YELLOWHEAD MINING INC.

# YELLOWHEAD MINING INC.
## Management Discussion and Analysis
### Three and Six Months ended June 30, 2017
(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 three and six months ended June 30, 2017. 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, 2016, 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 August 16, 2017. Additional information of the Company is available on SEDAR at www.sedar.com.*

***FORWARD LOOKING STATEMENTS***

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

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

*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.*

## 1. 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 Harper Creek Project (the "Project"), which is located in the Thompson-Nicola area of British Columbia, Canada.

The Company was listed for trading on the TSX Venture on November 17, 2010 under the trading symbol "YMI". On June 11, 2012, it graduated from the TSX Venture to the TSX under the trading symbol "YMI". 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 share 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.

On June 9, 2017 the Company consolidated 12 old shares for 1 new common share, and the share records were adjusted retrospectively.

Accordingly, at June 30, 2017 the Company had 10,313,088 common shares issued and outstanding (December 31, 2016 – 10,313,088).

The Company has sufficient working capital for administration and care and maintenance for the next 3 months, additional funding will be required by the Company to cover its administration and care and maintenance, complete its short–term strategic objective of completing the environmental assessment for the Harper Creek Project (Project), as well as its long-term strategic objective of placing the Project into commercial production.

At the present time, the Board of Directors of the Company continues to investigate the potential of raising additional equity funds to complete the environmental assessment for the Project, while continuing its care and maintenance program at the Project site.

***Going Concern***

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.

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. With regard to the ability of the Company to complete the environmental permitting for the Project, the Company has until March 18, 2018 to provide additional information (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 the Additional Information by March 18, 2018, or receive an extension within which to provide the Additional Information, then the current Environmental Assessment Application will be deemed to have been withdrawn, and the entire Environmental Assessment Application will have be completely re-started and re-done.

The 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.

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

## 2. HARPER CREEK PROJECT

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

The Project is subject to net smelter returns ("NSR") royalties for production from certain mineral tenures as follows:

- A 3% NSR capped at $2.5 million, subject to an inflation adjustment from July 2010, related to 31 mineral tenures acquired from Cygnus Mines Ltd., a subsidiary of US Steel Corp. Based on the Feasibility Study, this NSR will be extinguished in the first year of operations.

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

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. Typically, the Project would have a four year development period, with the initial two years focused on environmental and construction permitting, and the second two years dedicated to construction. This assumes that there is sufficient environmental baseline data collection to support the initiation of the environmental permitting process. If developed, the Project would 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 British Columbia Environmental Assessment Office ("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 will be involved during the Review Period. Beginning in early March 2015, 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.

Following release of the Report, the Company received correspondence from the Director of the BC EAO requiring the Company to undertake an additional alternate means assessment with respect to the tailings management facility ("TMF") proposed for the Project, consider water balance management of excess water, and address the recommendations in the Report. This request will require the Company to undertake additional work and will require an extension to the Review Period. Such additional work, and the extension of the 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 working capital to fund such costs.

*(In Canadian dollars unless otherwise stated)*

Therefore, in order to allow time to provide the additional information and undertake the additional work required as a consequence of the 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 EA Review, which was granted on June 30, 2015. If the Company does not provide the Additional Information by March 18, 2018, or receive an extension within which to provide the Additional Information, then the current Environmental Assessment Application will be deemed to have been withdrawn, and the entire Environmental Assessment Application will have be completely re-started and re-done.

***Care and Maintenance Program***

On October 1, 2015, all activities with respect to the EA Application and environmental monitoring ceased and as a result the Project was placed on care and maintenance for the foreseeable future, including for 2016, as a result of the Board of Directors concluding 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.

At the present time, the Board of Directors of the Company continues to investigate the potential of raising additional equity funds to complete the environmental assessment for the Project, while continuing its care and maintenance program at the Project site.

If development of the Project were to restart after March 18, 2018, as a result of not providing the Additional Information to the BC EAO within the requisite time period, or any extension thereto, it is likely that the EA Application process will have to be completely restarted, including the collection of a fresh set of two years of continuous environmental baseline data, followed by the preparation of a new EA Application incorporating such fresh environmental baseline data. This assumes no material design changes are required to be made to the Project as a result of the Report, or as a result of the introduction of additional rules and regulations relating to the development of mining projects, during the period of care and maintenance. The minimum time frame required to restart the EA Application process, assuming no design changes, and including the collection and incorporation of fresh baseline environmental data into a new EA Application, would be three (3) to four (4) years.

## 3. HARPER CREEK EXPENDITURES

As at June 30, 2017, 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, 2016** | $885,235 | $38,281,519 | $39,166,754 |
| **Assaying** | - | 450 | 450 |
| **Contract wages** | - | 20,965 | 20,965 |
| **Environmental assessment** | - | 66,932 | 66,932 |
| **Equipment rental** | - | 21,891 | 21,891 |
| **Other** | - | 23,323 | 23,323 |
| **Balance, June 30, 2017** | **$885,235** | **$38,415,080** | **$39,300,315** |

## 4. SUMMARY OF QUARTERLY RESULTS

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

| | 2017 | | 2016 | | | | 2015 | | |
|---|---|---|---|---|---|---|---|---|---|
| **Quarter Ended** | **30-Jun** | **31-Mar** | **31-Dec** | **30-Sep** | **30-Jun** | **31-Mar** | **31-Dec** | **30-Sep** | **30-Jun** |
| Administrative expenses | $ 135 | $ 158 | $ 103 | $ 123 | $ 134 | $ 284 | $ 596 | $ 285 | $ 438 |
| Exploration and maintenance expenses | 101 | 32 | 66 | 32 | 43 | 22 | 22 | 35 | 309 |
| Other expenses/(income) | (1) | - | (2) | (1) | (2) | - | (4) | 1 | (6) |
| Gain on write-off of accounts payable | - | - | (260) | - | - | - | - | - | - |
| Net loss/(gain) and comprehensive loss/(gain) for the period | 235 | 190 | (93) | 154 | 176 | 306 | 614 | 321 | 742 |
| Basic and diluted loss/(gain) per share for the period | $0.02 | $0.02 | (0.01) | 0.01 | 0.02 | 0.03 | 0.06 | 0.03 | 0.07 |

Note that the basic and diluted loss/(gain) per share has been adjusted retrospectively for the 12 to 1 common share consolidation

The Company's changes in financial results on a quarter by quarter basis are due primarily to fluctuations in the level of activity of project development, travel and investor relations and administration. As the Company continues to develop the Project, expenditures incurred by the Company reflect all associated development activities.

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 June 30, 2017 ("Q2 2017") compared to the three months ended June 30, 2016 ("Q2 2016")**

The Company recorded a net loss of $235K for Q2 2017 (Q1 2016 - $176K), an increase of $59K. Components of this change are provided below.

In Q2 2017, under the care and maintenance program at the Project site, as compared to Q2 2016:

- Administrative expenses remained constant, as they were $135K in Q2 2017 as compared to $134K in Q2 2016, and
- Exploration and evaluation expenses increased $59K, mostly due to $67K of environmental assessment charges incurred during the quarter in preparation for the potential completion of the environmental assessment for the Project.

In Q2 2017 as compared to Q2 2016, the component changes to administrative changes include:

- Consulting fee expense was $2K in Q2 2017 vs $nil in Q2 2016, as an independent consultant was engaged to assist with the potential completion of the environmental assessment application.
- Depreciation expense was $nil in Q2 2017 vs $9K in Q2 2016, as all depreciable assets were fully depreciated in 2016.
- Filing fees expense was $17K in Q2 2017 vs $4K in Q1 2016, mostly due to the 12 to 1 common share consolidation costs during Q2 2017.
- Insurance expense was comparable in Q2 2017 and Q2 2016.
- Office supplies and services expense was $4K in Q2 2017 as compared to $11K in Q2 2016, mostly due to decreased information technology costs during the quarter.
- Professional fee expense was $55K in Q2 2017 vs $32K in Q2 2016. The change is mostly due to legal fees related to the 12 to 1 common share consolidation as well as preparation costs related to raising additional equity.
- Rent expense was $(1) in Q2 2017 vs $33K in Q2 2016. The lease on the Vancouver office space matured at the end of August 2016. Additionally during Q2 2017, the Company received a $1K refund on its prior year common area costs.

- Share-based compensation expense was $nil in Q2 2017 vs $2K in Q2 2016. All options were fully vested in 2016 and all share-based compensation was fully amortized in 2016.
- Travel and investor relations expense was $7K in Q2 2017 vs $2K in Q2 2016, mostly due to CEO travel related to the raising additional equity funds and the potential completion of the environmental assessment application.
- Wages and benefit expense was $40K in Q2 2017 vs $31K in Q2 2016, as the CEO was on a reduced pay arrangement in Q2 2016.

**Review of YTD Financial Results – Six months ended June 30, 2017 ("YTD 2017") compared to the six months ended June 30, 2016 ("YTD 2016")**

The Company recorded a net loss of $425K for YTD 2017 (YTD 2016 - $482K). Components of this change are provided below.

In YTD 2017, under the care and maintenance program at the Project site, as compared to YTD 2016:

- Administrative expenses were $293K in Q2 2017 as compared to $418K in Q2 2016, and
- Exploration and evaluation expenses increased $134K in Q2 2017 as compared to $66K in YTD 2016. This increase is due to $67K of environmental assessment charges incurred during the quarter in preparation for the potential completion of the environmental assessment for the Project.

In YTD 2017 as compared to YTD 2016, the component changes to administrative changes include:

- Consulting fee expense was $2K in YTD 2017 vs $nil in YTD 2016, as an independent consultant was engaged to assist with the potential completion of the environmental assessment application.
- Depreciation expense was $nil in YTD 2017 vs $17K in YTD 2016, as all depreciable assets were fully depreciated in 2016.
- Filing fees expense was $46K in YTD 2017 vs $32K in YTD 2016. This change is mostly due to the 12 to 1 common share consolidation costs during Q2 2017.
- Insurance expense was comparable YTD 2017 and YTD 2016.
- Office supplies and services expense was $14K in YTD 2017 as compared to $20K in YTD 2016, mostly due to decreased information technology costs.
- Professional fee expense was $109K in YTD 2017 vs $70K in Q2 2016. The change is mostly due to legal fees related to the 12 to 1 common share consolidation as well as preparation costs related to raising additional equity of $23K as well as an additional $20K of external accounting and finance professional fees related to the 2016 annual financial statements, the 2016 Annual Information Form, and the 2016 Management Information Circular, which costs were included in salaries in YTD 2016.
- Rent expense was $(1) in YTD 2017 vs $66K in YTD 2016. The lease on the Vancouver office space matured at the end of August 2016. Additionally during YTD 2017, the Company received a $1K refund on its prior year common area costs.
- Share-based compensation expense was $nil in YTD 2017 vs $4K in YTD 2016. All options were fully vested in 2016 and all share-based compensation was fully amortized in 2016.
- Travel and investor relations expense was $10K in YTD 2017 vs $8K in YTD2 2016, mostly due to CEO travel related to the raising additional equity funds and the potential completion of the environmental assessment application.
- Wages and benefit expense was $94K in YTD 2017 vs $181K in YTD 2016, as all staff except the CEO were terminated in Q1 2016.

## 5. RELATED PARTY TRANSACTIONS

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

- During the six months ended June 30, 2017, the Company paid and accrued project management fees, exploration expenses and office costs of $21,891 (June 30, 2016 - $21,049) 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 June 30, 2017, the balance owing to that company was $nil (June 30, 2016- $nil).

- During the six months ended June 30, 2017, the Company paid professional fees of $19,620 (June 30, 2016 - $14,930) to David M. McGoey Professional Corporation for CFO services. These costs have been included professional fees. As at June 30, 2017, the balance owing to that company was $nil (June 30, 2016- $2,610).

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

## 6. LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital decreased $190K in Q1 2017 from $611K at December 31, 2016 to $421K at March 31, 2017. Working capital further decreased $235K in Q2 2017 from $421K at March 31, 2017 to $186K at June 30, 2017. Included in working capital were cash and cash equivalents of $220K (December 31, 2016 - $618K).

Please refer to the "Overview" section of this report for a full analysis of the Company's ability to continue as a Going Concern.

## 7. COMMITMENTS AND CONTINGENCIES

As at June 30, 2017, the Company had no contractual commitments.

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.

The Company does not currently have any capital expenditure commitments.

The Company does not utilize off-balance sheet arrangements.

*(In Canadian dollars unless otherwise stated)*

## 8. OUTSTANDING SHARE DATA

### (a) Authorized, Issued and outstanding

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.

On June 9, 2017 the Company consolidated 12 old shares for 1 new common share, and the share records were adjusted retrospectively.

Accordingly, at June 30, 2017 the Company had 10,313,088 common shares issued and outstanding (December 31, 2016 – 10,313,088).

### (b) 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 Company's outstanding and exercisable stock options as at June 30, 2017 and August 16, 2017 are as follows:

**ADJUSTED FOR STOCK CONSOLIDATION 0F 12 TO 1**

| | | Outstanding | | Exercisable | |
|---|---|---|---|---|---|
| Exercise price | Expiry date | Number outstanding | Weighted average remaining life (years) | Number exercisable | Weighted average remaining life (years) |
| $3.12 | June 30,2018 | 41,667 | 1.00 | 41,667 | 1.00 |
| $2.88 | July 3,2018 | 13,833 | 1.01 | 13,833 | 1.01 |
| | | **55,500** | **1.00** | **55,500** | **1.00** |

### (c) Share-based compensation

During the three and six months ended June 30, 2017 and 2016, the Company did not grant any stock options. Also, the Company did not grant any stock options in the period July 1, 2017 to August 16, 2017. In 2016, all of the Company's options were fully vested and all share-based compensation was fully amortized.

During the three months ended June 30, 2017, the Company recorded a share-based compensation expense of $nil (June 30, 2016 - $2,080). During the six months ended June 30, 2017, the Company recorded a share-based compensation expense of $nil (June 30, 2016 - $4,160). 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. 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. 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.

There have been no changes in the Company's critical accounting estimates in Q2 2017. Further information on the Company's critical accounting estimates can be found in the notes to the annual audited consolidated financial statements and Management Disclosure and Analysis for the year ended December 31, 2016.

## 10. INTERNAL CONTROLS AND PROCEDURES

In contrast to non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), the Company officers do not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their venture issuer basic certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## 11. BUSINESS RISK AND OUTLOOK

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.

The Company's focus going forward is the development of the Project with the timing dependent on the commodity prices and capital markets. 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 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.

At the present time, the Board of Directors of the Company continues to investigate the potential of raising additional equity funds to complete the environmental assessment for the Project, while continuing its care and maintenance program at the Project site.

Although the Company has successfully raised capital in the past, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that future additional financing will be available to the Company at terms it finds acceptable or at all.

If the Company does not provide to the BC EAO the Additional Information requested by the BC EAO prior to March 18, 2018, or receive an extension within which to provide the Additional Information to the BC EAO, then 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 re-started.