



**YELLOWHEAD
MINING INC.**

YELLOWHEAD MINING INC.
Condensed Consolidated Interim Financial Statements
March 31, 2015
(Unaudited)
(Expressed in Canadian Dollars)

YELLOWHEAD MINING INC.
Condensed Consolidated Interim Statement of Financial Position
(Unaudited)
(In Canadian dollars)

	NOTES	As at	
		March 31, 2015	December 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents	10	\$ 2,073,693	\$ 3,684,570
Accounts receivable		-	343
GST receivable		18,957	31,441
Prepaid expenses and deposits		43,980	57,424
		2,136,630	3,773,778
Non-current assets			
Property, plant and equipment	6	2,282,529	2,291,502
Mineral interests	7	885,235	885,235
Reclamation bond	7	85,000	85,000
Long-term deposits		50,000	50,000
		3,302,764	3,311,737
TOTAL ASSETS		\$ 5,439,394	\$ 7,085,515
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 476,530	\$ 1,062,644
Due to related parties	9	4,725	17,931
		481,255	1,080,575
EQUITY			
Share capital	8	58,743,984	58,743,984
Equity reserves		5,322,005	5,322,477
Accumulated deficit		(59,107,850)	(58,061,521)
		4,958,139	6,004,940
TOTAL LIABILITIES AND EQUITY		\$ 5,439,394	\$ 7,085,515

The accompanying notes are an integral part of these condensed consolidated interim financial statements

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"T. Gregory Hawkins"

DIRECTOR

"Glen Swail"

DIRECTOR

YELLOWHEAD MINING INC.**Condensed Consolidated Interim Statement of Comprehensive Loss***(Unaudited)**(In Canadian dollars)*

		Three months ended March 31,	Three months ended March 31,
	NOTES	2015	2014
Administrative expenses			
Consulting fees		\$ 155,918	\$ 7,636
Depreciation	6	8,973	11,783
Filing fees		19,247	26,218
Insurance		10,937	10,482
Office supplies and services		19,432	21,207
Professional fees		25,090	25,323
Rent		30,691	32,806
Share-based compensation (recovery)	8	(472)	56,126
Travel and investor relations		19,834	18,305
Wages and benefits	9	307,645	315,249
		597,295	525,135
Exploration and evaluation expenses	5,9	455,918	918,286
Other (income)/expense			
Interest income		(7,384)	(28,969)
Other expenses		500	1,000
Net loss and comprehensive loss		\$ 1,046,329	\$ 1,415,452
Loss per share			
Basic and diluted		\$ 0.01	\$ 0.01
Weighted average number of shares outstanding			
Basic and diluted		99,005,726	99,005,726

The accompanying notes are an integral part of these condensed consolidated interim financial statements

YELLOWHEAD MINING INC.

Condensed Consolidated Interim Statement of Changes in Equity

(Unaudited)

(In Canadian dollars)

	<u>Number of shares</u>	<u>Share capital</u>	<u>Equity reserves</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balances as at January 1, 2015	99,005,726	\$ 58,743,984	\$ 5,322,477	\$ (58,061,521)	\$ 6,004,940
Share-based compensation (recovery)	-	-	(472)	-	(472)
Net loss and comprehensive loss for the period	-	-	-	(1,046,329)	(1,046,329)
Balances as at March 31, 2015	99,005,726	\$ 58,743,984	\$ 5,322,005	\$ (59,107,850)	\$ 4,958,139
Balances as at January 1, 2014	99,005,726	\$ 58,743,984	\$ 5,200,206	\$ (50,917,040)	\$ 13,027,150
Share-based compensation	-	-	56,126	-	56,126
Net loss and comprehensive loss for the period	-	-	-	(1,415,452)	(1,415,452)
Balances as at March 31, 2014	99,005,726	\$ 58,743,984	\$ 5,256,332	\$ (52,332,492)	\$ 11,667,824

The accompanying notes are an integral part of these condensed consolidated interim financial statements

YELLOWHEAD MINING INC.

Condensed Consolidated Interim Statement of Cash Flows

(Unaudited)

(In Canadian dollars)

		Three months ended March 31, 2015	Three months ended March 31, 2014
	NOTES		
Operating activities			
Net Loss for the period		\$ (1,046,329)	\$ (1,415,452)
Items not involving cash:			
Share-based compensation (recovery)	8	(472)	56,126
Depreciation		8,973	11,783
Changes in non-cash working capital			
Accounts receivable		343	3,883
GST receivable		12,484	(12,855)
Prepaid expenses and deposits		13,444	(335,788)
Accounts payable and accrued liabilities		(586,114)	111,641
Due to related parties	9	(13,206)	(5,298)
Cash used in operating activities		(1,610,877)	(1,585,960)
Investing activities			
Acquisition of property, plant and equipment	6	-	(27,526)
Cash used in investing activities		-	(27,526)
Net decrease in cash and cash equivalents		(1,610,877)	(1,613,486)
Cash and cash equivalents, beginning of period		3,684,570	9,995,701
Cash and cash equivalents, end of period		\$ 2,073,693	\$ 8,382,215

Supplemental cash flow information (Note 10)

The accompanying notes are an integral part of these condensed consolidated interim financial statements

YELLOWHEAD MINING INC.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(Unaudited)

(In Canadian dollars)

1. NATURE OF OPERATIONS

Yellowhead Mining Inc. ("Yellowhead" or the "Company") was incorporated on August 23, 2005 under the laws of British Columbia and is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties.

The Company's head office is located at 800 West Pender Street, Suite 730, Vancouver, British Columbia, V6C 2V6 and its registered and records office is located at Suite 2900, 550 Burrard Street, Vancouver, British Columbia, V6C 0A3.

These condensed consolidated interim financial statements have been prepared on a going-concern basis, which contemplates the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Several events and conditions cast significant doubt on the validity of this assumption. During the three month period ended March 31, 2015, the Company incurred a loss of \$1,046,329 and as at March 31, 2015 the Company had working capital of \$1,655,375 (December 31, 2014 - \$2,693,203) and an accumulated deficit of \$59,107,850 (December 31, 2014 - \$58,061,521).

The Company's ability to continue as a going concern is dependent upon receipt of all required permits, establishment of profitable operations and the Company's ability to obtain additional financing or outside participation to undertake further exploration and subsequent development of its mineral interests. While the Company has been successful in obtaining its required funding in the past, there is no assurance that sufficient funds will be available to the Company in the future. Given the current state of the financing market for junior mining companies there is no certainty that additional financing at terms that are acceptable to the Company will be available and an inability to obtain financing would have a direct impact on the Company's ability to continue as a going concern.

The Company's investments in mineral interests comprise a significant portion of the Company's activities. Realization of the Company's investment in these properties is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production, or from the proceeds of their disposal. The recoverability of the amounts shown for mineral interests and property, plant and equipment is dependent upon the existence of economically recoverable reserves, the ability of the Company to permit the properties, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future production or proceeds from the disposition thereof.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 - *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

YELLOWHEAD MINING INC.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(Unaudited)

(In Canadian dollars)

2. BASIS OF PRESENTATION (Continued)

(b) Basis of presentation

The accounting policies used in the preparation of these condensed consolidated interim financial statements are the same as those applied in the Company's most recent consolidated annual financial statements for the year ended December 31, 2014. These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated annual financial statements for the year ended December 31, 2014.

These condensed consolidated interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 6, 2015.

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

The consolidated financial statements include the accounts of the Company and its 100% owned subsidiary Harper Creek Mining Corporation ("Harper Creek").

(c) Critical accounting judgements and estimates.

The preparation of the condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Note 3 of the Company's consolidated financial statements for the year ended December 31, 2014 contains a discussion of the Company's critical accounting judgements and estimates.

YELLOWHEAD MINING INC.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(Unaudited)

(In Canadian dollars)

3. 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 table 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;
- 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 March 31, 2015 are as follows:

	As at	
	March 31, 2015	December 31, 2014
Financial assets		
Loans-and-receivables		
Cash and cash equivalents	\$ 2,073,693	\$ 3,684,570
Accounts receivable	-	343
Total financial assets	\$ 2,073,693	\$ 3,684,913
Financial liabilities		
Other-financial-liabilities		
Accounts payable and accrued liabilities	\$ 476,530	\$ 1,062,644
Due to related parties	4,725	17,931
Total financial liabilities	\$ 481,255	\$ 1,080,575

YELLOWHEAD MINING INC.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(Unaudited)

(In Canadian dollars)

3. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk

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. 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.

As at March 31, 2015 the Company had cash and cash equivalents of \$2,073,693 (December 31, 2014 - \$3,684,570) available to settle current liabilities of \$481,255 (December 31, 2014 - \$1,080,575). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Market risk

Market risks consist of interest rate risk, foreign currency risk and other price risk. The Company is not exposed to foreign currency risk or other price risks.

Interest rate risk

The Company's cash balance and cash equivalents is held in savings accounts and money market instruments respectively. The savings account pays interest of approximately 1% and the money market instruments paid approximately 1%.

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

YELLOWHEAD MINING INC.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(Unaudited)

(In Canadian dollars)

4. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of Harper Creek and to maintain a flexible capital structure, which optimizes the costs of capital to an acceptable risk.

The Company depends on external financing to fund its activities and there can be no guarantee that external financing will be available at terms acceptable to the Company. The capital structure of the Company currently consists of common shares and stock options. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt or new shares. Management reviews its capital management approach on a regular basis. There were no changes in the Company's approach to capital management and the Company is not subject to any externally imposed capital requirements.

The Company's investment policy is to hold its cash in high interest savings accounts and highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, all held with major Canadian financial institutions.

5. EXPLORATION AND EVALUATION EXPENSES

	Three months ended	
	March 31,	
	2015	2014
Assaying	\$ 7,529	\$ 6,225
Contract wages	2,055	3,046
Engineering	-	197,159
Environmental assessment	426,826	664,524
Equipment rental	10,282	9,895
Reports, drafting and maps	2,507	33,074
Other	6,719	4,363
Total exploration and evaluation expenses	\$ 455,918	\$ 918,286

YELLOWHEAD MINING INC.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(Unaudited)

(In Canadian dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment and software	Furniture and fixtures	Field camp equipment	Land	Total
Cost					
As at December 31, 2014	\$ 66,460	\$ 52,371	\$ 437,157	\$ 2,222,729	\$ 2,778,717
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
As at March 31, 2015	66,460	52,371	437,157	2,222,729	2,778,717
Accumulated depreciation					
As at December 31, 2014	45,927	27,100	414,188	-	487,215
Depreciation	2,728	2,619	3,626	-	8,973
Disposals	-	-	-	-	-
As at March 31, 2015	48,655	29,719	417,814	-	496,188
Net book value as at March 31, 2015	\$ 17,805	\$ 22,652	\$ 19,343	\$ 2,222,729	\$ 2,282,529

	Computer equipment and software	Furniture and fixtures	Field camp equipment	Land	Total
Cost					
As at December 31, 2013	\$ 38,934	\$ 52,371	\$ 437,157	\$ 2,222,729	\$ 2,751,191
Additions	27,526	-	-	-	27,526
Disposals	-	-	-	-	-
As at December 31, 2014	66,460	52,371	437,157	2,222,729	2,778,717
Accumulated depreciation					
As at December 31, 2013	27,783	16,626	399,684	-	444,093
Depreciation	18,144	10,474	14,504	-	43,122
Disposals	-	-	-	-	-
As at December 31, 2014	45,927	27,100	414,188	-	487,215
Net book value as at December 31, 2014	\$ 20,533	\$ 25,271	\$ 22,969	\$ 2,222,729	\$ 2,291,502

7. MINERAL INTERESTS

The Company had mineral interests of \$885,235 as at March 31, 2015 and December 31, 2014. On January 31, 2014 the Company extended all 131 of its mineral tenures through to November 3, 2024.

As per current legislation in relation with the Company's exploration permit the Company is required to lodge a reclamation bond with the Government of British Columbia. As at March 31, 2015 the reclamation bond lodged was \$85,000 (December 31, 2014 - \$85,000).

YELLOWHEAD MINING INC.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(Unaudited)

(In Canadian dollars)

8. SHARE CAPITAL

(a) Authorized

Unlimited Class A common shares without par value

(b) Issued and outstanding

At March 31, 2015 the Company had 99,005,726 common shares issued and outstanding (December 31, 2014 – 99,005,726).

Three months ended March 31, 2015

During the three months ended March 31, 2015, the Company did not issue any common shares.

Year ended December 31, 2014

During the year ended December 31, 2014, the Company did not issue any common shares.

(c) Stock options

The Company implemented a new stock option plan on April 19, 2012, whereby the Board of Directors of the Company may grant directors, officers, employees, and consultants stock options to acquire common shares of the Company. Under the stock option plan, options granted are non-assignable and may be granted for a term not exceeding ten years. The plan is administered by the Board of Directors, which determines individual eligibility under the plan, the number of shares reserved underlying the options granted to each individual (not exceeding 10% of issued and outstanding shares to any insider; not exceeding 2% of the issued and outstanding shares to any consultant) and any vesting period which, pursuant to the stock option plan can be determined and imposed by the Board of Directors. The plan provides for a rolling maximum and allows the Company to issue stock options up to a maximum of 10% of the Company's issued and outstanding common shares.

The movement in the Company's stock options for the three months ended March 31, 2015 was as follows:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2013	5,822,500	\$ 0.84
Forfeited	(236,498)	0.78
Expired	(873,502)	0.93
Outstanding, December 31, 2014	4,712,500	0.83
Forfeited	(33,336)	0.62
Expired	(66,664)	0.62
Outstanding, March 31, 2015	4,612,500	\$ 0.84

YELLOWHEAD MINING INC.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(Unaudited)

(In Canadian dollars)

8. SHARE CAPITAL (Continued)

The Company's outstanding and exercisable stock options as at March 31, 2015 are as follows:

Exercise price	Outstanding		Exercisable	
	Number outstanding	Weighted average remaining life (years)	Number exercisable	Weighted average remaining life (years)
\$0.24	1,265,000	1.77	1,043,331	1.48
\$0.26	500,000	3.25	166,666	3.25
\$0.60	30,000	2.88	30,000	2.88
\$1.08	650,000	0.43	650,000	0.43
\$1.25	2,167,500	0.92	2,138,728	0.90
	4,612,500	1.35	4,028,725	1.09

(d) Share-based compensation

During the three months ended March 31, 2015 and March 31, 2014, the Company did not grant any stock options.

During the three months ended March 31, 2015, the Company recorded a share-based compensation (recovery) of \$(472) (March 31, 2014 - \$56,126). Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

9. RELATED PARTY TRANSACTIONS

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

- During the three months ended March 31, 2015, the Company paid and accrued project management fees, exploration expenses and office costs of \$13,803 (March 31, 2014 - \$25,076) to CME Consultants Inc., a contractor company whose president is a director of the Company's 100% owned subsidiary Harper Creek Mining Corp. These costs have been included in exploration and evaluation expenses. As at March 31, 2015, the balance owing to that company was \$nil (December 31, 2014 - \$13,206).
- During the three months ended March 31, 2015, the Company paid and accrued management fees of \$13,500 (March 31, 2014 - \$13,500) to Twinstone Ventures Inc., a company related to the Chairman of the Board of Directors of the Company. These costs have been included in wages and benefits. As at March 31, 2015, the balance owing to that company was \$4,725 (December 31, 2014 - \$4,725).

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

YELLOWHEAD MINING INC.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2015

(Unaudited)

(In Canadian dollars)

10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31, 2015	Three months ended March 31, 2014
Supplementary Information		
Interest received	\$ 7,727	\$ 25,611
Income taxes paid	-	-

The Company did not have any non-cash financing or investing activities for the three months ended March 31, 2015 and March 31, 2014.

	As at	
	March 31, 2015	December 31, 2014
Cash and cash equivalents		
Cash	\$ 2,073,693	\$ 2,683,474
Short term money market investments	-	1,001,096
Total cash and cash equivalents	\$ 2,073,693	\$ 3,684,570

11. COMMITMENTS

As at March 31, 2015, 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 two years to the conclusion of the lease are approximately as follows:

Year Incurred	Amount
2015	\$ 96,200
2016	86,600
Total commitments	\$ 182,800

12. CONTINGENCIES

Due to the nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the condensed consolidated interim financial statements of the Company.