

HAPPY CREEK MINERALS LTD.

Financial Statements

For the years ended January 31, 2018 and 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Happy Creek Minerals Ltd.,

We have audited the accompanying financial statements of Happy Creek Minerals Ltd. which comprise the statements of financial position as at January 31, 2018 and 2017, and the statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Happy Creek Minerals Ltd. as at January 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the financial statements which indicates the Company has limited working capital, limited sources of revenue, and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.



CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC

May 30, 2018

HAPPY CREEK MINERALS LTD.
Statements of Financial Position
January 31, 2018 and 2017

	Note	<u>January 31, 2018</u>	<u>January 31, 2017</u>
ASSETS			
Current assets			
Cash and cash equivalents		\$ 913,482	\$ 636,391
Amounts receivable	5	22,808	46,321
Prepaid expenses		88,970	14,986
Marketable securities		138,000	6,000
Total current assets		<u>1,163,260</u>	<u>703,698</u>
Non-current assets			
Equipment	6	14,636	17,141
Reclamation deposits	7	89,000	89,000
Exploration and evaluation properties	8	16,110,103	14,140,708
Total non-current assets		<u>16,213,739</u>	<u>14,246,849</u>
Total assets		<u>\$ 17,376,999</u>	<u>\$ 14,950,547</u>
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other accounts payable	9	\$ 40,857	\$ 33,151
Flow-through premium liability	10	9,635	-
Total current liabilities		<u>50,492</u>	<u>33,151</u>
Non-current liabilities			
Deferred tax liability	12	1,039,742	729,652
Total liabilities		<u>1,090,234</u>	<u>762,803</u>
Equity			
Share capital	11	20,712,446	18,329,962
Share option reserve	11	2,545,049	2,072,658
Deficit		(7,027,435)	(6,189,081)
Accumulated other comprehensive income/(loss)		56,705	(25,795)
Total equity		<u>16,286,765</u>	<u>14,187,744</u>
Total equity and liabilities		<u>\$ 17,376,999</u>	<u>\$ 14,950,547</u>
Going concern	2		
Commitments	16		
Subsequent events	17		

These financial statements are authorized for issue by the Board of Directors on May 30, 2018.

Approved by the Board of Directors:

"David Blann" Director "Rodger Gray" Director

The accompanying notes are an integral part of these financial statements

HAPPY CREEK MINERALS LTD.
Statements of Loss and Comprehensive Loss
January 31, 2018 and 2017

	Note	Years ended January 31,	
		2018	2017
Revenue			
Interest income		\$ 7,681	\$ 4,032
Expenses			
Advertising and promotion		65,224	64,381
Conferences and travel		18,799	19,895
Management fees and salaries	13	271,849	200,948
Share-based payments	13	424,157	256,822
Office and administration		126,009	89,299
Professional fees		27,742	29,531
		<u>933,780</u>	<u>660,876</u>
Loss before other item		(926,099)	(656,844)
Flow-through recovery		397,835	63,534
Loss before income taxes		<u>(528,264)</u>	<u>(593,310)</u>
Provision for income taxes			
Deferred income tax recovery (loss)	12	(310,090)	25,966
Net loss for the year		(838,354)	(567,344)
Unrealized gain on available for sale financial assets, net of tax		82,500	3,000
Comprehensive loss for the year		<u>\$ (755,854)</u>	<u>\$ (564,344)</u>
Basic and diluted loss per share		<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding		<u>83,208,151</u>	<u>75,228,110</u>

The accompanying notes are an integral part of these financial statements

HAPPY CREEK MINERALS LTD.**Statements of Cash Flows****January 31, 2018 and 2017**

	Years Ended January 31,	
	2018	2017
CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES		
Net loss for the year	\$ (838,354)	\$ (567,344)
Items not involving cash:		
Deferred income tax loss (recovery)	310,090	(25,966)
Depreciation	2,505	3,764
Share-based payments	424,157	256,822
Flow-through recovery	(397,835)	(63,534)
	<u>(499,437)</u>	<u>(396,258)</u>
Changes in non-cash working capital items:		
Amounts receivable	22,378	(38,993)
Prepaid expenses	(73,984)	3,699
Trade and other accounts payable	1,650	(12,848)
	<u>(549,393)</u>	<u>(444,400)</u>
FINANCING ACTIVITIES		
Issuance of shares	3,013,709	1,151,359
Share issuance costs	(185,521)	(5,280)
	<u>2,828,188</u>	<u>1,146,079</u>
INVESTING ACTIVITIES		
Expenditures on exploration and evaluation properties	(2,001,704)	(813,025)
Mineral property option payments received	-	20,000
Mineral exploration tax credits ("METC") received	-	128,086
	<u>(2,001,704)</u>	<u>(664,939)</u>
Increase in cash and cash equivalents	277,091	36,740
Cash and cash equivalents, beginning of year	636,391	599,651
Cash and cash equivalents, end of year	<u>\$ 913,482</u>	<u>\$ 636,391</u>
Supplemental Cash Flow Information:		
Accounts payable related to exploration and evaluation expenditures	\$ 19,389	\$ 13,333
Shares issued as finder's fee	-	40,200
Warrants issued as finder's fee	48,234	18,716
	<u>\$ 67,623</u>	<u>\$ 72,249</u>
Cash and Cash Equivalents Consist Of:		
Cash	\$ 911,617	\$ 634,526
Money market fund	1,865	1,865
	<u>\$ 913,482</u>	<u>\$ 636,391</u>

The accompanying notes are an integral part of these financial statements

HAPPY CREEK MINERALS LTD.
Statements of Changes in Equity
January 31, 2018 and 2017

	<u>Common Shares</u>		Share Option Reserve	Accumulated other comprehensive income (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
Private placement – flow-through shares	1,058,908	232,959	-	-	-	232,959
Flow-through premium	-	(63,534)	-	-	-	(63,534)
Private placement – non flow-through shares	5,740,000	918,400	-	-	-	918,400
Shares issued as finder’s fee	251,250	40,200	-	-	-	40,200
Share issuance costs	-	(64,196)	18,716	-	-	(45,480)
Share-based payments	-	-	256,822	-	-	256,822
Net loss for the year	-	-	-	-	(567,344)	(567,344)
Other comprehensive income	-	-	-	3,000	-	3,000
January 31, 2017	79,187,789	18,329,962	2,072,658	(25,795)	(6,189,081)	14,187,744
February 1, 2017	79,187,789	18,329,962	2,072,658	(25,795)	(6,189,081)	14,187,744
Private placement – flow-through shares	6,791,152	1,765,702	-	-	-	1,765,702
Flow-through premium	-	(407,470)	-	-	-	(407,470)
Private placement – non flow-through shares	6,240,035	1,248,007	-	-	-	1,248,007
Shares issued for property	50,000	10,000	-	-	-	10,000
Share issuance costs	-	(233,755)	48,234	-	-	(185,521)
Share-based payments	-	-	424,157	-	-	424,157
Net loss for the year	-	-	-	-	(838,354)	(838,354)
Other comprehensive income	-	-	-	82,500	-	82,500
January 31, 2018	92,268,976	20,712,446	2,545,049	56,705	(7,027,435)	16,286,765

The number of shares issued at January 31, 2018 is comprised as follows:

Shares considered previously issued	92,318,976
Issued and held by the Company	(50,000)
<u>Issued and outstanding with other shareholders</u>	<u>92,268,976</u>

The accompanying notes are an integral part of these financial statements

HAPPY CREEK MINERALS LTD.
Notes to the Financial Statements
For the years ended January 31, 2018 and 2017

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 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. The accounting policies below have been applied to all periods presented in these financial statements and are based on International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”).

The policies applied in these financial statements are based on IFRS issued and outstanding as of January 31, 2018.

HAPPY CREEK MINERALS LTD.
Notes to the Financial Statements
For the years ended January 31, 2018 and 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 January 31, 2018.

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.

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.

HAPPY CREEK MINERALS LTD.
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	Depreciation Rate
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

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

HAPPY CREEK MINERALS LTD.
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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 January 31, 2018, 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

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.

HAPPY CREEK MINERALS LTD.
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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.

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.

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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.

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 years ended January 31, 2018 and 2017, all the outstanding share options and warrants were anti-dilutive.

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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 (excluding GST 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.

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 gains and losses on re-measuring available-for-sale financial assets.

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.

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Accounting Standards Issued and Effective for Annual Periods Beginning After January 1, 2018

- IFRS 9 Financial Instruments;
- IFRS 16 Leases; and
- IAS 12 Income Taxes – Annual Improvements to IFRS Standards.

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
Balance, January 31, 2018	5,101	38,078	23,965	67,144
Accumulated depreciation				
Balance, February 1, 2017	4,908	21,130	23,965	50,003
Depreciation for the year	193	2,312	-	2,505
Balance, January 31, 2018	5,101	23,442	23,965	52,508
Net book value	\$ -	\$ 14,636	\$ -	\$ 14,636

	Computer equipment	Off-road vehicle	Mobile equipment	Total
Cost				
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 January 31, 2018, 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.

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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
February 1, 2016	\$ 6,252,883	\$ 7,078,139	\$ 163,194	\$ 13,494,216
Acquisition Costs				
Option and acquisition costs	-	-	-	-
Exploration Costs				
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
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)
Option payments received	-	-	(20,000)	(20,000)
January 31, 2017	6,904,561	7,092,260	143,887	14,140,708
Acquisition Costs				
Option and acquisition costs	-	40,000	-	40,000
Exploration Costs				
Assaying and petrographic	68,217	27,947	-	96,164
Communications	21,635	1,296	-	22,931
Field supplies	5,594	12,549	-	18,143
Geological and consulting	204,286	20,338	(8,730)	215,894
Mineral tenure costs	5,613	2,093	-	7,706
Field support and drilling	1,267,071	346,237	-	1,613,308
Travel and accommodation	3,220	1,529	-	4,749
BC METC	-	-	-	-
Option payments received	-	-	(49,500)	(49,500)
January 31, 2018	\$ 8,480,197	\$ 7,544,249	\$ 85,657	\$ 16,110,103

As at January 31, 2018, 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 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.

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8.1 Highland Valley Mineral Property

The Highland Valley property is located northwest of Merritt and southwest of Logan Lake in south central B.C. In prior years, the Highland Valley Properties were presented as Rateria, West Valley, Abbott Lake Property and Tyner Lake Property. In 2018, Abbott Lake Property was grouped with West Valley and Tyner Lake Property was grouped with Rateria. Together Rateria and West Valley surround the south east, south and southwest sides of Teck Resources' Highland Valley copper mine property.

8.1.1 Rateria

During the year ended January 31, 2018, the Company purchased an additional 3 mineral claim tenures adjoining the Rateria property for cash payments totalling \$30,000 and issuing 50,000 common shares of the Company at a deemed price of \$0.20 per share. In addition, the Company acquired by staking for its own account, additional mineral claim tenures. The Rateria property is comprised of 32 mineral tenures totaling approximately 12,167 hectares.

Net Smelter Returns (“NSR”) royalties on the Rateria property are as follows:

Rateria claims - seven claims are subject to a 2.5% NSR royalty, payable to a maximum of \$3,000,000. The Company has the exclusive right to purchase 1% of the NSR royalty for \$2,000,000.

Sho claims - one claim is subject to a 2% NSR royalty with the Company having the exclusive right to purchase the NSR royalty at any time for \$3,000,000.

Tyner claims - 18 mineral claims are subject to a 2% NSR royalty with the Company having the exclusive right to purchase the NSR royalty for \$2,000,000.

8.1.2 West Valley

The West Valley property consists of 29 mineral tenures totaling approximately 12,232 hectares.

The NSR royalty on the West Valley property is as follows:

Abbott claims - 8 claims are subject to a 0.5% NSR royalty, with the Company having the exclusive right to purchase the NSR royalty for \$1,000,000.

8.2 Cariboo Mineral Property

The Company has a 100% interest in a group of mineral properties located northeast of 100 Mile House, in south central B.C. The Silverboss property surrounds the former past-producing Boss Mountain molybdenum mine property.

In prior years, the Cariboo Mineral Property was presented as:

- Silver Boss, Fox, Hen, Art-DL and Hawk Property;
- Gus Property;
- Grey Property; and
- Eye Property

In 2018, Gus Property was grouped with Silver Boss and Grey Property was grouped with Hawk Property.

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8.2.1 Silver Boss, Hen-Art-DL, Fox and Black Riders Property

The Silverboss property consists of 37 mineral tenures totalling approximately 10,592 hectares. The Hen-Art-DL property consists of 11 mineral tenures totalling approximately 5,113 hectares and the Fox property consists of 32 mineral tenures totalling approximately 14,086 hectares. The Black Riders property consists of 6 mineral tenures totaling 2,564 hectares and adjoins to the east and considered part of the Fox property. See 8.2.4.

The Silverboss, Hen, Art-DL and Fox property mineral tenure all adjoin and are contiguous and together total 32,355 hectares.

Three of these mineral claims (Gus Property) are subject to a 1.5% NSR royalty which the Company can buy back for \$1,500,000.

8.2.2 Hawk Property

The Hawk property consists of 23 mineral tenures totaling approximately 2,176 hectares.

Three of these mineral claims (Grey Property) are subject to a 2% NSR royalty of which the Company can buy back 1% for \$1,000,000.

8.2.3 Eye Property

This property consists of one mineral tenure and totals approximately 119 hectares.

8.2.4 NSR Royalties

In 2005, the Company acquired a property comprised of five groups of mineral claims – Silver Boss (32 claims), Fox (38 claims), Hen and Art-DL (12 claims) and Hawk (22 claims). These mineral claims are subject to a 2.5% NSR royalty of which the Company can buy back 1% for \$2,000,000. See 8.2.1.

8.3 Revelstoke District Properties

8.3.1 Silver Dollar Property

In 2013, the Company acquired 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 27 mineral tenures totaling approximately 3,304 hectares.

On May 11, 2016, the Company entered into the Silver Dollar Property Option Agreement (the “Option Agreement”) with Explorex Resources Inc. (“Explorex”). The Option Agreement was amended on November 8, 2016 and again on April 11, 2017. 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 \$100,000 in mining work expenditures by July 31, 2018 (within the period from the date of the Option Agreement to July 31, 2018 becoming the Due Diligence Period) (completed);
- Issuing 300,000 common shares of Explorex to the Company on or before May 11, 2017 (issued);

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- Issuing an additional 300,000 common shares of Explorex to the Company within 12 months after the end of the Due Diligence Period (July 31, 2018); and
- Issuing an additional 500,000 common shares of Explorex to the Company within 18 months after 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.

9. TRADE AND OTHER ACCOUNTS PAYABLE

	<u>January 31, 2018</u>	<u>January 31, 2017</u>
Financial Liabilities		
Trade payables	\$ 19,654	\$ 13,872
Payroll accruals	4,203	2,179
Accrued liabilities	17,000	17,100
	<u>\$ 40,857</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.

10. FLOW THROUGH SHARE PREMIUM LIABILITY

The Company periodically issues flow through shares, to fund Canadian exploration programs, with any resulting flow through premium recorded as a flow through share premium liability. The liability is subsequently reduced when the required exploration expenditures are made, and accordingly, a recovery of flow through premium is recorded as income. Based on Canadian tax law, the Company is required to spend the amounts raised on eligible exploration expenditures by the end of the year subsequent to the date the expenditures were renounced.

The following is a continuity schedule of the liability portion of the flow-through share issuances:

	Issued on		
	June 30, 2017	July 7, 2017	Total
Balance February 1, 2017	\$ -	\$ -	\$ -
Premium liability incurred on flow-through shares issued	126,970	280,500	407,470
Reduction of flow-through share liability on incurring qualifying expenditures	(126,970)	(270,865)	(397,835)
Balance January 31, 2018	<u>\$ -</u>	<u>\$ 9,635</u>	<u>\$ 9,635</u>

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11. EQUITY

11.1 Authorized Share Capital

Unlimited number of common shares with no par value.

11.2 Shares Issued

Shares issued and outstanding as at January 31, 2018 are 92,318,976 (January 31, 2017 – 79,187,789).

During the year ended January 31, 2018, the following share transactions occurred:

- i. On July 7, 2017, the Company completed a non-brokered private placement, issuing 6,791,152 flow-through common shares (each a “FT Share”) at a price of \$0.26 per FT Share for gross proceeds of \$1,765,702 and 6,240,035 non-flow-through shares (each a “NFT Share”) at a price of \$0.20 for gross proceeds of \$1,248,007, for combined proceeds of \$3,013,709. A cash finder’s fee of \$185,521 was paid and 524,171 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 \$0.30. The finder’s warrants were ascribed a value of \$48,234.

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 \$18,716.

11.3 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
Issued – finder’s	267,375	0.16
January 31, 2017	5,812,375	0.17
Issued – finder’s	524,171	0.30
January 31, 2018	<u>6,336,546</u>	<u>\$ 0.17</u>

<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
August 24, 2018	267,375	0.16
June 30, 2019	302,171	0.30
July 7, 2019	222,000	0.30
	<u>6,336,546</u>	<u>\$ 0.17</u>

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At January 31, 2018, the weighted-average remaining life of the outstanding warrants was 0.63 years (2017 – 1.56 years).

The fair value of the share purchase warrants granted during the year ended January 31, 2018 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:

	Year Ended January 31, 2018	Year Ended January 31, 2017
Strike price	\$ 0.30	\$ 0.16
Risk free interest rate	1.09 – 1.16%	0.57%
Expected warrant life (years)	2.00 years	2.00 years
Expected stock price volatility	105.80 - 106.77%	81.1667%
Dividend payments during life of option	Nil	Nil
Expected forfeiture rate	Nil	Nil

11.4 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, 2018 were 2,650,000 (year ended January 31, 2017 – 3,050,000). 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, 2018 was \$424,157 (year ended January 31, 2017 - \$256,822).

The fair value of the share options granted during the year ended January 31, 2018 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:

	Year Ended January 31, 2018	Year Ended January 31, 2017
Strike price	\$0.24	0.18 – \$ 0.22
Risk free interest rate	1.66%	0.58 – 0.83%
Expected option life (years)	5.00 years	3.00 years
Expected stock price volatility	115.44%	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.

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

	Options	Exercise price
February 1, 2016	2,725,000	\$ 0.18
Issued	3,050,000	0.19
January 31, 2017	5,775,000	0.19
Issued	2,650,000	0.24
Expired	(2,225,000)	0.18
Cancelled	(500,000)	0.18
January 31, 2018	5,700,000	\$ 0.21

At January 31, 2018, the weighted average remaining life of the outstanding options was 3.09 years (2017 – 1.79 years).

Outstanding			Vested		
Number of Options	Exercise price	Remaining contractual life (years)	Number of Options	Exercise price	Remaining contractual life (years)
2,300,000	\$ 0.18	0.64	2,300,000	\$ 0.18	0.66
750,000	0.22	0.26	750,000	0.22	0.27
2,650,000	0.24	2.20	2,425,000	0.24	2.10
5,700,000	\$ 0.21	3.10	5,475,000	\$ 0.19	3.03

12. INCOME TAXES

The income tax provision differs from the amount computed by applying the statutory rates to pre-tax income as a result of the following:

For the year ended January 31,	2018	2017
Expected tax recovery at a rate of 27.00% (2017 – 26.00%)	\$ 137,349	\$ 154,261
Increase (decrease) resulting from:		
Non-deductible expenses, net	(6,844)	(50,255)
Temporary differences, net	47,584	10,846
Deferred taxes applicable to flow-through expenditures	(310,090)	25,966
Valuation allowance	(178,089)	(114,852)
Income tax recovery (expense)	\$ (310,090)	\$ 25,966

The deferred tax liability is comprised of the following tax affected temporary differences:

As at January 31,	2018	2017
Exploration and evaluation properties	\$ (2,884,472)	\$ (2,406,366)
Non-capital losses carried forward	1,791,788	1,649,649
Marketable securities	(6,890)	3,835
Equipment	13,875	13,084
Cumulative eligible capital carried forward	-	140
Share issuance costs	45,956	10,006
Net recognized deferred tax liability	\$ (1,039,743)	\$ (729,652)

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The Company has Canadian non-capital losses of approximately \$6,891,000 for income tax purposes which expire as follows:

<u>Year of origin</u>	<u>Non-capital loss</u>	<u>Year of expiry</u>
2006	\$ 34,000	2026
2007	348,000	2027
2008	647,000	2028
2009	609,000	2029
2010	574,000	2030
2011	772,000	2031
2012	639,000	2032
2013	666,000	2033
2014	633,000	2034
2015	613,000	2035
2016	394,000	2036
2017	415,000	2037
2018	547,000	2038
	<u>\$ 6,891,000</u>	

13. RELATED PARTY TRANSACTIONS AND BALANCES

Relationships

Standard Metals Exploration Ltd.
 (“Standard”)

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

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.

	<u>Geological exploration services</u>	<u>Management services</u>
Services provided for the year ended January 31, 2018:		
Chief operating officer	\$ -	\$ 69,096
Chief financial officer	-	68,888
Director	6,000	-
Standard	40,127	-
	<u>\$ 46,127</u>	<u>\$ 137,984</u>

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	Geological exploration services	Management services
Services provided for the year ended January 31, 2017:		
Chief operating officer	\$ -	\$ 63,864
Chief financial officer	-	44,500
Standard	39,648	-
	\$ 39,648	\$ 108,364

Key management compensation includes:

	Year ended January 31,	
	2018	2017
Management fees and salaries	\$ 137,984	\$ 108,364
Share-based payments	368,720	69,395
	\$ 506,704	\$ 177,759

At January 31, 2018, \$nil (2017 - \$3,469) was payable to Standard, included in trade and other accounts payable.

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.

14. 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 year.

15. RISK MANAGEMENT

15.1 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.

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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 January 31, 2018, the Company's working capital is \$1,112,768, 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 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 January 31, 2018, the Company had cash and cash equivalents of \$913,482 to settle trade and other accounts payable of \$40,857.

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.

15.2 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).

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16. COMMITMENTS

16.1 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
2019	\$ 29,183

16.2 Termination of Service Agreements

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.

17. SUBSEQUENT EVENTS

17.1 Mineral Tenures Acquired

On March 14, 2018 and April 3, 2018, the Company entered into Purchase agreements with an arm's length vendor to acquire four mineral claim tenures located contiguous to the Company's Rateria property for cash payments totalling \$14,000.

17.2 Normal Course Issuer Bid

On May 7, 2018, the Company received approval to conduct a normal course issuer bid (the "Bid") through facilities of the TSX Venture Exchange to purchase up to 4,615,948 of the 92,318,976 issued and outstanding common shares of the Company, representing 5% of the Company's issued and outstanding common shares. The Company will pay the market price at the time of acquisition for any Common Shares acquired under the Bid. The Bid will take place beginning May 7, 2018 and will terminate on May 7, 2019.