YELLOWHEAD MINING INC.
Management Discussion and Analysis
Three and eleven months ended September 30, 2012
(Unaudited)
(Expressed in Canadian Dollars)

1. HIGHLIGHTS AND OVERVIEW

(a) Highlights

Key highlights for the eleven months ended September 30, 2012 and subsequent weeks include:

- Detailed NI 43-101 compliant Feasibility Study was completed and filed on March 29, 2012
- Released an updated Resource estimate with the Measured and Indicated Resource categories at a 0.2% copper cut-off grade estimated at: Copper – 5.3 Billion pounds, Gold – 838,600 ounces and Silver – 34 Million ounces
- The Environmental Assessment study at Harper Creek was advanced with an ongoing comprehensive baseline study program
- Total drilling to-date on Harper Creek of 79,225m in 364 holes
- Funded a System Impact Study completed by BC Hydro in March 2012. BC Hydro has initiated an Identification Phase Study for power to the North Thompson Valley which will be partially funded by the Company
- Changed the financial year end from October 31 to December 31 effective for the 2012 financial year
- Adopted a shareholder rights plan to ensure the fair treatment of all shareholders in the event of a takeover bid or change of control
- Common shares began trading on the Toronto Stock Exchange main board, previously listed on the TSX Venture
- Common shares began trading on the OTCQX International marketplace
- Announced a non-brokered private placement of up to 13 million Common Shares at an issue price of $0.65 per Common Share for gross proceeds of $8,450,000. As at the date of this report 7,692,307 Common Shares had been issued for gross proceeds of $5,000,000 in conjunction with this private placement

(b) Overview

Yellowhead Mining Inc. ("Yellowhead" or the "Company") was incorporated on August 23, 2005 under the laws of British Columbia. The Company is a development stage company engaged in the acquisition, exploration and development of mineral properties with its focus on the 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 Stock Exchange ("TSX") under the symbol YMI.

This Management Discussion and Analysis ("MD&A") provides information that management considers relevant to an assessment and understanding of the Company's financial condition as at September 30, 2012 and the results of its operations and cash flows for the three and eleven months ended September 30, 2012. This discussion should be read in conjunction with the Company's condensed consolidated interim financial statements and the related notes for the three and eleven months ended September 30, 2012 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. 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 November 8, 2012. Additional information of the Company is available on SEDAR at www.sedar.com.

1. HIGHLIGHTS AND OVERVIEW (Continued)

Harper Creek

The Company's Harper Creek property is a copper-gold-silver 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.

Corporate Structure

The Company was a private, non-reporting, issuer in the provinces of British Columbia, Alberta and Ontario 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 June 11, 2012, Yellowhead Mining Inc. graduated from the TSX Venture to the TSX under the trading symbol YMI. The TSX is the largest stock exchange in Canada and serves the senior equity market.

On August 23, 2012, the Company's common shares commenced trading in the United States on the OTCQX International marketplace under the symbol "YHMGF". The OTCQX is the premier marketplace on OTC Markets Group's highly visible electronic trading venue in the U.S. and the OTCQX International tier is designed for non-U.S. companies listed on qualified international stock exchanges.

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 planned activities for the remainder of 2012 and beyond include:

- Submission of the Company’s Environmental Assessment (“EA”) application for Harper Creek.
- Preparation and submission of the Company’s applications for a British Columbia Mines Act Permit for Harper Creek.
- Ongoing consultation with the First Nations and local communities to address any potential environmental and socio-economic impacts of Harper Creek and the Company’s mitigation strategies.
- Continue exploration activities to better define the resource/reserve at Harper Creek.
- 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.

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 $2,222,729. 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.

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 Resources are estimated at 815 million tonnes ("t") 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 estimate in the Company's Preliminary Economic Assessment ("PEA") announced on March 8, 2011. Inferred Resources at a 0.2% cut-off grade total 80 million tonnes grading 0.30% copper and containing 0.53 billion pounds of copper.

On February 20, 2012, the Company announced that it was prospectively changing its fiscal year end date from October 31st to December 31st. 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.

On March 2, 2012, the Company reported the results of the independent NI 43-101 Technical Report for the Harper Creek Feasibility Study ("FS"). Harper Creek's estimated pre-tax NPV_8 is $749.7 million with an IRR of 20.2% for a 28 year project life at a milling rate of 70,000 tonnes per day ("tpd"), based on long-term metal prices of US$2.50/lb Copper ("Cu"), US$1,250/oz Gold ("Au") and US$20/oz Silver ("Ag"). The Technical Report was filed on SEDAR at www.sedar.com on March 29, 2012.

4. CORPORATE ACTIVITY (Continued)

On March 16, 2012, the Company adopted a shareholder rights plan to ensure the fair treatment of all Yellowhead shareholders during any takeover bid for the Company's outstanding shares or other transactions that would involve a change in control. The plan was effective immediately and was approved by the shareholders of the Company at the annual general and special meeting of shareholders held on April 19, 2012.

On April 20, 2012, the Company announced the following changes to its Board of Directors. Christopher Naas did not stand for re-election as a director at the Company's annual general meeting but will remain as a director for Harper Creek Mining Corp., a 100% owned subsidiary of Yellowhead Mining Inc.

On April 20, 2012, Richard Jensen was elected to the Board of Directors. On April 23, 2012, due to unforeseen personal circumstances Mr. Jensen determined that he was unable to fulfil his commitment to serve as a director of the Company and resigned as a director effective April 20, 2012.

On May 1, 2012, the Company appointed Beverly A. Bartlett as a director for Yellowhead Mining Inc. to fill a casual vacancy on the Board of Directors.

On June 8, 2012, the Company announced that effective the start of trading on June 11, 2012, the common shares of Yellowhead Mining Inc. began trading on the TSX. Concurrent with the TSX listing, the Company's common shares were de-listed from the TSX Venture Exchange.

On July 3, 2012, the Company announced the following changes to its Board of Directors. Dr. Morgan (Gongbo) Li resigned from the Board of Directors effective June 29, 2012 to pursue other endeavours. Mr. Ming An Fu has been appointed to the Board of Directors effective July 3, 2012. Mr. Fu is the President of Anthill Resources Ltd., which is a significant shareholder of the Company.

On August 23, 2012, the Company's common shares commenced trading in the United States on the OTCQX International marketplace under the symbol "YHMGF". The OTCQX is the premier marketplace on OTC Markets Group's highly visible electronic trading venue in the U.S. and the OTCQX International tier is designed for non-U.S. companies listed on qualified international stock exchanges. Stifel, Nicolaus & Company, Inc. will serve as the Company's Principal American Liaison ("PAL") on OTCQX, responsible for providing guidance on OTCQX requirements and U.S. securities laws. Yellowhead expects to benefit from its trading on the OTCQX International by gaining greater exposure, accessibility and liquidity in the United States.

On October 18, 2012, the Company announced that its Board of Directors has appointed Gregory Hawkins, current Chairman of the Board of the Company, to also fill the role of Interim Chief Executive Officer replacing Mr. Ian Smith, the outgoing President and Chief Executive Officer. The Board is taking steps to fill the position of Chief Executive Officer in an expeditious manner.

On October 31, 2012, the Company announced a non-brokered private placement of up to 13 million Common Shares at an issue price of $0.65 per Common Share for gross proceeds of $8,450,000. On November 8, 2012, the Company announced it had partially completed the private placement by issuing 7,692,307 Common Shares of the Company for gross proceeds of $5,000,000.

5. MINERAL PROPERTIES

The Company's Harper Creek property is a copper-gold-silver 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 $51,209.

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 from July 2010, 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 Feasibility Study, discussed later in this MD&A, this equates to approximately 1.5 million tonnes of ore which is expected to be mined beginning in year sixteen of the mine plan.

(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 an additional 86 holes for a total of 33,724m.

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

(In Canadian dollars)

5. MINERAL PROPERTIES (Continued)

Diamond drilling on the property for the 2012 drilling program to support mine permitting was completed in October 2012. Forty six holes were drilled for a total of 1,061m. Drilling included:

- Geotechnical: 8 holes for a total of 443m
- Hydrogeological: 10 holes for a total of 360m
- Soil Sampling: 28 holes for 258m

To date drilling at Harper Creek has totaled 364 holes for a total of 79,225m.

In September 2011 an application to extend the Company's existing exploration permit to December 31, 2014, was submitted and approved by the Ministry of Energy and Mines in June 2012. A further amendment was submitted in July 2012 to extend the proposed work area and this amendment was approved in September 2012.

(c) 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 Feasibility Study filed by the Company on March 29, 2012 and available on SEDAR at www.sedar.com.

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)

(d) Feasibility Study

On March 2, 2012, the Company reported the results of the independent Harper Creek Feasibility Study ("FS"). The NI 43-101 compliant Technical Report for the FS is available on www.sedar.com.

Highlights

Key highlights from the FS are:

- The project estimated pre-tax Net Present Value @ 8% discount rate ("NPV_8") is $749.7 million with an Internal Rate of Return ("IRR") of 20.2% for a 28 year project life at a milling rate of 70,000 tonnes per day ("tpd") (25.55Mt/y), based on long-term metal price projections of US$2.50/lb Cu, US$1,250/oz Au and US$20/oz Ag, and a US$:Cdn$ exchange rate of 0.86:1.
- Capital costs are estimated at $838.95 million[1] +/- 15% in Q4 2011 dollars, including contingency of 10% or $76.4 million.
- Life of Mine ("LOM") onsite cash operating costs, including precious metal credits, are estimated at US$0.95/lb Cu (US$0.80/lb for the first 5 years) and total onsite and offsite cash cost (including precious metal credits) is estimated at US$1.56/lb Cu.
- LOM[2] cash operating costs per tonne milled are estimated as follows: Mining $2.82; Milling $3.12; Site Services $0.28; General & Administrative $0.38 for a total of $6.60/t milled.
- The project as designed is expected to produce a total of 3.63 billion pounds of copper, 372 thousand ounces of gold and 14 million ounces of silver contained in concentrate.
- LOM stripping ratio is estimated at 0.81:1. The mill is also scheduled to process ore recovered from low grade stockpile for the last 5 years of operation. During pre-production in year -1 a total of 30 million tonnes is expected to be mined predominately for roads, tailings starter dam and other civil construction activities.
- The FS is based on an updated resource (refer to resource update section). At a 0.20% Cu cut-off Measured Resources are estimated at 348.5Mt at 0.31% Cu, 0.034g/t Au, 1.3g/t Ag; Indicated Resources at 466.5Mt at 0.28% Cu, 0.03g/t Au, 1.3g/t Ag for a total Measured and Indicated Resource of 815Mt at 0.29% Cu, 0.032g/t Au and 1.3g/t Ag. A further 80.17Mt at 0.30% Cu, 0.033g/t Au, and 1.4g/t Ag are estimated in the Inferred Resource category and is reported as waste in the mine production schedule until it can be upgraded by additional infill drilling.
- Total mineable reserves were determined by pit optimization runs using a Lerchs-Grossmann algorithm to determine the "optimum" pit limit. At a 0.14% Cu cut-off, Proven Reserves are estimated at 401.18Mt @ 0.272% Cu, 0.031g/t Au and 1.15g/t Ag; Probable Reserves 303.22Mt @ 0.248% Cu, 0.027g/t Au and 1.13g/t for a total Proven and Probable Reserve of 704.4Mt @ 0.262% Cu, 0.029g/t Au and 1.14g/t Ag.
- Sustaining capital over the project life is estimated at $293.2 million.

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1 All Dollars Canadian unless otherwise stated.
2 LOM refers to life of project from start up through to cessation of open pit operations. Cash mine operating cost per tonne of ore milled to closure is estimated at $3.10/t.

5. MINERAL PROPERTIES (Continued)

Production Statistics

The following table details production estimates by period:

	Ore Milled	Head Grade			Recovered to Concentrate			Avg Cu Recovery
		Copper	Gold	Silver	Cu	Au	Ag	
	Mt	%	g/t	g/t	lb x 1000	oz	oz	%
Years 1 - 5	125,195	0.31	0.04	1.15	762,944	85,145	2,635,177	91%
Years 1 - 10	252,945	0.29	0.03	1.19	1,483,114	164,580	5,624,259	90%
Life of Mine	704,392	0.26	0.03	1.14	3,630,564	372,137	14,736,280	89%

Economic Analysis

The base case economic analysis is based on the following long term metal price projections: US$2.50/lb Cu (based on a US$:Cdn$ exchange rate of 0.86:1 taken from an established historic relationship with copper prices), US$1,250/oz Au and US$20/oz Ag. Based on the above capital and operating cost estimates, the Harper Creek project is estimated to have a pre-tax NPV of US$749.7 million (@ 8% discount rate) and an IRR of 20.2% based on 100% equity financing.

Sensitivity Analysis

The following table demonstrates the sensitivity of project economics to changes in copper prices. Corresponding foreign exchange ("FX") rates are taken from the established historical relationship which demonstrates a very strong copper price to US$:Cdn$ FX rate correlation. Gold and silver prices are unchanged from the base case prices of US$1,250/oz and US$20/oz, respectively.

Copper price US$/lb	NPV_8 US$M	IRR %	Payback Years	US$:Cdn$ FX Rate
2.00	199.6	11.7	7.6	0.82
2.25	474.7	16.1	6.2	0.84
Base Case 2.50	**749.7**	**20.2**	**5.1**	**0.86**
2.75	1,002.5	23.4	4.4	0.89
3.00	1,277.4	26.8	3.9	0.91
3.82 [as of 29/2/2012]	2,124.7	35.6	3.3	1.00

5. MINERAL PROPERTIES (Continued)

Feasibility Study Team

The FS team is comprised of:

- Merit Consultants International Inc.: FS study management as well as providing capital cost estimating, financial analysis, project scheduling and implementation strategy
- Knight Piesold Limited: geotechnical, mine waste and water management and tailings dam design
- Allnorth Consultants Limited: process plant and facilities design
- GeoSim Services Inc.: resource estimation
- Nilsson Mine Services Ltd.: reserve estimation, mine planning and scheduling, mine capital and operating costs
- Laurion Consulting Inc.: metallurgy, plant flowsheet design, process operating costs

The following also provided support to the FS:

- CME Consultants Inc.: drilling, geological interpretation, QA/QC
- G&T Metallurgical Services Limited ("G&T"): metallurgical test work
- KWM Consulting Inc.: comminution
- SRK Consulting Ltd.: geochemistry
- Lawrence Consulting Ltd.: geochemistry, water treatment
- Cliveden AG: marketing

The Company provided overall support and guidance to the project especially in the areas of operating and staffing philosophy, marketing and financial analysis.

Project Development

The FS design is based on the development of a large-scale open pit mining and milling operation and essentially follows the concept developed in the PEA completed by TetraTech and filed on www.sedar.com on April 1, 2011. The main changes were the location of the primary crusher which was moved closer to the pit limit with a resulting lengthening of the coarse ore conveyor and reduction in hauling costs to the crusher. Following extensive crushing and grinding test work conducted by FLSmidth primarily at their Bethlehem, PA laboratory, together with improved recovery at a coarser grind size, the Company was able to reduce the expected power draw by the ball mills, compared to the PEA estimate, by 25% and eliminate two crushers for SAG mill coarse pebble rejects. This resulted in a reduction in capital cost for crushing and grinding and significantly reduced milling costs.

The mine will employ 311mm (12¼") electric and diesel rotary blast hole drills, $42m^3$ ($55yd^3$) electric hydraulic shovels, 240 short ton capacity haul trucks plus support equipment. Bulk heavy ammonium nitrate slurry explosives will be delivered down the blast holes by a third party vendor. The mill feed will be crushed by a 1.5m (60") x 2.3m (89") gyratory crusher to a nominal 80% passing 200mm (8"). Crushed material will feed a stockpile of nominal 70,000t live capacity, before being reclaimed to the process plant.

5. MINERAL PROPERTIES (Continued)

Plant design is based on a single line flow sheet employing SAG and ball milling, flotation including regrinding, thickening and filtering to produce a concentrate for export averaging 25.5% Cu together with gold and silver credits. The primary grinding circuit includes an 11.6m (38') x 6.7m (22') SAG mill with a 20MW (26,800HP) gearless drive feeding two 7.3m (24') x 12.8m (42') twin pinion drive ball mills, 13MW (17,400HP) total for each mill, providing a primary grind size of 80% passing 180µm. Primary grinding circuit discharge feeds two banks of six 300m^3 rougher flotation cells. The rougher concentrate will be reground by two M10000 (3MW each) Isamills to 80% passing 20 µm prior to two stages of cleaner flotation by column flotation cells. At a 0.33% Cu head grade in Year 1, the recovery of copper to concentrate is estimated at 91.1%. The primary and regrind product sizes and flotation parameters were determined by G&T. Test work indicates that the concentrate is clean with no elements at smelter penalty levels and both gold and silver at payable levels.

Concentrate will be loaded on B-Trains of nominal 40t capacity for hauling to the rail load-out facility in the town of Vavenby, a distance of approximately 25km, for rail shipment to the Port of Vancouver, a distance of 450km. From there it will be shipped to smelters/refineries most likely in the Pacific Rim. In November 2011, the Company announced the purchase of an old Weyerhaeuser sawmill site in Vavenby, with an existing rail siding, for its concentrate load-out facility.

Water from the tailings slurry will be reclaimed from the Tailings Management Facility ("TMF") for use in the milling process. The TMF has the capacity to store all tailings and submerge any potentially acid generating waste rock. Low grade material will be stockpiled to the south of the pit for easy reclaim for processing in the latter years of the mine life. The TMF is located in a natural valley to the south of the plant in an area devoid of any fish habitat.

Mine infrastructure includes upgrading of an existing logging road over a distance of approximately 12km. A 600 person camp will be established for construction workers at site; most of the mine and plant operating and maintenance labour is expected to be drawn from the local area.

Power will be supplied by an upgraded BC Hydro 138 kVA transmission line that parallels the Yellowhead Highway, approximately 10km north of the plant. The upgraded transmission line will also provide improved reliability of power to existing customers within the North Thompson River Valley and provide capacity for expansion to the existing industrial base. The Company's expected connect date is March 2015.

The project is expected to employ up to 430 hourly and staff personnel. Based on industry experience, approximately 1,000 to 1,200 jobs will be created in the surrounding communities and elsewhere within the province to provide support to the project.

Following exhaustion of reserves, the project will close and be reclaimed according to regulatory requirements. All equipment and facilities will be removed and the area graded and seeded.

5. MINERAL PROPERTIES (Continued)

(e) Environmental Assessment

On October 21, 2011, 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 ("EA") process is being led by Dr. Charlene Higgins, VP Environment, Community & First Nations Relations and is being managed 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 of the project. AMEC is developing an information management system to track issues and the Company's consultation efforts to involve and consult with First Nations and other stakeholders during the EA process and as the Company moves forward with the development and operation of the Harper Creek project. To date there are over two thousand Records of Contact in the database, and the Company has been in contact with over five hundred stakeholders (including First Nations).

Representatives of the local First Nations communities coordinated and led the archeology work and were involved on field crews collecting environmental baseline information. In 2011, the Company engaged members of the local First Nations for over 340 person-days for the collection of baseline data and the Company expects a similar level of First Nations involvement in 2012. In 2012, the Simpcw First Nation also completed a Traditional Use Study of the mine site area.

Over the last two years the Company has met over fifty times with First Nations and held several meetings with other stakeholders to discuss and address their concerns. The Company has also organized three Open Houses to inform and update local communities on the EA process and development of the Harper Creek project. In addition, First Nations have participated in all of the EAO Working Group meetings regarding the Harper Creek project. These consultations will continue through the EA Application review process.

As at September 30, 2012, the Company has spent a total of $3,524,538 for costs related to the EA process. The Company is preparing the EA Application to a standard of submission for the end of November 2012 and expects the formal application to be submitted thereafter subject to an internal review process.

(In Canadian dollars)

5. MINERAL PROPERTIES (Continued)

(f) Mineral Properties Expenditures

As at September 30, 2012 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	6,748,534	6,799,743
Balance, September 30, 2012	$ 885,235	$ 26,452,917	$ 27,338,152

Further details of mineral interests (Note 9) and evaluation and exploration expenditures (Note 7) are disclosed in the September 30, 2012 condensed consolidated interim financial statements.

The Company is prepared to advance the development on the property. Plans are well advanced and contracts in place for ongoing environmental baseline studies and archaeological and traditional use studies. Subject to receipt of additional financing the Company intends to commence detail engineering in 2013.

The Company's exploration work to date indicates the potential for expansion of mineralization to the east, north and at depth. The Company intends to investigate these potential extensions.

6. SUMMARY OF QUARTERLY RESULTS

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

	2012 (1)			2011 (1)(2)	2011 (1)			
Quarter Ended	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**31-Oct**	**31-Jul**	**30-Apr**	**31-Jan**
Administrative expenses	$ 908	$1,139	$ 994	$ 691	$ 878	$1,423	$1,816	$ 679
Evaluation and exploration expenses	2,093	913	1,520	2,222	3,091	3,822	1,367	1,362
Other expenses/(income)	(14)	6	(13)	(25)	(62)	(55)	(21)	1,177
Net loss and comprehensive loss for the period	2,987	2,058	2,501	2,888	3,907	5,190	3,162	3,218
Basic and diluted loss per share for the period	$ 0.06	$ 0.04	$ 0.05	$ 0.05	$ 0.07	$ 0.13	$ 0.09	$ 0.10

(1) 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.

(2) Due to the Company's prospective change in fiscal year end from October 31, 2012 to December 31, 2012, the period ended December 31, 2011 is two month long and all other disclosed periods are three months long.

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 junior mining companies can fluctuate significantly from period to period. Being in the development stage, the Company has no revenue from operations.

Three months ended September 30, 2012

The Company recorded a net loss of $2,986,299 for the three months ended September 30, 2012, as compared to a net loss $3,907,272 for the three months ended October 31, 2011. The decrease in the loss is attributable to the following major items:

Consulting fees decreased to $11,153 for the three months ended September 30, 2012 as compared to $271,550 for the three months ended October 31, 2011. This decrease is related to consulting fees that were incurred in 2011 related to a socio-economic review and community consultation process and these costs were not incurred in 2012.

Investor relations costs decreased to $139,316 for the three months ended September 30, 2012 as compared to $306,399 for the three months ended October 31, 2011. This decrease is related to increased fees that were incurred in 2011 related to the Company's financing activities.

Share-based compensation increased to $158,589 for the three months ended September 30, 2012 as compared to $3,347 for the three months ended October 31, 2011. This increase is related to a change in vesting conditions for options granted in the three months ended September 30, 2012 as compared to the three months ended October 31, 2011.

Evaluation and exploration expenses decreased to $2,092,890 for the three months ended September 30, 2012 as compared to $3,090,726 for the three months ended October 31, 2011. This decrease is related to the wind up of the Feasibility Study of Harper Creek which was released on March 29, 2012 partially offset by an increase in Environmental assessment costs in 2012.

7. RESULTS OF OPERATIONS (Continued)

Eleven months ended September 30, 2012

The Company recorded a net loss of $10,434,574 for the eleven months ended September 30, 2012, as compared to a net loss $15,476,816 for the twelve months ended October 31, 2011. The decrease in the loss is attributable to the following major items:

Share-based compensation decreased to $414,057 for the eleven months ended September 30, 2012 as compared to $1,876,638 for the twelve months ended October 31, 2011. This decrease is related to a fewer number of options granted and a change in vesting conditions for options granted in the eleven months ended September 30, 2012 as compared to the twelve months ended October 31, 2011.

Wages and benefits increased to $1,475,101 for the eleven months ended September 30, 2012 as compared to $861,102 for the twelve months ended October 31, 2011. This increase is related to the ramp up of the Company's management team.

Evaluation and exploration expenses decreased to $6,748,534 for the eleven months ended September 30, 2012 as compared to $9,642,205 for the twelve months ended October 31, 2011. This decrease is related to the timing of expenses in conjunction with the Feasibility Study of Harper Creek which was started in 2011 and was completed and filed on March 29, 2012. The decrease in costs due to the winding up of the Feasibility Study are offset partially by the increase in Environmental assessment costs which have increased in 2012 as the Company works towards the submission of its Environmental Application.

Share issue costs on reverse take-over were $nil for the eleven months ended September 30, 2012 as compared to $1,190,813, for the twelve months ended October 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 September 30, 2012 was $6,082,867 as compared to working capital of $17,936,968 at October 31, 2011, representing a decrease in working capital of 11,854,101. Included in working capital were cash and cash equivalents of $4,431,551 (October 31, 2011 - $15,668,987).

(a) Financing

The Company's cash provided by financing activities for the eleven months ended September 30, 2012 was $369,745 as a result of the exercise of 505,500 stock options and 8,992 share purchase warrants. For the twelve months ended October 31, 2011, the Company's cash provided by financing activities was $25,490,217 primarily related to private placements completed on November 9, 2010 and April 15, 2011 as well as the exercise of 405,500 stock options and 45,592 share purchase warrants.

As at September 30, 2012, the Company had 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.

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.

8. LIQUIDITY AND CAPITAL RESOURCES (Continued)

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 (completed and filed March 29, 2012)
- 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.

(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 the Environment Assessment process, the Mine Permitting process, drilling, general and administrative activities, deposits for long-lead items and detail engineering. Following the completion of the private placement announced by the Company on October 31, 2012, the Company believes its current working capital is sufficient to advance its Harper Creek project in the permitting process. However, additional funding will be required by the Company to finance the development of Harper Creek.

If adequate funds are not available when required, the Company may, based on the Company's cash position, 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.

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 or at all.

(In Canadian dollars)

8. LIQUIDITY AND CAPITAL RESOURCES (Continued)

(d) Commitments

As at September 30, 2012, the Company had the following contractual commitments:

Year Incurred	Amount
2012	$ 428,600
2013	1,115,400
2014	118,400
2015	121,500
2016	82,300
Total commitments	**$ 1,866,200**

The Company's commitments are related to costs committed to BC Hydro for ongoing studies and for the 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 September 30, 2012, 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 and cash equivalents, 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. On September 30, 2012, the Company had cash and cash equivalents of $4,431,551 (October 31, 2011 - $15,668,987) available to settle current liabilities of $1,004,039 (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 eleven months ended September 30, 2012, totalled $866,971. (October 31, 2011 - $4,771,670) and are detailed below:

- During the eleven months ended September 30, 2012, the Company paid and accrued management fees of $nil (October 31, 2011 - $138,300) to Andreas Consulting Inc., a company controlled by an officer and director of the Company. As at September 30, 2012, the balance owing to that company was $nil.
- During the eleven months ended September 30, 2012, the Company paid and accrued management fees of $nil (October 31, 2011 - $74,200) to Handford Management Ltd., a company controlled by an officer of the Company. As at September 30, 2012, the balance owing to that company was $nil.
- During the eleven months ended September 30, 2012, the Company paid and accrued project management fees, exploration expenses and office costs of $796,471 (October 31, 2011 - $4,469,170) to CME Consultants Inc., a contractor company whose president is a director of the Company's 100% owned subsidiary Harper Creek Mining Corp. As at September 30, 2012, the balance owing to that company was $13,425.
- During the eleven months ended September 30, 2012, the Company paid and accrued management fees of $70,500 (October 31, 2011 - $90,000) to Twinstone Ventures Inc., a company related to a director of the Company. As at September 30, 2012, the balance owing to that company was $5,040.

These transactions, occurring in the normal course of operations are measured at the estimated fair value of the services provided or goods received.

(In Canadian dollars)

11. OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value. As at November 8, 2012, the Company had 60,968,767 common shares issued and outstanding.

The Company has the following stock options that are outstanding and exercisable as at November 8, 2012:

	Outstanding		Exercisable	
Exercise price	**Number outstanding**	**Weighted average remaining life (years)**	**Number exercisable**	**Weighted average remaining life (years)**
$1.00	525,000	2.15	525,000	2.15
$1.08	750,000	2.96	750,000	2.96
$1.25	3,377,500	3.84	2,191,034	3.55
	4,652,500	**3.50**	**3,466,034**	**3.21**

The Company also has the following warrants that are outstanding as at November 8, 2012:

Exercise price	Number of warrants	Weighted average remaining life (years)
Share purchase warrants		
$2.00	8,582,316	0.41
Agents warrants		
$1.45	952,200	0.41
	9,534,516	**0.41**

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 were described in further detail in Note 3 of the Company's condensed consolidated interim financial statements for the two months 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 were presented in Note 3 to the Company's condensed consolidated interim financial statements for the two months ended December 31, 2011.

First-time adoption of International Financial Reporting Standards

The Company has prepared its fourth 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 three and eleven months ended September 30, 2012 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 condensed consolidated interim financial statements were 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 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 $19,704,383 for the year ended October 31, 2011 and $10,062,179 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 14 of the Company's condensed consolidated interim financial statements for the period ended September 30, 2012.

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.