YELLOWHEAD MINING INC.

Management Discussion & Analysis

FORM 51-102-F1

For the Period Ending
January 31, 2011

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

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

Yellowhead Mining Inc.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Three month Period ended January 31, 2011

March 30, 2011

Background:

The following Management Discussion and Analysis ("MD&A") provides information that management considers to be relevant to an assessment and understanding of Yellowhead Mining Inc.'s ("Yellowhead" or the "Company") financial condition as at January 31, 2011 and the results of its operations and cash flows for the fiscal year ended January 31, 2011 and follows the requirements of National Instrument 51-102 ("NI 51-102"). This discussion should be read in conjunction with the Company's interim unaudited financial statements and the related notes for the period ended January 31, 2011 which have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts included therein and in the following MD&A are expressed in Canadian Dollars unless otherwise noted. The information contained within this MD&A is current to March 30th, 2011.

Company Overview:

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

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

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

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

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

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

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

On March 8, 2011 we published the results of the Preliminary Economic Assessment[1] ("PEA"). This included an updated resource estimate that included estimates for both gold and silver. The report is expected to be filed on SEDAR by March 31, 2011.

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Highlights

- 22 year project life at a milling rate of 70,000 tpd. Development capital costs are estimated at C$759 million in Q4 2010 dollars, including contingency. On mine operating costs are estimated at C$1.40/lb, before transportation and smelting/refining costs. The breakeven copper price including initial and sustaining capital repayment (IRR=0%) is determined to be US$1.94/lb using US$1,058 for gold and US$16.57 for silver.
- The project will 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[2] per year for approximately 17 years, at an average stripping ratio of 1.44:1 based on ore milled after which low grade mineralization recovered from stockpile would be processed for the remaining 5 years. Life-of-mine ("LOM") stripping ratio after reprocessing of stockpiled material is 0.88:1. A total of 15Mt of waste rock will be stripped during pre-production. Most of this waste rock will be used for the tailings starter dam and for other construction activities.
- An updated resource at a 0.20% Cu cut-off grade with 89.99Mt @ 0.30% Cu, 0.033g/t Au & 1.18g/t Ag in the Measured category; 442.07Mt @ 0.31% Cu, 0.032g/t Au & 1.06g/t Ag in the Indicated category; for a total of 532.06Mt @ 0.31% Cu, 0.032g/t Au & 1.08g/t Ag Measured and Indicated Resource containing 3.6Blb of in situ copper, 544koz Au and 18.5Moz Ag. An additional Inferred Resource of 117.24Mt @ 0.29% Cu, 0.032g/t Au & 1.32g/t Ag or 0.7Blb of in situ copper (refer to Table 1 for Resources at varying cut-off grades).
- Total mining inventory was determined by pit optimization runs using a Lerchs Grossmann algorithm to determine "optimum" net present value of mineral processed. It is estimated at 552.8Mt @ 0.272% Cu, 0.029g/t Au and 0.997g/t Ag at a 0.13% Cu cutoff.
- LOM operating costs are estimated as follows: mining C$1.21/t total material moved or C$2.52/t milled (including $0.15 stockpile re-handling average cost for the LOM); milling C$4.01/t milled; G&A and surface services C$0.69/t milled for a total of C$7.22/t milled or C$1.40/lb Cu.
- Over the project life it is estimated that an additional C$481million in sustaining capital is required, of which approximately $200 million is for incrementally raising the tailings dam.

Significant Events, Transactions and Activities on Mineral Properties

Capital transactions:

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

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1&2 *The Preliminary Assessment is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied that would enable them to be categorized as mineral reserves. There is no certainty that the Preliminary Assessment will be realized.*

trading days. Proceeds of $475,250 were received prior to October 31, 2010, and are included as share subscriptions received.

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

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

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

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

Outlook

- On March 14, 2011 we announced that the Company had entered into an agreement with a syndicate of underwriters led by Canaccord Genuity Corp. (the "Underwriters"), pursuant to which the Underwriters have agreed to purchase, on a bought deal private placement basis, 13,800,000 units (the "Units") of the Company at a price of CDN$1.45 per unit for gross proceeds of CDN$20,010,000 (the "Underwritten Offering"). Each Unit shall consist of one common share of the Company and one half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant shall be exercisable into one common share of the Company for a period of 24 months from closing at an exercise price of CDN$2.00. In addition, the Company will grant the Underwriters an over-allotment option, exercisable for a period of up to 30 days after the closing of the Underwritten Offering, to purchase from the Company up to an additional 2,070,000 units at CDN$1.45 per unit to cover over-allotments (the "Over-Allotment Option", and together with the Underwritten Offering, the "Offering").

  The Underwriters will receive a cash commission of 6% of the gross proceeds raised, and share purchase warrants entitling the Underwriters to purchase, at a price of CDN$1.45 per share within 24 months after closing of the Offering, common shares of the Company equal to 6% of the aggregate number of securities sold pursuant to the Offering.

  Pursuant to a pre-emptive right granted by the Company to Anthill Resources Ltd. ("Anthill"), Anthill has the right to subscribe for Units under an offering by the Company in order that Anthill will continue to hold at least the same percentage of shares of the Company as Anthill held on the day prior to the announcement of such offering. In the event that Anthill exercises such pre-emptive right, the size of the offering will be increased by the number of Units that Anthill elects to purchase.

  The Company intends to use the net proceeds of the Offering to fund the advancement of the Company's Harper Creek project in BC and for general corporate purposes.

  Closing of the Offering is anticipated to occur on or before April 5, 2011 and is subject to certain conditions including, but not limited to the receipt of applicable regulatory approvals including approval of the TSX Venture Exchange. Securities issued under the Offering and through the Over-Allotment Option will be subject to a four month hold period from the closing date.

- We expect to commence a Feasibility Study on the Harper Creek project in mid-April, 2011 following the positive results achieved in the PEA. The Feasibility Study is expected to be completed before year end.
- We will continue with concurrent environmental assessment and permitting. Comments on the draft Application Information Requirements are due by March 24, 2011 and a working group meeting to discuss these comments is scheduled for early April.
- Consultation with First Nations and local communities are ongoing.

Mineral Property:

The Project

Diamond Drilling

Since our last report, 12 holes have been completed (HC10-76 through HC11-87) for a total of 6,139.209 metres. Nine holes have been geologically logged, two are in progress and one is pending. 3,561 samples have been collected (excluding control samples). Eight holes have been completely sampled and four are partially to completely unsampled.

Analysis of 2,968 samples (excluding control samples) has been received. Analyses are complete for seven holes with partial results for two holes. No sample analyses have been received for the remaining two holes.

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

Update on Historical Core Resampling

Core from 20 partial to complete holes have been relogged. 1,549 samples have been collected (excluding control samples) and analyses of 1,056 samples (excluding control samples) have been received.

Resource Update

As part of the PEA, the Company received a new National Instrument 43-101 compliant resource estimate that included estimates for both gold and silver for the first time (see table below). The Technical Report is expected to be filed on SEDAR by March 31, 2011.

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

Table 1:

Resources at Varying Cutoff Grades

Cut-off Grade [% Cu]	Resource Tonnage [kt]	Cu Grade [%Cu]	Au Grade* [g/t]	Ag Grade* [g/t]
Measured				
0.10	146,402.4	0.24	0.029	1.04
0.20	**89,992.9**	**0.30**	**0.033**	**1.18**

0.30	38,632.4	0.38	0.039	1.37
0.40	12,391.7	0.47	0.046	1.55
0.50	3,701.7	0.56	0.055	1.66
Indicated				
0.10	847,302.0	0.23	0.026	0.91
0.20	**442,071.1**	**0.31**	**0.032**	**1.06**
0.30	190,133.7	0.39	0.040	1.22
0.40	72,464.5	0.49	0.051	1.36
0.50	25,128.2	0.58	0.065	1.54
Measured and Indicated				
0.10	993,704.4	0.23	0.026	0.93
0.20	**532,064.0**	**0.31**	**0.032**	**1.08**
0.30	228,766.1	0.39	0.040	1.24
0.40	84,856.2	0.48	0.050	1.39
0.50	28,829.9	0.58	0.063	1.55
Inferred*				
0.10	231,239.0	0.22	0.027	1.09
0.20	**117,236.9**	**0.29**	**0.032**	**1.32**
0.30	47,036.7	0.38	0.037	1.49
0.40	14,116.7	0.46	0.043	1.65
0.50	3,316.1	0.56	0.051	1.81

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

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

Preliminary Economic Assessment

The base case design rate is 70,000 tpd 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.

By early April, we will commence an aggressive field drilling program to support the Feasibility Study. The program will include geotechnical and hydrological holes for pit and tailings dam design, foundation testing, large diameter holes for metallurgical samples for detailed testwork, condemnation holes and infill drilling. In addition we will commence a program of step-out drilling to expand the resource.

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

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

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

No new reclamation bonds were required during the period.

The Environmental Assessment

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

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

(http://a100.gov.bc.ca/appsdata/epic/documents/p333/1295903690301_5aa204813a3a28bbaad434d7890ebbdd62ee07f028154720b0c5f52e258d5011.pdf#zoom=75&pagemode=none).

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

Comments on the draft Application Information Requirements are due by March 24, 2011 and a Working Group meeting to discuss these comments is scheduled for early April, 2011.

Environmental baseline studies will continue through the winter and into the spring gathering climate, precipitation and water data. Groundwater studies are being coordinated between Dillon Consulting Limited and Knight Piesold Limited.

Work on the archaeological assessment will resume next year.

Mineral Properties Expenditures

As at January 31, 2011 a summary of the Company's mineral property expenditures is as follows:

	Harper Creek
Balance, October 31, 2010	$ 10,905,163
Net Additions	1,365,752
Balance, January 31, 2011	$ 12,270,915

Further details of expenditures are disclosed in Note 6 of the January 31, 2011 interim financial statements.

The Company is prepared to advance exploration and development on the property with the goal of completing a definitive feasibility study over the next 12 to 15 months, subject to securing sufficient financing.

Plans are being formulated 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 over the primary project area of 9,000 ha.

Selected Financial Information

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

	31JAN11	**31OCT10**	**31JUL10**	**30APR10**	**31JAN10**	**31Oct09**	**31Jul09**	**30Apr09**
Current Assets	5,920	5,345	276	585	787	887	1,337	1,565
Resource Property Interests	12,271	10,905	10,663	10,069	9,979	9,935	9,558	9,419
Other Assets	126,546	145	163	182	200	219	238	333
Total Assets	**18,217**	**16,395**	**11,102**	**10,836**	**10,966**	**11,041**	**11,133**	**11,317**
Current liabilities	570	419	272	145	137	55	38	108
Other liabilities	0	0	403	403	403	403	235	235
Shareholders' equity	17,747	15,976	10,427,	10,288	10,426	10,583	10860	10,974
Total liabilities and shareholders' equity	**18,317**	**16,395**	**11,102**	**10,836**	**10,966**	**11,041**	**11,133**	**11,317**
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses:								
General & Admin	488	467	88	119	167	110	95	145
Amortization	18	18	19	19	19	19	19	19
Interest Expense	0	0	0	0	0	nil	nil	1
Interest Income	14	(9)	1	0	30	nil	nil	(1)
Income tax (Recovery)	0	(403)	0	0	0	168	0	0
Stock based compensation	172	578	509	0	0	30	0	0
Loss(Income) for the period	**664**	**651**	**617**	**138**	**156**	**326**	**114**	**164**
Loss (Income)per share - basic	0.02	0.03	0.02	0.01	0.01	0.01	0.004	0.01

Results of Operations

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

Cash flows for the 3 months ended January 31, 2011 compared to the 3 months ended January 31, 2009

During the 3 month period ended January 31, 2011 the Company had an overall cash increase of $389,577 (January 31, 2010 – overall cash increase of $558,768).

During the 3 month period ended January 31, 2011 the Company had cash outflow to resource property expenditures of $ 1,298,861compared to expenditures of $28,285 in the 3 months ended January 31, 2010.

During the 3 month period ended January 31, 2011 the Company completed the reverse acquisition with Four Points Capital Inc., which resulted in a cash inflow of $261,292. During the 3 month period ended January 31, 2011, the Company had a total outflow of $577,483 (January 31, 2010 137,641) from operating activities.

During the 3 month period ended January 31, 2011, the Company completed a private placement, which resulted in a cash inflow of $2,004,629.

Net Loss for the 3 month period ended January 31, 2011 compared to the 3 month period ended January 31, 2010.

During the 3 month period ended January 31, 2011 the Company incurred an overall net loss of $664,592 (January 31, 2010 - $156,392).

The Company incurred administrative expenses totalling $474,345 net of Stock Based Compensation ("SBC") of $172,016 and amortization of $18,232 for the 3 month period ended January 31, 2011 (January 31, 2010 - $137,641, net of SBC of $Nil and amortization of $18,751).

Management fees increased to $125,380 for the 3 month period ended January 31, 2011 from $57,300 for the period ended January 31, 2010, reflecting the strengthening of the management team.

The Company recorded $ 172,016 in stock based compensation expense for the 3 month period ended January 31, 2011 (January 31, 2010 - $Nil). Following our successful finanincing in the Fall of 2010, we took steps to expand our advisory board.

The Company significantly increased investor relation, travel and promotion expense to $142,581 during the 3 month period ended January 31, 2011 from $33,101 for the 3 month period ended January 31, 2010. These expenses increased from the prior year as a result of additional funding and in an effort to position the Company to raise additional funds.

During the 3 month period ended January 31, 2011 the Company recorded interest income totalling $14,006 (January 31, 2010 - $30,375).

In addition to project development and exploration expenses which have fixed budgets, our cash operating expenses for professional fees, investor relations costs and general office expenses will increase to approximately $500,000 per quarter. .

Liquidity and Capital Resources

As at January 31, 2011, the Company had cash of $ 5,124,402 (October 31, 2010 - $ 4,734,825).

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

We had a working capital of $5,350,106 as at January 31, 2011 compared to working capital of $649,908 as at January 31, 2010.

Cash flow and budget are monitored monthly and often more frequently.

During the 3 months ended January 31, 2011 the Company had a cash burn rate, excluding project development expenses, of approximately $169,000 per month, up substantially from $62,000 per month for the 3 months ended January 31, 2010.

The burn rate has continued to accelerate, in a controlled manner, following the completion of the private placement and the Qualifying Transaction with Four Points Capital Corporation as we work on the Preliminary Economic Assessment and additional exploration and development of the Harper Creek project. The Company will also be working toward raising sufficient capital to fund operations through the Feasibility Study and permitting phases of the development of the Project.

The Company believes that while access to capital has been difficult these conditions are changing. We modify our capital and operating budgets to reflect existing capital market conditions. Continued access to the capital markets is still uncertain, despite the change and there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

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

The Company expects that the Canaccord Genuity Corp bought deal will close on April 5th, 2011 as scheduled. This will provide the Company with the funds required to advance the project through feasibility and permitting and result in significantly derisking the prospect of advancing the project.

This and any other equity offering will result in dilution to the ownership interests of the Company's shareholders but is necessary to advance the project.

Capital Resources

At January 31, 2011, the Company had the following capital resources and claims against capital resources:

Current capital resources

Unrestricted Cash		**$5,124,402**
HST rebate receivable		**219,301**
Deposits with suppliers		**378,725**
Mineral exploration tax credit receivable		**195,846**
	Subtotal	**5,918,274**
Amounts due for payment		**569,997**
	Subtotal	**$5,348,277**
Claims against capital		
Camp and office maintenance (12 month budget)		**90,000**
Budget for advancement of project		**1,800,000**
General and Admin (12 months budget)		**1,080,000**
	Subtotal	**2,970,000**
Excess Capital Resources		**$2,378,277**

As at the end of the period and the date of this report, there are no ongoing capital commitments.

Transactions with Related Parties

Transactions with related parties totalled $1,141,326 for the 3 months ended January 31, 2011 compared to $95,400 for the 3 months ended January 31, 2010. A breakdown of these transactions is documented in Note 9 to the Consolidated Financial Statements.

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

Change in Board of Directors

During the period ended January 31, 2011, there were no changes to the Company's board of directors.

Capital Lease Obligations

The Company has no outstanding Capital Lease Obligations.

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

Financial Instruments and Other Instruments

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

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

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

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

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

Critical Accounting Policies

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

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

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

Comprehensive Income

The Company adopted CICA Handbook Section 1530, "Comprehensive Income", which established standards for presentation and disclosure of comprehensive income. Comprehensive income is the overall change in net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income and other comprehensive income. The historical make-up of net income has not changed. Other comprehensive income includes gains or losses, which generally accepted accounting principles requires to be recognized in a period but are excluded from net income for that period.

Capital disclosures

The Company has adopted Handbook Section 1535, "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and procedures for managing capital.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of February 1, 2012 will require the restatement for comparative purposes of amounts reported by the Company for interim periods and for the year ended October 31, 2011.

First Time Adoption of IFRS

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

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

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

IFRS Impact on Our Organization

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

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

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

Accounting Estimates

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

Proposed Transactions

The Company has received and is considering a proposal for the acquisition of an industrial site in the Township of Vavenby.

Disclosure of Contractual Obligations

As part of its agreement with Yellowhead for the purchase of the Private Placement on September 7, 2010, Anthill Resources Limited (“Anthill”) retains the right to participate in future qualified equity financing in order to maintain their interest at 15%.

The Company has provided notice to Anthill that it has entered into an arrangement with a syndicate being led by Canaccord Genuity Corp which is a Qualified Equity Financing under the terms of our agreement with Anthill.

Their decision regarding their pre-emptive right is pending.

There are no other contractual obligations.

Disclosure Controls and Internal Controls over Financial Reporting

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

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

The Company believes these weaknesses are mitigated by:

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

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

Risk Factors

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

Outstanding Share Data

Common shares, stock options and share purchase warrants issued and outstanding as at the quarter end are described in detail in Note 8 to the audited Consolidated Financial Statements for the three months ended January 31, 2011 and as is current to the date of this report.

	Number of Shares	Cash Consideration	Exercise Price	Expiry Date
Issued and Outstanding	35,193,268	$19,973,218		
	Number of Options			
	350,000		$0.40	Jun 1, 2011
	500,000		$0.75	Mar 12, 2012
	50,000		$1.00	July 23, 2012
	200,000		$1.00	Oct 21, 2012
	50,000		$1.00	Nov 12, 2012
	150,000		$1.00	Nov 18, 2013
	86,000		$0.50	Mar 29, 2015
	650,000		$1.00	June 16, 2015
	750,000		$1.08	Sept 22, 2015
	5,000		$1.08	Dec 14, 2015
	100,000		$1.08	Jan 11, 2016
	100,000		$1.08	Jan 31, 2016
Total Options	2,992,000		$0.91	(weighted average)
	Number of Warrants			
	31,976		$0.50	March 29, 2012
	118,931		$1.08	November 6,2012
	2,518,004		$1.40	September 7, 2012
	1,203,932		$1.40	November 6, 2012
Total Warrants	3,872,844			
Fully Diluted	42,058,112			

On behalf of the Board,

Ian Smith.
Chief Executive Officer

Yellowhead Mining Inc.
2130 – 21331 Gordon Way
Richmond, B.C. Canada V6W 1J9
www.yellowheadmining.com
Tel. 604-273-5597
Fax 604-608-3524
Mobile 604-897-4850
Email: ismith@yellowheadmining.com