

HAPPY CREEK MINERALS LTD.

Financial Statements

For the nine months ended October 31, 2019 and 2018

(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, 2019 and January 31, 2019

	Note	<u>October 31, 2019</u>	<u>January 31, 2019</u>
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,330,723	\$ 561,297
Amounts receivable	5	23,648	7,608
Prepaid expenses		32,762	60,928
Marketable securities	8	301,460	369,500
Total current assets		<u>1,688,593</u>	<u>999,333</u>
Non-current assets			
Equipment	6	10,557	12,324
Reclamation deposits	7	89,000	89,000
Exploration and evaluation properties	8	16,374,889	16,018,261
Total non-current assets		<u>16,474,446</u>	<u>16,119,585</u>
Total assets		<u>\$ 18,163,039</u>	<u>\$ 17,118,918</u>
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other accounts payable	9,12	\$ 27,869	\$ 39,693
Flow-through premium liability	10	37,819	37,819
Total current liabilities		<u>65,688</u>	<u>77,512</u>
Non-current liabilities			
Deferred tax liability		919,285	919,285
Total liabilities		<u>984,973</u>	<u>996,797</u>
Equity			
Share capital	11	22,307,034	20,878,427
Share option reserve	11	2,625,155	2,625,155
Deficit		(7,803,235)	(7,429,666)
Accumulated other comprehensive income/(loss)		49,112	48,205
Total equity		<u>17,178,066</u>	<u>16,122,121</u>
Total equity and liabilities		<u>\$ 18,163,039</u>	<u>\$ 17,118,918</u>
Going concern	2		
Commitments	15		

These financial statements are authorized for issue by the Board of Directors on December 17, 2019.

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
October 31, 2019 and 2018

	Three months ended October 31, 2019		Nine months ended October 31, 2018	
Revenue				
Interest income	\$ 22	\$ 762	\$ 943	\$ 3,762
Other expenses				
Advertising and promotion	6,820	12,165	50,936	68,005
Conferences and travel	3,743	12,198	19,734	36,002
Management fees and salaries	53,870	80,264	180,008	263,520
Share-based payments	-	-	-	-
Office and administration	32,084	30,021	89,564	78,714
Professional fees	15,580	5,082	34,269	17,089
	112,097	139,730	374,511	463,330
Loss before income taxes	(112,075)	(138,968)	(373,568)	(459,568)
Provision for income taxes:				
Gain on option proceeds	-	-	-	154,343
Deferred income tax recovery (expense)	-	-	-	9,635
Net income (loss) for the period	(112,075)	(138,968)	(373,568)	(295,590)
Unrealized gain on available for sale financial assets	-	-	-	-
Deferred income tax on available for sale financial assets	-	-	-	-
Comprehensive income (loss) for the period	\$ (112,075)	\$ (138,968)	\$ (373,568)	\$ (295,590)
Basic and Diluted Earnings (Loss) Per Share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted Average Number of Shares Outstanding	94,629,653	92,221,762	94,629,653	92,221,762

The accompanying notes are an integral part of these financial statements

HAPPY CREEK MINERALS LTD.**Statements of Cash Flows****October 31, 2019 and 2018**

	Nine months ended October 31,	
	2019	2018
CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES		
Net loss for the period	\$ (373,568)	\$ (295,590)
Items not involving cash:		
Depreciation	1,767	1,734
Comprehensive gain on marketable securities	907	-
-Gain on optioned mineral property	-	(154,343)
Flow-through recovery	-	(9,635)
	<u>(370,894)</u>	<u>(457,834)</u>
Changes in non-cash working capital items:		
Amounts receivable	(16,040)	4,046
Prepaid expenses	28,166	27,780
Marketable securities	68,040	(240,000)
Trade and other accounts payable	(11,825)	(24,899)
	<u>(302,553)</u>	<u>(690,907)</u>
FINANCING ACTIVITIES		
Issuance(cancellation) of shares	1,428,607	(24,696)
	<u>1,428,607</u>	<u>(24,696)</u>
INVESTING ACTIVITIES		
Expenditures on exploration and evaluation properties	(356,628)	(162,565)
Mineral property payments	-	(14,000)
Proceeds on Mineral Exploration Tax Credit	-	146,317
Proceeds on optioned property	-	240,000
	<u>(356,628)</u>	<u>209,752</u>
Increase(decrease) in cash and cash equivalents	769,426	(505,851)
Cash and cash equivalents, beginning of period	561,297	913,482
Cash and cash equivalents, end of period	<u>\$ 1,330,723</u>	<u>\$ 407,631</u>
Supplemental Cash Flow Information:		
Accounts payable related to exploration and evaluation expenditures	\$ 15,973	\$ 3,037
	<u>\$ 15,973</u>	<u>\$ 3,037</u>
Cash and Cash Equivalents Consist Of:		
Cash	\$ 1,104,850	\$ 86,986
Money market fund	225,873	320,645
	<u>\$ 1,330,723</u>	<u>\$ 407,631</u>

The accompanying notes are an integral part of these financial statements

HAPPY CREEK MINERALS LTD.
Statements of Changes in Equity
October 31, 2019 and 2018

	<u>Common Shares</u>			Accumulated other comprehensive income (loss)	Deficit	Total equity
	Number	Amount	Share Option Reserve			
February 1, 2018	92,268,976	\$ 20,712,446	\$ 2,545,049	\$ 56,705	\$ (7,027,435)	\$ 16,286,765
Shares returned to treasury	(159,500)	(24,696)	-	-	-	(24,696)
Net loss for the period	-	-	-	-	(295,590)	(295,590)
October 31, 2018	<u>92,109,476</u>	<u>20,687,750</u>	<u>2,545,049</u>	<u>56,705</u>	<u>(7,323,025)</u>	<u>15,966,479</u>
February 1, 2019	93,456,476	20,878,427	2,625,155	48,205	(7,429,666)	16,122,121
Shares issued	11,576,236	1,428,607	-	-	-	1,428,607
Other comprehensive income	-	-	-	907	-	907
Net loss for the period	-	-	-	-	(373,568)	(373,568)
October 31, 2019	<u>105,029,712</u>	<u>22,307,034</u>	<u>2,625,155</u>	<u>49,112</u>	<u>(7,803,234)</u>	<u>17,178,066</u>

The number of shares issued at October 31, 2019 and 2018 is comprised as follows:

	<u>2019</u>	<u>2018</u>
Shares considered previously issued (Note 11)	93,665,976	92,318,976
Shares returned to treasury	-	(159,500)
Issued and held by the Company	(209,500)	(50,000)
Shares issued for private placement	11,573,236	-
<u>Issued and outstanding with other shareholders</u>	<u>105,029,712</u>	<u>92,109,476</u>

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, 2019 and 2018

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 October 31, 2019.

HAPPY CREEK MINERALS LTD.
Notes to the Financial Statements
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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, 2019.

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.

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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

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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 October 31, 2019, 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.

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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.

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

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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 nine months ended October 31, 2019 and 2018, all the outstanding share options and warrants were anti-dilutive.

4.12 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

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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.

4.13 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 marketable securities.

4.14 Financial Instruments

The Company recognizes financial assets and liabilities on the statement of financial position when it becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Cash and cash equivalents are classified as subsequently measured at amortized cost.

Amounts receivable, exclusive of GST, are non-interest bearing and are recognized at the face amount, except when fair value is materially different, and are subsequently measured at amortized cost. Amounts receivable recorded are net of lifetime expected credit losses. The Company applies the simplified approach to determining expected credit losses, which requires expected credit losses to be recognized upon initial recognition of the receivables.

Investments in marketable equity securities are classified, at the Company's election, as subsequently measured at fair value through other comprehensive income. Investment transactions are recognized on the trade date with transaction costs included in the underlying balance. Fair values are determined by reference to quoted market prices at the statement of financial position date.

Reclamation deposits are classified as subsequently measured at amortized cost.

(ii) Financial liabilities

Trade and other accounts payable are non-interest bearing if paid when due and are recognized at face amount, except when fair value is materially different. Trade payables are subsequently measured at amortized cost.

4.15 Changes in Accounting Standards

(i) Financial instruments ("IFRS 9")

The Company has elected not to adopt the hedging requirements of IFRS 9, but may adopt them in a future period. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business

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model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the statement of loss, unless this creates an accounting mismatch.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The new hedge accounting model in IFRS 9 aligns hedge accounting with risk management activities undertaken by an entity.

(ii) Classification and Measurement Changes

The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and has summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

	IAS 39	IFRS 9
Cash and cash equivalents	Fair value through profit or loss	Amortized cost
Amounts receivable*	Loans and receivables	Amortized cost
Marketable securities	Available for sale	Fair value through other comprehensive income
Reclamation bonds	Fair value through profit or loss	Amortized cost
Trade and other accounts payable	Amortized cost	Amortized cost

**Amounts receivable exclusive of GST.*

There has been no change in the carrying value of these financial instruments or to previously reported figures as a result of changes to the measurement categories in the table noted above.

Marketable equity securities

The Company has made the irrevocable classification choice to record fair value changes on the existing investments in marketable equity securities through other comprehensive income. This election did not result in any reclassification between deficit and accumulated other comprehensive income.

4.16 New standard not yet effective

At the date of authorization of these financial statements, the following new standard was issued but not yet effective:

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IFRS 16 – Leases

For annual periods beginning on or after January 1, 2019, the IASB has replaced IAS 17, IFRIC 4, SIC - 15 and SIC – 27 in their entirety with IFRS 16 – Leases (“IFRS16”). Under IFRS 16, virtually all leases are required to be accounted for as finance leases rather than operating leases, where the required lease payments are disclosed as a commitment in the notes to the financial statements. As a result, leased assets (“right-of-use” assets) and the related lease liability will be required to be recognized on the statement of financial position.

The company has not early adopted this standard and is currently assessing what impact the application will have on the financial statements. The standard and amendment will be applied in the financial report of the Company for the annual reporting period ending January 31, 2020.

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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, 2019	\$ 5,101	\$ 38,078	\$ 23,965	\$ 67,144
Balance, October 31, 2019	5,101	38,078	23,965	67,144
Accumulated depreciation				
Balance, February 1, 2019	5,101	25,754	23,965	54,820
Depreciation for the period	-	1,767	-	1,767
Balance, October 31, 2019	5,101	27,521	23,965	56,587
Net book value	\$ -	\$ 10,557	\$ -	\$ 10,557

	Computer equipment	Off-road vehicle	Mobile equipment	Total
Cost				
Balance, February 1, 2018	\$ 5,101	\$ 38,078	\$ 23,965	\$ 67,144
Balance, January 31, 2019	5,101	38,078	23,965	67,144
Accumulated depreciation				
Balance, February 1, 2018	5,101	23,442	23,965	52,508
Depreciation for the year	-	2,312	-	2,312
Balance, January 31, 2019	5,101	25,754	23,965	54,820
Net book value	\$ -	\$ 12,324	\$ -	\$ 12,324

7. RECLAMATION DEPOSITS

As at October 31, 2019, the Company had reclamation deposits held in trust by the Province of British Columbia totalling \$89,000 (January 31, 2019 - \$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, 2018	\$ 8,480,197	\$ 7,544,249	\$ 85,657	\$ 16,110,103
Acquisition Costs				
Option and acquisition costs	-	14,000	-	14,000
Exploration Costs				
Assaying and petrographic	21,276	2,914	-	24,190
Communications	1,384	414	-	1,798
Field supplies	1,909	1,260	-	3,169
Geological and consulting	112,322	19,897	-	132,219
Mineral tenure costs	5,062	2,093	-	7,155
Field support and drilling	9,539	10,924	-	20,463
Travel and accommodation	2,370	9,597	-	11,967
BC METC	(160,047)	(61,099)	-	(221,146)
Option payments received	-	-	(85,657)	(85,657)
January 31, 2019	8,474,012	7,544,249	-	16,018,261
Acquisition Costs				
Option and acquisition costs	-	-	-	-
Exploration Costs				
Assaying and petrographic	5,838	2,796	-	8,634
Communications	1,015	-	-	1,015
Field supplies	2,415	213	-	2,628
Field support and drilling	139,024	45,691	-	184,715
Geological and consulting	59,623	85,517	-	145,140
Travel and accommodations	2,442	5,698	-	8,140
Mineral tenure costs	6,356	-	-	6,356
October 31, 2019	\$ 8,690,725	\$ 7,684,164	\$ -	\$ 16,374,889

As at October 31, 2019, cumulative METC rebates offset against deferred exploration and evaluation property costs totalled \$1,232,225 (January 31, 2019 - \$1,232,225).

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, 2019, the Company acquired by staking for its own account, additional mineral claim tenures. The Rateria property is comprised of 31 mineral tenures totaling approximately 10,350 hectares.

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

Rateria claims - 7 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 - 1 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 31 mineral tenures totaling approximately 14,957 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 38 mineral tenures totalling approximately 10,711 hectares. The Hen-Art-DL property consists of 12 mineral tenures totalling approximately 5,590 hectares and the Fox property consists of 37 mineral tenures totalling approximately 17,623 hectares. The Black Riders property consists of 6 mineral tenures totaling approximately 2,564 hectares and adjoins to the east and considered part of the Fox property. See 8.2.4.

The Silverboss, Hen, Art-DL, Fox and Black Riders property mineral tenures all adjoin and are contiguous and together total 36,488 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 20 mineral tenures totaling approximately 2,515 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 1 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. (“Exlorex”). 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(issued); and
- Issuing an additional 500,000 common shares of Explorex to the Company within 18 months after Due Diligence Period (issued).

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.

8.4 Marketable Securities

Marketable securities consist of equity securities that the Company has received as option payments and which it does not control or have significant influence over. Unrealized gains and losses due to period end revaluations to fair value are included in other comprehensive income for the period. At October 31, 2019, the Company owned 884,000 and 200,000 (2019 – 1,100,000 and 200,000) shares of Explorex Resources Inc. and Jiulian Resources Inc. respectively, the shares of which are traded on the Canadian Securities Exchange and the TSX Venture Exchange.

	October 31, 2019	January 31, 2019
Marketable securities – fair value	\$ 301,460	\$ 369,500
Marketable securities – cost	256,960	325,000

9. TRADE AND OTHER ACCOUNTS PAYABLE

	October 31, 2019	January 31, 2019
Financial Liabilities		
Trade payables	\$ 16,137	\$ 19,573
Payroll accruals	(1,668)	(880)
Accrued liabilities	13,400	21,000
	<u>\$ 27,869</u>	<u>\$ 39,693</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

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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		Total
	July 7, 2017	December 28, 2018	
Balance February 1, 2018	\$ 9,635	\$ -	\$ 9,635
Premium liability incurred on flow-through shares issued	-	43,200	43,200
Reduction of flow-through share liability on incurring qualifying expenditures	(9,635)	(5,381)	(15,016)
Balance January 31 and October 31, 2019	\$ -	\$ 37,819	\$ 37,819

	Issued on		Total
	June 30, 2017	July 7, 2017	
Balance February 1, 2018	\$ -	\$ 9,635	\$ 9,635
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)	(290,135)	(417,105)
Balance October 31, 2018	\$ -	\$ -	\$ -

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 October 31, 2019 are 105,029,712 (January 31, 2019– 93,665,976).

During the nine months ended October 31, 2019, the Company completed a non-brokered private placement of 6,793,572 flow through shares at a price of \$0.14 per share for gross proceeds of \$951,100 and 4,779,664 common shares at a price of \$0.12 per share for gross proceeds of \$573,560 for total gross proceeds of \$1,524,660. The Company paid a finder's fee totalling \$109,189 in cash and issued 618,000 broker warrants. Each warrant is exercisable into one common share of the Company at a price of \$0.17 for a period of two years.

During the year ended January 31, 2019, the following share transactions occurred:

- i. On January 23, 2019, the Company completed a non-brokered private placement, issuing 864,000 flow-through common shares (each a "FT Share") at a price of \$0.20 per FT Share for gross proceeds of \$172,800 and 483,000 non-flow-through shares (each a "NFT Share") at a price of \$0.15 for gross proceeds of \$72,450, for combined proceeds of \$245,250. Cash finders' fees of \$5,442 were paid and 23,820 finders' 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 finders' warrants were ascribed a value of \$1,327.

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11.3 Warrants

The following warrants were outstanding:

	<u>Warrants</u>	<u>Exercise Price</u>
February 1, 2018	6,336,546	\$ 0.17
Expired	(5,812,375)	0.17
Issued – finder’s	23,820	0.30
January 31, 2019	547,991	0.17
Issued-finder warrants	618,000	0.17
Expired	(524,171)	0.18
October 31, 2019	<u>641,820</u>	<u>\$ 0.17</u>

<u>Expiry date</u>	<u>Warrants</u>	<u>Exercise Price</u>
December 28, 2020	21,840	0.30
January 31, 2021	1,980	0.30
September 24, 2021	618,000	0.17
	<u>641,820</u>	<u>\$ 0.17</u>

At October 31, 2019, the weighted-average remaining life of the outstanding warrants was 1.86 years (2019–0.48 years).

The fair value of the share purchase warrants granted during the year ended January 31, 2019 and the year ended January 31, 2018 was estimated on the date of grant using the Black-Scholes Pricing Model with the following weighted average assumptions:

	<u>Year Ended January 31, 2019</u>	<u>Year Ended January 31, 2018</u>
Strike price	\$ 0.30	\$ 0.30
Risk free interest rate	1.86 – 1.90%	1.09 – 1.16%
Expected warrant life (years)	2.00 years	2.00 years
Expected stock price volatility	100.43 - 102.15%	105.80 - 106.77%
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 nine months ended October 31, 2019 were Nil (year ended January 31, 2019–450,000). Total share-based payments recognized for the fair value of share options granted,

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vested and approved by the shareholders during the period ended October 31, 2019 was \$Nil (year ended January 31, 2019 - \$78,779).

The fair value of the share options granted during the year ended January 31, 2019 and the year ended January 31, 2018 was estimated on the date of grant using the Black-Scholes Pricing Model with the following weighted average assumptions:

	<u>Year Ended January 31, 2019</u>	<u>Year Ended January 31, 2018</u>
Strike price	\$0.24	\$0.24
Risk free interest rate	2.22%	1.66%
Expected option life (years)	4.24 years	5.00 years
Expected stock price volatility	132.83%	115.44%
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:

	<u>Options</u>	<u>Exercise price</u>
February 1, 2018	5,700,000	\$ 0.21
Issued	450,000	0.24
Cancelled	(550,000)	0.23
January 31, 2019 (Exercisable – 5,600,000)	5,600,000	0.21
Cancelled	(2,200,000)	0.18
October 31, 2019 (Exercisable – 3,400,000)	3,400,000	\$ 0.24

<u>Expiry date</u>	<u>Options</u>	<u>Exercise Price</u>
January 9, 2020	750,000	\$ 0.22
October 27, 2022	2,650,000	0.24
	<u>3,400,000</u>	<u>\$ 0.21</u>

At October 31, 2019, the weighted average remaining life of the outstanding options was 1.60 years (2019 – 2.12 years).

11.5 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 terminated on May 7, 2019. At January 31, 2019 the Company had repurchased 159,500 shares at a cost of \$24,696. These shares had not been cancelled and returned to treasury and were being held in a brokerage account.

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12. RELATED PARTY TRANSACTIONS AND BALANCES

Relationships	Nature of the relationship
Standard Metals Exploration Ltd. ("Standard")	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 and Chief Financial Officer.

	Geological exploration services	Management services
Services provided for the nine months ended October 31, 2019:		
Chief operating officer	\$ -	\$ 45,000
Chief financial officer	-	27,000
Standard	5,848	-
	\$ 5,848	\$ 72,000

	Geological exploration services	Management services
Services provided for the ninemonths ended October 31, 2018:		
Chief operating officer	\$ -	\$ 85,000
Chief financial officer	-	51,000
Director	-	-
Standard	-	-
	\$ -	\$ 136,000

Key management compensation includes:

	Nine months ended 2019	October 31, 2018
Management fees and salaries	\$ 72,000	\$ 136,000
Share-based payments	-	-
	\$ 72,000	\$ 136,000

At October 31, 2019 and 2018, there were no amounts payable to key management personnel. At October 31, 2019, \$5,848 was owed to Standard Metals Exploration Ltd., a related company.

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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.

13. 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.

14. RISK MANAGEMENT

14.1 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, 2019, the Company's working capital is \$1,622,905, 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 October 31, 2019, the Company had cash and cash equivalents of \$1,330,723 to settle trade and other accounts payable of \$27,869.

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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.

14.2 Fair Values

The carrying values of cash and cash equivalents, amounts receivable (excluding GST), reclamation deposits, 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. Marketable securities are carried at fair value.

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).

15. COMMITMENTS

15.1 Lease Commitment

The Company has an operating lease for office premises that has a two-year term, expiring on November 30, 2020. Monthly lease payments include rent, operating costs and property taxes. The minimum annual payments for the remaining period are as follows:

Fiscal Year	Amount
2020	\$ 14,837
2021	21,816
	<u>\$ 36,653</u>

See Note 4.16.

15.2 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.