YELLOWHEAD MINING INC.
Management Discussion and Analysis
Nine months ended September 30, 2015
(Expressed in Canadian Dollars)

This Management Discussion and Analysis ("MD&A") of Yellowhead Mining Inc. should be read in conjunction with the Company's condensed consolidated interim financial statements and related notes for the nine months ended September 30, 2015. The Company's condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. This MD&A should also be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2014, prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 12, 2015. Additional information of the Company is available on SEDAR at www.sedar.com.

1. HIGHLIGHTS

Key highlights for the nine months ended September 30, 2015 and subsequent weeks include:

- Acceptance of the EA Application for the Harper Creek Project (the "Project") for review, with the 180 day application review period (the "Review Period") commencing on January 28, 2015
- Release of the Mount Polley Tailings Facility Storage Breach Report ("Report") on January 30, 2015
- As a result of the Report, the Ministry of Energy and Mines and the British Columbia Environmental Assessment Office ("BC EAO") have requested the Company provide additional information and undertake additional work on the EA Application to address the results of and recommendations contained in the Report
- In order to allow time to provide the additional information and undertake the additional work required as a consequence of the Report, the Company requested and received a timeline suspension from the BC EAO to the Review Period
- On August 4, 2015, the Company announced that its board of directors, subject to regulatory and legal approvals, approved a secured bridge loan of $500,000 and the undertaking of a rights offering to provide working capital for the Company
- On August 21, 2015, the Company announced it would be offering rights to holders of its common shares of record at the close of business September 1, 2015
- On October 1, 2015, the Company announced the completion of its rights offering. The Company issued a total of 24,751,431 shares under the rights offering at a price of $0.045 per share for gross proceeds of $1,113,814. A total of 14,035,706 common shares were issued under the basic subscription privilege and a total of 10,715,725 common shares were issued under the additional subscription privilege
- Also on October 1, 2015, the Company announced that it would be deferring all expenditures on the Project due to weakness in the commodity and capital markets
- The Company is currently investigating additional sources of financing with a view to moving forward with the EA Review in order to obtain the EA Certificate for the Project in 2016

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.

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 Railway's 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

On October 1, 2015, the Company announced the Board of Directors had concluded that, in light of current conditions in the commodity markets and the international capital markets, it was in the best interests of all of the shareholders to defer any additional expenditures on the Project until such time as more favourable commodity and capital markets presented themselves.

The Company is currently investigating additional sources of financing with a view to moving forward with the EA Review in order to obtain the EA Certificate for the Project in 2016.

Notwithstanding efforts to secure additional financing, work on the EA Application is currently on hold, and all environmental baseline monitoring activities have also been suspended, until further notice. Continuation of environmental monitoring was made a condition to continuing with the EA Review by the BC EAO, and cessation of all such activities will increase the risk that the BC EAO will require the collection of fresh environmental baseline data to be analyzed and incorporated into an updated EA Application prior to continuing with the EA Review. If a prolonged hiatus occurs during the EA Review, then there is also an increased risk that the information in the EA Application will become stale dated, and as a result the EA Application will have to be re-done, and the EA Application process restarted.

4. HARPER CREEK PROJECT

The Project is a proposed 70,000 tonnes-per-day open pit copper mine with a 28 year mine life, located in the Thompson – Nicola region of British Columbia near Vavenby. The Project has a four year development period, with the initial two years focused on environmental and construction permitting, and the second two years dedicated to construction. When developed, the Project will provide up to 600 jobs during construction and up to 450 permanent jobs during operations.

Environmental Permitting

Pre-Application Phase

In January 2014, the Company initiated an update and revision of an application (the "EA Application") for an environmental assessment certificate ("EA Certificate") 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").

Application Review Phase

The Company submitted the EA Application for the 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 180 day 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 would be involved during the Review Period. Beginning in early March, the Company started to receive comments from the BC EAO on the EA Application and the Company commenced the process of responding to such comments.

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

Impact of the Mount Polley Report

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 adopted.

4. HARPER CREEK PROJECT (Continued)

Following release of the Report, the Company received correspondence from the Ministry of Energy and Mines (MEM) and the Director of the BC EAO requesting the Company to provide additional information and undertake additional work as a consequence of the Mount Polley Report. This additional information and work includes a review of the design of the tailings management facility for the Project to consider options to reduce excess water storage, to update mitigation strategies, to update the effects assessment for the EA Application and to provide a summary report by a Qualified Professional on how the recommendations of the Mount Polley Report were considered for the Project. These requests for additional information and work required an extension to the Review Period.

Therefore, in order to allow time to provide the additional information and undertake the additional work required as a consequence of the Mount Polley Report, including an updated assessment of alternatives for undertaking the Project with respect to options for tailings management that considers technology, siting and water balance, the Company requested a timeline suspension to the 180 Review Period for the EA Application, which was granted on June 30, 2015.

Such additional work, and the extension of the EA Review Period, will result in the Company incurring additional costs prior to receiving an EA Certificate, and will also require the Company to seek additional financing to fund such costs.

5. SUMMARY OF QUARTERLY RESULTS

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

	2015			2014				2013
Quarter Ended	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**
Administrative expenses	$ 285	$ 438	$ 597	$ 633	$ 435	$ 502	$ 525	$ 925
Exploration and evaluation expenses	35	309	456	1,149	1,612	1,454	918	194
Other expenses/(income)	1	(6)	(7)	(18)	(19)	(18)	(28)	102
Net loss and comprehensive loss for the period	321	742	1,046	1,764	2,028	1,937	1,415	1,220
Basic and diluted loss per share for the period	$ 0.00	$ 0.01	$ 0.01	$ 0.02	$ 0.02	$ 0.02	$ 0.01	$ 0.02

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.

6. 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 September 30, 2015 ("Q3 2015") compared to the three months ended September 30, 2014 ("Q3 2014")

The Company recorded a net loss of $321K for Q3 2015, as compared to a net loss $2,028K for Q3 2014. The decrease in the loss of $1,707K was attributable to the following key items:

Professional fees were $11K for Q3 2015 compared to $19K for Q3 2014. In Q3 2015 accounting fees were lower than Q3 2014 as there was no auditor review of the Q3 2015 financial statements but there was an auditor review in Q3 2014. Legal fees were also lower in Q3 2015 as compared to Q3 2014.

Share-based compensation costs were $2K for Q3 2015, as compared to $18K for Q3 2014. 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 $5K for Q3 2015, as compared to $42K for Q3 2014. This decrease of $37K was due to a decrease in investor relations activities and travel costs by the Company in Q3 2015 as compared to Q3 2014 as the Company tried to conserve cash.

Wages and benefits were $202K for Q3 2015, as compared to $287K for Q3 2014. This decrease of approximately $85K was mainly due to a reduction in salary for some Company officers.

The principal reason for the decrease in the net loss is the lower exploration and evaluation expenses in Q3 2015 compared to Q3 2014. Exploration and evaluation expenses were $35K for Q3 2015, as compared to $1,612K for Q3 2014. In Q3 2014 the Company incurred costs related to the update of both the feasibility study and the EA Application for the Project. Expenditures on the EA Application were lower in Q3 2015 as compared to Q3 2014 as the Company reduced expenditures on technical consultants to conserve cash. Environmental assessment costs decreased from $1,412K in Q3 2014 to $18K in Q3 2015.

6. RESULTS OF OPERATIONS (Continued)

Review of Year-to-Date Financial Results – Nine months ended September 30, 2015 ("YTD 2015") compared to the nine months ended September 30, 2014 ("YTD 2014")

The Company recorded a net loss of $2,110K for YTD 2015, as compared to a net loss $5,381K for YTD 2014. The decrease in the loss of $3,271K was attributable to the following key items:

Consulting fees were $173K for YTD 2015, as compared to $9K for YTD 2014. This increase of approximately $164K was related to costs incurred in connection with ongoing consultation and discussions with the First Nations.

Professional fees were $58K for YTD 2015, as compared to $83K for YTD 2014. This decrease of approximately $25K was due to lower accounting fees. YTD 2014 included accounting fees related to the review of the feasibility model and an auditor review of the second and third quarter. These costs were not incurred in YTD 2015. The lower accounting fees were partially offset by higher legal fees in YTD 2015 as the Company pursued financing.

Share-based compensation costs were $10K for YTD 2015, as compared to $107K for YTD 2014. 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. The decrease in the share based compensation costs is primarily related to the fact that the Company did not grant options in 2014 or YTD 2015.

Travel and investor relations costs were $40K for YTD 2015, as compared to $87K for YTD 2014. This decrease of approximately $47K was due to a decrease in investor relations activities and travel costs by the Company in YTD 2015 as compared to YTD 2014 as the Company reduced expenditures to conserve cash.

Wages and benefits were $809K for YTD 2015, as compared to $919K for YTD 2014. This decrease of approximately $110K was due to a reduction in salaries by some officers in YTD 2015 and fewer directors in YTD 2015 compared to YTD 2014.

Exploration and evaluation expenses were $801K for YTD 2015 as compared to $3,984K for YTD 2014. The 2015 expenses mainly related to the review process for the EA Application and the 2014 expenses related to the update of both the feasibility study and the EA Application for the Project. Expenditures on the EA Application were lower in YTD 2015 as compared to YTD 2014 as the Company reviewed and responded to comments from the EAO, CEA Agency, First Nations and the Public on the EA Application, and utilized fewer technical consultants than in the initial preparation of the EA Application in order to conserve cash.

(In Canadian dollars unless otherwise stated)

7. HARPER CREEK EXPENDITURES

As at September 30, 2015, 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, 2014	$ 885,235	$ 37,295,480	$ 38,180,715
Assaying	-	15,541	15,541
Camp and field supplies	-	1,083	1,083
Contract wages	-	17,230	17,230
Environmental assessment	-	667,571	667,571
Equipment rental	-	31,044	31,044
Reports, drafting and maps	-	2,507	2,507
Other	-	65,643	65,643
Balance, September 30, 2015	**$ 885,235**	**$38,096,099**	**$38,981,334**

Further details of capitalized mineral interests (Note 7) and exploration and evaluation expenditures (Note 5) are disclosed in the Company's condensed consolidated interim financial statements for the nine months ended September 30, 2015.

8. 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 Company's financial instruments that are measured subsequent to initial recognition at fair value, are grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable:

(In Canadian dollars unless otherwise stated)

8. FINANCIAL INSTRUMENTS (Continued)

- 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 September 30, 2015 are as follows:

	As at September 30, 2015
Financial assets	
Loans-and-receivables	
Cash and cash equivalents	$ 1,875,266
Accounts Receivable	73,125
Total financial assets	**$ 1,948,391**
Financial liabilities	
Other-financial-liabilities	
Accounts payable and accrued liabilities	$ 303,944
Due to related parties	2,363
Total financial liabilities	**$ 306,307**

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 and accounts receivable; 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. Accounts receivable were received subsequent to the period end.

(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.

8. 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. During the three months ended June 30, 2015, the Company reached minimum working capital levels and reduced expenditures accordingly. On October 1, 2015, the Company announced that it was deferring all expenditures on the Project. The Company believes its current working capital is sufficient for the next twelve months.

On September 30, 2015, the Company had cash and cash equivalents of $1,875K available to settle current liabilities of $306K.

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 which pays 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.

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 significant 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.

9. LIQUIDITY AND CAPITAL RESOURCES

The Company’s working capital as at September 30, 2015 was $1,719K as compared to working capital of $2,693K at December 31, 2014, representing a decrease in working capital of $974K. Included in working capital were cash and cash equivalents of $1,875K (December 31, 2014 - $3,685K).

(a) Financing

The Company’s cash provided by financing activities for the nine months ended September 30, 2015 was $1,049K (September 30, 2014 - $nil).

The most recent financings completed by the Company are set out below:

9. LIQUIDITY AND CAPITAL RESOURCES (Continued)

Rights Offering – September 2015

Rights Offering
On August 21, 2015, the Company announced a rights offering to holders of its common shares of record at the close of business on September 1, 2015. Shareholders of record on the record date received one right for each common share held and four rights plus the sum of $0.045 entitled the holder to subscribe for one common share. The rights did not have a charge. Shareholders who fully exercised their rights were entitled to subscribe pro rata for additional common shares that were not subscribed for initially on or before the expiry date of September 29, 2015.

The rights offering closed on September 30, 2015 and a total of 24,751,431 common shares were issued at a price of $0.045 per common share for gross proceeds of $1,114K. A total of 14,035,706 common shares were issued under the basic subscription privilege and a total of 10,715,725 common shares were issued under the additional subscription privilege. The Company incurred costs of $65K related to the rights offering and share issuance and these costs were capitalized as share issue costs in share capital.

Use of Proceeds
- General corporate and working capital purposes
- Repay the bridge loan

To date, the Company's actual use of such proceeds has not varied from the anticipated use of proceeds set out above.

Bridge Loan –August 2015

Bridge Loan
On August 4, 2015 the Company announced that its board of directors subject to regulatory and legal approvals had approved a bridge loan. The $500K bridge loan was a secured loan at an interest rate of 10% per annum maturing on December 31, 2015. The loan was provided by Matco Capital Ltd., a company whose president and CEO is a director of the Company. The Company granted security by the way of a general security agreement on all of the assets and undertaking of the Company, including the shares of its subsidiary Harper Creek Mining Corporation.

The Company received an advance of $300K under the bridge loan on August 14, 2015 and repaid the principal amount of $300K together with all accrued interest of $4K on September 30, 2015.

Use of Proceeds
- General corporate and working capital purposes

The Company's actual use of such proceeds did not vary from the anticipated use of proceeds set out above.

9. LIQUIDITY AND CAPITAL RESOURCES (Continued)

Convertible Debenture – November 2013

Convertible Debenture
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 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

On October 1, 2015, the Company announced the Board of Directors had concluded that, in light of current conditions in the commodity markets and the international capital markets, it was in the best interests of all of the shareholders to defer any additional expenditures on the Project until such time as more favourable commodity and capital markets presented themselves.

The Company is currently investigating additional sources of financing with a view to moving forward with the EA Review in order to obtain the EA Certificate for the Project in 2016.

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. During Q2 2015, the Company reached minimum working capital levels and reduced expenditures accordingly. 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 on terms it finds acceptable or at all.

(In Canadian dollars unless otherwise stated)

9. LIQUIDITY AND CAPITAL RESOURCES (Continued)

(c) Commitments

As at September 30, 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 to the conclusion of the lease period are approximately as follows:

Year Incurred	Amount
2015	**$ 32,500**
2016	**86,600**
Total commitments	**$ 119,100**

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.

10. RELATED PARTY TRANSACTIONS

Transactions with related parties for the nine months ended September 30, 2015 are detailed below:

- During the nine months ended September 30, 2015, the Company paid and accrued project management fees, exploration expenses and rental costs of $34K (September 30, 2014- $45K) to CME Consultants Inc. ("CME"), a contractor company whose president is a director of the Company's 100% owned subsidiary Harper Creek Mining Corp. As at September 30, 2015, the balance owing to CME was $nil.

- During the nine months ended September 30, 2015, the Company paid and accrued management fees of $34K (September 30, 2014 - $41K) to Twinstone Ventures Inc. ("Twinstone"), a company related to the Chairman of the Board of Directors of the Company. As at September 30, 2015, the balance owing to Twinstone was $2K.

(In Canadian dollars unless otherwise stated)

10. RELATED PARTY TRANSACTIONS (Continued)

- During the nine months ended September 30, 2015, the Company paid and accrued interest expense of $4K (September 30, 2014 - $nil) to Matco Capital Ltd. a company whose president and CEO is a director of the Company. During the three months ended September 30, 2015 Matco Capital Ltd. provided a secured bridge loan of $500K at an interest rate of 10% per annum maturing on December 31, 2015. The Company was advanced $300K on August 14, 2015 and repaid $300K plus accrued interest of $4K to Matco Capital Ltd. on September 30, 2015. As at September 30, 2015, the balance owing to that company was $nil (December 31, 2014 - $nil).

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

11. OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value. As at November 12, 2015 the Company had 123,757,157 common shares issued and outstanding.

The Company has the following stock options that are outstanding and exercisable as at November 12, 2015:

	Outstanding		**Exercisable**	
Exercise price	**Number outstanding**	**Weighted average remaining life (years)**	**Number exercisable**	**Weighted average remaining life (years)**
$0.24	640,000	1.92	640,000	1.92
$0.26	500,000	2.63	333,333	2.63
$0.60	30,000	2.26	30,000	2.26
$1.08	100,000	0.22	100,000	0.22
$1.25	1,255,000	0.71	1,255,000	0.71
	2,525,000	**1.40**	**2,358,333**	**1.31**

12. 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 September 30, 2015, 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

12. 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 and useful life 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.

12. 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.

13. CHANGES IN ACCOUNTING POLICIES

There has been no change in the Company's significant accounting policies from those disclosed in Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2014.

14. 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.

14. DISCLOSURE AND INTERNAL CONTROLS OVER FINANCIAL REPORTING (Continued)

During the nine months ended September 30, 2015, no material changes were made to the Company's disclosure and internal controls over financial reporting. The Company is committed to monitor and improve the control environment on an ongoing basis.

15. 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.

16. 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

16. FORWARD-LOOKING STATEMENTS (Continued)

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.

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.