YELLOWHEAD MINING INC.
Management Discussion and Analysis
Year ended December 31, 2014
(Expressed in Canadian Dollars)

This Management Discussion and Analysis ("MD&A") of Yellowhead Mining Inc. should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2014. The audited consolidated financial statements for the year ended December 31, 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts included therein and in this MD&A are expressed in Canadian Dollars unless otherwise noted. The information contained within this MD&A is current to March 18, 2015. Additional information of the Company is available on SEDAR at www.sedar.com.

1. HIGHLIGHTS

Key highlights for the year ended December 31, 2014 and subsequent weeks include:

- Completion of an updated feasibility study for the Harper Creek Project (the "Project"), including updated resource and reserve estimates, initial capital costs, sustaining capital costs and operating costs

- Submission of an application ("EA Application") for an environmental assessment certificate ("EA Certificate") for the Project to the British Columbia Environmental Assessment Office ("BC EAO")

- Acceptance of the EA Application for review, with the 180 day application review period (the "Review Period") commencing on January 28, 2015

- As at December 31, 2014 the Company had cash and cash equivalents of $3.7 million

2. 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 the Project, which is located in the Thompson-Nicola area of British Columbia, Canada. The Company's shares trade on the Toronto Stock Exchange ("TSX") under the symbol YMI.

Corporate Structure

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".

Additional disclosures pertaining to the Company's filings, technical reports, management information circulars, annual information forms, material change reports, press releases and other information are available on SEDAR at www.sedar.com.

2. OVERVIEW (Continued)

Harper Creek Project

The Project is 100% owned by the Company and is a copper-gold-silver deposit located approximately 150km by road north-northeast of the city of Kamloops near the town of Vavenby, B.C. The property is 15km east of the community of Clearwater and adjacent to the Yellowhead Highway, the Canadian National Railways' transcontinental mainline and 12km from the BC Hydro power sub-station in the town of Vavenby. The Project was originally explored by Noranda and US Steel during the 1960's and 1970's. The Project is comprised of 131 mineral tenures covering 42,636 hectares and on January 31, 2014 the Company extended all 131 of its mineral tenures through to November 3, 2024.

The 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. Based on the Feasibility Study, this NSR will be extinguished in the first year of operations

- A 2.5% NSR to Xstrata related to 6 mineral tenures. Based on the Feasibility Study, this equates to approximately 1.5 million tonnes of ore which is expected to be mined beginning in year sixteen of the mine plan

3. OUTLOOK

The Company's principal activities planned for 2015 include:

- Completing the regulatory review of the EA Application and receiving the EA Certificate

- Commencing the construction permitting process upon receipt of the EA Certificate

- Continuing public consultation with all stakeholders, including local communities and local First Nations, to address any potential environmental and socio-economic impacts of the Project and the Company's mitigation strategies

- Pursuing additional working capital to continue the ongoing development of Harper Creek

4. CORPORATE ACTIVITY

Key corporate developments for the Company for the year ended December 31, 2014 and subsequent weeks are discussed below.

Effective January 4, 2014, Lori Price, previously the Controller of the Company, was appointed as Chief Financial Officer of the Company upon the resignation of Saurabh Handa, the former Chief Financial Officer of the Company. Ms. Price is a Certified General Accountant with a Bachelor of Commerce from the University of British Columbia and has over twenty years' experience in the mining industry.

On June 30, 2014 at the Company's annual general meeting, Mr. Glen Swail and Mr. Ryan Jennings were elected as new members of the Board of Directors.

On September 29, 2014, the Company filed on SEDAR the National Instrument 43-101 Technical Report – Feasibility Study for its Harper Creek Project.

On November 10, 2014, the Company submitted its EA Application for an EA Certificate for the Project to the BC EAO.

On January 28, 2015, the BC EAO initiated the Review Period.

5. HARPER CREEK PROJECT

Environmental Permitting

In January 2014, the Company initiated an update and revision of the EA Application for the Project to include and reflect both additional baseline data collected during 2013-2014, as well as to address the deficiencies and comments raised by the BC EAO after the submission of the original EA Application in 2013. The update and revision included updated baseline reports, effects assessments, and proposed mitigation measures, as well as a suite of environmental management plans designed to cover all phases of operations from pre-construction, through construction, operations, closure and reclamation.

The EA Application meets the requirements of an environmental assessment pursuant to both the BC Environmental Assessment Act ("BCEAA") and the Canadian Environmental Assessment Act ("CEAA").

The Company submitted the EA Application for the Harper Creek Project to the BC EAO on November 10, 2014. This marked the start of the 30-day screening process led by the BC EAO and the Working Group established by the BC EAO. On December 11, 2014, the BC EAO advised the Company that the EA Application had been accepted into review and the Review Period would commence once the Company responded to a number of screening comments from the BC EAO and the Working Group. On January 28, 2015 the BC EAO advised the Company that the Review period had been initiated. The public, First Nations, Provincial and Federal regulators included in the Working Group will be involved during the Review Period.

Following the Review Period, the EA Application goes to the Federal and Provincial governments for a final decision on granting an EA Certificate.

On January 30, 2015, the Mount Polley Tailings Facility Storage Breach Report ("Report") was issued, and concluded that the root cause of the Mount Polley tailings dam failure was a design flaw. The Report also made a number of recommendations which the BC Provincial Government has indicated that it would adopt.

As the Report was issued only two days after the initiation of the Review Period, it is not possible to predict the full extent of the impact of the Report's recommendations on the EA Application as it proceeds through the Review Period. This uncertainty may result in the Company being required to undertake additional work to address the recommendations in the Report, which in turn may require an extension to the Review Period. Any such additional work or extension of the Review Period will result in the Company incurring additional costs prior to receiving an EA Certificate.

Updated Feasibility Study

On August 13, 2014, the Board of Directors approved the results of the updated independent Harper Creek Feasibility Study ("FS"). On September 29, 2014 the NI 43-101 compliant Technical Report for the FS was filed on SEDAR at www.sedar.com.

In January 2014, the Company initiated an update of the FS for the Project, including updating the resource and reserve estimates to incorporate results from the in-fill drill program undertaken during 2012-2013, updating estimates of initial capital costs, sustaining capital costs and operating costs, as well as updating the financial analysis of the Project. Since the last feasibility study of the

(In Canadian dollars unless otherwise stated)

5. HARPER CREEK PROJECT (continued)

Project was completed in March 2012, the Project has undergone a series of design changes to both optimize the mine site footprint and general arrangement of the Project, but more particularly to both reduce and further mitigate the potential environmental impacts resulting from the development of the Project. These design changes include relocation and reconfiguration of the waste rock stockpile, low-grade ore stockpiles and overburden and topsoil stockpiles, as well as modifications to the environmental management plans. The updated FS also formed an integral component of the EA application.

Key highlights from the FS include:

- Proven and Probable mineral reserves of 716 million tonnes (Mt) @ 0.26% Cu, 0.029 g/t Au and 1.2 g/t Ag representing a total of approximately 4.077 billion pounds of contained copper
- Measured and Indicated mineral resources of 1,300 Mt @ 0.25% Cu, 0.028 g/t Au and 1.2 g/t Ag, representing a total of approximately 7.253 billion pounds of contained copper
- A 28 year mine life, a mill throughput rate of 70,000 tpd, and a Life of Mine ("LOM") average annual copper concentrate production of 231,000 dry metric tonnes
- Initial capital cost of approximately $1 billion and LOM sustaining capital of $335.8 million
- C1 cash operating costs, net of precious metals credits, of US$1.82/lb Cu
- Net present value$_8$ ("NPV$_8$") before tax of US$684 million, and a NPV$_8$ of US$355 million after tax assuming metal prices of US$3.00/lb Cu, US$1,250.00/oz Au and US$20.00/oz Ag
- Internal rate of return ("IRR") before tax of 16.8% and an IRR after tax of 13.4% on a 100% equity basis
- Payback period of 5.4 years after tax, on a 100% equity basis

The FS was completed using engineering and consulting firms experienced in the British Columbia mining industry, with significant contributions to the report by the following "Qualified Persons":

A Jay Collins, P.Eng	Merit Consultants International Inc.
Mark W. Dobbs, P. Eng.	Allnorth Consultants Limited
Ronald G. Simpson, P. Geo	GeoSim Services Inc.
Daniel Fontaine, P. Eng	Knight Piesold Ltd.
John R. W. Fox, P. Eng.	Laurion Consulting Inc.
John W. Nilsson, M.Sc., P. Eng.	Nilsson Mines Services

The estimates of capital and operating costs presented in the FS were prepared with an accuracy range of +15%/-5%, and are current as of March 2014.

(In Canadian dollars unless otherwise stated)

5. HARPER CREEK PROJECT (continued)

Mining and Production Profile

The FS contemplates that the Project will operate at a nominal mill throughput rate of 70,000 tpd, with a LOM strip ratio of 0.76:1, for a mine life of 28 years based on proven and probable mineral reserves of 716.2 Mt. Active mining operations will continue for 24 years, during which low grade material will be stockpiled. After active mining operations cease in year 24, the low grade stockpiles will be processed during years 24 to 28 of operations. Mining will be conventional truck and shovel open pit methods, gyratory crushing, SAG-ball mill grinding, followed by conventional flotation. LOM average annual production of 231,000 dry metric tonnes of 25.5% copper concentrate will be trucked from the Project site approximately 25km to Yellowhead's rail load-out facility in the town of Vavenby, for rail shipment of approximately 526km to the Port of Vancouver for shipment to smelters overseas.

The first five years of operations will see increased ore grades and lower operating costs, as near surface higher grade zones are targeted and lower grade material is stockpiled for processing at the end of the mine life. The average grade processed for the first five (5) years is 0.31% Cu, compared to the LOM average of 0.26% Cu. Average cash operating costs for the first five years will be US$1.66/lb, compared to the LOM average of US$1.82/lb.

6. SELECTED ANNUAL INFORMATION [1]

	December 31, 2014	December 31, 2013	December 31, 2012
Total revenue	**$ -**	$ -	$ -
Net loss and comprehensive loss	**7,144,481**	6,515,570	15,149,699
Basic and diluted loss per share	**0.07**	0.10	0.28
Total assets	**7,085,515**	13,399,604	12,591,027
Total liabilities	**1,080,575**	372,454	1,491,174
Total non-current liabilities	**-**	-	-
Dividends paid	**-**	-	-

(1) The Company's annual financial results are for the year ended December 31, 2014, the year ended December 31, 2013 and for the fourteen months ended December 31, 2012 due to the Company's prospective change in fiscal year end from October 31, 2012 to December 31, 2012.

The Company is still at the development stage and therefore does not earn any revenues. The majority of costs incurred by the Company at this stage are costs associated with moving the Harper Creek Project towards development and ultimately into production, and costs associated with the maintenance of a publicly listed entity.

The net loss for the year ended December 31, 2014 increased compared to the year ended December 31, 2013 primarily due to increased exploration and evaluation expenses. Increased exploration and evaluation costs related mainly to the update, restructure and rewrite of the EA Application. Total assets decreased from $13.4 million at December 31, 2013 to $7.1 million at December 31, 2014 due to a $6.3 million decrease in the cash balance. Total liabilities increased $708K due to the increased activity in 2014 related to the re-write and re-submission of the EA Application.

7. SUMMARY OF QUARTERLY RESULTS

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

	2014				2013			
Quarter Ended	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**
Administrative expenses	$ 633	$ 435	$ 502	$ 525	$ 925	$ 986	$ 796	$ 992
Exploration and evaluation expenses	1,149	1,612	1,454	918	194	268	447	1,956
Other (income)/expenses	(18)	(19)	(18)	(28)	102	(10)	(4)	(137)
Net loss and comprehensive loss for the period	1,764	2,028	1,937	1,415	1,220	1,245	1,239	2,811
Basic and diluted loss per share for the period	$ 0.02	$ 0.02	$ 0.02	$ 0.01	$ 0.02	$ 0.02	$ 0.02	$ 0.04

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, travel and investor relations and administration. As the Company continues to develop the Project, expenditures incurred by the Company reflect all associated development activities.

8. 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.

Review of Quarterly Financial Results – Three months ended December 31, 2014 ("Q4 2014") compared to the three months ended December 31, 2013 ("Q4 2013")

The Company recorded a net loss of $1,764K for Q4 2014, as compared to a net loss $1,220K for Q4 2013. The increase in the loss of $544K was attributable to the following key items:

Consulting fees were $174K for Q4 2014, as compared to $71K for Q4 2013. In Q4 2014 the Company paid $174K compared to $41K in Q4 2013 for consulting fees related to costs incurred in connection with ongoing negotiations with the First Nations for the completion of a long term Impact Benefits Agreement and costs associated with the socio-economic review and community consultation process.

Professional fees were $38K for Q4 2014, as compared to $81K for Q4 2013. This decrease of $43K was due to two main factors: First, the Company incurred $11K less legal costs in Q4 2014 as compared to Q4 2013 due primarily to additional legal fees in Q4 2013 associated with the search for financing. Second, the Company incurred $32K in professional fees in Q4 2013 related to various strategic initiatives of the Company and these costs were not incurred in Q4 2014.

Share-based compensation costs were $15K for Q4 2014, as compared to $106K for Q4 2013. Share-based compensation is a non-cash charge based on various factors including number of options granted, vesting schedules of options granted and black-scholes valuations of options granted. Due to the number of factors involved share-based compensation costs will fluctuate from period to period.

Travel and investor relations costs were $31K for Q4 2014, as compared to $38K for Q4 2013. This decrease of $7K was due to a decrease in travel expenditures by the Company in Q4 2014 as compared to Q4 2013.

8. RESULTS OF OPERATIONS (Continued)

Wages and benefits were $308K for Q4 2014, as compared to $546K for Q4 2013. This decrease of approximately $238K was mainly due to fewer employees in Q4 2014 compared to Q4 2013. As well in Q4 2013 severance costs of $122K related to corporate restructuring were incurred.

The principal reason for the increase in the net loss is the higher exploration and evaluation expenses in Q4 2014 compared to Q4 2013. Exploration and evaluation expenses were $1,149K for Q4 2014, as compared to $194K for Q4 2013. This increase of approximately $955K was due mainly to the rewrite and resubmission of the EA Application for the Project. Environmental assessment costs increased from $143K in Q4 2013 to $1,086K in Q4 2014 for activities needed to support the re-submission of the EA Application.

Review of Annual Financial Results – Year ended December 31, 2014 ("FY 2014") compared to the year ended December 31, 2013 ("FY 2013")

The Company recorded a net loss of $7,144K for FY 2014, as compared to a net loss $6,516K for FY 2013. The increase in the loss of $628K was attributable to the following key items:

Consulting fees were $183K for FY 2014, as compared to $71K for FY 2013. The consulting fees in FY 2014 included $175K related to costs incurred in connection with ongoing negotiations with the First Nations for the completion of a long term Impact Benefits Agreement and costs associated with the socio-economic review and community consultation process. This is an increase of $64K from the $111K spent in FY 2013 on First Nations. The consulting fees for FY 2013 also included a $174K refund that the Company received from BC Hydro. In 2011 and 2012 the Company provided BC Hydro with approximately $614K for various studies related to power in the North Thompson Valley and the $174K refund reflects the unspent portion. Excluding the refund, consulting fees were $245K for FY 2013. In FY 2014 the Company also did not use consultants that were used in FY 2013 in order to reduce general and administrative costs.

Filing fees were $43K for FY 2014, as compared to $141K for FY 2013. This decrease of approximately $98K resulted primarily from the Company's voluntary delisting from the OTCQX in September 2013.

Professional fees were $121K for FY 2014, as compared to $692K for FY 2013. This decrease of approximately $571K was due to three main factors. First, the Company incurred approximately $201K more legal costs in FY 2013 as compared to FY 2014 due to additional corporate matters requiring legal costs including the search for financing. Second, the Company incurred approximately $129K in recruiting fees in FY 2013 related to the Company's search for a new CEO and these costs were not incurred in FY 2014. Third, the Company incurred $242K in professional fees in FY 2013 related to various strategic initiatives of the Company and these costs were not incurred in FY 2014.

Share-based compensation costs were $122K for FY 2014, as compared to $469K for FY 2013. Share-based compensation is a non-cash charge based on various factors including number of options granted, vesting schedules of options granted and black-scholes valuations of options granted. Due to the number of factors involved share-based compensation costs will fluctuate from period to period. There were no options granted in FY 2014 compared to 2,190K options granted in FY 2013.

8. RESULTS OF OPERATIONS (Continued)

Travel and investor relations costs were $118K for FY 2014, as compared to $295K for FY 2013. This decrease of approximately $177K was due to a decrease in investor relations activities by the Company in FY 2014 as compared to FY 2013. The majority of investor relations costs are non-recurring and therefore these costs vary with the level of investor relations activity by the Company. In FY 2014 versus FY 2013 the Company incurred $104K less in general investor relations costs, $46K less in advertising costs and $23K less in travel costs.

Wages and benefits were $1,227K for FY 2014, as compared to $1,722K for FY 2013. This decrease of approximately $495K was mainly due to fewer employees in FY 2014 compared to FY 2013. As well in FY 2013 the Company incurred $122K in severance costs related to corporate restructuring and these costs were not incurred in FY 2014.

Exploration and evaluation expenses were $5,133K for FY 2014 as compared to $2,865K for FY 2013. The FY 2014 expenses related to the update of both the FS and the EA Application for the Project. The FY 2013 costs related mainly to the in-fill drilling program.

Other income was higher for FY 2014 as compared to FY 2013 as interest income and the recognition of the flow-through share premium in FY 2013 was offset by the interest expense and the amortization of the convertible debenture. The recognition of the flow-through share premium liability is related to the renunciation of qualifying expenditures by the Company related to the flow-through shares that were issued by the Company in December 2012 and where the expenditures needed to be incurred before December 31, 2013.

(In Canadian dollars unless otherwise stated)

9. HARPER CREEK EXPENDITURES

As at December 31, 2014, a summary of the Company's mineral property expenditures at Harper Creek is as follows:

	Capitalized mineral interests	Exploration and evaluation expenses	Total expenditures on Harper Creek
Balance, December 31, 2013	$ 885,235	$ 32,162,432	$ 33,047,667
Assaying	-	33,064	33,064
Camp and field supplies	-	500	500
Contract wages	-	3,609	3,609
Engineering	-	553,602	553,602
Environmental assessment	-	4,178,048	4,178,048
Equipment rental	-	40,051	40,051
Reports, drafting and maps	-	245,790	245,790
Other	-	78,384	78,384
Balance, December 31, 2014	**$ 885,235**	**$37,295,480**	**$38,180,715**

Further details of capitalized mineral interests (Note 13) and exploration and evaluation expenditures (Note 8) are disclosed in the Company's audited consolidated financial statements as at and for the year ended December 31, 2014.

10. FINANCIAL INSTRUMENTS

Designation and valuation of financial instruments

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

GST receivable is excluded from financial instruments as it arises from statutory requirements imposed by the Government of Canada.

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

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

- Level 1 of the fair value hierarchy includes unadjusted quoted prices in active markets for identical assets or liabilities;

(In Canadian dollars unless otherwise stated)

10. FINANCIAL INSTRUMENTS (Continued)

- Level 2 of the hierarchy includes inputs that are observable for the asset or liability, either directly or indirectly; and

- Level 3 includes inputs for the asset or liability that are not based on observable market data

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

The Company's financial instruments as at December 31, 2014 are as follows:

		As at December 31, 2014
Financial assets		
Loans-and-receivables		
Cash and cash equivalents	$	3,684,570
Accounts receivable		343
Total financial assets	**$**	**3,684,913**
Financial liabilities		
Other-financial-liabilities		
Accounts payable and accrued liabilities	$	1,062,644
Due to related parties		17,931
Total financial liabilities	**$**	**1,080,575**

The financial risk arising from the Company's operations are credit risk, liquidity risk and market risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and how the Company minimizes these risks are set out below. The Company manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(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.

10. FINANCIAL INSTRUMENTS (Continued)

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they are due. This is achieved by ensuring that no liabilities are incurred that the Company does not have the ability to discharge in 30 days or less. The Company also has policies in place that establish minimum working capital levels below which expenditures of the Company are reduced until the minimum working capital level is re-established. On December 31, 2014, the Company had cash and cash equivalents of $3,685K available to settle current liabilities of $1,081K. 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's cash and cash equivalent balance is held in savings accounts and money market instruments which pays interest of approximately 1% and 1.25% respectively. The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. All of the Company's financial assets and the majority of the Company's financial liabilities are denominated in Canadian Dollars and therefore the Company is not currently exposed to foreign currency risk.

Other price risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in market prices other than from interest rate and foreign currency risk. The Company is not exposed to other price risk.

11. LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital as at December 31, 2014 was $2,693K as compared to working capital of $9,700K at December 31, 2013, representing a decrease in working capital of $7,007K. Included in working capital were cash and cash equivalents of $3,685K (December 31, 2013 - $9,996K).

(a) Financing

The Company's cash provided by financing activities for the year ended December 31, 2014 was nil and for the year ended December 31, 2013 was $7,921K. In November 2013, the Company issued a convertible debenture for gross proceeds of $8,000K, which was fully converted in December 2013 to 35,555,556 common shares of the Company.

The most recent financing completed by the Company is set out below:

Convertible Debenture – November 2013

<u>Convertible Debenture</u>
On November 19, 2013, the Company issued a convertible debenture to Matco Investments Ltd. ("Matco") for $8 million. The debenture matured on January 31, 2014 and bore interest at a rate of

11. LIQUIDITY AND CAPITAL RESOURCES (Continued)

9% per annum, calculated and payable monthly in arrears. The debenture was secured by a first ranking security interest on all of the Company's property and assets. All security was to be released and discharged on the earlier of: 1) the automatic conversion of the convertible debenture, and 2) repayment of the convertible debenture together with accrued interest. The full conversion of the convertible debenture into 35,555,556 common shares of the Company at a price of $0.225 per share was subject to shareholder approval.

On December 30, 2013, the Company's shareholders approved the full automatic conversion of the convertible debenture into 35,555,556 common shares of the Company at a conversion price of $0.225 per share. Costs of $79K related to the issuance and conversion of the convertible debenture were capitalized as share issues costs in share capital.

Use of Proceeds
The Company planned to use the net proceeds from the financing above to carry out the following activities:

- Complete the environmental assessment process for the Project
- 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.

(b) Capital Resources

The Company's focus for the current fiscal year and going forward is the development of the Project. The major expenses that will be incurred by the Company in the next twelve months will be costs associated with the review phase of the EA Application and general and administrative activities. In order to complete the EA Application, and have working capital for twelve months of general and administrative expenses, additional funding will be required by the Company. Upon receipt of an environmental assessment certificate for the Project, the Company will require additional funding to undertake the mine permitting process, undertake detailed engineering, place deposits on long lead equipment items, and arrange project financing for the construction of the Project.

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. The Company has policies in place that establish minimum working capital levels below which expenditures of the Company are reduced until the minimum working capital level is re-established. 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 share 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 unless otherwise stated)

11. LIQUIDITY AND CAPITAL RESOURCES (Continued)

(c) Commitments

As at December 31, 2014 the Company had the following contractual commitments:

Rental Commitments
The Company has commitments related to 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. These commitments in each of the next three years to the conclusion of the lease period are approximately as follows:

Year Incurred	Amount
2015	$ 127,900
2016	86,600
Total commitments	**$ 214,500**

Capital Expenditure Commitments
The Company does not currently have any capital expenditure commitments.

(d) Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

(e) Proposed Transactions

The Company has no proposed transactions.

12. RELATED PARTY TRANSACTIONS

Transactions with related parties for the year ended December 31, 2014 are detailed below:

- During the year ended December 31, 2014, the Company paid and accrued project management fees, exploration expenses and rental costs of $65K (December 31, 2013- $626K) to CME Consultants Inc. ("CME"), a contractor company whose president is a director of the Company's 100% owned subsidiary Harper Creek Mining Corp. The majority of costs paid to CME during the year ended December 31, 2013 were related to the management of the infill drilling program announced in November 2012. As at December 31, 2014, the balance owing to CME was $13K.

- During the year ended December 31, 2014, the Company paid and accrued management fees of $54K (December 31, 2013 - $177K) to Twinstone Ventures Inc. ("Twinstone"), a company related to the Chairman of the Board of Directors of the Company. During the year ended December 31, 2014, the Company paid Twinstone management fees and for the year ended December 31, 2013 the Company paid Twinstone for services performed as the interim CEO of the Company from January 1, 2013 to July 31, 2013 and management fees from August 2013 to December 2013. As at December 31, 2014, the balance owing to Twinstone was $5K.

(In Canadian dollars unless otherwise stated)

12. RELATED PARTY TRANSACTIONS (Continued)

- During the year ended December 31, 2014, the Company paid and accrued exploration expenses related to research on the Harper Creek Project of $11K (December 31, 2013 - $nil) to TDH Exploration Limited ("TDH") a company related to the Chairman of the Board of Directors of the Company. As at December 31, 2014, the balance owing to TDH was $nil.

- During the year ended December 31, 2014, the Company paid interest expense of $nil and accrued financing costs of $nil (December 31, 2013 - $82K and $23K respectively) to Matco, a company whose president and CEO is a director of the Company. The interest related to the $8,000K convertible debenture issued to Matco on November 19, 2013. On December 30, 2013 the debenture was converted into 35,555,556 common shares of the Company at a conversion price of $0.225 per share. Matco currently owns approximately 35.91% of the Company. As at December 31, 2014, the balance owing to that company was $nil.

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

13. OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value. As at March 18, 2015 the Company had 99,005,726 common shares issued and outstanding.

The Company has the following stock options that are outstanding and exercisable as at March 18, 2015.

	Outstanding		Exercisable	
Exercise price	**Number outstanding**	**Weighted average remaining life (years)**	**Number exercisable**	**Weighted average remaining life (years)**
$0.24	1,265,000	1.87	1,043,331	1.56
$0.26	500,000	3.29	166,666	3.29
$0.60	30,000	2.91	30,000	2.91
$1.08	650,000	0.58	650,000	0.58
$1.25	2,167,500	0.98	2,138,728	0.96
	4,612,500	**1.43**	**4,028,725**	**1.17**

14. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Company's management is required to make judgements in the process of applying the Company's accounting policies in the preparation of its consolidated financial statements. The Company's significant accounting policies are presented in Note 3 of the audited annual consolidated financial statements for the year ended December 31, 2014. In addition, the preparation of consolidated financial statements in accordance with IFRS requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. While management believes the estimates are reasonable, actual results could differ from these estimates and could impact future results of operations and cash flows. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

(a) Critical Judgements in Applying Accounting Policies

Impairment of property, plant and equipment and mineral interests
Assets or cash generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's property plant and equipment and mineral interests. External sources of information considered are changes in the Company's economic, legal and regulatory environment which it does not control but affect the recoverability of its mining assets. Internal sources of information the Company considers include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets.

If any indication of impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognized to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

As at December 31, 2014, the Company believes there are no indications of impairment for the carrying value of its property plant and equipment and mineral interests.

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

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, and other capital management transactions. The application of income tax legislation also requires judgments. These judgments and assumptions are subject to risk and uncertainty, therefore there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the

14. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

statement of financial position and the amount of other tax losses and temporary differences not yet recognized.

Going Concern
The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year as they fall due, involves judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

(b) Critical Estimates in Applying Accounting Policies

Estimated reserves, resources and exploration potential
Reserves are estimates of the amount of product that can be extracted from the Company's properties, considering both economic and legal factors. Calculating reserves and estimates requires decisions on assumptions about geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, prices and exchange rates. Estimating the quantity and/or grade of reserves require the analysis of drilling samples and other geological data. Estimates of reserves may change from period to period as the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations. Changes in reported reserves may affect the Company financial position.

Fair value of share-based compensation
The Company grants share-based awards to certain officers, employees, directors and other eligible persons. For equity settled awards, the fair value is charged to the consolidated statement of comprehensive income and credited to the related reserve account, on a straight-line basis over the vesting period, after adjusting for the estimated number of awards that are expected to vest. The fair value of the equity-settled awards is determined at the date of the grant using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected price, expected volatility and expected life of the options. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

Depreciation rates for PPE
Property, plant and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the straight-line method or unit-of-production method over their expected useful lives. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Depreciation commences on the date when the asset is available for use.

Mineral exploration tax credits
The Company is entitled to refundable tax credits on qualified mineral exploration expenses incurred in the province of British Columbia. Management's judgment is applied in determining whether the mineral exploration expenses are eligible for claiming such credits. Those benefits are recognized when the Company estimates that it has reasonable assurance that the tax credits will be realized. Upon review of the mining exploration tax credit claim by the Canada Revenue Agency, any adjustments to the estimate made by the Company are recorded in the period of the tax assessment.

14. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Initial measurement of convertible debenture

The Company was required to estimate a discount rate when determining the initial measurement of the convertible debenture and the subsequent amortization. The discount rate was estimated taking into account similar debt instruments that did not have a conversion feature.

15. DISCLOSURE AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is also responsible for the design of the Company's internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's internal controls over financial reporting include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail accurately and fairly reflect the transactions and disposition of assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

The Company's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting using the framework and criteria established in *Internal Control – Integrated Framework (COSO Framework) published by The Committee of Sponsoring Organizations (COSO 2013)*. Based on the evaluation of the design and operating effectiveness of the Company's internal controls over financial reporting, the CEO and the CFO concluded that the Company's internal controls over financial reporting was effective as at December 31, 2014.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

16. 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 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 most recent Annual Information Form filed on SEDAR at www.sedar.com.

17. FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Company including but not limited to statements with respect to the Company's plans or future financial or operating performance; the estimation of mineral reserves and resources; the realization of mineral reserve estimates; conclusions of economic assessments of projects; the timing and amount of estimated future production; future capital expenditures; costs and timing of the development of deposits; success of exploration activities; permitting time lines; requirements for additional capital; sources and timing of additional financing; realization of unused tax benefits; and the future price of gold, silver and copper. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "plan", "project", "intend", "anticipate," "believe," "estimate," "expect", "budget", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of Yellowhead Mining Inc. to differ materially from those expressed in, or implied by, these statements. These uncertainties are factors that include but are not limited to risks related to the current global financial condition; the inherent risks involved in the exploration and development of mineral properties; the uncertainties involved in interpreting drilling results and other geological data; uncertainties related to completion results of planned exploration and development programs on the Company's material properties; metal price volatility; economic and political events affecting metal supply and demand; fluctuation in ore grade or recovery rates; fluctuations in tonnes of ore milled; possible variations in mineral resources; the possibility of project cost overruns or unanticipated costs and expenses; issuance of licenses and permits; the availability of and costs of financing needed in the future; increases in market prices of mining consumables and capital equipment; accidents; labour disputes; title disputes; claims and limitations on insurance coverage; delays in obtaining governmental approvals; changes in national and local government regulation of mining operations; and changes in tax rules and regulations. Although Yellowhead Mining Inc. has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking, there may be other factors that cause actual results to differ materially from those anticipated in such statements. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.

17. FORWARD-LOOKING STATEMENTS (Continued)

Forward-looking statements are made as of the date hereof and accordingly are subject to change after such date. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans. Yellowhead Mining Inc. does not undertake to update any forward-looking statements that are included in this document if circumstances, management's estimates or management's expectations change, expect in accordance with applicable securities laws.

18. CAUTIONARY NOTE REGARDING TECHNICAL INFORMATION

This Management Discussion and Analysis includes disclosure of scientific and technical information, as well as information in relation to the calculation of mineral resources and reserves, with respect to the Harper Creek Project. Yellowhead's disclosure of mineral resource and reserve information is governed by National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as may be amended from time to time by the CIM ("CIM Standards"). There can be no assurance that mineral resources will ultimately be converted into mineral reserves. Mineral resources are not mineral reserves and do not have demonstrated economic viability. This MD&A uses the terms "measured", "indicated" and "inferred" resources. U.S. persons are advised that while such terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. "Inferred Resources" have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred resources may not form the basis of feasibility or other economic studies. U.S. persons are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. U.S. persons are also cautioned not to assume that all or any part of an inferred mineral resource exists, or is economically or legally mineable.

19. NON-GAAP MEASURES

C1 cash operating costs, for purposes of the Feasibility Study, include the costs of mining, milling and concentrating, onsite administration and general expenses, property and production royalties not related to revenues or profits, metal concentrate treatment charges, and freight and marketing costs, less the net value of the by-product credits. C1 cash operating costs is a non-GAAP financial measure and does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers.