HST receivable	4,245
Net assets acquired	$ 265,537
Amount allocated as share issue costs on reverse take-over	$ 1,190,813

The fair value of the stock options and share purchase warrants issue was calculated using Black-Scholes with the following weighted average assumptions: risk-free interest rate 1.74%, expected volatility 77%, expected dividend yield 0% and expected life of 1.0 years for the stock options and 1.5 years for the share purchase warrants.

(In Canadian dollars)

5. FINANCIAL INSTRUMENTS

Designation and valuation of financial instruments

The Company has designated its cash and cash equivalents as held-for-trading; and accounts payable and accrued liabilities and due to related parties as other-financial-liabilities.

HST receivable and mineral exploration tax credits receivable are excluded from financial instruments as they arise from statutory requirements imposed by the Government of Canada and the Province of British Columbia, respectively.

The carrying values of cash and cash equivalents, accounts payable and accrued liabilities, and due to related parties approximate their fair values because of the short-term maturity of these financial instruments.

The following tables summarizes the designation of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable:

- Level 1 of the fair value hierarchy includes unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 of the hierarchy includes inputs that are observable for the asset or liability, either directly or indirectly; and
- Level 3 includes inputs for the asset or liability that are not based on observable market data.

The Company does not have any financial instruments included in Level 1, 2 and 3.

	As at		
	December 31, 2011	**October 31, 2011**	**November 1, 2010**
Financial assets			
Loans-and-receivables			
Cash and cash equivalents	**$ 10,491,895**	$ 15,668,987	$ 4,734,825
Total financial assets	**$ 10,491,895**	$ 15,668,987	$ 4,734,825
Financial liabilities			
Other-financial-liabilities			
Accounts payable and accrued liabilities	**$ 1,495,248**	$ 1,804,138	$ 87,853
Due to related parties	**227,736**	362,988	331,306
Total financial liabilities	**$ 1,722,984**	$ 2,167,126	$ 419,159

5. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk with respect to its cash and cash equivalents; however, this is minimized as cash and cash equivalents are placed with major Canadian financial institutions with strong investment-grade ratings as determined by a primary ratings agency.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash to meet its financial obligations as they become due.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they are due. On December 31, 2011, the Company had cash and cash equivalents of $10,491,895 (October 31, 2011 - $15,668,987) available to settle current liabilities of $1,722,984 (October 31, 2011 - $2,167,126). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Market risk

Market risks consist of interest rate risk, foreign currency risk and other price risk. The Company is not exposed to foreign currency risk or other price risks.

Interest rate risk
The Company's cash balance is held in a savings account which pays interest of approximately 1%.

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(In Canadian dollars)

6. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of its resource property interests and to maintain a flexible capital structure, which optimizes the costs of capital to an acceptable risk.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of common shares, stock options and share purchase warrants. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares. Management reviews its capital management approach on a regular basis. There were no changes in the Company's approach to capital management and the Company is not subject to any externally imposed capital requirements.

The Company's investment policy is to hold its cash in High Interest Savings Accounts and highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, all held with major Canadian financial institutions.

7. EVALUATION AND EXPLORATION EXPENSES

	Two months ended December 31, 2012	**Three months ended January 31, 2011**
Assaying	**$ 204,423**	$ 129,254
Camp and field supplies	**262,882**	115,519
Contract wages	**318,319**	283,457
Drilling	**394,841**	335,142
Engineering	**320,993**	-
Environmental assessment	**136,175**	32,185
Equipment rental	**49,181**	89,589
Geological consulting	**7,980**	240,768
Geophysical consulting	**508,417**	129,205
Reports, drafting and maps	**6,615**	1,914
Travel and accommodation	**826**	5,323
Other	**11,362**	-
Total evaluation and exploration expenses	**$ 2,222,014**	$ 1,362,356

(In Canadian dollars)

8. CASH AND CASH EQUIVALENTS

	As at		
	December 31, 2011	**October 31, 2011**	**November 1, 2010**
Cash	**$ 10,491,895**	$ 15,668,987	$ 239,964
Money market instruments and bankers acceptances	-	-	4,494,861
Total cash and cash equivalents	**$ 10,491,895**	$ 15,668,987	$ 4,734,825

9. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment and software	**Furniture and fixtures**	**Field camp equipment**	**Land**	**Total**
Cost					
As at October 31, 2011	$ 35,586	$ 30,480	$ 437,158	$ -	$ 503,224
Additions	-	1,384	-	2,222,729	2,224,113
Disposals	-	-	-	-	-
As at December 31, 2011	35,586	31,864	437,158	2,222,729	2,727,337
Accumulated depreciation					
As at October 31, 2011	2,411	1,451	296,000	-	299,862
Charge for the period	1,977	1,062	12,939	-	15,978
As at December 31, 2011	4,388	2,513	308,939	-	315,840
Net book value as at December 31, 2011	**$ 31,198**	**$ 29,351**	**$ 128,219**	**$ 2,222,729**	**$ 2,411,497**

	Computer equipment and software	**Furniture and fixtures**	**Field camp equipment**	**Land**	**Total**
Cost					
As at November 1, 2010	$ 8,931	$ -	$ 364,634	$ -	$ 373,565
Additions	35,586	30,480	72,524	-	138,590
Disposals	(8,931)	-	-	-	(8,931)
As at October 31, 2011	35,586	30,480	437,158	-	503,224
Accumulated depreciation					
As at November 1, 2010	8,931	-	219,856	-	228,787
Charge for the year	(6,520)	1,451	76,144	-	71,075
As at October 31, 2011	2,411	1,451	296,000	-	299,862
Net book value as at October 31, 2011	**$ 33,175**	**$ 29,029**	**$ 141,158**	**$ -**	**$ 203,362**

(In Canadian dollars)

10. MINERAL INTERESTS

	Amount
Cost	
Balance as at November 1, 2010	$ 767,984
Additions	66,042
Disposals	-
Balance as at October 31, 2011	834,026
Additions	**51,209**
Disposals	**-**
Balance as at December 31, 2011	**$ 885,235**

During the two months ended December 31, 2011 the Company had the following additions to the mineral interests:

- On November 3, 2011, the Company extended all 131 of its mineral tenures through to November 3, 2017 for total cash cost of $51,209.

(In Canadian dollars)

11. SHARE CAPITAL

(a) Authorized

Unlimited Class A common shares without par value

(b) Issued and outstanding

As at December 31, 2011, the Company had 52,927,469 common shares issued and outstanding (October 31, 2011 – 52,761,969). During the two months ended December 31, 2011, the Company issues 165,500 shares for gross cash proceeds of $110,249 from the exercise of stock options.

(c) Stock options

The Company implemented a new stock option plan on April 11, 2011, whereby the Board of Directors of the Company may grant directors, officers, employees, directors and consultants stock options to acquire common shares of the Company. Under the stock option plan, options granted are non-assignable and may be granted for a term not exceeding ten years. The plan is administered by the Board of Directors, which determines individual eligibility under the plan, the number of shares reserved underlying the options granted to each individual (not exceeding 5% of issued and outstanding shares to any insider; not exceeding 2% of the issued and outstanding shares to any consultant or persons employed to provide investor relations services) and any vesting period which, pursuant to the stock option plan can be determined and imposed by the Board of Directors. Options awarded to consultants performing investor relations activities must vest in stages over 12 months with no more than one quarter vesting in any three month period. The plan provides for a rolling maximum and allows the Company to issue stock options up to a maximum of 10% of the Company's issued and outstanding common shares.

The movement in the Company's stock options for the two months ended December 31, 2011 was as follows:

	Number of options	Weighted average exercise price
Outstanding, November 1, 2010	2,725,000	$ 0.90
Granted	2,232,500	1.23
Granted on acquistion of Four Points (Note 4)	111,000	0.50
Exercised	(405,500)	1.41
Forfeited or expired	(308,750)	0.98
Oustanding, October 31, 2011	4,354,250	1.10
Granted	**60,000**	**1.25**
Exercised	**(165,500)**	**0.67**
Forfeited or expired	**(1,250)**	**1.25**
Oustanding, December 31, 2011	**4,247,500**	**1.12**

(In Canadian dollars)

11. SHARE CAPITAL (Continued)

The Company's outstanding and exercisable stock options as at December 31, 2011 are as follows:

	Outstanding		Exercisable	
Exercise price	**Number outstanding**	**Weighted average remaining life (years)**	**Number exercisable**	**Weighted average remaining life (years)**
$0.75	390,000	0.20	390,000	0.20
$1.00	825,000	2.20	825,000	2.20
$1.08	950,000	3.80	950,000	3.80
$1.25	2,072,500	4.35	1,908,750	4.33
$1.30	10,000	4.32	10,000	4.32
	4,247,500	**3.43**	**4,083,750**	**3.38**

(d) Share-based compensation

During the two months ended December 31, 2011, the Company granted 60,000 stock options (January 31, 2011: 205,000) at a weighted average exercise price of $1.25 (January 31, 2011: $1.08). The weighted average fair value for the options granted in the two months ended December 31, 2011 was $0.56 (January 31, 2011: $0.78) which was estimated at the date of the grants using the Black-Scholes option pricing model using the following assumptions:

	Two months ended December 31, 2011	**Three months ended January 31, 2011**
Risk-free interest rate	**1.41%**	2.95%
Expected dividend yield	**-**	-
Expected stock price volatility	**93%**	105%
Expected option life	**5 years**	5 years

During the two months ended December 31, 2011, the Company recorded share-based compensation of $25,615 (January 31, 2011: $172,016). Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

(In Canadian dollars)

11. SHARE CAPITAL (Continued)

(e) Share purchase warrants

During the two months ended December 31, 2011, the Company did not issue any share purchase warrants.

During the three months ended January 31, 2011, the Company granted the following warrants:

- 1,218,933 share purchase warrants with an exercise price of $1.40 and expiring on November 9, 2012. These were granted as part of a private placement and were assigned no value on the grant date.
- 118,931 agent's warrants with an exercise price of $1.40 and expiring on November 9, 2012. The fair value of these warrants was $71,358 calculated using Black-Scholes with the following weighted average assumptions: risk-free interest rate 1.42%, expected volatility 77%, expected life 2 years and expected dividend yield 0%.
- 40,000 share purchase warrants were granted as part of the reverse take-over (Note 4) with an exercise price of $0.50 and expiring on March 29, 2012. The fair value of these warrants was $26,558 calculated using Black-Scholes with the following weighted average assumptions: risk-free interest rate 1.74%, expected volatility 77%, expected life 1.5 years and expected dividend yield 0%.

The movement in the Company's share purchase warrants for the two months ended December 31, 2011 was as follows:

	Number of warrants	Weighted average exercise price
Outstanding, November 1, 2010	2,518,004	$ 1.40
Issued	10,872,380	1.87
Granted on acquistion of Four Points (Note 4)	40,000	0.50
Exercised	(45,592)	0.80
Oustanding, October 31, 2011	13,384,792	1.78
Issued	-	-
Exercised	-	-
Oustanding, December 31, 2011	**13,384,792**	**$ 1.78**

(In Canadian dollars)

11. SHARE CAPITAL (Continued)

The Company's outstanding share purchase warrants as at December 31, 2011 are as follows:

Exercise price	Number of warrants	Weighted average remaining life (years)
Share purchase warrants		
$1.40	3,721,937	0.74
$2.00	8,582,316	1.26
Agents warrants		
$0.50	9,408	0.24
$1.08	118,931	0.85
$1.45	952,200	1.26
	13,384,792	**1.11**

12. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these financial statements are as follows:

- During the two months ended December 31, 2011, the Company paid and accrued management fees of $nil (January 31, 2011 - $34,980) to Andreas Consulting Inc., a company controlled by an officer and director of the Company. As at December 31, 2011, the balance owing to that company was $nil.
- During the two months ended December 31, 2011, the Company paid and accrued management fees of $nil (January 31, 2011 - $25,500) to Elissa Cristall Galleries Ltd., a company related to an officer of the Company. As at December 31, 2011, the balance owing to that company was $nil.
- During the two months ended December 31, 2011, the Company paid and accrued management fees of $nil (January 31, 2011 - $31,800) to Handford Management Ltd., a company controlled by an officer of the Company. As at December 31, 2011, the balance owing to that company was $nil.
- During the two months ended December 31, 2011, the Company paid and accrued project management fees, exploration expenses and office costs of $678,166 (January 31, 2011 - $1,026,546) to CME Consultants Inc., a contractor company whose president is a director of the Company. As at December 31, 2011, the balance owing to that company was $219,336.
- During the two months ended December 31, 2011, the Company paid and accrued management fees of $16,800 (January 31, 2011 - $25,500) to Twinstone Ventures Inc., a company related to a director of the Company. As at December 31, 2011, the balance owing to that company was $8,400.

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(In Canadian dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Two months ended December 31, 2011	Three months ended January 31, 2011
Supplementary Information		
Interest received	**$ 31,773**	$ 14,006
Income taxes paid	**-**	-

The Company did not have any non-cash financing or investing activities for the two months ended December 31, 2011 or the three months ended January 31, 2011.

14. COMMITMENTS

The Company is committed to minimum rental and operating expenses payments for office premises aggregating approximately $544,100 over the terms of a lease expiring in 2016.

Commitments in each of the next five years are approximately as follows:

Year Incurred	Amount
2012	**$ 111,100**
2013	**114,100**
2014	**117,200**
2015	**120,200**
2016	**81,500**
Total commitments	**$ 544,100**

15. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Canadian Accounting Standards Board has mandated the adoption of IFRS effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 for Canadian publicly accountable profit-orientated enterprises.

The accounting policies in Note 3 have been applied in preparing the condensed consolidated interim financial statements for the two months ended December 31, 2011, the comparative information for the three months ended January 31, 2011, financial statements for the year ended October 31, 2011 and the preparation of an opening IFRS statement of financial position on the Transition Date, November 1, 2010.

IFRS 1 - *First-time Adoption of International Financial Reporting Standards* sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities charged or credited to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated November 1, 2010:

- *Share-based payments* - The Company has elected not to apply IFRS 2 - *Share-based payments* to awards that vested prior to November 1, 2010, which has been accounted for in accordance with Canadian GAAP.

Estimates
In accordance with IFRS 1, an entity's estimate under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were erroneous. The Company applied estimates that are consistent with the estimates made for its Canadian GAAP reporting.

Explanation of differences between Canadian GAAP and IFRS giving rise to the adjustments in the reconciliations provided:

(a) Exploration and evaluation

On transition to IFRS, the Company elected to change its accounting policy for treatment of evaluation and exploration expenses to expensing all evaluation and exploration expenditures as incurred. This change was made to align the Company with policies applied by other comparable companies at a similar stage in the mining industry. Previously, the Company's Canadian GAAP policy was to capitalize exploration and evaluation expenditures as incurred. The result of this change is that previously capitalized evaluation and exploration costs have been re-classed to retained earnings on the statement of financial position and the evaluation and exploration costs incurred in the reconciled periods have been recorded on the statement of comprehensive income.

15. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(b) Reverse take-over

IFRS requires that a transaction that does not constitute a business combination under IFRS 3, be recognized as a share based payment under IFRS 2. Under IFRS, identifiable, intangible assets are recorded at their fair value and tangible assets are recognized as an expense, calculated as the difference between the fair value of the share-based payments and the fair value of the identifiable goods received. Previously, under Canadian GAAP, the tangible net assets of Four Points were recapitalized to share capital. The result of this change is that under IFRS an additional $1,094,183 was added to share capital and a corresponding amount was charged to the statement of comprehensive income as share issue costs on reverse take-over. Furthermore $96,630 was recorded to the statement of comprehensive income, which is the fair value of the Four Points stock options and share purchase warrants that were converted into stock options and share purchase warrants of the Company, and a corresponding amount was added to equity reserves.

(c) Share based payments

Under IFRS, an entity is required to estimate the number of equity-settled instruments that are expected to vest and then make adjustments to the actual number that vest unless forfeitures are due to market based conditions. The Company reviewed the application of a forfeiture rate, however due to the lack of historical information as the Company was listed on the TSX-V on November 10, 2010, management sustained a forfeiture rate of zero and will be required to do an adjustment for the actual forfeiture rate versus the initial estimate of zero when the options vest. Under Canadian GAAP, the Company elected to accrue compensation cost as if all instruments granted were expected to vest. This difference has had no impact on the Company's previously reported financial position or profit and loss.

(d) Reclassifications

The Company has reclassified certain balances on its statement of financial position, statement of comprehensive income and statement of cash flows to conform with the Company's adjusted note disclosures resulting from the transition to IFRS.

(e) Reconciliations

The Company has prepared the following Canadian GAAP to IFRS reconciliations in association with the Company's transition to IFRS with each adjustment referenced to notes (a) to (d) above:

(In Canadian dollars)

15. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Statement of Financial Position as at November 1, 2010

	NOTES	Canadian GAAP	IFRS adjustments	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 4,734,825	$ -	$ 4,734,825
Mineral exploration tax credit receivable		195,846	-	195,846
HST receivable		87,778	-	87,778
Prepaid expenses and deposits		326,141	-	326,141
		5,344,590	-	5,344,590
Non-current assets				
Property, plant and equipment		144,778	-	144,778
Mineral interests	(a)	10,830,163	(10,062,179)	767,984
Reclamation Bond		75,000	-	75,000
Long-term deposits		-	-	-
		11,049,941	(10,062,179)	987,762
TOTAL ASSETS		$ 16,394,531	$ (10,062,179)	$ 6,332,352
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		$ 87,853	$ -	$ 87,853
Due to related parties		331,306	-	331,306
		419,159	-	419,159
EQUITY				
Share capital		17,338,694	-	17,338,694
Share subscriptions received		475,250	-	475,250
Equity reserves		1,874,205	-	1,874,205
Accumulated deficit	(a)	(3,712,777)	(10,062,179)	(13,774,956)
		15,975,372	(10,062,179)	5,913,193
TOTAL LIABILITY AND EQUITY		$ 16,394,531	$ (10,062,179)	$ 6,332,352

(In Canadian dollars)

15. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Statement of Financial Position as at January 31, 2011

	NOTES	Canadian GAAP	IFRS adjustments	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 5,124,402	$ -	$ 5,124,402
Mineral exploration tax credit receivable		195,846	-	195,846
HST receivable		219,551	-	219,551
Prepaid expenses and deposits		380,304	-	380,304
		5,920,103	-	5,920,103
Non-current assets				
Property, plant and equipment		126,546	-	126,546
Mineral interests	(a)	12,195,915	(11,424,535)	771,380
Reclamation Bond		75,000	-	75,000
Long-term deposits		-	-	-
		12,397,461	(11,424,535)	972,926
TOTAL ASSETS		$ 18,317,564	$(11,424,535)	$ 6,893,029
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		$ 257,271	$ -	$ 257,271
Due to related parties		312,726	-	312,726
		569,997	-	569,997
EQUITY				
Share capital	(b)	20,007,358	1,094,183	21,101,541
Share subscriptions received		-	-	-
Equity reserves	(b)	2,117,579	96,630	2,214,209
Accumulated deficit	(a)(b)	(4,377,370)	(12,615,348)	(16,992,718)
		17,747,567	(11,424,535)	6,323,032
TOTAL LIABILITY AND EQUITY		$ 18,317,564	$(11,424,535)	$ 6,893,029

(In Canadian dollars)

15. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Statement of Financial Position as at October 31, 2011

	NOTES	Canadian GAAP	IFRS adjustments	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 15,668,987	$ -	$ 15,668,987
Mineral exploration tax credit receivable		2,559,183	-	2,559,183
HST receivable		1,530,825	-	1,530,825
Prepaid expenses and deposits		345,099	-	345,099
		20,104,094	-	20,104,094
Non-current assets				
Property, plant and equipment		203,362	-	203,362
Mineral interests	(a)	20,538,409	(19,704,383)	834,026
Reclamation Bond		75,000	-	75,000
Long-term deposits		50,000	-	50,000
		20,866,771	(19,704,383)	1,162,388
TOTAL ASSETS		$ 40,970,865	$(19,704,383)	$ 21,266,482
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		$ 1,804,138	$ -	$ 1,804,138
Due to related parties		362,988	-	362,988
		2,167,126	-	2,167,126
EQUITY				
Share capital	(b)	42,780,849	1,094,183	43,875,032
Share subscriptions received		-	-	-
Equity reserves	(b)	4,379,465	96,630	4,476,095
Accumulated deficit	(a)(b)	(8,356,575)	(20,895,196)	(29,251,771)
		38,803,739	(19,704,383)	19,099,356
TOTAL LIABILITY AND EQUITY		$ 40,970,865	$(19,704,383)	$ 21,266,482

(In Canadian dollars)

15. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Statement of Comprehensive Income for the three months ended January 31, 2011

	NOTES	Canadian GAAP	IFRS adjustments	IFRS
Administrative expenses				
Wages and benefits		$ 125,380	$ -	$ 125,380
Share-based compensation		172,016	-	172,016
Investor relations		142,581	-	142,581
Consulting fees		30,410	-	30,410
Professional Fees		128,728	-	128,728
Filing fees		32,425	-	32,425
Office supplies and services		20,581	-	20,581
Amortization		18,232	-	18,232
Rent		1,710	-	1,710
Insurance		6,461	-	6,461
		678,524	-	678,524
Evaluation and exploration expenses	(a)	-	1,362,356	1,362,356
Other expenses/(income)				
Share issue costs on reverse take over	(b)	-	1,190,813	1,190,813
Interest income		(14,006)	-	(14,006)
Other expenses		75	-	75
Net loss and comprehensive loss		$ 664,593	$ 2,553,169	$ 3,217,762
Loss per share				
Basic and diluted		$ 0.02		$ 0.10
Weighted average number of shares outstanding				
Basic and diluted		31,889,636		31,889,636

(In Canadian dollars)

15. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Statement of Comprehensive Income for the year ended October 31, 2011

	NOTES	Canadian GAAP	IFRS adjustments	IFRS
Administrative expenses				
Wages and benefits		$ 861,102	$ -	$ 861,102
Share-based compensation		1,876,638	-	1,876,638
Investor relations		879,140	-	879,140
Consulting fees		460,741	-	460,741
Professional Fees		366,762	-	366,762
Filing fees		104,011	-	104,011
Office supplies and services		98,624	-	98,624
Amortization		80,006	-	80,006
Rent		44,480	-	44,480
Insurance		24,133	-	24,133
		4,795,637	-	4,795,637
Evaluation and exploration expenses	(a)	-	9,642,205	9,642,205
Other expenses/(income)				
Share issue costs on reverse take over	(b)	-	1,190,813	1,190,813
Interest income		(156,463)	-	(156,463)
Other expenses		4,624	-	4,624
Net loss and comprehensive loss		$ 4,643,798	$ 10,833,018	$ 15,476,816
Loss per share				
Basic and diluted		$ 0.10		$ 0.34
Weighted average number of shares outstanding				
Basic and diluted		44,974,574		44,974,574

(In Canadian dollars)

15. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Statement of Cash Flows for the three months ended January 31, 2011

	NOTES	Canadian GAAP	IFRS adjustments	IFRS
Operating activities				
Net Loss for the period	(a)(b)	$ (664,593)	$ (2,553,169)	$ (3,217,762)
Items not involving cash:				
Share issue costs on reverse take over	(b)	-	1,190,813	1,190,813
Share-based compensation		172,016	-	172,016
Amortization		18,232	-	18,232
Changes in non-cash working capital				
Mineral exploration tax credit receivable		-	-	-
HST receivable		(127,529)	-	(127,529)
Prepaid expenses and deposits		(52,584)	-	(52,584)
Accounts payable and accrued liabilities	(a)	79,400	83,046	162,446
Due to related parties	(a)	(2,425)	(16,155)	(18,580)
Cash used in operating activities		(577,483)	(1,295,465)	(1,872,948)
Investing activities				
Acquisition of property, plant and equipment		-	-	-
Acquisition of mineral interests	(a)	(1,298,861)	1,295,465	(3,396)
Cash received upon acquisition of Four Points		261,292	-	261,292
Cash used in investing activities		(1,037,569)	1,295,465	257,896
Financing activities				
Proceeds from issuance of capital stock, net of share issue costs		2,004,629	-	2,004,629
Cash provided by financing activities		2,004,629	-	2,004,629
Net increase/(decrease) in cash and cash equivalents		389,577	-	389,577
Cash and cash equivalents, beginning of period		4,734,825	-	4,734,825
Cash and cash equivalents, end of period		$ 5,124,402	$ -	$ 5,124,402

(In Canadian dollars)

15. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Statement of Cash Flows for the year ended October 31, 2011

	NOTES	Canadian GAAP	IFRS adjustments	IFRS
Operating activities				
Net Loss for the period	(a)(b)	$ (4,643,798)	$(10,833,018)	$(15,476,816)
Items not involving cash:				
Share issue costs on reverse take over		-	1,190,813	1,190,813
Share-based compensation		1,876,638	-	1,876,638
Amortization		80,006	-	80,006
Changes in non-cash working capital				
Mineral exploration tax credit receivable	(a)	-	(2,363,337)	(2,363,337)
HST receivable		(1,438,802)	-	(1,438,802)
Prepaid expenses and deposits		(18,958)	-	(18,958)
Accounts payable and accrued liabilities	(a)	282,675	1,433,610	1,716,285
Due to related parties	(a)	(36,299)	67,981	31,682
Cash used in operating activities		(3,898,538)	(10,503,951)	(14,402,489)
Investing activities				
Acquisition of property, plant and equipment		(138,589)	-	(138,589)
Acquisition of mineral interests	(a)	(10,569,993)	10,503,951	(66,042)
Deposit paid		(50,000)	-	(50,000)
Cash received upon acquisition of Four Points		101,065	-	101,065
Cash used in investing activities		(10,657,517)	10,503,951	(153,566)
Financing activities				
Proceeds from issuance of capital stock, net of share issue costs		25,490,217		25,490,217
Cash provided by financing activities		25,490,217	-	25,490,217
Net increase/(decrease) in cash and cash equivalents		10,934,162	-	10,934,162
Cash and cash equivalents, beginning of year		4,734,825	-	4,734,825
Cash and cash equivalents, end of year		$ 15,668,987	$ -	$ 15,668,987

16. CONTINGENCIES

Due to the nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the condensed consolidated interim financial statements of the Company.

17. SUBSEQUENT EVENT

The Company had no material subsequent events between the end of the period as at December 31, 2011, and the release of these condensed consolidated interim financial statements.