



YELLOWHEAD MINING INC.

YELLOWHEAD MINING INC.
Condensed Consolidated Interim Financial Statements
March 31, 2017
(Unaudited)
(Expressed in Canadian Dollars)

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The interim financial statements of Yellowhead Mining Inc. for the three-months ended March 31, 2017 have not been reviewed by the auditor of the Corporation.

YELLOWHEAD MINING INC.

Condensed Consolidated Interim Statement of Financial Position

(Unaudited)

(In Canadian dollars)

	NOTES	As at	
		March 31, 2017	December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents	10	\$ 492,345	\$ 617,672
GST receivable		4,354	4,468
Prepaid expenses and deposits		25,776	13,335
		522,475	635,475
Non-current assets			
Property, plant and equipment	6	2,222,729	2,222,729
Mineral interests	7	885,235	885,235
Reclamation bond	7	85,000	85,000
		3,192,964	3,192,964
TOTAL ASSETS		\$ 3,715,439	\$ 3,828,439
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 87,894	\$ 21,006
Due to related parties		13,424	3,197
		101,318	24,203
EQUITY			
Share capital	8	59,793,013	59,793,013
Equity reserves		5,338,599	5,338,599
Accumulated deficit		(61,517,491)	(61,327,376)
		3,614,121	3,804,236
TOTAL LIABILITIES AND EQUITY		\$ 3,715,439	\$ 3,828,439

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)

	NOTES	Three months ended March 31, 2017	Three months ended March 31, 2016
Administrative expenses			
Depreciation	6	\$ -	\$ 8,698
Filing fees		29,760	28,328
Insurance		9,481	9,699
Office supplies and services		9,757	8,519
Professional fees		53,025	37,856
Rent		-	33,259
Share-based compensation	8	-	2,080
Travel and investor relations		2,942	5,751
Wages and benefits		53,444	150,123
		158,409	284,313
Exploration and evaluation expenses	5	32,177	22,010
Other income			
Interest income		(471)	-
Net loss and comprehensive loss		\$ 190,115	\$ 306,323
Loss per share			
Basic and diluted		\$ -	\$ -
Weighted average number of shares outstanding			
Basic and diluted		123,757,127	123,757,127

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, 2017	123,757,157	\$ 59,793,013	\$ 5,338,599	\$ (61,327,376)	\$ 3,804,236
Net loss and comprehensive loss for the period	-	-	-	(190,115)	(190,115)
Balances as at March 31, 2017	123,757,157	\$ 59,793,013	\$ 5,338,599	\$ (61,517,491)	\$ 3,614,121
Balances as at January 1, 2016	123,757,157	\$ 59,793,013	\$ 5,334,416	\$ (60,784,750)	\$ 4,342,679
Share-based compensation (recovery)	-	-	2,080	-	2,080
Net loss and comprehensive loss for the period	-	-	-	(306,323)	(306,323)
Balances as at March 31, 2016	123,757,157	\$ 59,793,013	\$ 5,336,496	\$ (61,091,073)	\$ 4,038,436

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)

	NOTES	Three months ended March 31, 2017	Three months ended March 31, 2016
Operating activities			
Net loss for the period		\$ (190,115)	\$ (306,323)
Items not involving cash:			
Share-based compensation	8	-	2,080
Depreciation		-	8,698
Cash flow from (used in) operations		(190,115)	(295,545)
Changes in non-cash working capital			
Accounts receivable		-	3,802
GST receivable		114	(2,320)
Prepaid expenses and deposits		(12,441)	9,698
Accounts payable and accrued liabilities		77,115	(14,198)
Cash used in operating activities		(125,327)	(298,563)
Net decrease in cash and cash equivalents		(125,327)	(298,563)
Cash and cash equivalents, beginning of period		617,672	1,299,391
Cash and cash equivalents, end of period		\$ 492,345	\$ 1,000,828

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, 2017

(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 525 8th Avenue SW, Suite 4900, Calgary, Alberta, T2P 1G1 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, 2017, the Company incurred a loss of \$190,115 (March 31, 2016-\$306,323), had working capital of \$421,157 (December 31, 2016-\$611,272) and an accumulated deficit of \$61,517,491(December 31, 2016-\$61,327,376). The Company has sufficient working capital for care and maintenance for the next 12 months however; additional funding will be required by the Company to complete its strategic objective of developing the Project.

On September 15, 2016 the Company was informed that the Toronto Stock Exchange (TSX) was reviewing the common shares of the Company with respect to meeting the continued listing requirement of incurring a minimum of \$350,000 in expenditures on its mineral projects during the past year. On January 12, 2017 the TSX informed the Company that its common shares would be delisted in early February, and on February 10, 2017, the Company made an application to the TSX Venture Exchange (TSX-V) to list its common shares on the TSX-V, as a result of the Company not being in compliance with the continuous listing requirements of the TSX and the TSX notifying the Company that its common shares would be delisted from the TSX on March 10, 2017, which was subsequently delayed to March 24, 2017. The Company's application for listing on the TSX-V was approved and the Company was delisted from the TSX, and began trading on the TSX-V, on March 27, 2017.

At the present time, the Board of Directors of the Company intends to investigate the potential of raising additional equity funds to complete the environmental assessment application for the Harper Creek Project (Project).

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 decision to keep the mine on care and maintenance for the foreseeable future, including 2017, until such time as more favourable commodity and capital markets exist that would permit the development of the mine to continue, 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

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Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2017

(Unaudited)

(In Canadian dollars)

1. NATURE OF OPERATIONS (Continued)

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. With regard to the ability of the Company to complete the environmental permitting for the Project, the Company has to March 18, 2018 to provide additional information for the Environmental Assessment Application to the BC Environmental Assessment Office (BC EAO), including a best available technologies / best available practices study of the tailings management facility, including options to reduce excess water storage, to update mitigation strategies, to update the effects assessment, and to provide a summary report by a qualified professional on how the recommendations of the Mount Polley Tailings Storage Breach Report were considered for the Company's Environmental Assessment Application. If the Company does not provide this information by March 18, 2018, then the current Environmental Assessment Application will be deemed to have been withdrawn, and the entire Environmental Assessment Application will have to be completely re-started and re-done.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB")

(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, 2016. 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, 2016.

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 10, 2017.

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").

YELLOWHEAD MINING INC.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2017

(Unaudited)

(In Canadian dollars)

2. BASIS OF PRESENTATION (Continued)

(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, 2016 contains a discussion of the Company's critical accounting judgements and estimates.

3. FINANCIAL INSTRUMENTS

Designation and valuation of financial instruments

The Company has designated its cash and cash equivalents, and prepaid expenses and deposits 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, prepaid expenses and deposits, 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.

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Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2017

(Unaudited)

(In Canadian dollars)

3. FINANCIAL INSTRUMENTS (CONTINUED)

The Company's financial instruments as at March 31, 2017 are as follows:

	As at	
	March 31, 2017	December 31, 2016
Financial assets		
Fair value through profit and loss		
Cash and cash equivalents	\$492,345	\$617,672
Total financial assets	\$492,345	\$617,672
Financial liabilities		
Other-financial-liabilities		
Accounts payable and accrued liabilities	\$87,894	\$21,006
Due to related parties	13,424	3,197
Total financial liabilities	\$101,318	\$24,203

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, 2017 the Company had cash and cash equivalents of \$492,345 (December 31, 2016 - \$617,672) available to settle current liabilities of \$101,318 (December 31, 2016 - \$24,203). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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(Unaudited)

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3. FINANCIAL INSTRUMENTS (CONTINUED)

(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 and money market instruments pay interest of less than 0.5%.

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

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 of the Project 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,	
	2017	2016
Assaying	\$ 225	\$ 225
Contract wages	8,336	9,414
Equipment rental	10,872	10,455
Other	12,744	1,916
Exploration and maintenance expenses	\$ 32,177	\$ 22,010

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(Unaudited)

(In Canadian dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment and software	Furniture and fixtures	Field camp equipment	Land	Total
Cost and Net book value					
As at January 1, 2017	\$ -	\$ -	\$ -	\$ 2,222,729	\$ 2,222,729
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
As at March 31, 2017	-	-	-	2,222,729	2,222,729

	Computer equipment and software	Furniture and fixtures	Field camp equipment	Land	Total
Cost					
As at January 1, 2016	\$ 63,812	\$ 49,431	\$ 437,157	\$ 2,222,729	\$ 2,773,129
Additions	-	-	-	-	-
Disposals	(63,812)	(49,431)	(437,157)	-	(550,400)
As at December 31, 2016	-	-	-	2,222,729	2,222,729
Accumulated depreciation					
As at January 1, 2016	54,024	35,051	428,693	-	517,768
Depreciation	9,788	14,380	8,464	-	32,632
Disposals	(63,812)	(49,431)	(437,157)	-	(550,400)
As at December 31, 2016	-	-	-	-	-
Net book value as at					
December 31, 2016	\$ -	\$ -	\$ -	\$2,222,729	\$2,222,729

7. MINERAL INTERESTS

The Company had mineral interests of \$885,235 as at March 31, 2017 and December 31, 2016. 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, 2017 the reclamation bond lodged was \$85,000 (December 31, 2016 - \$85,000).

YELLOWHEAD MINING INC.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2017

(Unaudited)

(In Canadian dollars)

8. SHARE CAPITAL

(a) Authorized

Unlimited Class A common shares without par value

(b) Issued and outstanding

At March 31, 2017 the Company had 123,757,157 common shares issued and outstanding (December 31, 2016 – 123,757,157).

At the May 10, 2017 Annual General and Special Meeting, the shareholders passed a special resolution to approve the consolidation of the Company's issued and outstanding shares on a basis of up to 12 old common shares for 1 new common share, and further authorized the Company's directors to determine when and if to effect such consolidation.

(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, 2017 was as follows:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2016	1,275,000	0.53
Expired in 2017 Q1	(140,000)	0.79
Outstanding, March 31, 2017	1,135,000	\$ 0.49

YELLOWHEAD MINING INC.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2017

(Unaudited)

(In Canadian dollars)

8. SHARE CAPITAL (CONTINUED)

The Company's outstanding and exercisable stock options as at March 31, 2017 are as follows:

Exercise price	Expiry date	Outstanding		Exercisable	
		Number outstanding	Weighted average remaining life (years)	Number exercisable	Weighted average remaining life (years)
\$1.25	April 18, 2017	262,500	0.30	262,500	0.30
\$1.25	June 11, 2017	12,500	0.44	12,500	0.44
\$0.26	June 30, 2018	500,000	1.50	500,000	1.50
\$0.24	July 3, 2018	360,000	1.50	360,000	1.50
		1,135,000	1.09	1,135,000	0.96

(d) Share-based compensation

During the three months ended March 31, 2017 and March 31, 2016, the Company did not grant any stock options. In 2016, all of the Company's options were fully vested and all share-based compensation was fully amortized.

During the three months ended March 31, 2017, the Company recorded a share-based compensation expense of \$nil (March 31, 2016 - \$2,080). 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, 2017, the Company paid and accrued project management fees, exploration expenses and office costs of \$10,873 (March 31, 2016 - \$10,455) 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, 2017, the balance owing to that company was \$nil (March 31, 2016 - \$nil).
- During the three-months ended March 31, 2017, the Company paid professional fees of \$12,785 (March 31, 2016 - \$5,985) to David M. McGoey Professional Corporation for CFO services. These costs have been included professional fees. As at March 31, 2017, the balance owing to that company was \$13,424 (March 31, 2016 - \$2,084).

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, 2017

(Unaudited)

(In Canadian dollars)

10. SUPPLEMENTAL CASH FLOW INFORMATION

Supplementary Information	As at	
	March 31, 2017	March 31, 2016
Interest received	\$ 471	\$ -
Interest paid	-	-
Income taxes paid	-	-

The Company did not have any non-cash financing or investing activities for the three months ended March 31, 2017 and March 31, 2016.

Cash and cash equivalents	As at	
	March 31, 2017	December 31, 2016
Cash	\$ 92,285	\$ 4,522
Short term money market investments	400,060	613,150
Total cash and cash equivalents	\$ 492,345	\$ 617,672

11. COMMITMENT

As at March 31, 2017, the Company had no contractual commitments.

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.