YELLOWHEAD MINING INC.
Management Discussion and Analysis
Two months ended December 31, 2011

(Unaudited)
(Expressed in Canadian Dollars)

1. HIGHLIGHTS AND OVERVIEW

(a) Highlights

Some of the key highlights for the two months ended December 31, 2011 and subsequent weeks included:

- Detailed Feasibility Study was significantly advanced with an expected completion date of March 31, 2012
- The Environmental Assessment study at Harper Creek was significantly advanced with an ongoing comprehensive baseline study program
- Diamond drilling of 15,148m. Total drilling on Harper Creek of 78,164m in 318 holes
- Released an updated Resource estimate with contained copper within the Measured and Indicated Resource categories at a 0.2% copper cut-off grade increasing by 1.67 billion pounds or 47% compared to the previously completed estimate in the PEA at a 0.2% copper cut-off grade

(b) Overview

Yellowhead Mining Inc. ("Yellowhead" or the "Company") was incorporated on August 25, 2005 under the laws of British Columbia. The Company is an exploration stage company engaged in the acquisition, exploration and development of mineral properties with its focus on the exploration and development of its wholly-owned Harper Creek mineral property ("Harper Creek"), located in south central British Columbia, Canada. The Company's shares trade on the Toronto Venture Stock Exchange ("TSX-V" or "TSX Venture") under the symbol YMI.

This Management Discussion and Analysis ("MD&A") provides information that management considers to be relevant to an assessment and understanding of the Company's financial condition as at December 31, 2011 and the results of its operations and cash flows for the two months ended December 31, 2011. This discussion should be read in conjunction with the Company's condensed consolidated interim financial statements and the related notes for the two months ended December 31, 2011 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts included therein and in this MD&A are expressed in Canadian Dollars unless otherwise noted.

The information contained within this MD&A is current to February 26, 2012. Additional information of the Company is available on SEDAR at www.sedar.com.

Harper Creek

The Company's Harper Creek property is a copper deposit located approximately 150 km by road north-northeast of the city of Kamloops in Vavenby, B.C. The property is adjacent to the Yellowhead Highway; the Canadian National Railways transcontinental mainline, power from BC Hydro transmission lines and 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 has a total of 131 mineral tenures covering 42,636 hectares at Harper Creek in Kamloops Mining Division of British Columbia. The area of active exploration and proposed development comprises 9,000 hectares which extends from the area of historical exploration by both Noranda and US Steel and their successors.

1. HIGHLIGHTS AND OVERVIEW (Continued)

Corporate Structure

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 on November 17, 2010 under the trading symbol YMI.

On November 18, 2010, Yellowhead Mining Inc. became a Tier 1 issuer on the TSX Venture. Tier 1 is reserved for the TSX Venture issuers with significant financial resources and at a more advanced stage. Benefits of Tier 1 status include a more favorable regulatory environment and increased opportunity for participation by institutional investors.

2. FORWARD-LOOKING STATEMENTS

Except for statements of fact relating to the Company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the dates the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include: the inherent risks involved in the exploration and development of mineral properties; the uncertainties involved in interpreting drilling results and other geological data; metal price volatility; economic and political events affecting metal supply and demand; fluctuation in ore grade; tonnes of ore milled; the possibility of project cost overruns or unanticipated costs and expenses; uncertainties related to completion results of planned exploration and development programs on the Company's material properties; issuance of licenses and permits; and the availability of and costs of financing needed in the future and other factors described in this discussion under the heading "Outlook". Except as required by law, the Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

3. OUTLOOK

Some of the Company's expectations for the 2012 include:

- The Company is on schedule to complete the Feasibility Study by March 31, 2012. The design basis for the study, being managed by Merit Consultants International Inc., is a conventional 70,000 tonnes per day ("tpd") open pit mine and mill which if and when developed will place it as one of the largest copper operations in British Columbia. The mine is expected to produce in excess of 1.3Mt Cu, 265,000 oz Au and 4.9Moz Ag over its projected 22+ year mine life.
- In parallel with the Feasibility Study, management of the Environmental Assessment ("EA") and geotechnical/hydrological work is being undertaken by Knight Piésold Limited ("KP"). Assistance on the collection of information needed for the EA application is being provided by Dillon Consulting Ltd., (water quality), SRK Consulting (Canada) Inc., (geochemistry) and BioteQ Environmental Technologies Inc., (water treatment), Terra Archeology (archeological) and Keystone Wildlife Research (wildlife).
- Consultation with the First Nations and local communities is ongoing.
- Beginning in June 2011, the Company rolled out an intensive investor relations program designed to raise the Company's profile among investors in North America, Europe and Asia. In order to finance the development of Harper Creek, the Company is exploring financing options, including but not limited to: strategic investors and/or partnerships, project and equipment financing and off-take agreements.
- The Company will continue a step-out drilling campaign in late spring in order to expand the Company's resource base.

4. CORPORATE ACTIVITY

On November 7, 2011, the Company completed the purchase of the former Weyerhaeuser Company Ltd. sawmill property about 2.5km west of Vavenby, B.C. for total consideration including transaction costs of $2,222,728. The property comprises approximately 79.3 hectares and has an approximately 1,880 metre rail siding, connecting to the Canadian National Railway's transcontinental main line that passes through Vavenby. The rail load-out will be located approximately 25 km by road from the Harper Creek project mill site.

On January 4, 2012, the Company announced the appointment of Saurabh Handa, CA, as Chief Financial Officer of the Company. Mr. Handa replaces Robert L. J. Harper who remained with the Company through a transition period to the end of January 2012 as Chief Financial Officer and will continue thereafter as a consultant.

On January 18, 2012, the Company announced that pursuant to the Company's stock option plan and subject to regulatory approval, it had granted 200,000 stock options to Mr. Handa. The stock options have an exercise price of $1.25 per share, vest quarterly over three years and are exercisable for a period of five years.

On February 12, 2012, the Company announced the appointment of Cliveden AG of Zug, Switzerland as the Company's exclusive advisor for the marketing of the Harper Creek copper concentrates. Mark Forsyth, Managing Director, formed Cliveden AG in September 2010 and he has spent 25 years working in commodity trading houses in London and Switzerland. His background stretches across all aspects of the non-ferrous trading spectrum from operations, shipping, hedging and marketing and he has an extensive global network within the metals producer, transportation, smelting, refining and trading communities

On February 16, 2012, the Company announced an updated NI 43-101 compliant resource estimate as of December 20, 2011 for its Harper Creek project. At a 0.2% copper cut-off grade, total Measured and Indicated Resource is estimated at 815 million tonnes grading 0.29% copper and containing 5.26 billion pounds of copper. This represents an increase of 1.67 billion pounds of copper over the Company's Preliminary Economic Assessment announced on March 8, 2011.

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.

5. MINERAL PROPERTIES

The Company's Harper Creek property is a copper deposit located approximately 150 km by road north-northeast of the city of Kamloops in Vavenby, B.C. The property is adjacent to the Yellowhead Highway; the Canadian National Railways transcontinental mainline, power from BC Hydro transmission lines, 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.

(a) Mineral Tenures

The Company has a total of 131 mineral tenures covering 42,636 hectares at Harper Creek in Kamloops Mining Division of British Columbia. The area of active exploration and proposed development comprises 9,000 hectares which extends from the area of historical exploration by both Noranda and US Steel and their successors. On November 3, 2011, the Company extended all 131 of its mineral tenures through to November 3, 2017 for total cash cost of $51,210.

The Company's 131 mineral tenures were acquired as follows:

- 61 mineral tenures were acquired in 2006 from various parties for total cash consideration of $65,000 and by the issuance of a total of 6,100,000 common shares of the Company which at the time of issuance had a deemed value of $100,000.
- 70 mineral tenures were staked by the Company between 2006 and 2010 for total cash consideration of $14,741.

The Company's Harper Creek project is subject to net smelter returns ("NSR") royalties for production from certain mineral tenures as follows:

- A 3% NSR capped at $2.5 million, subject to an inflation adjustment, related to 31 mineral tenures acquired from Cygnus Mines Ltd., a subsidiary of US Steel Corp.
- A 2.5% NSR to Xstrata related to 6 mineral tenures. Based on the Preliminary Economic Assessment, discussed later in this MD&A, this equates to approximately 3.3 million tonnes of ore which is expected to be mined beginning in year nine of the mine plan.

In November 2011, the Company paid an additional $10,000 for the Company's reclamation bond related to Harper Creek.

(b) Exploration

Prior to acquisition by the Company, historical exploration was conducted at Harper Creek by a Noranda/US Steel joint venture and American Comstock. The historic drilling conducted on the property was:

- 1967 to 1973 – Noranda/US Steel drilled a total of 168 holes for a total of 26,445m
- 1996 – American Comstock drilled 8 holes for a total of 2,847m

From 2006 – 2010 the Company drilled and additional 86 holes for a total of 33,724m.

5. MINERAL PROPERTIES (Continued)

Diamond drilling on the property for the 2011 drilling program was completed in December 2011. Fifty six holes were drilled for a total of 15,148m. Drilling included:

- Resource confirmation: 33 holes for a total of 8,191m
- Condemnation: 8 holes for a total of 1,791m
- Resource expansion: 11 holes for a total of 4,725m
- Metallurgical sampling: 4 holes for a total of 441m

To date drilling at Harper Creek has totaled 318 holes for a total of 78,164m.

Assaying of the drill holes from the 2011 drilling program was completed in early February of 2012.

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.

In September 2011 an application to extend the Company's existing exploration permit to December 31, 2014, was submitted and is current under review by the Ministry of Energy and Mines.

(c) Preliminary Economic Assessment

On March 8, 2011 the Company announced the results of a Preliminary Economic Assessment ("PEA") of the Harper Creek. This included an updated resource estimate that included estimates for both gold and silver. This report was filed on SEDAR on April 1, 2011 and is available at www.sedar.com.

Some of the highlights of the PEA included:

- 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 were estimated at US$1.19/lb, before concentrate transportation and smelting/refining costs. Total operating costs were estimated at US$1.52/lb. 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 preproduction. 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 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.

(In Canadian dollars)

5. MINERAL PROPERTIES (Continued)

Highlights of the PEA (continued):

- 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 cut-off.
- Life of Mine operating costs are estimated as follows: mining $1.21/t of material moved or $2.52/t milled (including stockpile re-handling); milling $4.01/t milled; G&A and surface services $0.69/t milled for a total of $7.22/t milled or $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.

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.

(d) Resource Update

On February 16, 2012, the Company announced an updated NI 43-101 compliant Resource estimate as of December 20, 2011 for its Harper Creek project. At a 0.2% copper cut-off grade ("COG"), total Measured and Indicated ("M&I") Resource is estimated at 815 million tonnes grading 0.29% copper and containing 5.26 billion pounds of copper. This represents an increase of 1.67 billion pounds of copper over the Company's PEA announced on March 8, 2011.

Details of the methodology used are available in the press release filed by the Company on February 16, 2012 and available on SEDAR at www.sedar.com. An updated NI 43-101 report will be filed on SEDAR within 45 days of the press release.

Based on the resource update the Company's Resources effective December 20, 2011 are:

	Measured					Indicated				
COG % Cu	Ktonnes	Cu %	Au g/t	Ag g/t	Cu billion #	Ktonnes	Cu %	Au g/t	Ag g/t	Cu billion #
0.1	590,790	0.24	0.028	1.1	3.13	928,207	0.22	0.026	1.1	4.50
0.2	**348,515**	**0.31**	**0.034**	**1.3**	**2.38**	**466,482**	**0.28**	**0.030**	**1.3**	**2.88**
0.3	149,694	0.39	0.044	1.5	1.29	144,943	0.38	0.040	1.5	1.21
0.4	56,753	0.48	0.056	1.7	0.60	44,638	0.47	0.051	1.7	0.46
0.5	18,925	0.58	0.074	2.0	0.24	11,687	0.57	0.065	1.9	0.15

	Measured + Indicated					Inferred				
COG % Cu	Ktonnes	Cu %	Au g/t	Ag g/t	Cu billion #	Ktonnes	Cu %	Au g/t	Ag g/t	Cu billion #
0.1	1,518,997	0.23	0.027	1.1	7.63	155,251	0.22	0.027	1.1	0.75
0.2	**814,997**	**0.29**	**0.032**	**1.3**	**5.26**	**80,169**	**0.30**	**0.033**	**1.4**	**0.53**
0.3	294,637	0.39	0.042	1.5	2.50	31,635	0.39	0.037	1.5	0.27
0.4	101,391	0.48	0.054	1.7	1.06	11,360	0.47	0.044	1.8	0.12
0.5	30,612	0.58	0.071	2.0	0.39	3,017	0.57	0.054	2.0	0.04

The selected base case copper COG of 0.2% is considered consistent with other mineral deposits of similar characteristics, scale and location.

5. MINERAL PROPERTIES (Continued)

(e) Feasibility Study

In April 2011, the Company commenced work on the Feasibility Study managed by Merit Consultants International Inc. To date, the majority of the work in support of the Feasibility Study has been completed with the remaining work scheduled for completion by the end of March 2012. The Feasibility Study team includes Allnorth Consultants Limited (formerly Axxent Engineering Ltd.), (mill design and general engineering services); Hinz , A Rockwell Automation Company,(electrical, instrumentation, process control services); Laurion Inc., (process design criteria plus management of the metallurgical test work being performed by G&T Metallurgical Services Ltd).; Nilsson Mine Services Ltd., (mine design); and GeoSim Services Inc., (resource estimation).

Drilling results from the 2011 drilling program have been incorporated into the resource model which forms the basis for the Feasibility Study. Mine planning including pit optimization, mine design and scheduling have been completed.

The geotechnical site investigations including geomechanical and geotechnical drilling and seismic refraction work for pit and tailings dam design were completed in October 2011. A total of 3,724m was drilled comprising 2,424m of geomechanical drilling in 7 holes and 1,300m of geotechnical drilling in 24 holes. 7,000m of seismic survey lines were completed at the plant site and tailings management facility. Sampling and analysis for metal leaching and acid rock drainage characterization has been completed.

Metallurgical test work is being finalized at G&T Metallurgical Services Inc. ("G&T") laboratory in Kamloops, B.C. Flotation test work on the master composite has been completed and variability test work on individual lithologies was completed in February 2012.

Process engineering including design criteria, flow-sheets, equipment sizing and drawings have been completed.

The Tailings Management Facility ("TMF") Design has been developed for the Starter Embankment (first 1.5 years of operations), and ongoing embankment raises are being finalized in conjunction with the mine plan.

The site water management features, including the non-PAG waste rock dump seepage collection pond, the TMF seepage collection pond, the operations TMF diversion system north of the PAG waste rock dump and the pit dewatering system are being developed.

Capital and operating costs are currently under review.

(In Canadian dollars)

5. MINERAL PROPERTIES (Continued)

(f) Environmental Assessment

The British Columbia Environmental Assessment Office ("EAO") approved the Application Information Requirements ("AIR") for the Harper Creek. The AIR, or Terms of Reference, was developed to meet the purposes of the environmental assessment pursuant to both the *BC Environmental Assessment Act* ("BCEAA") and the *Canadian Environmental Assessment Act* ("CEAA"). The AIR specifies the information that must be contained in the Application for an Environmental Assessment Certificate.

In 2007, the Company initiated water quality and fisheries inventory work. Comprehensive water, archaeology, wildlife, fisheries inventories and other baseline studies were started in 2011 and are expected to continue through 2012. Environmental monitoring will continue for the life of the project.

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 is conducting the socio-economic assessment and review of the project.

Representatives of the local and First Nations communities were recruited to provide input and assist these specialists with the environmental baseline studies.

(g) Mineral Properties Expenditures

As at December 31, 2011 a summary of the Company's mineral property expenditures at Harper Creek are as follows:

	Capitalized Mineral interests	Evaluation and exploration expenses	Total expenditures on Harper Creek
Balance, October 31, 2011	$ 834,026	$ 19,704,383	$ 20,538,409
Net Additions	51,209	2,222,014	2,273,223
Balance, December 31, 2011	$ 885,235	$ 21,926,397	$ 22,811,632

Further details of mineral interest (Note 10) and evaluation and exploration expenditures (Note 7) are disclosed in the December 31, 2011 condensed consolidated interim financial statements.

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

6. SUMMARY OF QUARTERLY RESULTS

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

	2011 (2)	2011 (2)				2010 (1)		
Quarter Ended	**31-Dec**	**31-Oct**	**31-Jul**	**30-Apr**	**31-Jan**	**31-Oct**	**31-Jul**	**30-Apr**
Administrative expenses	$ 691	$ 878	$1,423	$1,816	$ 679	$ 616	$ 138	$ 186
Evaluation and exploration expenses	2,222	3,091	3,822	1,367	1,362	-	-	-
Other expenses/(income)	(25)	(62)	(55)	(21)	1,177	1	-	(30)
Net loss and comprehensive loss for the period	2,888	3,907	5,190	3,162	3,218	617	138	156
Basic and diluted loss per share for the period	$ 0.05	$ 0.07	$ 0.13	$ 0.09	$ 0.10	$ 0.02	$ 0.01	$ 0.01

(1) Information for periods beginning prior to November 1, 2010, the date of the Company's transition to IFRS, has been prepared in accordance with Canadian Generally Accepted Accounting Principles and has not been restated to comply with IFRS.

(2) Information for periods beginning subsequent to November 1, 2010, the date of the Company's transition to IFRS, has been prepared in accordance with IFRS.

The Company's changes in financial results on a quarter by quarter basis are due primarily to fluctuations in the level of activity of project development, investor relations and administration. The Company has continued to develop the technical and economic feasibility of Harper Creek and the increased expenditures by the Company reflect this development.

7. 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.

Two months ended December 31, 2011

The Company recorded a net loss of $2,887,991 for the two months ended December 31, 2011, as compared to a net loss $3,217,762 for the three months ended January 31, 2011. The decrease in the loss is attributable to the following major items:

Wages and benefits increased to $247,607 for the two months ended December 31, 2011 as compared to $125,380 for the three months ended January 31, 2011. This increase relates to the ramp up of the Company's management team.

Share-based compensation decreased to $25,615 for the two months ended December 31, 2011 as compared to $172,016 for the three months ended January 31, 2011. This decrease is related to a fewer number of options granted and a change in vesting conditions for options granted in the two months ended December 31, 2011 as compared to the three months ended January 31, 2011.

Consulting fees increased to $177,455 for the two months ended December 31, 2011 as compared to $30,410 for the three months ended January 31, 2011. This increase is related to the additional consulting fees associated with the Feasibility Study.

Professional fees decreased to $11,138 for the two months ended December 31, 2011 as compared to $128,728 for the three months ended January 31, 2011. The professional fees were higher during the three months ended January 31, 2011, due to a private placement completed by the Company and the reverse take-over of Four Points which occurred in that period.

7. RESULTS OF OPERATIONS (Continued)

Evaluation and exploration expenses increased to $2,222,014 for the two months ended December 31, 2011 as compared to $1,362,356 for the three months ended January 31, 2011. This increase is related to the additional exploration activities at Harper Creek in conjunction with the Feasibility Study.

Share issue costs on reverse take-over were $nil for the two months ended December 31, 2011 as compared to $1,190,813, for the three months ended January 31, 2011. These costs were associated with the Company's reverse take-over of Four Points which is discussed in Note 4 of the Company's condensed consolidated interim financial statements.

8. LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital as at December 31, 2011 was $12,915,497 as compared to working capital of $17,936,968 at October 31, 2011, representing a decrease in working capital of $5,021,471. Included in working capital were cash and cash equivalents of $10,491,895 (October 31, 2011 - $15,668,987).

(a) Financing

The Company's cash provided by financing activities for the two months ended December 31, 2011 was $110,249 as a result of the exercise of 165,500 stock options. For the three months ended January 31, 2011, the Company's cash provided by financing activities was $2,004,629 related to a private placement that was completed on November 9, 2010.

The Company has to the date of the MD&A completed two private placements discussed below:

Private Placement – November 2010
Beginning November 3, 2010 and concluding on November 9, 2010, the Company accepted subscriptions for 2,437,863 units comprising one common share and one-half of one common 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.

8. LIQUIDITY AND CAPITAL RESOURCES

Private Placement – April 2011
On April 5, 2011, the Company closed 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 exercisable 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.

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.

On April 15, 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.

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.

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.

(b) Use of Proceeds

The Company plans to use the net proceeds from the financings above to carry out the following activities:

- Feasibility Study at Harper Creek
- Environmental Assessment at Harper Creek
- General exploration, development and acquisition activities
- Working capital, general and administrative expenses and other general corporate purposes

To date, the Company's actual use of such proceeds has not varied from the anticipated use of proceeds set out above.

(In Canadian dollars)

8. LIQUIDITY AND CAPITAL RESOURCES (Continued)

(c) Capital Resources

The Company's focus for the next fiscal year and going forward is the advancement and development of Harper Creek. The major expenses that will be incurred by the Company in the next twelve months will be costs associated with drilling, completion of a Feasibility Study, the Environment Assessment process and detailed engineering. The Company believes its current working capital is sufficient to complete the definitive Feasibility Study and to advance its permitting process.

If adequate funds are not available when required, the Company may at the discretion of management delay, scale back or eliminate various programs. In the future the Company may receive additional funds through the exercise of common share warrants and stock options. The Company may also seek to raise additional funds in the future through the sale of additional common shares either as a private placement or via a common stock offering, seeking a strategic partnership or through the debt markets. The requirement for additional funds will be driven by favorable results as the Company advances Harper Creek.

Although the Company has successfully raised capital in the past, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that future additional financing will be available to the Company at terms it finds acceptable.

(d) Commitments

As at December 31, 2011, the Company had the following contractual commitments:

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

The commitment is related to minimum rental and operating expenses payments for the Company's office space in downtown Vancouver. The lease was effective September 1, 2011 and concludes on August 31, 2016.

(e) Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

(f) Proposed Transactions

The Company has no proposed transactions.

9. FINANCIAL INSTRUMENTS

As at December 31, 2011, the Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities and due to related parties. The mineral exploration tax credits receivable and HST receivable are excluded from financial instruments as they arise from statutory requirements imposed by Government of Canada and the Province of British Columbia.

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

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

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. As at 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 exposed to interest rate risk through its cash balances which are held in a savings account paying 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.

The Company is not exposed to foreign currency risk or other price risks.

10. RELATED PARTY TRANSACTIONS

Transactions with related parties for the two months ended December 31, 2011, totalled $694,966 (January 31, 2011 - $1,144,326) and are detailed below:

- 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)

11. OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value. As at February 26, 2012, the Company had 53,092,549 common shares issued and outstanding.

The Company has the following stock options that are outstanding and exercisable as at February 26, 2012:

	Outstanding		Exercisable	
Exercise price	**Number outstanding**	**Weighted average remaining life (years)**	**Number exercisable**	**Weighted average remaining life (years)**
$0.75	225,000	0.04	225,000	0.04
$1.00	775,000	2.13	775,000	2.13
$1.08	950,000	3.64	950,000	3.64
$1.25	2,317,500	4.27	1,943,750	4.18
$1.30	10,000	4.16	10,000	4.16
	4,277,500	**3.52**	**3,903,750**	**3.40**

The Company also has the following warrants that are outstanding as at February 26, 2012:

Exercise price	**Number of warrants**	**Weighted average remaining life (years)**
Share purchase warrants		
$1.40	3,721,937	0.58
$2.00	8,582,316	1.11
Agents warrants		
$0.50	9,328	0.09
$1.08	118,931	0.70
$1.45	952,200	1.11
	13,384,712	**1.11**

12. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS 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. Critical accounting estimates and judgements are described in further detail in Note 3 of the Company's condensed consolidated interim financial statements for the period ended December 31, 2011. While management believes the estimates are reasonable, actual results could differ from these estimates and could impact future results of operations and cash flows.

13. CRITICAL ACCOUNTING POLICIES

The Company's significant accounting policies under IFRS are presented in Note 3 to the condensed consolidated interim financial statements for the period ended December 31, 2011.

First-time adoption of International Financial Reporting Standards

The Company has prepared its first unaudited 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. The Company's unaudited condensed consolidated interim financial statements as at and for the two months ended December 31, 2011 have been prepared in accordance with International Accounting Standard ("IAS") 34 - *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards 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 IFRS and IFRS 1 - *First-time Adoption of International Financial Reporting Standards* has been applied. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

On transition to IFRS the Company had two major adjustments to previously reported figures under Canadian GAAP. First, the Company elected to change to its accounting policy for the treatment of exploration expenditures to a policy of expensing all exploration expenditures, so as to align itself with policies applied by other comparable companies at a similar stage in the mining industry. This resulted in the mineral interests decreasing by $19.7 million for the year ended October 31, 2011 and $10.1 million for year ended October 31, 2010. Second, the Company's treatment of the reverse take-over of Four Points was different under IFRS versus Canadian GAAP which resulted in and additional $1,094,183 being added to share capital, $96,630 being added to equity reserves and $1,190,813 added to expenses for the year ended October 31, 2011. Details of the major differences and adjustments required for the conversion to IFRS from Canadian GAAP are detailed in Note 15 of the Company's condensed consolidated interim financial statements for the period ended December 31, 2011.

14. 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. For a detailed discussion of the risk factors associated with the Company please consult the risk factors section of the Company's Annual Information Form filed on January 25, 2012 and available on www.sedar.com.