YELLOWHEAD MINING INC.

YELLOWHEAD MINING INC.
Management Discussion and Analysis
Three and five months ended March 31, 2012

(Unaudited)

(Expressed in Canadian Dollars)

1. HIGHLIGHTS AND OVERVIEW

(a) Highlights

Key highlights for the five months ended March 31, 2012 and subsequent weeks include:

- Detailed Feasibility Study was completed and filed on March 29, 2012
- The Environmental Assessment study at Harper Creek was advanced with an ongoing comprehensive baseline study program
- Diamond drilling of 15,148m. Total drilling to-date on Harper Creek of 78,164m in 318 holes
- Released an updated Resource estimate with contained copper within the Measured and Indicated Resource categories at a 0.2% copper cut-off grade increasing by 1.67 billion pounds or 47% compared to the previously completed estimate in the Preliminary Economic Assessment at a 0.2% copper cut-off grade
- Changed the financial year end from October 31 to December 31 effective for the 2012 financial year
- Adopted a shareholder rights plan to ensure the fair treatment of all shareholders in the event of a takeover bid or change of control

(b) Overview

Yellowhead Mining Inc. ("Yellowhead" or the "Company") was incorporated on August 25, 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 its wholly-owned Harper Creek mineral property ("Harper Creek"), located in south central British Columbia, Canada. The Company's shares trade on the Toronto Venture Stock Exchange ("TSX-V" or "TSX Venture") under the symbol YMI.

This Management Discussion and Analysis ("MD&A") provides information that management considers to be relevant to an assessment and understanding of the Company's financial condition as at March 31, 2012 and the results of its operations and cash flows for the three and five months ended March 31, 2012. This discussion should be read in conjunction with the Company's condensed consolidated interim financial statements and the related notes for the three and five months ended March 31, 2012 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. 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 May 10, 2012. Additional information of the Company is available on SEDAR at www.sedar.com.

Harper Creek

The Company's Harper Creek property is a copper-gold-silver deposit located approximately 150 km by road north-northeast of the city of Kamloops in Vavenby, B.C. The property is adjacent to the Yellowhead Highway; the Canadian National Railways transcontinental mainline, power from BC Hydro transmission lines and town-sites at Vavenby and Clearwater. The property had been explored by Noranda and US Steel in the 1960's and 1970's. The data and a significant portion of the drill core from this period have been recovered by the Company.

1. HIGHLIGHTS AND OVERVIEW (Continued)

The Company has a total of 131 mineral tenures covering 42,636 hectares at Harper Creek in Kamloops Mining Division of British Columbia. The area of active exploration and proposed development comprises 9,000 hectares which extends from the area of historical exploration by both Noranda and US Steel and their successors.

Corporate Structure
The Company was a private, non-reporting, issuer in the provinces of British Columbia, Alberta and Ontario but became a wholly owned subsidiary of the Capital Pool Company, Four Points Capital Corporation, upon its amalgamation with 0887988 B.C. Ltd. on November 10, 2010. Following its amalgamation, the “old” Yellowhead Mining Inc. was renamed the Harper Creek Mining Corporation and the “old” Four Points Capital Corporation became the “new” Yellowhead Mining Inc. In the future, both the Financial Statements and the Management Discussion and Analysis will be reported for Yellowhead Mining Inc., the consolidation of the “new” Yellowhead Mining Inc. with its wholly owned subsidiary, the Harper Creek Mining Corporation. The “new” Yellowhead Mining Inc. was listed for trading on the TSX Venture on November 17, 2010 under the trading symbol YMI.

On November 18, 2010, Yellowhead Mining Inc. became a Tier 1 issuer on the TSX Venture. Tier 1 is reserved for the TSX Venture issuers with significant financial resources and at a more advanced stage. Benefits of Tier 1 status include a more favorable regulatory environment and increased opportunity for participation by institutional investors.

2. FORWARD-LOOKING STATEMENTS

Except for statements of fact relating to the Company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as “plan”, “expect”, “project”, ”intend”, ”believe”, ”anticipate” and other similar words, or statements that certain events or conditions “may” or “will” occur. Forward-looking statements are based on the opinions and estimates of management at the dates the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include: the inherent risks involved in the exploration and development of mineral properties; the uncertainties involved in interpreting drilling results and other geological data; metal price volatility; economic and political events affecting metal supply and demand; fluctuation in ore grade; tonnes of ore milled; the possibility of project cost overruns or unanticipated costs and expenses; uncertainties related to completion results of planned exploration and development programs on the Company’s material properties; issuance of licenses and permits; and the availability of and costs of financing needed in the future and other factors described in this discussion under the heading “Outlook”. Except as required by law, the Company undertakes no obligation to update forward-looking statements if circumstances or management’s estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

3. OUTLOOK

Some of the Company's expectations for the remainder of 2012 and beyond include:

- Submission of the Company's Environmental Assessment ("EA") application for Harper Creek. Management of the EA is being undertaken by Knight Piésold Limited with assistance from Dillon Consulting Ltd., (water quality), SRK Consulting (Canada) Inc., (geochemistry) and BioteQ Environmental Technologies Inc., (water treatment), Terra Archeology (archeological) and Keystone Wildlife Research (wildlife).
- Consultation with the First Nations and local communities is ongoing.
- Beginning in June 2011, the Company rolled out an intensive investor relations program designed to raise the Company's profile among investors in North America, Europe and Asia. In order to finance the development of Harper Creek, the Company is exploring financing options, including but not limited to: strategic investors and/or partnerships, project and equipment financing and off-take agreements.
- The Company intends to continue a step-out drilling campaign in mid-to-late summer in order to expand the Company's resource base.

4. CORPORATE ACTIVITY

On November 7, 2011, the Company completed the purchase of the former Weyerhaeuser Company Ltd. sawmill property about 2.5km west of Vavenby, B.C. for total consideration including transaction costs of $2,222,729. The property comprises approximately 79.3 hectares and has an approximately 1,880 metre rail siding, connecting to the Canadian National Railway's transcontinental main line that passes through Vavenby. The rail load-out will be located approximately 25 km by road from the Harper Creek project mill site.

On January 4, 2012, the Company announced the appointment of Saurabh Handa, CA, as Chief Financial Officer of the Company. Mr. Handa replaces Robert L. J. Harper who remained with the Company through a transition period to the end of January 2012 as Chief Financial Officer and will continue thereafter as a consultant. On January 18, 2012, the Company announced that pursuant to the Company's stock option plan and subject to regulatory approval, it had granted 200,000 stock options to Mr. Handa. The stock options have an exercise price of $1.25 per share, vest quarterly over three years and are exercisable for a period of five years.

On February 12, 2012, the Company announced the appointment of Cliveden AG of Zug, Switzerland as the Company's exclusive advisor for the marketing of the Harper Creek copper concentrates. Mark Forsyth, Managing Director, formed Cliveden AG in September 2010 and he has spent 25 years working in commodity trading houses in London and Switzerland. His background stretches across all aspects of the non-ferrous trading spectrum from operations, shipping, hedging and marketing and he has an extensive global network within the metals producer, transportation, smelting, refining and trading communities

4. CORPORATE ACTIVITY (Continued)

On February 16, 2012, the Company announced an updated NI 43-101 compliant resource estimate as of December 20, 2011 for its Harper Creek project. At a 0.2% copper cut-off grade, total Measured and Indicated Resources are estimated at 815 million tonnes ("t") grading 0.29% copper and containing 5.26 billion pounds of copper. This represents an increase of 1.67 billion pounds of copper over the estimate in the Company's Preliminary Economic Assessment ("PEA") announced on March 8, 2011. Inferred Resources at a 0.2% cut-off grade total 80 million tonnes grading 0.30% copper and containing 0.53 billion pounds of copper.

On February 20, 2012, the Company announced that it was prospectively changing its fiscal year end date from October 31st to December 31st. In accordance with relevant legislation the Company will prepare condensed consolidated interim financial statements for the periods ending and as at December 31, 2011, March 31, 2012, June 30, 2012 and September 30, 2012 for the current fiscal year. The Company's next annual financial statements will be for the fourteen months ended December 31, 2012.

On March 2, 2012, the Company reported the results of the independent NI 43-101 Technical Report for the Harper Creek Feasibility Study ("FS"). Harper Creek's estimated pre-tax NPV_8 is $749.7 million with an IRR of 20.2% for a 28 year project life at a milling rate of 70,000 tonnes per day ("tpd"), based on long-term metal prices of US$2.50/lb Copper ("Cu"), US$1,250/oz Gold ("Au") and US$20/oz Silver ("Ag"). The Technical Report was filed on SEDAR at www.sedar.com on March 29, 2012.

On March 16, 2012, the Company adopted a shareholder rights plan to ensure the fair treatment of all Yellowhead shareholders during any takeover bid for the Company's outstanding shares or other transactions that would involve a change in control. The plan was effective immediately and was approved by the shareholders of the Company at the annual general and special meeting of shareholders held on April 19, 2012.

On April 20, 2012, the Company announced the following changes to its Board of Directors. Christopher Naas resigned from the Board of Directors for Yellowhead Mining Inc. but will remain as a director for Harper Creek Mining Corp., a 100% owned subsidiary of Yellowhead Mining Inc. Richard Jensen was elected to the Board of Directors to fill the vacancy left when Christopher Naas resigned. On April 23, 2012, due to unforeseen personal circumstances Mr. Jensen determined that he was unable to fulfil his commitment to serve as a director of the Company and resigned as a director effective April 20, 2012.

On May 1, 2012, the Company appointed Beverly A. Bartlett as a director for Yellowhead Mining Inc. to fill a casual vacancy on the Board of Directors. Pursuant to the Company's stock option plan and subject to regulatory approval, the Company has granted 150,000 stock options to Ms. Bartlett. The stock options have an exercise price of $1.25 per share, vest quarterly over three years and are exercisable for a period of five years.

5. MINERAL PROPERTIES

The Company's Harper Creek property is a copper-gold-silver deposit located approximately 150 km by road north-northeast of the city of Kamloops in Vavenby, B.C. The property is adjacent to the Yellowhead Highway; the Canadian National Railways transcontinental mainline, power from BC Hydro transmission lines, town-sites at Vavenby and Clearwater. The property had been explored by Noranda and US Steel in the 1960's and 1970's. The data and a significant portion of the drill core from this period have been recovered by the Company.

(a) Mineral Tenures

The Company has a total of 131 mineral tenures covering 42,636 hectares at Harper Creek in Kamloops Mining Division of British Columbia. The area of active exploration and proposed development comprises 9,000 hectares which extends from the area of historical exploration by both Noranda and US Steel and their successors. On November 3, 2011, the Company extended all 131 of its mineral tenures through to November 3, 2017 for total cash cost of $51,209.

The Company's 131 mineral tenures were acquired as follows:

- 61 mineral tenures were acquired in 2006 from various parties for total cash consideration of $65,000 and by the issuance of a total of 6,100,000 common shares of the Company which at the time of issuance had a deemed value of $100,000.
- 70 mineral tenures were staked by the Company between 2006 and 2010 for total cash consideration of $14,741.

The Company's Harper Creek 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.
- A 2.5% NSR to Xstrata related to 6 mineral tenures. Based on the Feasibility Study, discussed later in this MD&A, this equates to approximately 1.5 million tonnes of ore which is expected to be mined beginning in year sixteen of the mine plan.

In November 2011, the Company paid an additional $10,000 for the Company's reclamation bond related to Harper Creek.

(b) Exploration

Prior to acquisition by the Company, historical exploration was conducted at Harper Creek by a Noranda/US Steel joint venture and American Comstock. The historic drilling conducted on the property was:

- 1967 to 1973 – Noranda/US Steel drilled a total of 168 holes for a total of 26,445m
- 1996 – American Comstock drilled 8 holes for a total of 2,847m

From 2006 – 2010 the Company drilled an additional 86 holes for a total of 33,724m.

(In Canadian dollars)

5. MINERAL PROPERTIES (Continued)

Diamond drilling on the property for the 2011 drilling program was completed in December 2011. Fifty six holes were drilled for a total of 15,148m. Drilling included:

- Resource confirmation: 33 holes for a total of 8,191m
- Condemnation: 8 holes for a total of 1,791m
- Resource expansion: 11 holes for a total of 4,725m
- Metallurgical sampling: 4 holes for a total of 441m

To date drilling at Harper Creek has totaled 318 holes for a total of 78,164m. Assaying of the drill holes from the 2011 drilling program was completed in early February of 2012.

The field program and its management have been contracted to CME Consultants Inc., a geological consulting firm whose President is a director of the Company's 100% owned subsidiary Harper Creek Mining Corp.

In September 2011 an application to extend the Company's existing exploration permit to December 31, 2014, was submitted and is current under review by the Ministry of Energy and Mines.

(c) Resource Update

On February 16, 2012, the Company announced an updated NI 43-101 compliant Resource estimate as of December 20, 2011 for its Harper Creek project. At a 0.2% copper cut-off grade ("COG"), total Measured and Indicated ("M&I") Resource is estimated at 815 million tonnes grading 0.29% copper and containing 5.26 billion pounds of copper. This represents an increase of 1.67 billion pounds of copper over the Company's PEA announced on March 8, 2011.

Details of the methodology used are available in the Feasibility Study filed by the Company on March 29, 2012 and available on SEDAR at www.sedar.com.

Based on the resource update the Company's Resources effective December 20, 2011 are:

	Measured					Indicated				
COG % Cu	**Ktonnes**	**Cu %**	**Au g/t**	**Ag g/t**	**Cu billion #**	**Ktonnes**	**Cu %**	**Au g/t**	**Ag g/t**	**Cu billion #**
0.1	590,790	0.24	0.028	1.1	3.13	928,207	0.22	0.026	1.1	4.50
0.2	**348,515**	**0.31**	**0.034**	**1.3**	**2.38**	**466,482**	**0.28**	**0.030**	**1.3**	**2.88**
0.3	149,694	0.39	0.044	1.5	1.29	144,943	0.38	0.040	1.5	1.21
0.4	56,753	0.48	0.056	1.7	0.60	44,638	0.47	0.051	1.7	0.46
0.5	18,925	0.58	0.074	2.0	0.24	11,687	0.57	0.065	1.9	0.15

	Measured + Indicated					Inferred				
COG % Cu	**Ktonnes**	**Cu %**	**Au g/t**	**Ag g/t**	**Cu billion #**	**Ktonnes**	**Cu %**	**Au g/t**	**Ag g/t**	**Cu billion #**
0.1	1,518,997	0.23	0.027	1.1	7.63	155,251	0.22	0.027	1.1	0.75
0.2	**814,997**	**0.29**	**0.032**	**1.3**	**5.26**	**80,169**	**0.30**	**0.033**	**1.4**	**0.53**
0.3	294,637	0.39	0.042	1.5	2.50	31,635	0.39	0.037	1.5	0.27
0.4	101,391	0.48	0.054	1.7	1.06	11,360	0.47	0.044	1.8	0.12
0.5	30,612	0.58	0.071	2.0	0.39	3,017	0.57	0.054	2.0	0.04

The selected base case copper COG of 0.2% is considered consistent with other mineral deposits of similar characteristics, scale and location.

5. MINERAL PROPERTIES (Continued)

(d) Feasibility Study

On March 2, 2012, the Company reported the results of the independent Harper Creek Feasibility Study ("FS"). The NI 43-101 compliant Technical Report for the FS is available on www.sedar.com.

Highlights

Key highlights from the FS are:

- The project estimated pre-tax Net Present Value @ 8% discount rate ("NPV_8") is $749.7 million with an Internal Rate of Return ("IRR") of 20.2% for a 28 year project life at a milling rate of 70,000 tonnes per day ("tpd") (25.55Mt/y), based on long-term metal price projections of US$2.50/lb Cu, US$1,250/oz Au and US$20/oz Ag, and a US$:Cdn$ exchange rate of 0.86:1.
- Capital costs are estimated at $838.95 million[1] +/- 15% in Q4 2011 dollars, including contingency of 10% or $76.4 million.
- Life of Mine ("LOM") onsite cash operating costs, including precious metal credits, are estimated at US$0.95/lb Cu (US$0.80/lb for the first 5 years) and total onsite and offsite cash cost (including precious metal credits) is estimated at US$1.56/lb Cu.
- LOM[2] cash operating costs per tonne milled are estimated as follows: Mining $2.82; Milling $3.12; Site Services $0.28; General & Administrative $0.38 for a total of $6.60/t milled.
- The project as designed is expected to produce a total of 3.63 billion pounds of copper, 372 thousand ounces of gold and 14 million ounces of silver contained in concentrate.
- LOM stripping ratio is estimated at 0.81:1. The mill is also scheduled to process ore recovered from low grade stockpile for the last 5 years of operation. During pre-production in year -1 a total of 30 million tonnes is expected to be mined predominately for roads, tailings starter dam and other civil construction activities.
- The FS is based on an updated resource (refer to resource update section). At a 0.20% Cu cut-off Measured Resources are estimated at 348.5Mt at 0.31% Cu, 0.034g/t Au, 1.3g/t Ag; Indicated Resources at 466.5Mt at 0.28% Cu, 0.03g/t Au, 1.3g/t Ag for a total Measured and Indicated Resource of 815Mt at 0.29% Cu, 0.032g/t Au and 1.3g/t Ag. A further 80.17Mt at 0.30% Cu, 0.033g/t Au, and 1.4g/t Ag are estimated in the Inferred Resource category and is reported as waste in the mine production schedule until it can be upgraded by additional infill drilling.
- Total mineable reserves were determined by pit optimization runs using a Lerchs-Grossmann algorithm to determine the "optimum" pit limit. At a 0.14% Cu cut-off, Proven Reserves are estimated at 401.18Mt @ 0.272% Cu, 0.031g/t Au and 1.15g/t Ag; Probable Reserves 303.22Mt @ 0.248% Cu, 0.027g/t Au and 1.13g/t for a total Proven and Probable Reserve of 704.4Mt @ 0.262% Cu, 0.029g/t Au and 1.14g/t Ag.
- Sustaining capital over the project life is estimated at $293.2 million.

____

1 All Dollars Canadian unless otherwise stated.
2 LOM refers to life of project from start up through to cessation of open pit operations. Cash mine operating cost per tonne of ore milled to closure is estimated at $3.10/t.

5. MINERAL PROPERTIES (Continued)

Production Statistics

The following table details production estimates by period:

	Ore Milled	Head Grade			Recovered to Concentrate			Avg Cu Recovery
	Mt	Copper %	Gold g/t	Silver g/t	Cu lb x 1000	Au oz	Ag oz	%
Years 1 - 5	125,195	0.31	0.04	1.15	762,944	85,145	2,635,177	91%
Years 1 - 10	252,945	0.29	0.03	1.19	1,483,114	164,580	5,624,259	90%
Life of Mine	704,392	0.26	0.03	1.14	3,630,564	372,137	14,736,280	89%

Economic Analysis

The base case economic analysis is based on the following long term metal price projections: US$2.50/lb Cu (based on a US$:Cdn$ exchange rate of 0.86:1 taken from an established historic relationship with copper prices), US$1,250/oz Au and US$20/oz Ag. Based on the above capital and operating cost estimates, the Harper Creek project is estimated to have a pre-tax NPV of US$749.7 million (@ 8% discount rate) and an IRR of 20.2% based on 100% equity financing.

Sensitivity Analysis

The following table demonstrates the sensitivity of project economics to changes in copper prices. Corresponding foreign exchange ("FX") rates are taken from the established historical relationship which demonstrates a very strong copper price to US$:Cdn$ FX rate correlation. Gold and silver prices are unchanged from the base case prices of US$1,250/oz and US$20/oz, respectively.

Copper price US$/lb	NPV_8 US$M	IRR %	Payback Years	US$:Cdn$ FX Rate
2.00	199.6	11.7	7.6	0.82
2.25	474.7	16.1	6.2	0.84
Base Case 2.50	**749.7**	**20.2**	**5.1**	**0.86**
2.75	1,002.5	23.4	4.4	0.89
3.00	1,277.4	26.8	3.9	0.91
3.82 [as of 29/2/2012]	2,124.7	35.6	3.3	1.00

5. MINERAL PROPERTIES (Continued)

Feasibility Study Team

The FS team is comprised of:

- Merit Consultants International Inc.: FS study management as well as providing capital cost estimating, financial analysis, project scheduling and implementation strategy
- Knight Piesold Limited: geotechnical, mine waste and water management and tailings dam design
- Allnorth Consultants Limited: process plant and facilities design
- GeoSim Services Inc.: resource estimation
- Nilsson Mine Services Ltd.: reserve estimation, mine planning and scheduling, mine capital and operating costs
- Laurion Consulting Inc.: metallurgy, plant flowsheet design, process operating costs

The following also provided support to the FS:

- CME Consultants Inc.: drilling, geological interpretation, QA/QC
- G&T Metallurgical Services Limited ("G&T"): metallurgical test work
- KWM Consulting Inc.: comminution
- SRK Consulting Ltd.: geochemistry
- Lawrence Consulting Ltd.: geochemistry, water treatment
- Cliveden AG: marketing

The Company provided overall support and guidance to the project especially in the areas of operating and staffing philosophy, marketing and financial analysis.

Project Development

The FS design is based on the development of a large-scale open pit mining and milling operation and essentially follows the concept developed in the PEA completed by TetraTech and filed on www.sedar.com on April 1, 2011. The main changes were the location of the primary crusher which was moved closer to the pit limit with a resulting lengthening of the coarse ore conveyor and reduction in hauling costs to the crusher. Following extensive crushing and grinding test work conducted by FLSmidth primarily at their Bethlehem, PA laboratory, together with improved recovery at a coarser grind size, the Company was able to reduce the expected power draw by the ball mills, compared to the PEA estimate, by 25% and eliminate two crushers for SAG mill coarse pebble rejects. This resulted in a reduction in capital cost for crushing and grinding and significantly reduced milling costs.

The mine will employ 311mm (12¼") electric and diesel rotary blast hole drills, 42m^3 (55yd^3) electric hydraulic shovels, 240 short ton capacity haul trucks plus support equipment. Bulk heavy ammonium nitrate slurry explosives will be delivered down the blast holes by a third party vendor. The mill feed will be crushed by a 1.5m (60") x 2.3m (89") gyratory crusher to a nominal 80% passing 200mm (8"). Crushed material will feed a stockpile of nominal 70,000t live capacity, before being reclaimed to the process plant.

5. MINERAL PROPERTIES (Continued)

Plant design is based on a single line flow sheet employing SAG and ball milling, flotation including regrinding, thickening and filtering to produce a concentrate for export averaging 25.5% Cu together with gold and silver credits. The primary grinding circuit includes an 11.6m (38') x 6.7m (22') SAG mill with a 20MW (26,800HP) gearless drive feeding two 7.3m (24') x 12.8m (42') twin pinion drive ball mills, 13MW (17,400HP) total for each mill, providing a primary grind size of 80% passing 180μm. Primary grinding circuit discharge feeds two banks of six 300m^3 rougher flotation cells. The rougher concentrate will be reground by two M10000 (3MW each) Isamills to 80% passing 20 μm prior to two stages of cleaner flotation by column flotation cells. At a 0.33% Cu head grade in Year 1, the recovery of copper to concentrate is estimated at 91.1%. The primary and regrind product sizes and flotation parameters were determined by G&T. Test work indicates that the concentrate is clean with no elements at smelter penalty levels and both gold and silver at payable levels.

Concentrate will be loaded on B-Trains of nominal 40t capacity for hauling to the rail load-out facility in the town of Vavenby, a distance of approximately 25km, for rail shipment to the Port of Vancouver, a distance of 450km. From there it will be shipped to smelters/refineries most likely in the Pacific Rim. In November 2011, the Company announced the purchase of an old Weyerhaeuser sawmill site in Vavenby, with an existing rail siding, for its concentrate load-out facility.

Water from the tailings slurry will be reclaimed from the Tailings Management Facility ("TMF") for use in the milling process. The TMF has the capacity to store all tailings and submerge any potentially acid generating waste rock. Low grade material will be stockpiled to the south of the pit for easy reclaim for processing in the latter years of the mine life. The TMF is located in a natural valley to the south of the plant in an area devoid of any fish habitat.

Mine infrastructure includes upgrading of an existing logging road over a distance of approximately 12km. A 600 person camp will be established for construction workers at site; most of the mine and plant operating and maintenance labour is expected to be drawn from the local area.

Power will be supplied by an upgraded BC Hydro 138 kVA transmission line that parallels the Yellowhead Highway, approximately 10km north of the plant. The upgraded transmission line will also provide improved reliability of power to existing customers within the North Thompson River Valley and provide capacity for expansion to the existing industrial base. The Company's expected connect date is March 2015.

The project is expected to employ up to 430 hourly and staff personnel. Based on industry experience, approximately 1,000 to 1,200 jobs will be created in the surrounding communities and elsewhere within the province to provide support to the project.

Following exhaustion of reserves, the project will close and be reclaimed according to regulatory requirements. All equipment and facilities will be removed and the area graded and seeded.

(In Canadian dollars)

5. MINERAL PROPERTIES (Continued)

(e) Environmental Assessment

On October 21, 2011, the British Columbia Environmental Assessment Office ("EAO") approved the Application Information Requirements ("AIR") for the Harper Creek. The AIR, or Terms of Reference, was developed to meet the purposes of the environmental assessment pursuant to both the *BC Environmental Assessment Act* ("BCEAA") and the *Canadian Environmental Assessment Act* ("CEAA"). The AIR specifies the information that must be contained in the Application for an Environmental Assessment Certificate.

In 2007, the Company initiated water quality and fisheries inventory work. Comprehensive water, archaeology, wildlife, fisheries inventories and other baseline studies were started in 2011 and are expected to continue through 2012. Environmental monitoring will continue for the life of the project.

The Environmental Assessment process is being led by Knight Piesold with support by specialist consultants including Keystone Wildlife Research Ltd., Dillon Consulting Limited, and TerraArcheology.

Laurie McNeil and Associates is conducting the socio-economic assessment and review of the project.

Representatives of the local and First Nations communities were recruited to provide input and assist these specialists with the environmental baseline studies.

(f) Mineral Properties Expenditures

As at March 31, 2012 a summary of the Company's mineral property expenditures at Harper Creek are as follows:

	Capitalized Mineral interests	Evaluation and exploration expenses	Total expenditures on Harper Creek
Balance, October 31, 2011	$ 834,026	$ 19,704,383	$ 20,538,409
Net Additions	51,209	3,742,250	3,793,459
Balance, March 31, 2012	$ 885,235	$ 23,446,633	$ 24,331,868

Further details of mineral interests (Note 10) and evaluation and exploration expenditures (Note 7) are disclosed in the March 31, 2012 condensed consolidated interim financial statements.

The Company is prepared to advance the development on the property. Plans are well advanced and contracts in place for ongoing environmental baseline studies and archaeological and traditional use studies. Subject to receipt of additional financing the Company intends to commence detail engineering in Q3 2012.

The Company's exploration work to date indicates the potential for expansion of mineralization to the east, north and at depth. The Company intends to investigate these potential extensions.

6. SUMMARY OF QUARTERLY RESULTS

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

	2012 (2)	2011 (2)(3)	2011 (2)				2010 (1)	
Quarter Ended	**31-Mar**	**31-Dec**	**31-Oct**	**31-Jul**	**30-Apr**	**31-Jan**	**31-Oct**	**31-Jul**
Administrative expenses	$ 994	$ 691	$ 878	$1,423	$1,816	$ 679	$ 616	$ 138
Evaluation and exploration expenses	1,520	2,222	3,091	3,822	1,367	1,362	-	-
Other expenses/(income)	(13)	(25)	(62)	(55)	(21)	1,177	1	-
Net loss and comprehensive loss for the period	2,501	2,888	3,907	5,190	3,162	3,218	617	138
Basic and diluted loss per share for the period	$ 0.05	$ 0.05	$ 0.07	$ 0.13	$ 0.09	$ 0.10	$ 0.02	$ 0.01

(1) Information for periods beginning prior to November 1, 2010, the date of the Company's transition to IFRS, has been prepared in accordance with Canadian Generally Accepted Accounting Principles and has not been restated to comply with IFRS.

(2) Information for periods beginning subsequent to November 1, 2010, the date of the Company's transition to IFRS, has been prepared in accordance with IFRS.

(3) Due to the Company's prospective change in fiscal year end from October 31, 2012 to December 31, 2012, the period ended December 31, 2011 is two month long and all other disclosed periods are three months long.

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, investor relations and administration. The Company has continued to develop the technical and economic feasibility of Harper Creek and the increased expenditures by the Company reflect this development.

7. 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.

Three months ended March 31, 2012

The Company recorded a net loss of $2,501,453 for the three months ended March 31, 2012, as compared to a net loss $3,162,434 for the three months ended April 30, 2011. The decrease in the loss is attributable to the following major items:

Wages and benefits increased to $486,838 for the three months ended March 31, 2012 as compared to $123,120 for the three months ended April 30, 2011. This increase is related to the ramp up of the Company's management team.

Share-based compensation decreased to $59,327 for the three months ended March 31, 2012 as compared to $1,271,237 for the three months ended April 30, 2011. This decrease is related to a fewer number of options granted and a change in vesting conditions for options granted in the three months ended March 31, 2012 as compared to the three months ended April 30, 2011.

Evaluation and exploration expenses increased to $1,520,236 for the three months ended March 31, 2012 as compared to $1,367,497 for the three months ended April 30, 2011. This increase is related to the additional exploration activities at Harper Creek in conjunction with the Feasibility Study.

7. RESULTS OF OPERATIONS (Continued)

Five months ended March 31, 2012

The Company recorded a net loss of $5,389,444 for the five months ended March 31, 2012, as compared to a net loss $6,380,196 for the six months ended April 30, 2011. The decrease in the loss is attributable to the following major items:

Wages and benefits increased to $734,445 for the five months ended March 31, 2012 as compared to $248,500 for the six months ended April 30, 2011. This increase is related to the ramp up of the Company's management team.

Share-based compensation decreased to $84,942 for the five months ended March 31, 2012 as compared to $1,443,253 for the six months ended April 30, 2011. This decrease is related to a fewer number of options granted and a change in vesting conditions for options granted in the five months ended March 31, 2012 as compared to the six months ended April 30, 2011.

Consulting fees increased to $216,741 for the five months ended March 31, 2012 as compared to $68,397 for the six months ended April 30, 2011. This increase is related to increased activity as the Company continues its permitting process for Harper Creek. Included in these fees are costs for the socio-economic review, community consultation process and BC Hydro studies associated with the permitting and construction process.

Evaluation and exploration expenses increased to $3,742,250 for the five months ended March 31, 2012 as compared to $2,729,853 for the six months ended April 30, 2011. This increase is related to the additional exploration activities at Harper Creek in conjunction with the Feasibility Study.

Share issue costs on reverse take-over were $nil for the five months ended March 31, 2012 as compared to $1,190,813, for the six months ended April 30, 2011. These costs were associated with the Company's reverse take-over of Four Points which is discussed in Note 4 of the Company's condensed consolidated interim financial statements.

8. LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital as at March 31, 2012 was $10,755,623 as compared to working capital of $17,936,968 at October 31, 2011, representing a decrease in working capital of $7,181,345. Included in working capital were cash and cash equivalents of $8,282,887 (October 31, 2011 - $15,668,987).

(a) Financing

The Company's cash provided by financing activities for the five months ended March 31, 2012 was $369,746 as a result of the exercise of 505,500 stock options and 8,992 share purchase warrants. For the six months ended April 30, 2011, the Company's cash provided by financing activities was $25,483,639 primarily related to private placements completed on November 9, 2010 and April 15, 2011.

8. LIQUIDITY AND CAPITAL RESOURCES (Continued)

The Company has to the date of the MD&A completed two private placements discussed below:

Private Placement – November 2010
Beginning November 3, 2010 and concluding on November 9, 2010, the Company accepted subscriptions for 2,437,863 units comprising one common share and one-half of one common share purchase warrant each for gross proceeds of $2,632,892. Each full warrant entitles the holder to purchase a share of the Company for $1.40 for a period not to exceed 2 years from the date of issue. The Company retained the right to force the conversion of these warrants should the trading price of the Company's shares on a recognized exchange exceed $1.90 for a period of 10 consecutive trading days. Proceeds of $475,250 were received prior to October 31, 2010, and are included as share subscriptions received. Additional finders' fees of $153,013 were paid to accredited finders together with 118,931 finders' warrants with a strike price of $1.08 per common share and a term of 2 years from the date of issue.

Private Placement – April 2011
On April 5, 2011, the Company closed its bought deal private placement, including the partial exercise of the over-allotment option (the "Offering"). Under the Offering, the Company issued an aggregate of 14,129,655 units of the Company at a price of $1.45 per unit for gross proceeds of $20,488,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, with each whole warrant exercisable for an additional common share of the Company at a price of $2.00 per share for a period of 24 months following the closing.

The Underwriters received a total cash commission of 6% of the gross proceeds of the Offering and were issued a total of 847,779 underwriter's warrants (the "Underwriter's Warrants"). Each Underwriter's Warrant entitles the holder thereof to purchase one Common Share at a price of $1.45 per Common Share prior to April 5, 2013.

On April 15, 2011, the Company closed the remaining portion of the over-allotment option previously granted to the syndicate of underwriters led by Canaccord Genuity Corp. and including Clarus Securities Inc., Jennings Capital Inc. and Stonecap Securities Inc. (collectively, the "Underwriters"). Pursuant to the over-allotment option, the Underwriters elected to purchase the remaining 1,740,345 units of the Company at a price of $1.45 per unit for gross proceeds of $2,523,500 (the "Option"). The Option was made available as part of the bought deal private placement announced on March 14, 2011.

On April 15, 2011, pursuant to a pre-emptive right granted by the Company to Anthill Resources Ltd. ("Anthill"), Anthill elected to subscribe for 1,294,632 units under an offering by the Company at a price of $1.45 per unit for gross proceeds of $1,877,216.

The Underwriters received a total cash commission of 6% of the gross proceeds of the Option and 3% on the gross proceeds of the Anthill subscription and were issued a total of 104,421 underwriter's warrants (the "Underwriter's Warrants"). Each Underwriter's Warrant entitles the holder thereof to purchase one Common Share at a price of $1.45 per Common Share prior to April 15, 2013.

In total, the Company has issued 17,164,632 units of the Company pursuant to the bought deal private placement and the Anthill subscription (together, the "Offering") for total gross proceeds of $24,888,716 to the Company.

8. LIQUIDITY AND CAPITAL RESOURCES (Continued)

(b) Use of Proceeds

The Company plans to use the net proceeds from the financings above to carry out the following activities:

- Feasibility Study at Harper Creek (completed and filed March 29, 2012)
- Environmental Assessment at Harper Creek
- General exploration, development and acquisition activities
- 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.

(c) Capital Resources

The Company's focus for the next fiscal year and going forward is the advancement and development of Harper Creek. The major expenses that will be incurred by the Company in the next twelve months will be costs associated with drilling, the Environment Assessment process, deposits for long-lead items and detail engineering. The Company believes its current working capital is sufficient to advance its permitting process.

If adequate funds are not available when required, the Company may at the discretion of management and based on the Company's cash position delay, scale back or eliminate various programs. In the future the Company may receive additional funds through the exercise of common share warrants and stock options. 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 stock 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 at terms it finds acceptable.

(In Canadian dollars)

8. LIQUIDITY AND CAPITAL RESOURCES (Continued)

(d) Commitments

As at March 31, 2012, the Company had the following contractual commitments:

Year incurred	Committed amount
2012	**$ 84,500**
2013	**115,400**
2014	**118,400**
2015	**121,500**
2016	**82,300**
Total commitments	**$ 522,100**

The commitment is related to 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.

(e) Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

(f) Proposed Transactions

The Company has no proposed transactions.

9. FINANCIAL INSTRUMENTS

As at March 31, 2012, the Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities and due to related parties. The mineral exploration tax credits receivable and HST receivable are excluded from financial instruments as they arise from statutory requirements imposed by Government of Canada and the Province of British Columbia.

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.

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

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. On March 31, 2012, the Company had cash and cash equivalents of $8,282,887 (October 31, 2011 - $15,668,987) available to settle current liabilities of $460,081 (October 31, 2011 - $2,167,126). 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 exposed to interest rate risk through its cash balances which are held in a savings account paying 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.

The Company is not exposed to foreign currency risk or other price risks.

10. RELATED PARTY TRANSACTIONS

Transactions with related parties for the five months ended March 31, 2012, totalled $791,239 (April 30, 2011 - $1,323,466) and are detailed below:

- During the five months ended March 31, 2012, the Company paid and accrued management fees of $nil (April 30, 2011 - $78,300) to Andreas Consulting Inc., a company controlled by an officer and director of the Company. As at March 31, 2012, the balance owing to that company was $nil.
- During the five months ended March 31, 2012, the Company paid and accrued management fees of $nil (April 30, 2011 - $63,600) to Handford Management Ltd., a company controlled by an officer of the Company. As at March 31, 2012, the balance owing to that company was $nil.
- During the five months ended March 31, 2012, the Company paid and accrued project management fees, exploration expenses and office costs of $753,739 (April 30, 2011 - $1,136,566) to CME Consultants Inc., a contractor company whose president is a director of the Company. As at March 31, 2012, the balance owing to that company was $6,584.
- During the five months ended March 31, 2012, the Company paid and accrued management fees of $37,500 (April 30, 2011 - $45,000) to Twinstone Ventures Inc., a company related to a director of the Company. As at March 31, 2012, the balance owing to that company was $8,400.

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(In Canadian dollars)

11. OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value. As at May 10, 2012, the Company had 53,276,461 common shares issued and outstanding.

The Company has the following stock options that are outstanding and exercisable as at May 10, 2012:

	Outstanding		Exercisable	
Exercise price	**Number outstanding**	**Weighted average remaining life (years)**	**Number exercisable**	**Weighted average remaining life (years)**
$1.00	725,000	2.04	725,000	2.04
$1.08	950,000	3.44	950,000	3.44
$1.25	3,432,500	4.21	2,008,129	3.97
	5,107,500	**3.76**	**3,683,129**	**3.45**

The Company also has the following warrants that are outstanding as at May 10, 2012:

Exercise price	Number of warrants	Weighted average remaining life (years)
Share purchase warrants		
$1.40	3,721,937	0.38
$2.00	8,582,316	0.90
Agents warrants		
$1.08	118,931	0.48
$1.45	952,200	0.90
	13,375,384	**0.75**

12. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Critical accounting estimates and judgements were described in further detail in Note 3 of the Company's condensed consolidated interim financial statements for the two months ended December 31, 2011. While management believes the estimates are reasonable, actual results could differ from these estimates and could impact future results of operations and cash flows.

13. CRITICAL ACCOUNTING POLICIES

The Company's significant accounting policies under IFRS were presented in Note 3 to the Company's condensed consolidated interim financial statements for the two months ended December 31, 2011.

First-time adoption of International Financial Reporting Standards

The Company has prepared its second unaudited condensed consolidated interim financial statements for part of the period covered by the Company's first IFRS consolidated annual financial statements to be presented in accordance with IFRS for the fourteen months ending December 31, 2012. The Company's unaudited condensed consolidated interim financial statements as at and for the five months ended March 31, 2012 have been prepared in accordance with International Accounting Standard ("IAS") 34 - *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These are the Company's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 - *First-time Adoption of International Financial Reporting Standards* has been applied. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

On transition to IFRS the Company had two major adjustments to previously reported figures under Canadian GAAP. First, the Company elected to change to its accounting policy for the treatment of exploration expenditures to a policy of expensing all exploration expenditures, so as to align itself with policies applied by other comparable companies at a similar stage in the mining industry. This resulted in the mineral interests decreasing by $19,704,383 for the year ended October 31, 2011 and $10,062,179 for year ended October 31, 2010. Second, the Company's treatment of the reverse take-over of Four Points was different under IFRS versus Canadian GAAP which resulted in and additional $1,094,183 being added to share capital, $96,630 being added to equity reserves and $1,190,813 added to expenses for the year ended October 31, 2011. Details of the major differences and adjustments required for the conversion to IFRS from Canadian GAAP are detailed in Note 15 of the Company's condensed consolidated interim financial statements for the period ended March 31, 2012.

14. 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 Harper Creek 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 Annual Information Form filed on January 25, 2012 and available on www.sedar.com.