



**YELLOWHEAD  
MINING INC.**

**YELLOWHEAD MINING INC.**  
**Condensed Consolidated Interim Financial Statements**  
**March 31, 2013**  
(Unaudited)  
(Expressed in Canadian Dollars)

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

	NOTES	As at	
		March 31, 2013	December 31, 2012
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 5,075,110	\$ 7,060,334
Mineral exploration tax credit receivable		-	1,711,785
GST/HST receivable		345,528	227,302
Prepaid expenses and deposits		91,443	241,620
		<b>5,512,081</b>	9,241,041
<b>Non-current assets</b>			
Property, plant and equipment	6	2,314,539	2,329,751
Mineral interests	7	885,235	885,235
Reclamation bond		85,000	85,000
Long-term deposits		50,000	50,000
		<b>3,334,774</b>	3,349,986
<b>TOTAL ASSETS</b>		<b>\$ 8,846,855</b>	\$ 12,591,027
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 372,155	\$ 1,339,083
Due to related parties	9	74,483	45,021
Flow-through share premium liability		-	107,070
		<b>446,638</b>	1,491,174
<b>EQUITY</b>			
Share capital	8	50,769,639	50,769,639
Equity reserves		4,842,936	4,731,684
Accumulated deficit		(47,212,358)	(44,401,470)
		<b>8,400,217</b>	11,099,853
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 8,846,855</b>	\$ 12,591,027

**Commitments (Note 11)**

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

*"R. Stuart (Tookie) Angus"*

DIRECTOR

# YELLOWHEAD MINING INC.

## Condensed Consolidated Interim Statement of Comprehensive Income

(Unaudited)

(In Canadian dollars)

	NOTES	Three months ended March 31,	
		2013	2012
<b>Administrative expenses</b>			
Amortization		\$ 15,212	\$ 24,037
Consulting fees		35,224	39,286
Filing fees		72,122	13,117
Insurance		10,064	8,860
Investor relations		83,385	204,448
Office supplies and services		20,594	27,336
Professional fees		206,693	99,777
Rent		32,227	31,196
Share-based compensation	8	111,252	59,327
Wages and benefits		397,662	486,838
		984,435	994,222
Evaluation and exploration expenses	5	1,955,528	1,520,236
<b>Other expenses/(income)</b>			
Interest income		(35,427)	(33,767)
Recognition of flow-through share premium		(107,070)	-
Other expenses		13,422	20,762
<b>Net loss and comprehensive loss</b>		<b>\$ 2,810,888</b>	<b>\$ 2,501,453</b>
<b>Loss per share</b>			
Basic and diluted		\$ 0.04	\$ 0.05
<b>Weighted average number of shares outstanding</b>			
Basic and diluted		63,450,170	53,046,265

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, 2012	52,927,469	\$ 44,083,396	\$ 4,403,595	\$ (32,139,762)	\$ 16,347,229
Shares issued for:					
Exercise of stock options	340,000	449,972	(194,971)	-	255,001
Exercise of warrants	8,992	10,431	(5,935)	-	4,496
Share-based compensation	-	-	59,327	-	59,327
Net loss and comprehensive loss for the period	-	-	-	(2,501,453)	(2,501,453)
Balances as at March 31, 2012	53,276,461	\$ 44,543,799	\$ 4,262,016	\$ (34,641,215)	\$ 14,164,600
<b>Balances as at January 1, 2013</b>	<b>63,450,170</b>	<b>\$ 50,769,639</b>	<b>\$ 4,731,684</b>	<b>\$ (44,401,470)</b>	<b>\$ 11,099,853</b>
Share-based compensation	-	-	111,252	-	111,252
Net loss and comprehensive loss for the period	-	-	-	(2,810,888)	(2,810,888)
<b>Balances as at March 31, 2013</b>	<b>63,450,170</b>	<b>\$ 50,769,639</b>	<b>\$ 4,842,936</b>	<b>\$ (47,212,358)</b>	<b>\$ 8,400,217</b>

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,	
		2013	2012
<b>Operating activities</b>			
Net Loss for the period		\$ (2,810,888)	\$ (2,501,453)
Items not involving cash:			
Share-based compensation		111,252	59,327
Amortization		15,212	24,037
Recognition of flow-through share premium		(107,070)	-
Changes in non-cash working capital			
Mineral exploration tax credit receivable		1,711,785	-
GST/HST receivable		(118,226)	1,016,509
Prepaid expenses and deposits		150,177	197,260
Accounts payable and accrued liabilities		(966,928)	(1,050,151)
Due to related parties		29,462	(212,752)
<b>Cash used in operating activities</b>		<b>(1,985,224)</b>	<b>(2,467,223)</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment	6	-	(1,282)
<b>Cash used in investing activities</b>		<b>-</b>	<b>(1,282)</b>
<b>Financing activities</b>			
Proceeds from issuance of capital stock, net of share issue costs		-	259,497
<b>Cash provided by financing activities</b>		<b>-</b>	<b>259,497</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,985,224)</b>	<b>(2,209,008)</b>
Cash and cash equivalents, beginning of period		7,060,334	10,491,895
<b>Cash and cash equivalents, end of period</b>		<b>\$ 5,075,110</b>	<b>\$ 8,282,887</b>

### 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, 2013**

*(Unaudited)*

*(In Canadian dollars)*

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### **1. NATURE OF OPERATIONS**

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

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

These condensed consolidated interim financial statements have been prepared on a going-concern basis, which contemplates the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. 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. The Company is of the opinion that additional financing will be available to continue its planned activities in the normal course. However, there is no certainty that additional financing at terms that are acceptable will be available.

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 obtain necessary financing to complete the development of the properties, and upon future production or proceeds from the disposition thereof.

### **2. BASIS OF PRESENTATION**

#### **(a) Statement of compliance**

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

#### **(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 fourteen months ended December 31, 2012. These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated annual financial statements for the fourteen months ended December 31, 2012.

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 8, 2013.

## **YELLOWHEAD MINING INC.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**Three months ended March 31, 2013**

*(Unaudited)*

*(In Canadian dollars)*

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#### **2. BASIS OF PRESENTATION (Continued)**

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

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

##### **(c) Critical accounting judgements and estimates.**

The preparation of the condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Note 3 of the Company's consolidated financial statements for the fourteen months ended December 31, 2012, contains a discussion of the Company's critical accounting judgements and estimates.

##### **(d) Reporting periods and comparatives**

On February 20, 2012, the Company announced that it was prospectively changing its fiscal year end date from October 31<sup>st</sup> to December 31<sup>st</sup> effective for the 2012 reporting period. In accordance with relevant legislation for the 2013 reporting period the Company will prepare condensed consolidated interim financial statements for the three months ending March 31, 2013, June 30, 2013 and September 30, 2013 with the comparative periods being the three months ended March 31, 2012, June 30, 2012 and September 30, 2012, respectively. The Company's next consolidated annual financial statements will be for the twelve months ended and as at December 31, 2013 with the comparative period being the fourteen months ended and as at December 31, 2012.

# YELLOWHEAD MINING INC.

## Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2013

(Unaudited)

(In Canadian dollars)

### 3. FINANCIAL INSTRUMENTS

#### Designation and valuation of financial instruments

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

GST/HST receivable and mineral exploration tax credits receivable are excluded from financial instruments as they arise from statutory requirements imposed by the Government of Canada and the Province of British Columbia, respectively.

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

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

- Level 1 of the fair value hierarchy includes unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 of the hierarchy includes inputs that are observable for the asset or liability, either directly or indirectly; and
- Level 3 includes inputs for the asset or liability that are not based on observable market data.

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

The Company's financial instruments as at March 31, 2013 are as follows:

	As at	
	March 31, 2013	December 31, 2012
<b>Financial assets</b>		
Loans-and-receivables		
Cash and cash equivalents	\$ 5,075,110	\$ 7,060,334
<b>Total financial assets</b>	<b>\$ 5,075,110</b>	<b>\$ 7,060,334</b>
<b>Financial liabilities</b>		
Other-financial-liabilities		
Accounts payable and accrued liabilities	\$ 372,155	\$ 1,339,083
Due to related parties	74,483	45,021
<b>Total financial liabilities</b>	<b>\$ 446,638</b>	<b>\$ 1,384,104</b>



# **YELLOWHEAD MINING INC.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

**Three months ended March 31, 2013**

*(Unaudited)*

*(In Canadian dollars)*

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### **3. FINANCIAL INSTRUMENTS (CONTINUED)**

#### **Financial Risk**

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

#### **(a) Credit risk**

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk with respect to its cash and cash equivalents; however, this is minimized as cash and cash equivalents are placed with major Canadian financial institutions with strong investment-grade ratings as determined by a primary ratings agency.

#### **(b) Liquidity risk**

Liquidity risk is the risk that the Company will not have sufficient cash to meet its financial obligations as they become due.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they are due. This is achieved by ensuring that no liabilities are incurred that the Company does not have the ability to discharge in 30 days or less. The Company also has policies in place that establish minimum working capital levels below which expenditures of the Company are reduced until the minimum working capital level is re-established.

On March 31, 2013, the Company had cash and cash equivalents of \$5,075,110 (December 31, 2012 - \$7,060,334) available to settle current liabilities of \$446,638 (December 31, 2012 - \$1,384,104). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

#### **(c) Market risk**

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

#### ***Interest rate risk***

The Company's cash and cash equivalent balance is held in a savings account 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.

## YELLOWHEAD MINING INC.

### Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2013

(Unaudited)

(In Canadian dollars)

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#### 4. CAPITAL MANAGEMENT

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

The Company depends on external financing to fund its activities and there can be no guarantee that external financing will be available at terms acceptable to the Company. The capital structure of the Company currently consists of common shares, stock options and share purchase warrants. 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 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. EVALUATION AND EXPLORATION EXPENSES

	Three months ended	
	March 31,	
	2013	2012
Assaying	\$ 197,101	\$ 100,606
Camp and field supplies	100,184	36,031
Contract wages	18,980	166,002
Drilling	1,274,179	-
Engineering	-	603,482
Environmental assessment	289,597	559,043
Equipment rental	9,000	10,221
Geological consulting	45,006	3,270
Reports, drafting and maps	14,124	24,026
Travel and accommodation	-	41
Other	7,357	17,514
<b>Total evaluation and exploration expenses</b>	<b>\$ 1,955,528</b>	<b>\$ 1,520,236</b>

## YELLOWHEAD MINING INC.

### Notes to the Condensed Consolidated Interim Financial Statements Three months ended March 31, 2013

(Unaudited)

(In Canadian dollars)

#### 6. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment and software	Furniture and fixtures	Field camp equipment	Land	Total
<b>Cost</b>					
As at December 31, 2012	\$ 35,260	\$ 31,864	\$ 437,157	\$ 2,222,729	\$ 2,727,010
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
As at March 31, 2013	35,260	31,864	437,157	2,222,729	2,727,010
<b>Accumulated depreciation</b>					
As at December 31, 2012	15,418	8,886	372,955	-	397,259
Charge for the period	2,938	1,593	10,681	-	15,212
Disposals	-	-	-	-	-
As at March 31, 2013	18,356	10,479	383,636	-	412,471
<b>Net book value as at March 31, 2013</b>	<b>\$ 16,904</b>	<b>\$ 21,385</b>	<b>\$ 53,521</b>	<b>\$ 2,222,729</b>	<b>\$ 2,314,539</b>

	Computer equipment and software	Furniture and fixtures	Field camp equipment	Land	Total
<b>Cost</b>					
As at October 31, 2011	\$ 35,587	\$ 30,480	\$ 437,157	\$ -	\$ 503,224
Additions	2,397	1,384	-	2,222,729	2,226,510
Disposals	(2,724)	-	-	-	(2,724)
As at December 31, 2012	35,260	31,864	437,157	2,222,729	2,727,010
<b>Accumulated depreciation</b>					
As at October 31, 2011	2,411	1,451	296,000	-	299,862
Charge for the period	14,141	7,435	76,955	-	98,531
Disposals	(1,134)	-	-	-	(1,134)
As at December 31, 2012	15,418	8,886	372,955	-	397,259
<b>Net book value as at December 31, 2012</b>	<b>\$ 19,842</b>	<b>\$ 22,978</b>	<b>\$ 64,202</b>	<b>\$ 2,222,729</b>	<b>\$ 2,329,751</b>

#### 7. MINERAL INTERESTS

	Amount
Balance as at October 31, 2011	\$ 834,026
Additions	51,209
Disposals	-
Balance as at December 31, 2012	885,235
<b>Balance as at March 31, 2013</b>	<b>\$ 885,235</b>

## **YELLOWHEAD MINING INC.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**Three months ended March 31, 2013**

*(Unaudited)*

*(In Canadian dollars)*

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#### **8. SHARE CAPITAL**

##### **(a) Authorized**

Unlimited Class A common shares without par value

##### **(b) Issued and outstanding**

At March 31, 2013, the Company had 63,450,170 common shares issued and outstanding (December 31, 2012 – 63,450,170).

##### ***Three months ended March 31, 2013***

During the three months ended March 31, 2013, the Company did not issue any common shares.

##### ***Fourteen months ended December 31, 2012***

During the fourteen months ended December 31, 2012, the Company issued 514,492 common shares for gross cash proceeds of \$369,745 from the exercise of stock options and share purchase warrants.

In December 2012, the Company completed a non-brokered private placement. The Company issued 8,032,307 common shares at a price of \$0.65 per share for gross cash proceeds of \$5,221,000 and paid finder's fees associated with this placement of \$261,050. The Company also issued 2,141,403 flow-through common shares at a price of \$0.70 per share for gross cash proceeds of \$1,498,982. Share capital was reduced by the premium attributed to the flow-through shares of \$0.05 per share or \$107,070 and the Company paid finder's fees associated with this flow-through placement of \$83,450. The Company also incurred legal costs of \$42,572 with relation to the private placement of the common shares and flow-through shares which was treated as share issue costs.

Flow-through share arrangements involve resource expenditure deductions for income tax purposes which are renounced to purchasers of flow-through shares in accordance with income tax legislation. Each flow through share entitles the holder to a 100% tax deduction in respect of qualifying Canadian Exploration Expenses ("CEE") as defined in the Income Tax Act of Canada. Accordingly the Company was required to incur a total of \$1,498,982 of eligible CEE by December 31, 2013 with respect to the shares issued during the fourteen months ended December 31, 2012. As at March 31, 2013, the Company had incurred all required expenditures in connection with these flow-through shares.

# YELLOWHEAD MINING INC.

## Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2013

(Unaudited)

(In Canadian dollars)

### 8. SHARE CAPITAL (Continued)

#### (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 or persons employed to provide investor relations services) 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, 2013 was as follows:

	Number of options	Weighted average exercise price
<b>Outstanding, October 31, 2011</b>	4,354,250	\$ 1.10
Granted	1,962,500	1.22
Exercised	(505,500)	0.72
Forfeited	(355,000)	1.25
Expired	(703,750)	1.06
<b>Outstanding, December 31, 2012</b>	4,752,500	1.18
Granted	90,000	0.60
<b>Outstanding, March 31, 2013</b>	4,842,500	\$ 1.17

The Company's outstanding and exercisable stock options as at March 31, 2013 are as follows:

Exercise price	Outstanding		Exercisable	
	Number outstanding	Weighted average remaining life (years)	Number exercisable	Weighted average remaining life (years)
\$0.60	90,000	4.88	30,000	4.88
\$0.62	100,000	4.72	8,333	4.72
\$1.00	525,000	0.57	525,000	0.57
\$1.08	750,000	2.19	750,000	2.19
\$1.25	3,377,500	2.94	2,383,112	2.49
	4,842,500	2.64	3,696,445	2.18

# YELLOWHEAD MINING INC.

## Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2013

(Unaudited)

(In Canadian dollars)

### 8. SHARE CAPITAL (Continued)

#### (d) Share-based compensation

During the three months ended March 31, 2013, the Company granted 90,000 stock options (March 31, 2012: 460,000) at a weighted average exercise price of \$0.60 (March 31, 2012: \$1.25). The weighted average fair value for the options granted in the three months ended March 31, 2013 was \$0.41 (March 31, 2012: \$0.55) which was estimated at the date of the grants using the Black-Scholes option pricing model using the following assumptions:

	Three months ended	
	March 31,	
	2013	2012
Risk-free interest rate	1.47%	1.26%
Expected dividend yield	-	-
Expected stock price volatility	87%	84%
Expected option life	5.0 years	4.4 years

During the three months ended March 31, 2013, the Company recorded share-based compensation of \$111,252 (March 31, 2012: \$59,327). The Company estimated a forfeiture rate of 0% (March 31, 2012 - 0%) to record the share-based compensation expense for options granted in the period. 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.

#### (e) Share purchase warrants

During the three months ended March 31, 2013 and the fourteen months ended December 31, 2012, the Company did not issue any share purchase warrants.

The movement in the Company's share purchase warrants for the three months ended March 31, 2013 was as follows:

	Number of	Weighted
	warrants	average
		exercise price
<b>Outstanding, October 31, 2011</b>	13,384,792	\$ 1.78
Issued	-	-
Exercised	(8,992)	0.50
Expired	(3,841,284)	1.39
<b>Outstanding, December 31, 2012</b>	9,534,516	1.95
<b>Outstanding, March 31, 2013</b>	<b>9,534,516</b>	<b>\$ 1.95</b>

## YELLOWHEAD MINING INC.

### Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2013

(Unaudited)

(In Canadian dollars)

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#### 8. SHARE CAPITAL (Continued)

The Company's outstanding share purchase warrants as at March 31, 2013 are as follows:

<u>Exercise price</u>	<u>Number of warrants</u>	<u>Weighted average remaining life (years)</u>
<b>Share purchase warrants</b>		
\$2.00	8,582,316	0.02
<b>Agents warrants</b>		
\$1.45	952,200	0.01
	<b>9,534,516</b>	<b>0.02</b>

All outstanding warrants expired unexercised in April 2013.

#### 9. RELATED PARTY TRANSACTIONS

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

- During the three months ended March 31, 2013, the Company paid and accrued project management fees, exploration expenses and office costs of \$510,568 (March 31, 2012 - \$57,573) to CME Consultants Inc., a contractor company whose president is a director of the Company's 100% owned subsidiary Harper Creek Mining Corp. As at March 31, 2013, the balance owing to that company was \$49,750.
- During the three months ended March 31, 2013, the Company paid and accrued management fees of \$66,249 (March 31, 2012 - \$20,700) to Twinstone Ventures Inc., a company related to the current interim CEO and Chairman of the Board of Directors of the Company. As at March 31, 2013, the balance owing to that company was \$24,733.

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, 2013

(Unaudited)

(In Canadian dollars)

#### 10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31,	
	2013	2012
<b>Supplementary Information</b>		
Interest received	\$ 35,427	\$ 33,767
Income taxes paid	-	-

The Company did not have any non-cash financing or investing activities for the three months ended March 31, 2013 and March 31, 2012.

#### 11. COMMITMENTS

As at March 31, 2013, the Company had the following contractual commitments:

##### *Rental Commitments*

The Company has commitments related to the minimum rental and operating expenses payments for the Company's office space in downtown Vancouver. The lease was effective September 1, 2011 and concludes on August 31, 2016. These commitments in each of the next four years to the conclusion of the lease are approximately as follows:

Year Incurred	Amount
2013	\$ 89,000
2014	121,400
2015	124,400
2016	84,300
<b>Total commitments</b>	<b>\$ 419,100</b>

##### *In-fill Drilling Commitment*

As part of the private placement announced by the Company in October 2012 and completed in December 2012, the Company entered into an agreement with a major investor in this placement to spend approximately \$3 million on an in-fill drilling campaign. As at March 31, 2013 the Company had incurred approximately \$2,586,000 related to the in-fill drilling commitment, the remaining amount will be incurred in the second quarter of 2013.

#### 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.