YELLOWHEAD MINING INC.
(An Exploration Stage Company)

Consolidated Financial Statements
Three Months ended January 31, 2011 and 2010
(Canadian Dollars)
Unaudited – Prepared by Management

Notice

Notice of No Auditor Review of the Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements of Yellowhead Mining Inc. ("Yellowhead" or the "Company") for the three months ended January 31, 2011, have been prepared by management and have not been the subject of a review by Yellowhead's independent auditors.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Yellowhead Mining Inc. (the "Company") have been prepared by management in accordance with Canadian generally accepted accounting principles and are the responsibility of the management of the Company. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded. All transactions are authorized and duly recorded, and financial records are properly maintained to facilitate preparation of financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the financial statements with management who believe the financial statements are free of material misstatement and present fairly, in all material respects, the financial position of the Company at January 31, 2011 and October 31, 2010 and the results of its operations and its cash flows for the three months ended January 31, 2011 and 2010.

These consolidated financial statements have been prepared by management of the Company and have not been reviewed by the Company's independent auditor.

Under National Instrument 51-102, Part 4, subsection 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 financial statements have not been reviewed by an auditor.

"Ian Smith"
Ian Smith
CEO

" Robert L. J. Harper"
Robert L. J. Harper
CFO

Vancouver, British Columbia
March 29, 2011

YELLOWHEAD MINING INC.
(An Exploration Stage Company)
Consolidated Balance Sheets
(Canadian Dollars)

		January 31, 2011 Unaudited		October 31, 2010 Audited
Assets				
Current				
Cash and cash equivalents	$	5,124,402	$	4,734,825
HST receivable		219,551		87,778
Mineral exploration tax credit receivable		195,846		195,846
Prepaid expenses		380,304		326,141
		5,920,103		5,344,590
Resource Property Interests (note 6)		12,270,915		10,905,163
Equipment (note 7)		126,546		144,778
	$	18,317,564	$	16,394,531
Liabilities				
Current				
Accounts payable and accrued liabilities	$	257,271	$	87,853
Due to related parties (note 9)		312,726		331,306
		569,997		419,159
Shareholders' Equity				
Capital Stock (note 8)		20,007,358		17,338,694
Share Subscriptions Received		0		475,250
Contributed Surplus (note 8(b))		2,117,579		1,874,205
Deficit		(4,377,370)		(3,712,777)
		17,747,567		15,975,372
	$	18,317,564	$	16,394,531

Subsequent Event (note 11)

Approved on behalf of the Directors:

"Ian Smith"
....
Director

"Andy Graetz"
....
Director

See notes to interim consolidated financial statements.

YELLOWHEAD MINING INC.
(An Exploration Stage Company)
Consolidated Statements of Operations and Deficit
(Canadian Dollars)
Unaudited – Prepared by Management

	Three months Ended January 31			
		2011		**2010**
Expenses				
Stock based compensation	$	172,016	$	0
Professional Fees		128,728		45,972
Management Fees		125,380		57,300
Advertising and promotion		87,002		6,619
Investor relations		42,386		4,487
Filing Fees		32,425		0
Consulting		30,410		2,800
Office, rent, supplies and services		22,291		4,944
Amortization		18,232		18,751
Travel & Entertainment		13,193		21,995
Insurance		6,461		5,078
Taxes and Penalties		75		12,466
Licences and Permits		0		6,355
Loss Before Other Items		678,599		186,767
Interest		(14,006)		(30,375)
Net Loss for Period		664,593		156,392
Deficit, Beginning of Period		3,712,777		2,163,604
Deficit, End of Period	$	4,377,370	$	2,319,996
Basic and Diluted Loss per Share	$	0.02	$	0.01
Weighted Average Number of Common Shares Outstanding		31,889,636		26,162,375

See notes to interim consolidated financial statements.

YELLOWHEAD MINING INC.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Canadian Dollars)
Unaudited – Prepared by Management

	Three Months Ended January 31, 2011	2010
Operating Activities		
Net loss	$ (664,593)	$ (156,392)
Items not involving cash		
Stock-based compensation	172,016	0
Amortization	18,232	18,751
	(474,345)	(137,641)
Changes in non-cash working capital		
HST receivable	(127,529)	(1,031)
Mineral Exploration Tax Credit Receivable	0	668,963
Prepaid expenses	(52,584)	(8,244)
Accounts payable and accrued liabilities	79,400	86,376
Due to related parties	(2,425)	(21,367)
	(103,138)	724,692
Cash Used in Operating Activities	(577,483)	587,051
Investing Activities		
Cash from amalgamation of Four Points (note 2)	261,292	0
Property acquisition	(3,393)	(362)
Resource property expenditures	(1,295,468)	(27,923)
Cash Used in Investing Activities	(1,037,569)	(28,285)
Financing Activities		
Shares issued for cash, net	2,157,642	0
Share issue costs	(153,013)	0
Cash Provided by Financing Activities	2,004,629	0
Inflow of Cash and Cash Equivalents	389,577	558,768
Cash and Cash Equivalents, Beginning of Period	4,734,825	80,254
Cash and Cash Equivalents, End of Period	$ 5,124,402	$ 639,022
Cash and Cash Equivalents Consist of:		
Cash	$ 1,122,169	$ 639,022
Term deposits and banker's acceptances	4,002,233	0
	$ 5,124,402	$ 639,022

Supplemental disclosure of cash flow information (note 10)

See notes to interim consolidated financial statements.

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Yellowhead Mining Inc. was incorporated 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.

On November 10, 2010, the Company completed a reverse acquisition as further described in note 2.

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.

As at January 31, 2011, the Company had working capital (excess of current assets over current liabilities) of $5,350,106 (October 31, 2010 - $4,925,431), which is sufficient to carry out committed exploration activities and corporate and administrative costs for the next twelve months. In addition, the Company is in the process of completing a bought deal financing (note 11).

The Company's investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets 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.

These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that may be necessary, should the Company be unable to continue as a going-concern.

2. 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.

(Canadian Dollars)

2. REVERSE TAKE-OVER (Continued)

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.

The fair value of the net assets of Four Points that were acquired was as follows:

Cash	$	261,292
HST receivable		4,246
Prepaid expenses		1,579
Accounts payable and accrued liabilities		(6,974)
Net assets acquired	$	260,143

		Amount
Capital stock of accounting subsidiary acquired in RTO	$	289,804
Excess of book value of shares over fair value of net assets acquired		(29,661)
Amount allocated to share capital	$	(260,143)

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim financial statements have been prepared in accordance with accounting policies generally accepted ("GAAP") in Canada. They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. These unaudited financial statements should be read in conjunction with the Company's audited financial statements including the notes thereto for the year ended October 31, 2010.

The Accounting policies followed by the Company are set out in note 2 to the audited financial statements for the year ended October 31, 2010 and have been consistently followed in the preparation of these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Policy

Business Combinations

In January 2009, the CICA issued Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-Controlling Interests”. These sections replace the former Section 1581, “Business Combinations”, and Section 1600, “Consolidated Financial Statements”, and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

Effective November 1, 2010, the Company early adopted these standards.

Future Accounting Changes

International Financial Reporting Standards (“IFRS”)

In 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the convergence of Canadian GAAP with IFRS for publicly-listed companies to use IFRS, effective for the Company for interim and annual financial statements beginning on November 1, 2011. The transition date will require the restatement for comparative purposes of amounts reported by the Company for interim periods and for the year ended October 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS is expected to be minimal.

4. 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 consists of HST input tax credits. 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.

4. FINANCIAL INSTRUMENTS (Continued)

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 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 January 31, 2011, the Company has cash and cash equivalents of $5,124,402 (October 31, 2010 - $4,734,825) available to settle current liabilities of $569,997 (October 31, 2010 - $419,159). 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

As part of cash and cash equivalents, the Company holds two banker’s acceptances, with maturity values totaling $2,005,000 and $2,000,000 respectively. The maturity dates and interest rates are February 8, 2011 (1.17%) and March 7, 2011 (1.18%).

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

5. 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 invest its surplus cash in 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.

(Canadian Dollars)

6. RESOURCE PROPERTY INTERESTS

As at the fiscal quarter ended January 31, 2011and year ended October 31, 2010 expenditures incurred on the mineral properties are as follows:

Harper Creek		**January 31, 2011**		**October 31, 2010**
Opening balance	$	10,905,163	$	9,934,467
Acquisitions during period				
Acquisition costs		3,396		500,978
Exploration costs				
Drilling		355,142		0
Contract wages		5,550		137,924
Equipment rental		89,589		22,140
Assays		129,254		116,098
Camp and field supplies		115,519		92,734
Geological consulting		240,768		81,181
Geophysical consulting		129,205		2,140
Reports, drafting and maps		1,914		69,759
Environmental assessment		32,185		12,745
Travel and accommodation		5,323		4,668
Recording fees		0		0
		1,362,356		665,564
Total additions during period		1,365,752		1,166,542
Mineral exploration tax credits		0		(195,846)
Net change during period		1,365,752		970,696
Closing balance	$	12,270,915	$	10,905,163

The Company has a total of 131 mineral tenures covering 42,636.484 ha at Harper Creek in the Kamloops Mining Division of British Columbia.

For 31 mineral claims, the Company exercised its option to acquire claims optioned by a third party from Cygnus Mines Ltd. The Company now holds a 100% interest in the property. The Optionor has retained a 3% net smelter returns royalty capped at $3,000,000, less the advance royalty payment of $500,000 made on July 30, 2010, which will be adjusted for inflation from July 31, 2010.

The Company also holds six contiguous mineral tenures which are subject to a back in right to acquire a 50% interest by a cash payment of $100,000 plus two times the pre-feasibility study expenditures. In addition, a 2.5% net smelter returns royalty will apply to production from these tenures.

All other mineral tenures claimed by the Company are free of encumbrances.

(Canadian Dollars)

7. EQUIPMENT

		2011		2010
	Cost	Accumulated Amortization	Net	Net
Field camp	$ 364,634	$ 238,088	$ 126,546	$ 144,778
	$ 364,634	$ 238,088	$ 126,546	$ 144,778

8. CAPITAL STOCK

(a) Authorized
Unlimited Class A common shares without par value

(b) Issued

	Number of Shares	Amount	Contributed Surplus
Balance, October 31, 2009	26,162,375	$ 11,920,897	$ 824,971
Issued during the year			
Private placements, for cash	5,036,007	5,438,888	0
Share issue costs	0	(219,187)	0
Exercise of stock options	400,000	160,000	0
Transfer on exercise of options		38,096	(38,096)
Stock based compensation	0	0	1,087,330
Balance, October 31, 2010	31,598,382	$ 17,338,694	$ 1,874,205
Issued during the period			
Conversion of Four Points shares (note 2)	1,110,000	260,143	0
Private placement, for cash	2,437,863	2,632,892	0
Share issue cost	0	(224,371)	71,358
Stock based compensation	0	0	172,016
Balance, January 31, 2011 (unaudited)	35,146,245	$ 20,007,358	$ 2,117,579

During the year ended October 31, 2010, the Company issued:

- 5,036,007 units pursuant to a private placement at $1.08 for gross proceeds of $5,438,888. Each unit comprised one common share and one-half of one share purchase warrant which will entitle the holder to purchase an additional common share at $1.40 until September 7, 2012. Finder's fees and other share issue costs associated with this placement amounted to $217,555 and $1,632, respectively.

8. CAPITAL STOCK (Continued)

(b) Issued (Continued)

- 400,000 common shares at a price of $ 0.40 per share pursuant to the exercise of stock options for net proceeds of $160,000.

During the period ending January 31, 2011, the Company issued:

- 2,437,863 units pursuant to a private placement at $1.08 per unit for gross proceeds of $2,632,892. Each unit comprised one common share and one-half of one share purchase warrant which will entitle the holder to purchase an additional common share at $1.40 until November 9, 2012. Finder's fees and other share issue costs associated with this placement amounted to $224,371. Included in share issue costs was the fair value of non-cash costs totaling $71,358 for 118,931 agent's warrants, which was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 2.95%, expected volatility of 105%, expected life of 2 years and an expected dividend yield of 0%.

(c) Stock options

The Company has a stock option plan whereby the Company may grant directors, officers, employees and consultants' options to acquire up to 10% of the Company's issued and outstanding common shares. The exercise price of each option is equal to or higher than the market price of the Company's common shares at the date of the grant. Vesting of stock options is made at the discretion of the Board of Directors at the time the options are granted.

At January 31, 2011, the Company had stock options outstanding for the purchase of 3,016,000 common shares with an average remaining contractual life of 3.13 years, of which all stock options expire between June 1, 2011 and January 31, 2016. Of the 3,016,000 stock options issued, all options have now vested except 3,750 stock options which will be released in increments of 1,250 on each of March 31, 2011, June 30, 2011 and September 30, 2011.

(Canadian Dollars)

8. CAPITAL STOCK (Continued)

(c) Stock options (continued)

	Number	Weighted Average Exercise Price
Outstanding, October 31, 2008	1,975,000	$ 0.62
Granted	150,000	1.00
Exercised	(100,000)	0.40
Forfeited, cancelled, or expired	(250,000)	0.71
Outstanding, October 31, 2009	1,755,000	$ 0.67
Granted	1,400,000	1.04
Exercised	(400,000)	0.40
Forfeited, cancelled, or expired	(50,000)	0.71
Outstanding, October 31, 2010	2,725,000	$ 0.90
Granted	205,000	1.08
Granted on the acquisition of Four Points (note 2)	111,000	0.50
Forfeited, cancelled, or expired	(25,000)	0.75
Outstanding, January 31, 2011	3,016,000	$ 0.90
Exercisable, January 31, 2011	3,012,250	$ 0.89

At January 31, 2011, outstanding incentive stock options were as follows:

Expiry Date	Number of Options	Exercise Price
June 1, 2011	350,000	$ 0.40
March 12, 2012	500,000	$ 0.75
July 23, 2012	50,000	$ 1.00
October 21, 2012	200,000	$ 1.00
November 30, 2012	50,000	$ 1.00
November 18, 2013	150,000	$ 1.00
March 29, 2015	111,000	$ 0.50
June 16, 2015	650,000	$1.00
September 23, 2015	750,000	$1.08
December 14, 2015	5,000	$1.08
January 11, 2016	100,000	$1.08
January 31, 2016	100,000	$1.08
	3,016,000	
Weighted average remaining life	3.13 years	

(Canadian Dollars)

8. CAPITAL STOCK (Continued)

(d) Stock based compensation

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes option pricing model. Stock-based compensation expense of $172,016 (2010 - $Nil) for the 3 months ended January 31 was calculated for vested options based on the following weighted average assumptions:

	January 31, 2011	**January 31, 2010**
Risk-free interest rate	2.95%	-
Expected dividend yield	0.00	-
Expected stock price volatility	105.00%	-
Expected option life in years	5.00	-

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.

The amounts recorded as stock-based compensation is entirely for consulting fees.

(e) Share purchase warrants

	2011		**2010**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning	2,518,004	$1.40	0	$ 0.00
Granted	1,337,864	$ 1.37	2,518,004	$ 1.40
Granted on acquisition of Four Point (note 2)	40,000	$ 0.50	0	$ 0.00
Outstanding and exercisable, end of period	3,895,868	$ 1.38	2,518,004	$1.40

(Canadian Dollars)

8. CAPITAL STOCK (Continued)

(e) Share purchase warrants (Continued)

The following warrants are outstanding at October 31, 2011 and October 31, 2010:

	Exercise	Number of Warrants	
Expiry Date	Price	**2011**	**2010**
September 7, 2012	$ 1.40	2,518,004	2,518,004
November 9th, 2012	$1.40	1,218,933	0
Agent's Warrants: March 29, 2012	$0.50	40,000	
Agent's Warrants: November 9th, 2012	$1.08	118,931	0
		3,895,868	2,518,004
Weighted average life of warrants outstanding		1.65 years	1.45years

9. RELATED PARTY TRANSACTIONS

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

a. During the three months ended January 31, 2011, the Company paid or accrued management fees of $34,980 (January 31, 2010 - $Nil) and reimbursed out-of-pocket expenses totalling $11,664 to Andreas Consulting Inc. a company controlled by an officer and director of the Company.

b. During the three months ended January 31, 2011, the Company paid or accrued management fees of $25,500 (January 31, 2010 - $18,000) to Elissa Cristall Galleries Ltd., a company related to an officer of the Company.

c. During the three months ended January 31, 2011, the Company paid or accrued management fees of $ 31,800 (January 31, 2010 - $31,800) and reimbursed out-of – pocket expenses totalling $8,213 to Handford Management Ltd., a company controlled by an officer of the Company.

d. During the three months ended January 31, 2010, the Company paid or accrued project management fees, exploration expenses and office costs of $1,026,546 (January 31, 2010 - $38,100) to CME Consultants Inc., a contractor company whose president is a director of the Company. As at January 31, 2011, there was a balance owing to CME Consultants of $312,726 for services and work on the Harper Creek Project.

e. During the three months ended January 31, 2011 the Company paid $22,500 (January 31, 2010 - $$7,500) in project management fees to Twinstone Ventures Inc., a company related to a director of the Company. As of January 31, 2011, the balance owing to that company was $7,500.

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.

(Canadian Dollars)

10. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Three Months Ended January 31,			
		2011		2010
Supplementary Information				
Interest received	$	14,006	$	30,375
Income taxes paid	$	0	$	0
Non-Cash Financing and Investing Activities				
Due to related party for investment in resource property interest	$	278,852	$	25,287
Accounts payable for investment in resource property interest	$	134,993	$	23,381

11. SUBSEQUENT EVENT

On March 12th, 2011, the Company entered into an agreement with Canaccord Genuity Corp. whereby, Canaccord Genuity Corp. agreed to purchase 13,800,000 units on a bought deal basis for a price of $1.45 per unit. Each unit will consist of one common share in the capital of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant shall entitle the holder thereof to acquire one additional common share of the Company at a price of $2.00 for a period of 24 months).