

**HAPPY CREEK MINERALS LTD.**

**Financial Statements**

**For the nine months ended October 31, 2021 and 2020**

**(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 Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**HAPPY CREEK MINERALS LTD.**  
**Statements of Financial Position**  
**October 31, 2021 and January 31, 2021**

	Note	<u>October 31, 2021</u>	<u>January 31, 2021</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 677,829	\$ 1,619,953
Amounts receivable	5	38,305	73,569
Prepaid expenses		26,042	20,960
Marketable securities	8	10,214	9,660
<b>Total current assets</b>		<u>752,390</u>	<u>1,724,142</u>
<b>Non-current assets</b>			
Equipment	6	5,845	7,612
Right-of-use-asset –office lease	15	16,719	28,293
Reclamation deposits	7	100,000	97,000
Exploration and evaluation properties	8	18,245,385	17,425,971
<b>Total non-current assets</b>		<u>18,367,949</u>	<u>17,725,876</u>
<b>Total assets</b>		<u>\$ 19,120,339</u>	<u>\$ 19,283,018</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other accounts payable	9	\$ 213,643	\$ 100,867
Lease liability-current portion	15	14,258	17,304
Flow-through premium liability	10	106,074	106,074
<b>Total current liabilities</b>		<u>333,975</u>	<u>224,245</u>
<b>Non-current liabilities</b>			
Lease liability	15	6,296	15,564
Deferred tax liability		1,035,363	1,035,363
<b>Total liabilities</b>		<u>1,375,634</u>	<u>1,275,172</u>
<b>Equity</b>			
Share capital	11	23,566,326	23,485,951
Share option reserve	11	3,269,184	2,932,695
Deficit		(9,209,967)	(8,529,408)
Accumulated other comprehensive income		119,162	118,608
<b>Total equity</b>		<u>17,744,705</u>	<u>18,007,846</u>
<b>Total equity and liabilities</b>		<u>\$ 19,120,339</u>	<u>\$ 19,283,018</u>
Going concern	2		
Commitments	15		

These financial statements are authorized for issue by the Board of Directors on December 22, 2021.

Approved by the Board of Directors:

“Peter Hughes” 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, 2021 and 2020**

	Three months ended October 31,		Nine months ended October 31,	
	2021	2020	2021	2020
<b>Revenue</b>				
Interest income	\$ 155	\$ 259	\$ 918	\$ 1,022
<b>Other expenses</b>				
Advertising and promotion	915	13,791	5,742	36,899
Conferences and travel	-	(3,676)	2,783	13,349
Management fees and salaries	89,554	57,344	233,183	179,149
Share-based payments	79,739	-	336,489	-
Office and administration	32,039	87,196	79,633	134,078
Professional fees	9,136	30,769	23,647	42,433
	211,383	185,424	681,477	405,908
<b>Net income (loss) for the period</b>	<b>(211,228)</b>	<b>(185,165)</b>	<b>(680,559)</b>	<b>(404,886)</b>
Unrealized gain on available for sale financial assets	-	110,500	-	110,500
Realized gain on sale of marketable securities	-	8,314	-	8,314
<b>Comprehensive income (loss) for the period</b>	<b>\$ (211,228)</b>	<b>\$ (66,351)</b>	<b>\$ (680,559)</b>	<b>\$ (286,072)</b>
<b>Basic and Diluted Earnings (Loss) Per Share</b>				
	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
<b>Weighted Average Number of Shares Outstanding</b>				
	122,548,482	105,029,712	122,548,482	105,029,712

*The accompanying notes are an integral part of these financial statements*

**HAPPY CREEK MINERALS LTD.****Statements of Cash Flows****October 31, 2021 and 2020**

	<b>Nine months Ended October 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (680,559)	\$ (404,886)
Items not involving cash:		
Depreciation- equipment	1,767	1,767
Depreciation-Right-of-use asset	11,574	11,575
Comprehensive gain on marketable securities	554	-
Share-based payments	336,489	-
	<u>(330,175)</u>	<u>(391,544)</u>
<b>Changes in non-cash working capital items:</b>		
Amounts receivable	35,264	(11,798)
Prepaid expenses	(5,082)	1,359
Marketable securities	(554)	-
Trade and other accounts payable	112,776	126,454
	<u>(187,771)</u>	<u>(275,529)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of lease liability	(12,314)	(10,467)
Issuance of shares, net of costs	80,375	-
	<u>68,061</u>	<u>(10,467)</u>
<b>INVESTING ACTIVITIES</b>		
Expenditures on exploration and evaluation properties	(819,414)	(479,708)
Proceeds on sale of marketable securities	(3,000)	141,155
	<u>(822,414)</u>	<u>(338,553)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	(942,414)	(624,549)
<b>Cash and cash equivalents, beginning of period</b>	1,619,953	1,244,063
<b>Cash and cash equivalents, end of period</b>	<u>\$ 677,829</u>	<u>\$ 619,514</u>
<b>Supplemental Cash Flow Information:</b>		
Accounts payable related to exploration and evaluation expenditures	\$ 185,988	\$ 113,135
	<u>\$ 185,988</u>	<u>\$ 113,135</u>
<b>Cash and Cash Equivalents Consist Of:</b>		
Cash	\$ 140,660	\$ 152,486
Money market fund	432,169	212,028
Guaranteed investment certificates	105,000	255,000
	<u>\$ 677,829</u>	<u>\$ 619,514</u>

*The accompanying notes are an integral part of these financial statements*

**HAPPY CREEK MINERALS LTD.**  
**Statements of Changes in Equity**  
**October 31, 2021 and 2020**

Common Shares

	Note	Number	Amount	Share Option Reserve	Accumulated other comprehensive income (loss)	Deficit	Total equity
			\$	\$	\$	\$	\$
<b>February 1, 2020</b>		105,029,712	22,128,758	2,860,035	(59,708)	(7,979,033)	16,950,052
Net loss for the period		-	-	-	-	(404,886)	(404,886)
Other comprehensive income		-	-	-	118,814	-	118,814
<b>October 31, 2020</b>		<u>105,029,712</u>	<u>22,128,758</u>	<u>2,860,035</u>	<u>59,106</u>	<u>(8,383,919)</u>	<u>16,663,980</u>
<b>February 1, 2021</b>		122,502,455	23,485,951	2,932,695	118,608	(8,529,408)	18,007,846
Share-based payments		-	-	336,489	-	-	336,489
Shares issued, net of costs		1,680,000	80,375	-	-	-	80,375
Net loss for the period		-	-	-	-	(680,559)	(680,559)
Other comprehensive income		-	-	-	554	-	554
<b>October 31, 2021</b>		<u>124,182,455</u>	<u>23,566,326</u>	<u>3,269,184</u>	<u>119,162</u>	<u>(8,998,739)</u>	<u>17,744,705</u>

The number of shares issued at October 31, 2021 and 2020 is comprised as follows:

	<u>2021</u>	<u>2020</u>
Shares considered previously issued (Note 11)	124,341,955	105,239,212
Issued and held by the Company	(159,500)	(209,500)
Issued and outstanding with other shareholders	<u>124,182,455</u>	<u>105,029,712</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, 2021 and 2020**

---

**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 interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company’s most recent annual financial statements. These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at the year ended January 31, 2021, prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These interim financial statements were authorized by the Company’s Board of Directors on December 22, 2021.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

---

**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, 2021.

**(iii) Right-of-use-asset / Lease liability**

The measurement of the lease liability includes the two-year extension option (exercised on November 30, 2020) included in the original lease agreement because management was reasonably certain that the landlord would agree to another two-year extension when the existing lease extension expired on November 30, 2020. The increase in base rent included in the measurement of the lease liability is based on the increase in base rent for the second year of the existing lease extension. The incremental rate of borrowing of 12% used in the measurement of the lease liability was based on management's best estimate of the Company's cost of debt.

**4. SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Cash and Cash Equivalents**

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

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

---

## **4.2 Equipment**

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

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

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

See Note 4.15

## **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.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

---

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

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

As at October 31, 2021, 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.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

---

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 are not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

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

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

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

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

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

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

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.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

---

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

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

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

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

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

#### **4.10 Related Party Transactions**

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

#### **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.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

---

During the periods ended October 31, 2021 and 2020, 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 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 and lease liability are subsequently measured at amortized cost.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

---

**4.15 Changes in Accounting Standards**

*IFRS 16 – Leases*

The Company adopted the requirements of IFRS 16 Leases (“IFRS 16”) as of February 1, 2019. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize right of use assets and liabilities for leases. The Company elected to apply IFRS 16 using a modified retrospective approach; therefore, the comparative information was not restated and continues to be reported under IAS 17, Leases. The details of the new accounting policy and the impact of the policy change are described below.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and if it has the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease.

*Right-of-use asset*

The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made and any initial direct costs incurred at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

*Lease liability*

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method.

Lease payments included in the measurement of the lease liability comprise: fixed payments; variable lease payments that depend on an index or a rate; amounts expected to be payable under any residual value guarantee; the exercise price under any purchase option that the Company would be reasonably certain to exercise; lease payments in any optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for any early termination of a lease unless the Company is reasonably certain not to terminate early. The Company has elected to exclude non-lease components related to premises leases in the determination of the lease liability.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to income on a straight-line basis over the lease term.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

On the transition date of February 1, 2019, there was no impact on the Company's financial statements. The reconciliation of the lease liability as at February 1, 2019 was as follows:

	2020
Future aggregate minimum lease payments	\$ 74,460
Effect of discounting at the incremental rate of borrowing	(15,301)
Lease liability as at February 1, 2019	\$ 59,159

See Note 15.

**5. AMOUNTS RECEIVABLE**

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

**6. EQUIPMENT**

	Computer equipment	Off-road vehicle	Mobile equipment	Total
<b>Cost</b>				
Balance, February 1, 2021	\$ 5,101	\$ 38,078	\$ 23,965	\$ 67,144
Balance, October 31, 2021	5,101	38,078	23,965	67,144
<b>Accumulated depreciation</b>				
Balance, February 1, 2021	5,101	30,466	23,965	59,532
Depreciation for the period	-	1,767	-	1,767
Balance, October 31, 2021	5,101	32,233	23,965	61,299
Net book value	\$ -	\$ 5,845	\$ -	\$ 5,845

	Computer equipment	Off-road vehicle	Mobile equipment	Total
<b>Cost</b>				
Balance, February 1, 2020	\$ 5,101	\$ 38,078	\$ 23,965	\$ 67,144
Balance, January 31, 2021	5,101	38,078	23,965	67,144
<b>Accumulated depreciation</b>				
Balance, February 1, 2020	5,101	28,110	23,965	57,176
Depreciation for the year	-	2,356	-	2,356
Balance, January 31, 2021	5,101	30,466	23,965	59,532
Net book value	\$ -	\$ 7,612	\$ -	\$ 7,612

**7. RECLAMATION DEPOSITS**

As at October 31, 2021, the Company had reclamation deposits held in trust by the Province of British Columbia totalling \$100,000 (January 31, 2021 - \$97,000) with regards to its exploration of properties in British Columbia.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

**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	Total
<b>February 1, 2020</b>	\$ 8,662,259	\$ 7,703,172	\$ 16,365,431
<b>Acquisition Costs</b>			
Option and acquisition costs	-	-	-
<b>Exploration Costs</b>			
Assaying and petrographic	10,533	17,144	27,677
Geophysics	-	983	983
Communications	1,884	1,196	3,080
Field supplies	3,102	5,602	8,704
Geological and consulting	52,467	141,442	193,909
Permitting	995	30,582	31,577
Mineral tenure costs	500	-	500
Field support and drilling	61,057	160,569	221,626
Drilling	210,991	338,610	549,601
Travel and accommodation	10,472	12,411	22,883
BC METC	-	-	-
<b>January 31, 2021</b>	9,014,260	8,411,711	17,425,971
<b>Acquisition Costs</b>			
Option and acquisition costs	-	-	-
<b>Exploration Costs</b>			
Assaying and petrographic	64,294	35,509	99,803
Geophysics	-	74,700	74,700
Communications	1,094	118	1,212
Geological and consulting	129,966	138,511	268,477
Permitting and consulting	1,950	4,432	6,382
Mineral tenure costs	1,359	-	1,359
Field support and drilling	326,428	17,482	343,910
Travel and accommodation	12,300	11,271	23,571
<b>October 31, 2021</b>	\$ 9,551,651	\$ 8,693,734	\$ 18,245,385

As at October 31, 2021, cumulative METC rebates offset against deferred exploration and evaluation property costs totalled \$1,284,147 (January 31, 2021 - \$1,284,147).

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.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

---

**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 32 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.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

---

*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 13 mineral tenures totalling approximately 6,047 hectares and the Fox property consists of 36 mineral tenures totalling approximately 17,245 hectares. The Black Riders property consists of 6 mineral tenures totaling approximately 2,564 hectares and adjoins to the east and is 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 36,567 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 19 mineral tenures totaling approximately 1,976 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*

The Eye 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.

On May 11, 2016, the Company entered into the Silver Dollar Property Option Agreement (the “Option Agreement”) with Explorex Resources Inc. (“Explorex”) (now Raffles Financial Group Limited). 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 exercised the option by paying \$20,000 in cash, issuing 1,100,000 common shares of Explorex to the Company and incurring \$100,000 in exploration expenditures.

Pursuant to the Option Agreement:

- 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.

See 8.4.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

---

**8.4 Marketable Securities**

In January 2020, Explorex and Origen entered into an arrangement agreement (the “AA”) and in closing of the AA entered into a transaction (the “Arrangement”) whereby Explorex shareholders would be issued Origen shares in consideration for the transfer of assets to Origen and the assumption of liabilities by Origen on completion of the Arrangement. In March 2020, Explorex received shareholder approval for its Arrangement with Origen and its acquisition of all of the outstanding shares of Raffles Financial Private Ltd. (“RFP”). Following the Arrangement and the transfer of assets to Origen, Explorex completed the following transactions to facilitate the acquisition of RFP:

- All Explorex shareholders retained their Explorex shares and received one Origen share for every two Explorex shares held;
- Origen became a new reporting issuer and applied for listing of the Origen shares on the Canadian Securities Exchange (the “CSE”); and
- Explorex completed a name change to Raffles Financial Group Limited (“RFG”) and a share consolidation at the ratio of approximately 25.94:1.

As a result of these transactions, the Company received 442,000 Origen shares and it held 34,069 RFG shares. As at October 31, 2021, the Company owned 42,000 shares of Origen (January 31, 2021 – 42,000 shares) the shares of which are traded on the CSE (2020 – the TSX-V). On May 12, 2021 Origen transferred a property to Forty Pillars Mining Corp. Each Origen shareholder received 0.12 of a Forty Pillars share for each Origen share they held. Happy Creek received 5,040 Forty Pillars shares. Forty Pillars trades on the CSE.

	October 31, 2021	January 31, 2021
Marketable securities – fair value	\$ 10,214	\$ 9,660

**9 TRADE AND OTHER ACCOUNTS PAYABLE**

	<u>October 31, 2021</u>	<u>January 31, 2021</u>
<b>Financial Liabilities</b>		
Trade payables	\$ 176,338	\$ 72,922
Payroll accruals	4,048	1,765
Accrued liabilities	33,257	26,180
	<u>\$ 213,643</u>	<u>\$ 100,867</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.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

---

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

	Issued on		Total
	September 24, 2019	November 19, 2020	
<b>Balance February 1, 2020</b>	\$ 100,469	\$ -	\$ 100,469
Premium liability incurred on flow-through shares issued	-	141,950	141,950
Reduction of flow-through share liability on incurring qualifying expenditures	(100,469)	(35,876)	(136,345)
<b>Balance January 31 and October 31, 2021</b>	\$ -	\$ 106,074	\$ 106,074

## 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, 2021 is 124,182,455 (January 31, 2021– 122,502,455).

During the nine months ended October 31, 2021, the Company completed a non-brokered private placement, issuing 1,680,000 common shares at a price of \$0.05 per share for gross proceeds of \$84,000. A cash finders' fee of \$600 was paid as well, 12,000 finders warrants were issued. Each warrant is exercisable into one common share of the Company at an exercise price of \$0.06 per share up to the close of business on October 20, 2024.

During the year ended January 31, 2021, the following share transactions occurred:

- i. On November 19, 2020, the Company completed a non-brokered private placement, issuing 14,195,000 flow-through common shares (each a "FT Share") at a price of \$0.10 per FT Share for gross proceeds of \$1,419,500 and 2,777,743 non-flow-through shares (each a "NFT Share") at a price of \$0.09 for gross proceeds of \$249,997, for combined proceeds of \$1,669,497. Cash finders' fees of \$97,694 were paid, and 500,000 common shares and 1,384,393 finders' warrants were issued as part of the financing. Each warrant entitles the holder to purchase one additional common share for a three-year period at a price of \$0.12. The finders' warrants were ascribed a value of \$72,660.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

---

**11.3 Warrants**

The following warrants were outstanding:

	<u>Warrants</u>	<u>Exercise Price</u>
February 1, 2020	641,820	\$ 0.17
Issued	16,972,743	0.12
Issued – finder’s	1,384,393	0.12
Expired	<u>(23,820)</u>	<u>0.30</u>
January 31, 2021	18,975,136	0.17
Issued – finder’s	12,000	0.12
Expired	<u>(618,000)</u>	<u>0.17</u>
October 31, 2021	<u>18,369,136</u>	<u>\$ 0.12</u>

  

<u>Expiry date</u>	<u>Warrants</u>	<u>Exercise Price</u>
November 19, 2023	16,972,743	\$ 0.12
November 19, 2023	1,384,393	0.12
October 20, 2024	<u>12,000</u>	<u>0.06</u>
	<u>18,369,136</u>	<u>\$ 0.12</u>

As at October 31, 2021, the weighted-average remaining life of the outstanding warrants was 2 years (2021–2.73 years).

The fair value of the share purchase warrants granted during the year ended January 31, 2021 and the year ended January 31, 2020 was estimated on the date of grant using the Black-Scholes Pricing Model with the following weighted average assumptions:

	<u>Year Ended January 31, 2021</u>	<u>Year Ended January 31, 2020</u>
Strike price	\$0.12	\$ 0.17
Risk free interest rate	0.30%	1.52%
Expected warrant life (years)	3.00 years	2.00 years
Expected stock price volatility	104.56%	101.13%
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, 2021 were 5,450,000 (year ended January 31, 2021–Nil). Total share-based payments recognized for the fair value of share options granted,

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

vested and approved by the shareholders during the nine months ended October 31, 2021 was \$336,489 (year ended January 31, 2021 - \$Nil).

The fair value of the share options granted during the nine months ended October 31, 2021 and the year ended January 31, 2021 was estimated on the date of grant using the Black-Scholes Pricing Model with the following weighted average assumptions:

	<b>Nine Months Ended October 31, 2021</b>	<b>Year Ended January 31, 2020</b>
Strike price	\$0.07-\$0.17	N/A
Risk free interest rate	1.58%	N/A
Expected option life (years)	5 years	N/A
Expected stock price volatility	104.25%	N/A
Dividend payments during life of option	Nil	N/A
Expected forfeiture rate	Nil	N/A

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

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

	<b>Options</b>	<b>Exercise price</b>
February 1, 2020	5,200,000	\$ 0.20
Issued	-	-
Cancelled/expired	-	-
January 31, 2021 (Exercisable – 5,200,000)	5,200,000	0.20
Issued	5,450,000	0.07-0.10
October 31, 2021 (Exercisable – 10,650,000)	10,650,000	\$ 0.14

<b>Expiry date</b>	<b>Options</b>	<b>Exercise Price</b>
October 27, 2022	2,150,000	\$ 0.24
October 17, 2024	2,300,000	0.17
January 16, 2025	750,000	0.17
March 24, 2026	3,950,000	0.10
October 21, 2026	1,500,000	0.07
	10,650,000	\$ 0.14

As at October 31, 2021, the weighted average remaining life of the outstanding options was 3.35 years (2021 – 2.83 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-V 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 paid the market price at the time of acquisition for the common shares acquired under the Bid. The Bid took place beginning May 7, 2018 and terminated on May 7, 2019. As at January

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

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

**12. RELATED PARTY TRANSACTIONS AND BALANCES**

<b>Relationships</b>	<b>Nature of the relationship</b>
Standard Metals Exploration Ltd. ("Standard")	Standard is a private company controlled by a director and former officer 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, Corporate Secretary and Directors.

	<b>Geological exploration services</b>	<b>Management services</b>
Services provided for the nine months ended October 31, 2021:		
Chief executive officer	\$ 40,713	\$ 62,000
Chief financial officer	-	27,000
Director	-	15,900
Corporate Secretary	-	27,000
Standard	68,309	533
	<b>\$ 109,022</b>	<b>\$ 132,433</b>

	<b>Geological exploration services</b>	<b>Management services</b>
Services provided for the nine months ended October 31, 2020:		
Chief executive officer	\$ -	\$ 45,000
Chief financial officer	-	27,000
Directors-consulting	3,500	15,000
	<b>\$ 3,500</b>	<b>\$ 87,000</b>

Key management compensation includes:

	<b>Nine months ended October 31,</b>	
	<b>2021</b>	<b>2020</b>
Management fees and salaries	\$ 132,433	\$ 87,000
Share-based payments	336,489	-
	<b>\$ 348,333</b>	<b>\$ 87,000</b>

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

---

As at October 31, 2021 there was \$5,855(2020-\$Nil) payable to key management personnel.

As at October 31, 2021 there was \$16,750(2020-\$Nil) payable to Company's controlled by Directors.

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 equivalents 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 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, 2021, the Company's working capital is \$524,489 (excluding flow-through premium liability), and it has a long-term lease liability. 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

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

---

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, 2021, the Company had cash and cash equivalents of \$677,829 to settle trade and other accounts payable of \$213,643 and lease liability of \$14,258.

**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 (excluding lease liability) are classified as Level 1 items. Lease liability is classified as a Level 3 item.

**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 Right-of-Use-Asset / Lease Liability**

The Company has an operating lease for office premises expiring on November 30, 2020 and the option for a two-year extension was exercised. Monthly lease payments include base rent, operating costs and property taxes.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

---

(a) Right-of-use asset

As at October 31, 2021 and January 31, 2021, the right-of-use asset recorded for the Company's office premises is as follows:

	<b>October 31, 2021</b>	<b>January 31, 2021</b>
Balance – beginning of the period	\$ 28,293	\$ 43,726
IFRS 16 adoption	-	-
Depreciation	<u>(11,574)</u>	<u>(15,433)</u>
Balance – end of period	<u>\$ 16,719</u>	<u>\$ 28,293</u>

(b) Lease liability

As at October 31, 2021 and January 31, 2021, the minimum lease payments in respect of lease liabilities and the effect of discounting are as follows:

	<b>October 31, 2021</b>	<b>January 31, 2021</b>
Undiscounted minimum lease payments:		
Less than one year	\$ 19,153	\$ 19,153
Two to three years	<u>16,434</u>	<u>16,434</u>
	35,587	35,587
Effect of discounting	<u>(15,033)</u>	<u>(2,719)</u>
Present value of minimum lease payments	20,554	32,868
Less current portion	<u>(14,258)</u>	<u>(17,304)</u>
Long-term portion	<u>\$ 6,296</u>	<u>\$ 15,564</u>

(c) Lease liability continuity

The net change in the lease liability is as follows:

	<b>October 31, 2021</b>	<b>January 31, 2021</b>
Balance – beginning of the period	\$ 32,868	\$ 47,144
IFRS 16 adoption	-	-
Cash flows:		
Principal payments	<u>(12,314)</u>	<u>(14,276)</u>
Balance – end of period	<u>\$ 20,554</u>	<u>\$ 32,868</u>

During the period ended October 31, 2021, interest of \$2,475 (2020 – \$ ) is included in office and administration.

## 15.2 Termination of Service Agreements

The Company had a management and administrative services agreement with its former President and CEO. In the event that the Company terminates this agreement without cause, it must make a lump sum payment of \$60,000, based on his current salary. As the former President and CEO resigned the termination fee is not payable.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the nine months ended October 31, 2021 and 2020**

---

On April 1, 2021, the Company entered into a consulting agreement with a company controlled by the former President and CEO whereby the Company will pay a gross monthly fee equal to the greater of \$5,000 or the number of days of services provided by the consultant multiplied by a per diem rate of \$1,000. The agreement has an initial term of six months and shall automatically renew for an indefinite term. The Company may terminate the initial term prior to the end of the term, upon an undertaking to continue payment of the consultant's fee from the date of termination until the last day of the term. If the agreement is in the additional term phase the Company may terminate the agreement upon 90 days written notice or a one-time payment equivalent to the consultant's fee then payable under this agreement at the time of termination for 90 days.

On March 23, 2021 the Company entered into a consulting agreement with a Director to act as President and CEO. The Company will pay the consultant an hourly fee of \$100 for up to 40 hours a week. This fee is to be paid monthly. The agreement has an initial term of three months and will perpetually renew for three month terms until terminated. The Company may terminate this agreement prior to the expiration of any term by providing written notice and making a one-time payment equal to the average monthly consultant's fee paid to the consultant in the three months preceding the termination. If, within six months after a change of control the Company terminates the agreement the Company will pay the consultant an amount equal to one month of the consultant's fee based on the average of the consultant's fees in the two months preceding the change of control. The consultant resigned on October 1, 2021.

On October 1, 2021 the Company entered into a consulting agreement with its current President and CEO whereby the Company will pay a monthly fee of \$10,000. The agreement has an initial term of twelve months and shall automatically renew for an indefinite period. The Company may terminate the agreement prior to the expiration of the term for any reason upon a one-time payment equal to six months of the consulting fee, provided such termination is not for cause. The consultant may terminate the agreement by providing 30 days prior written notice.

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.