

## **HAPPY CREEK MINERALS LTD.**

Financial Statements

For the three and nine months ended October 31, 2017 and 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL REPORT**

The accompanying unaudited interim financial report of the Company has been prepared by and is the responsibility of the Company's management. The Company's independent auditor has not performed a review of this financial report in accordance with securities legislation and the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**HAPPY CREEK MINERALS LTD.**

Statements of Financial Position

October 31, 2017 and January 31, 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	<b>October 31, 2017</b>	<b>January 31, 2017</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,250,512	\$ 636,391
Accounts receivable (Note 5)	98,905	46,321
Mineral exploration tax credits receivable (Note 5)	-	-
Prepaid expenses	62,846	14,986
<b>Total Current Assets</b>	<b>1,412,263</b>	<b>697,698</b>
<b>Non-current assets</b>		
Equipment(Note 6)	15,214	17,141
Reclamation deposit (Note 7)	89,000	89,000
Marketable securities	6,000	6,000
Exploration and evaluation properties (Note 8)	16,016,682	14,140,708
<b>Total non-current assets</b>	<b>16,126,896</b>	<b>14,252,849</b>
<b>Total assets</b>	<b>\$ 17,539,159</b>	<b>\$ 14,950,547</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other accounts payable (Note 9)	\$ 139,555	\$ 33,151
<b>Non-current liabilities</b>		
Deferred tax liability	729,652	729,652
<b>Total liabilities</b>	<b>869,207</b>	<b>762,803</b>
<b>Equity</b>		
Share capital (Note 10)	21,187,518	18,329,962
Share option reserve (Note 10)	2,405,160	2,072,658
Deficit	(6,896,931)	(6,189,081)
Accumulated other comprehensive loss	(25,795)	(25,795)
<b>Total equity</b>	<b>16,669,931</b>	<b>14,187,744</b>
<b>Total equity and liabilities</b>	<b>\$ 17,539,159</b>	<b>\$ 14,950,547</b>

Going concern (Note 2)

Commitments (Note 14)

**Approved on behalf of the Board:**“David Blann”, Director“Rodger Gray”, Director

These financial statements are authorized for issue by the Board of Directors on December 20, 2017

The accompanying notes are an integral part of these financial statements

**HAPPY CREEK MINERALS LTD.**  
Statements of Loss and Comprehensive Income (Loss)  
October 31, 2017 and 2016  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	<b>Three months ended October 31,</b>		<b>Nine months ended October 31,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Revenue</b>				
Interest income	\$ 4,006	\$ 1,360	\$ 5,553	\$ 3,156
<b>Other expenses</b>				
Advertising and promotion	17,109	14,719	44,352	47,389
Conferences and travel	610	-	15,067	15,443
Management fees and salaries	65,081	48,467	189,986	147,362
Share-based payments	332,502	95,277	332,502	95,277
Office and administration	30,953	28,969	93,944	70,061
Professional fees	9,612	24,966	37,552	33,283
	455,867	212,398	713,403	408,815
<b>Loss before income taxes</b>	<b>(451,861)</b>	<b>(211,038)</b>	<b>(707,850)</b>	<b>(405,659)</b>
<b>Provision for income taxes:</b>				
Deferred income tax recovery (expense)	-	-	-	-
<b>Net income (loss) for the period</b>	<b>(451,861)</b>	<b>(211,038)</b>	<b>(707,850)</b>	<b>(405,659)</b>
Unrealized gain on available for sale financial assets	-	-	-	-
Deferred income tax on available for sale financial assets	-	-	-	-
<b>Comprehensive income (loss) for the period</b>	<b>\$ (451,861)</b>	<b>\$ (211,038)</b>	<b>\$ (707,850)</b>	<b>\$ (405,659)</b>
<b>Basic and Diluted Earnings (Loss) Per Share</b>				
	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
<b>Weighted Average Number of Shares Outstanding</b>				
	83,150,698	73,451,085	83,150,698	73,451,085

The accompanying notes are an integral part of these financial statements

**HAPPY CREEK MINERALS LTD.**  
Statements of Changes in Cash Flow  
October 31, 2017 and 2016  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	<b>Nine months ended October</b>	
	<b>31,</b>	
	<b>2017</b>	<b>2016</b>
<b>CASH AND CASH EQUIVALENTS FROM (USED IN) OPERATING ACTIVITIES</b>		
Income (loss) for the period	\$ (707,850)	\$ (405,659)
Items not involving cash:		
Amortization	1,927	3,078
Share-based payments	332,502	95,277
	<u>(373,421)</u>	<u>(307,304)</u>
<b>Changes in non-cash working capital items:</b>		
Receivables	(52,584)	(43,833)
Prepaid expenses	(47,860)	(2,119)
Trade and other accounts payable	106,404	88,747
	<u>(367,461)</u>	<u>(264,509)</u>
<b>INVESTING ACTIVITIES</b>		
Expenditures on mineral properties	(1,845,974)	(891,756)
Mineral property option payments	(30,000)	20,000
	<u>(1,875,974)</u>	<u>(871,756)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of shares	2,857,556	1,146,080
	<u>2,857,556</u>	<u>1,146,080</u>
<b>Increase (decrease) in cash and cash equivalents</b>	614,121	9,815
<b>Cash and cash equivalents, beginning of year</b>	636,391	599,651
<b>Cash and cash equivalents, end of period</b>	<u>\$ 1,250,512</u>	<u>\$ 609,466</u>
<b>Supplemental Cash Flow Information:</b>		
Amortization capitalized to exploration and evaluation properties	\$ -	\$ -
Accounts payable related to exploration and evaluation costs	\$ 111,435	\$ 127,173
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 162,531	\$ 69,620
Short-term deposits	1,087,981	539,846
	<u>\$ 1,250,512</u>	<u>\$ 609,466</u>

The accompanying notes are an integral part of these financial statements

**HAPPY CREEK MINERALS LTD.**

Statements of Changes in Equity

October 31, 2017 and 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Common Shares		Share Option Reserve	Accumulated Other Comprehensive Loss	Deficit	Total Equity
	Number	Amount				
February 1, 2016	72,137,631	\$17,266,133	\$1,797,120	\$(28,795)	\$(5,621,737)	\$13,412,721
Share-based payments	-	-	95,277	-	-	95,277
Shares for private placement	7,050,158	1,146,080	-	-	-	-
Loss for the period	-	-	-	-	(405,659)	(405,659)
October 31, 2016	79,187,789	\$18,412,213	\$1,892,397	\$(28,795)	\$(6,027,396)	\$14,248,419
February 1, 2017	79,187,789	\$18,329,962	\$2,072,658	\$(25,795)	\$(6,189,081)	\$14,187,744
Share-based payments	-	-	332,502	-	-	332,502
Shares for private placement	13,031,188	2,857,556	-	-	-	2,857,556
Earnings (loss) for the period	-	-	-	-	(707,850)	(707,850)
October 31, 2017	92,218,977	\$21,187,518	\$2,405,160	\$(25,795)	\$(6,896,931)	\$16,669,952

The accompanying notes are an integral part of these financial statements



## **HAPPY CREEK MINERALS LTD.**

Notes to the Financial Statements

For the nine months ended October 31, 2017 and 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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

Happy Creek Minerals Ltd. (“Happy Creek” or the “Company”) was incorporated under the laws of British Columbia on November 17, 2004 and is in the exploration stage of the development of its mineral property interests. The Company’s registered office is Suite 460 – 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

The Company’s principal business activity is the exploration and development of mineral properties. At the date of these financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its properties and the ability of the Company to recover the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the property. The Company is in the development stage with no source of operating revenue and is dependent upon equity financing on terms that are acceptable to the Company, to maintain its current operations. The Company is listed on the TSX Venture Exchange (“TSX-V”) under the symbol “HPY.V”.

### **2. GOING CONCERN**

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties (as described in Note 1) related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern.

The Company’s ability to continue to meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and on securing additional financing. There is, however, no assurance that any such initiatives will be sufficient and, as a result, there is significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position 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 for the foreseeable future. These adjustments could be material.

### **3. BASIS OF PRESENTATION**

These unaudited interim financial statements have been prepared on a historical cost basis. In addition these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These unaudited interim financial statements of the Company

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have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. The unaudited interim financial statements do not include all of the disclosures required for a complete set of annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended January 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

The policies applied in these financial statements are based on IFRS issued and outstanding as of October 31, 2017.

### **3.1. Basis of measurement**

These financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, revenue and expense. Certain items are stated at fair value.

### **3.2. Significant judgments, estimates and assumptions**

The preparation of the Company’s financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

#### **(i) Going concern**

The assessment of the Company’s ongoing viability as an operating entity and determination of the related disclosures require significant judgment.

#### **(ii) Exploration and evaluation properties and impairment**

The Company is required to make significant judgments regarding the capitalization of the costs incurred in respect to its exploration and evaluation properties. The Company is also required to make significant judgments on the ongoing feasibility of mineral exploration, and whether there are indicators that the development of a specific area is unlikely and exploration and evaluation properties should be impaired. Management has assessed impairment indicators on the Company’s exploration and evaluation properties and has concluded that no impairment indicators existed as of October 31, 2017.

## **4. SIGNIFICANT ACCOUNTING POLICIES**

### **4.1 Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within ninety days of purchase.

## **HAPPY CREEK MINERALS LTD.**

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### **4.2 Equipment**

Equipment is recorded at cost and carried net of accumulated depreciation and accumulated impairment losses. Costs of additions and improvements are capitalized. An item of equipment is derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds and the carrying amount of the asset is recognized in profit or loss.

	<b>Depreciation Rate</b>
Computer equipment	45%
Off-road vehicle	12%
Mobile equipment	20%

The Company provides for depreciation using the straight-line method at rates designed to depreciate the cost of individual items over their estimated useful lives. Depreciation on operating assets is included in the statements of loss and comprehensive loss as a component of office and administration expenses. Depreciation on assets utilized in mineral exploration activities is capitalized as a cost of exploration and evaluation properties.

### **4.3 Exploration and Evaluation Properties**

#### **(i) Pre-license costs:**

Costs incurred before the Company has obtained the legal right to explore are expensed as incurred.

#### **(ii) Exploration and evaluation costs:**

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized as incurred, unless future economic benefit is not expected to be realized. The Company capitalizes, on a property by property basis, the costs of acquiring, maintaining its interest in, and exploring and evaluating mineral properties until such time as the lease expires, it is abandoned, sold or considered impaired in value. Indirect administrative costs are expensed as incurred. Exploration and evaluation properties are not depreciated during the exploration and evaluation stage.

Recovery of capitalized costs is dependent on successful development of economic mining operations or the disposition of the related mineral property.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

### **4.4 Decommissioning and Restoration**

## **HAPPY CREEK MINERALS LTD.**

Notes to the Financial Statements

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The Company is subject to various governmental laws and regulations relating to the protection of the environment. The environmental regulations are continually changing and are generally becoming more restrictive.

Decommissioning and restoration obligations encompass legal, statutory, contractual or constructive obligations associated with the retirement of a long-lived tangible asset (for example, mine reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset. The retirement of a long-lived asset is reflected by an other-than-temporary removal from service, including sale of the asset, abandonment or disposal in some other manner.

The fair value of a liability for decommissioning and restoration is recorded in the period in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement of fair value. The capitalized cost is depreciated on either the unit-of-production basis or the straight-line basis, as appropriate. The Company's estimates of its provision for decommissioning and restoration obligations could change as a result of changes in regulations, changes to the current market-based discount rate, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for in the period in which these estimates are revised.

As at October 31, 2017, the Company has determined that it does not have any decommissioning and restoration obligations related to current or former operations in excess of the reclamation bonds held by the B.C. Ministry of Energy and Mines.

### **4.5 Impairment of Non-Financial Assets**

For the purposes of assessing impairment, the recoverable amount of an asset, which is the higher of its fair value less costs to sell and its value in use, is estimated.

### **4.6 Provisions**

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense.

### **4.7 Income Taxes**

## **HAPPY CREEK MINERALS LTD.**

Notes to the Financial Statements

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Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable profit or accounting profit. Deferred tax liabilities on temporary differences associated with shares in subsidiaries and joint ventures is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

### **4.8 Flow-through Shares**

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures can be claimed by the investors rather than the company.

## **HAPPY CREEK MINERALS LTD.**

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A flow-through common share comprises both the transfer of income tax deductions equal to the proceeds received on issue, and a common share with a deemed cost for tax purposes of nil. The issuer of these shares allocates the proceeds to their liability and equity components according to the respective fair values of each at the date of issuance, with the tax attribute considered a liability to the extent that a premium to market is obtained for the shares. Upon satisfaction of the spending requirements associated with the flow-through share agreements, a proportionate amount of the related flow-through liability recognized in previous periods in the statement of financial position will be reversed and the related deferred tax liability will be recognized. Any difference between the liability settled and the deferred tax liability recognized is accounted for as other income or income tax expense.

### **4.9 Share-based Payments**

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received is not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and certain non-employees. For directors and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged either to profit or loss or exploration and evaluation properties, with the offsetting credit to share option reserve. For directors, employees and consultants, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. If options vest immediately, the expense is recognized when the options are issued. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in share option reserve are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reversed. The fair value of any vested share options that expire remain in share option reserve.

### **4.10 Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

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### **4.11 Earnings (Loss) per Share**

Basic earnings (loss) per share is computed by dividing net income (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments.

In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. Therefore basic and diluted loss per share are the same. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

During the nine months ended October 31, 2017 and 2016, all the outstanding share options and warrants were anti-dilutive.

### **4.12 Financial Instruments - Recognition and Measurement**

#### ***Non-derivative financial assets and financial liabilities***

The Company classifies financial assets as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Available-for-sale financial assets are those financial assets that are not classified as any of the above. Financial liabilities are either classified as financial liabilities at fair value through profit or loss or as other financial liabilities.

Financial assets and financial liabilities are recognized initially at fair value.

Financial assets and financial liabilities at fair value through profit or loss are subsequently measured at fair value with changes in fair values recognized in profit or loss.

Financial assets classified as available for sale are subsequently measured at fair value with changes in fair value recognized in other comprehensive income.

Loans and receivables, held-to-maturity investments and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, reclamation deposits, marketable securities, and trade and other accounts payable.

Cash and cash equivalents and reclamation deposits are classified as fair value through profit or loss and amounts receivable are classified as loans and receivables. Marketable securities are classified as available for sale. Trade and other accounts payable are classified as other financial liabilities.

Transaction costs, other than those related to financial instruments classified as financial assets and financial liabilities at fair value through profit or loss, are added to the fair value of the financial asset and financial liability on initial recognition.

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### 4.13 Share Issuance Costs

Share issuance costs, which include commissions, facilitation payments, professional fees and regulatory fees, are charged directly to share capital. Share issue costs incurred from the issuance of flow-through shares are charged directly to share capital and expense in proportion to the value of the Company's shares at time of issue and any flow-through share premium.

### 4.14 Comprehensive Income (Loss)

Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income includes items such as gains and losses from translating the financial statements of a foreign operation, gains and losses on re-measuring available-for-sale financial assets and the effective portion of gains and losses on hedging instruments in a cash flow hedge.

### 4.15 Changes in Accounting Standards

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

#### *Accounting Standards Issued and Effective January 1, 2017 or Later*

- IFRS 2 Share-based Payment – classification and measurement of share-based payment transactions (Amendment to IFRS 2);
- IFRS 9 Financial Instruments;
- IFRS 16 Leases;
- IAS 7 Statement of Cash Flows – disclosure initiative (Amendment to IAS 7); and
- IAS 12 Income Taxes – recognition of deferred tax assets for unrealized losses (Amendments to IAS 12).

## 5. AMOUNTS RECEIVABLE

The Company has amounts receivable from the Province of British Columbia and the Government of Canada due to statutory credits and refunds. These receivables are not financial assets.

## 6. EQUIPMENT

	Computer equipment	Off-road vehicle	Mobile equipment	Total
Cost				
Balance, February 1, 2017	\$ 5,101	\$ 38,078	\$ 23,965	\$ 67,144
Additions	-	-	-	-
October 31, 2017	5,101	38,078	23,965	67,144

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**Accumulated depreciation**

Balance, February 1, 2017	4,908	21,130	23,965	50,003
Depreciation for the year	193	1,734	-	1,927
Balance, October 31, 2017	5,101	22,864	23,965	51,930
Net book value	\$ -	\$ 15,214	\$ -	\$ 15,214

	<b>Computer equipment</b>	<b>Off-road vehicle</b>	<b>Mobile equipment</b>	<b>Total</b>
<b>Cost</b>				
Balance, February 1, 2016	\$ 5,101	\$ 38,078	\$ 23,965	\$ 67,144
Balance, January 31, 2017	5,101	38,078	23,965	67,144

**Accumulated depreciation**

Balance, February 1, 2016	4,476	18,594	23,169	46,239
Depreciation for the year	432	2,536	796	3,764
Balance, January 31, 2017	4,908	21,130	23,965	50,003
Net book value	\$ 193	\$ 16,948	\$ -	\$ 17,141

**7. RECLAMATION DEPOSITS**

As at October 31, 2017, the Company had reclamation deposits held in trust by the Province of British Columbia totalling \$89,000 (January 31, 2017 - \$89,000) with regards to its exploration of properties in British Columbia.

**HAPPY CREEK MINERALS LTD.**

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**8. EXPLORATION AND EVALUATION PROPERTIES**

The following table summarizes the capitalized costs associated with the Company's exploration and evaluation properties:

	Cariboo properties British Columbia	Highland Valley properties British Columbia	Revelstoke properties British Columbia	Total
<b>February 1, 2016</b>	\$ 6,252,883	\$ 7,078,139	\$ 163,194	\$ 13,494,216
<b>Acquisition Costs</b>				
Option and acquisition costs(received)	-	-	(20,000)	(20,000)
<b>Exploration Costs</b>				
Assaying and petrographic	40,043	6,552	-	46,595
Communications	10,730	-	-	10,730
Field supplies	11,199	-	-	11,199
Geological and consulting	85,088	7,569	693	93,350
Geophysics	-	-	-	-
Mineral tenure costs	500	-	-	500
Field support and drilling	608,291	-	-	608,291
Travel and accommodation	23,913	-	-	23,913
BC METC	(128,086)	-	-	(128,086)
<b>January 31, 2017</b>	6,904,561	7,092,260	143,887	14,140,708
<b>Acquisition Costs</b>				
Option and acquisition costs	-	30,000	-	30,000
<b>Exploration Costs</b>				
Assaying and petrographic	35,021	23,740	-	58,761
Communications	21,035	1,297	-	22,332
Field supplies	5,594	12,548	-	18,142
Geological and consulting	170,837	18,518	-	189,355
Mineral tenure costs	1,127	2,092	-	3,219
Field support and drilling	1,204,071	346,238	-	1,550,309
Travel and accommodation	2,328	1,528	-	3,856
BC METC	-	-	-	-
Option payments received	-	-	-	-
<b>October 31, 2017</b>	\$ 8,344,574	\$ 7,528,221	\$ 143,887	\$ 16,016,682

As at October 31, 2017, cumulative METC rebates offset against deferred exploration and evaluation property costs totalled \$1,011,079 (January 31, 2017 - \$1,011,079).

The Company is required by the Government of British Columbia to incur a minimum amount of expenditures to maintain concessions. The minimum expenditure amount is based on the number of tenures and the length of time that the right to each concession has been held. Expenditures in

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excess of the required annual minimum may be carried over to future years and, subject to certain conditions, to other mineral tenures located in B.C.

### **8.1 Highland Valley Properties**

#### *8.1.1 Rateria*

In 2004, the Company acquired an option to earn a 100% interest in the Rateria Property, comprised of 7 mineral claims located 10 kilometres south of the Highland Valley copper molybdenum concentrator near Logan Lake, British Columbia. To earn its interest, the Company paid \$155,000 cash, issued 950,000 shares, and incurred \$500,000 in exploration expenditures. These claims are subject to a 2.5% net smelter returns (“NSR”) royalty capped at \$3,000,000. The Company may at any time buy back 1% of the NSR royalty for \$2,000,000. In 2009, the Company purchased a 100% interest in four additional mineral claims for \$25,750. Two of the claims are subject to a 2.5% NSR royalty, which the Company can buy back for \$3,000,000. Currently, the property is comprised of 22 claims totaling approximately 6,700 hectares.

#### *8.1.2 West Valley*

In 2009, the Company purchased for \$25,000 cash a 100% interest in a group of 43 mineral claims known as the West Valley Property, which lies to the west of the Rateria Properties. The Company subsequently purchased 9 additional contiguous claims for \$7,500. Currently, the property is comprised of 50 claims totaling approximately 9,000 hectares.

#### *8.1.3 Abbott Lake Property*

In 2013, the Company acquired an option to earn a 100% interest in the Abbott Lake Property, comprised of 8 mineral claims that adjoin the south side of the Company’s West Valley property. To earn its interest, the Company paid \$15,000 cash and issued 350,000 shares. These claims are subject to a 0.5% NSR royalty with the company having the right to purchase the NSR for \$1 million. Currently, the property is comprised of 8 claims totaling approximately 2,900 hectares.

#### *8.1.4 Tyner Lake Property*

In 2013, and amended in February 2014, the Company acquired an option to earn a 100% interest in the Tyner Lake Property, comprised of 18 mineral claims totaling approximately 2,300 hectares. To earn its interest, the Company paid \$25,000 cash and issued 250,000 shares. These claims are subject to a 2% NSR royalty. The property is subject to a 2-per-cent net smelter return (NSR) in favour of the Optionor, which may be repurchased by the company for \$2-million.

### **8.2 Cariboo District**

#### *8.2.1 Silver Boss, Fox, Hen, Art-DL and Hawk Property*

In 2005, the Company acquired from three individuals, including one director of the Company, a 100% interest in five mineral properties located in the Cariboo Region, approximately 80 kilometres northeast of 100 Mile House, British Columbia. To earn its interest, the Company paid \$25,000 cash, issued 5,000,000 common shares and spent \$160,000 on exploration. The acquisition is subject to a 2.5% NSR royalty, of which 1% can be bought back by the Company for \$2,000,000. The Property is comprised of 5 groups of claims known as the

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Silverboss (32 claims totaling approximately 8,200 hectares), Fox (38 claims totaling approximately 16,700 hectares), Hen, Art-DL (12 Hen and Art-DL claims totaling approximately 6,600 hectares) and Hawk (22 claims totaling approximately 1,900 hectares).

### *8.2.2 Gus Property*

In 2007, the Company entered into an option agreement to earn a 100% interest in the Gus Property, located in the Cariboo Region approximately 80 kilometres northeast of 100 Mile House, British Columbia. To earn its interest, the Company paid \$50,000 cash and issued 300,000 shares. These claims are subject to a 1.5% NSR royalty, which the Company can buy back at any time for \$1,500,000. Currently, this property is comprised of 3 claims totaling approximately 900 hectares.

### *8.2.3 Grey Property*

In 2007, the Company entered into an option agreement to earn a 100% interest in the Grey Property, located in the Clinton Mining Division, British Columbia. To earn its interest, the Company paid \$100,000 cash and issued 300,000 shares. The claims are subject to a 2% NSR royalty, of which 1% can be bought back by the Company for \$1,000,000. Currently, this property is comprised of 3 claims totaling approximately 600 hectares.

### *8.2.4 Eye Property*

This property totals approximately 100 hectares.

## **8.3 Revelstoke District Properties**

### *8.3.1 Silver Dollar Property*

In 2013, as part of the settlement with the vendor of the former BX property, the Company received a 100% interest in 17 claims known as the Silver Dollar Property, located in the Revelstoke Mining District, British Columbia. Currently, this property is comprised of 11 claims totaling approximately 1,200 hectares.

In 2013, the Company acquired a 100% interest in 18 additional contiguous mineral claims in consideration for \$10,150. Currently, this property is comprised of 16 claims totaling approximately 2,100 hectares.

On May 11, 2016, the Company entered into the Silver Dollar Property Option Agreement (the “Option Agreement”) with Explorex Resources Inc. (“Exlorex”). The Option Agreement was amended on November 8, 2016. Pursuant to the Option Agreement, as amended, the Company granted to Explorex the sole and exclusive right and option to acquire an undivided 100% interest in and to the Silver Dollar Property subject to a 1% NSR royalty. Explorex can exercise the option by completing the following cash payments, share issuances and exploration work commitments:

- Paying \$20,000 (paid);
- Incurring a minimum of \$100,000 (approximately \$18,000 incurred) in mining work expenditures within a period of 12 months commencing from the date of the Option Agreement (the “Due Diligence Period”);

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- 
- Issuing 300,000 common shares of Explorex to the Company (issued – refer to Note 16.2);
  - Issuing an additional 300,000 common shares of Explorex to the Company within 12 months after the Due Diligence Period; and
  - Issuing an additional 500,000 common shares of Explorex to the Company within 18 months after the Due Diligence Period.

Pursuant to the Option Agreement:

- The Company transferred legal title to, but not any beneficial interest in, the claims comprising the property to Explorex by way of a Bill of Sale. Explorex was authorised to, and subsequently did, record itself as legal owner over the claims. Concurrent with the execution of the Bill of Sale, Explorex executed an additional Bill of Sale authorizing the transfer of legal title to the claims back to the Company in the event that the Option Agreement is terminated before Explorex earns its interest in the property or fails to earn its interest in accordance with the terms of the Option Agreement for any other reason;
- Explorex granted a right of first refusal to the Company for any future financings that Explorex carries out to finance the mining work to be carried out on the property; and
- If the Company stakes any claim that is located, in whole or in part, within two kilometers of the perimeter of the property it shall be offered to Explorex at the staking cost.

On April 11, 2017, the Company and Explorex amended the Option Agreement as follows:

- Incurring \$100,000 in mining work expenditures by July 31, 2017 (with the period from the date of the Option Agreement to July 31, 2017 becoming the Due Diligence Period);
- Issuing 300,000 common shares of Explorex to the Company on or before May 11, 2017 (received);
- Issuing an additional 300,000 common shares of Explorex to the Company within 12 months after the end of the Due Diligence Period; and
- Issuing an additional 500,000 common shares of Explorex to the Company within 18 months after Due Diligence Period.

### 9. TRADE AND OTHER ACCOUNTS PAYABLE

	<u>October 31, 2017</u>	<u>January 31, 2017</u>
<b>Financial Liabilities</b>		
Trade payables	\$ 129,167	\$ 13,872
Payroll accruals	388	2,179
Accrued liabilities	10,000	17,100
	<u>\$ 139,555</u>	<u>\$ 33,151</u>

All amounts are short term. The carrying value of trade payables, payroll accruals and accrued liabilities is considered a reasonable approximation of fair value.

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### 10. EQUITY

#### 10.1 Authorized Share Capital

Unlimited number of common shares with no par value.

#### 10.2 Shares Issued

Shares issued and outstanding as at October 31, 2017 are 92,218,977 (January 31, 2017 – 79,187,789).

During the nine months ended October 31, 2017, the following share transactions occurred:

- i. On July 10, 2017, the Company completed a non-brokered private placement, issuing 6,791,153 flow-through shares (each a “FT Share”) at a price of \$0.26 per FT Share for gross proceeds of \$1,765,700 and 6,240,035 non-flow-through shares (each a “NFT Share”) at a price of \$0.22 for gross proceeds of \$1,372,808. A cash finder’s fee of \$134,050 was paid and 524,171 broker’s warrants were issued as part of the financing. Each broker warrant is exercisable into one common share of the Company at a price of \$0.30 for a period of two years.

During the year ended January 31, 2017, the following share transactions occurred:

- i. On August 24, 2016, the Company completed a non-brokered private placement, issuing 1,058,908 flow-through common shares (each a “FT Share”) at a price of \$0.22 per FT Share for gross proceeds of \$232,959 and 5,740,000 non-flow-through shares (each a “NFT Share”) at a price of \$0.16 for gross proceeds of \$918,400, for combined proceeds of \$1,151,359. A cash finder’s fee of \$5,280 was paid, 251,250 finder’s shares were issued and 267,375 finder’s warrants were issued as part of the financing. Each warrant entitles the holder to purchase one additional common share for a two year period at a price of \$0.16. The finder’s shares were valued at \$0.16 per share for a total of \$40,200 and the finder’s warrants were ascribed a value of \$18,176.

#### 10.3 Warrants

The following warrants were outstanding:

	<u>Warrants</u>	<u>Exercise Price</u>
February 1, 2016	7,213,000	\$ 0.17
Expired	(1,668,000)	0.20
January 31, 2017	5,812,375	0.16
Expired	-	-
Issued – finder’s	524,171	0.30
October 31, 2017	<u>6,336,546</u>	<u>\$ 0.17</u>

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<u>Expiry date</u>	<u>Warrants</u>	<u>Exercise Price</u>
May 22, 2018	545,000	\$ 0.20
September 4, 2018	5,000,000	0.15
July 12, 2019	524,171	0.30
August 24, 2018	267,375	0.16
	<u>6,336,546</u>	<u>\$ 0.17</u>

At October 31, 2017, the weighted-average remaining life of the outstanding warrants was 0.95 years (2017-1.56 years).

The fair value of the share purchase warrants granted during the year ended January 31, 2017 and the year ended January 31, 2016 was estimated on the date of grant using the Black-Scholes Pricing Model with the following weighted average assumptions:

	<u>Year Ended January 31, 2017</u>	<u>Year Ended January 31, 2016</u>
Strike price	\$ 0.16	-
Risk free interest rate	0.57%	-
Expected warrant life (years)	2.00 years	-
Expected stock price volatility	81.1667%	-
Dividend payments during life of option	Nil	-
Expected forfeiture rate	Nil	-

**10.4 Share-based Compensation**

The Company has adopted an incentive share option plan for the benefit of directors, officers and employees, which options, to acquire up to 10% of the issued share capital at the award date, may be granted to eligible optionees from time to time. Additional shares have also been issued to consultants of the Company, as part of their compensation arrangement. Share options granted have a term of between one and five years, vest immediately or over time and have an exercise price determined by the directors. The Company's policy is that the exercise price may not be less than the closing quoted price of the Company's common shares traded through the facilities of the exchange on which the Company's common shares are listed.

Total share options granted during the year ended January 31, 2017 were 3,050,000 (year ended January 31, 2016 – 500,000). Total share-based payments recognized for the fair value of share options granted, vested and approved by the shareholders during the year ended January 31, 2017 was \$256,822 (year ended January 31, 2016 - \$65,745). 2,650,000 options were granted during the quarter ended October 31, 2017. Total share-based payments recognized for the fair value of options granted for the nine months ended October 31, 2017 was \$332,502.

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The fair value of the share options granted during the nine months ended October 31, 2017 and the year ended January 31, 2017 was estimated on the date of grant using the Black-Scholes Pricing Model with the following weighted average assumptions:

	<b>Nine months Ended October 31, 2017</b>	<b>Year Ended January 31, 2017</b>
Strike price	\$0.24	\$ 0.18-\$0.22
Risk free interest rate	0.57%	0.58-0.83%
Expected option life (years)	5.00 years	3.00 years
Expected stock price volatility	81%	80.85-79.34%
Dividend payments during life of option	Nil	Nil
Expected forfeiture rate	Nil	Nil

Option pricing models require the input of highly speculative assumptions, including the expected future price volatility of a company's shares. Expected volatility has been estimated based on historical volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, existing models do not necessarily provide a reliable single measure of the fair value of the Company's share options.

The following stock options issued under the employee stock option plan were outstanding:

	<b>Options</b>	<b>Exercise price</b>
February 1, 2016	2,725,000	\$ 0.18
Issued	3,050,000	0.19
Expired	-	-
Forfeited	-	-
January 31, 2017	5,775,000	0.19
Issued	2,650,000	0.24
Cancelled/expired	(2,725,000)	0.18
October 31, 2017	5,700,000	\$ 0.21

At October 31, 2017, the weighted average remaining life of the outstanding options was 3.39years (2017 – 1.79 years).

<b>Outstanding</b>			<b>Vested</b>		
<b>Number of Options</b>	<b>Exercise price</b>	<b>Remaining contractual life (years)</b>	<b>Number of Options</b>	<b>Exercise price</b>	<b>Remaining contractual life (years)</b>
2,650,000	\$ 0.24	5.0	2,650,000	\$ 0.24	5.0
2,300,000	0.18	1.85	2,300,000	0.18	1.85
750,000	0.22	2.20	750,000	0.22	2.20

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5,700,000	\$	0.21	3.39	5,700,000	\$	0.19	3.39
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**11. RELATED PARTY TRANSACTIONS AND BALANCES****Relationships**Standard Metals Exploration Ltd.  
("Standard")

Key management

**Nature of the relationship**

Standard is a private company controlled by an officer and director of the Company. Standard provides geological exploration and management consulting services to the Company.

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the President and Chief Executive Officer, Chief Financial Officer, and Senior Geologist.

	<b>Geological exploration services</b>	<b>Management services</b>
Services provided for the period ended October 31, 2017:		
Chief operating officer	\$ -	\$ 45,000
Chief financial officer	-	48,000
Standard	31,546	-
	<b>\$ 31,546</b>	<b>\$ 93,000</b>

	<b>Geological exploration services</b>	<b>Management services</b>
Services provided for the period ended October 31, 2016:		
Chief operating officer	\$ -	\$ 45,000
Chief financial officer	-	32,500
Standard	38,175	-
	<b>\$ 38,175</b>	<b>\$ 77,500</b>

Key management compensation includes:

	<b>Nine months ended October 31,</b>	
	<b>2017</b>	<b>2016</b>
Management fees and salaries	\$ 93,000	\$ 77,500
Share-based payments	69,025	-
	<b>\$ 162,025</b>	<b>\$ 77,500</b>

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At October 31, 2017, there were no payables to Standard or any other related parties.

These transactions were in the normal course of operations and measured at their exchange amounts, being the amounts agreed to by the parties to the transactions.

### **12. MANAGEMENT OF CAPITAL**

The Company defines capital that it manages as its cash and cash equivalent and share capital.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; to perform mineral exploration activities on the Company's exploration projects; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements.

There have not been any changes to the Company's capital management policy during the period.

### **13. RISK MANAGEMENT**

#### **13.1 Financial Risk Management**

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

##### **a. Capital Risk**

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain title to and explore its mineral properties. The capital structure of the Company consists of cash and cash equivalents and share capital.

##### **b. Credit Risk**

Credit risk is the risk that a counter party will be unable to pay any amounts owed to the Company. Management's assessment of the Company's exposure to credit risk is low.

##### **c. Liquidity Risk**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at October 31, 2017, the Company's working capital is \$1,272,708 and it does not have any long-term monetary liabilities. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on

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terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2017, the Company had cash and cash equivalents of \$1,250,512 to settle current liabilities of \$139,555.

### d. Market Risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its properties and the future

profitability of the Company is related to the market price of certain minerals such as copper, molybdenum, tungsten, gold and silver.

### 13.2 Fair Values

The carrying values of cash and cash equivalents, amounts receivable (excluding GST), reclamation deposits, marketable securities and trade and other accounts payable approximate fair values due to their short-term to maturity nature or the ability to readily convert to cash.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. All financial instruments are classified as Level 1 items.

**Level 1** – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

**Level 2** – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability.

**Level 3** – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

## 14. COMMITMENTS

### 14.1 Lease Commitment

The Company has an operating lease for office premises that has a two-year term, expiring on November 30, 2018. Monthly lease payments include rent, operating costs and property taxes. The minimum annual payments for the remaining period are as follows:

Fiscal Year	Amount
2018	\$ 17,243

### 14.2 Termination of Service Agreements

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The Company has a management and administrative services agreement with its President and CEO. In the event that the Company terminates this agreement without cause, it must make a lump sum payment of \$120,000, based on his current salary, to the President and CEO.

The Company has a professional services agreement with its CFO. In the event that the Company terminates this agreement, it must make a final payment of \$5,000 to the CFO.