

**HAPPY CREEK MINERALS LTD.**

**Financial statements**

**For the three and nine months ended October 31, 2014 and 2013**

**(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, 2014 and January 31, 2014**

	Note	October 31, 2014	January 31, 2014
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 193,362	\$ 207,689
Accounts receivable		13,813	16,068
Mineral exploration tax credits receivable	5	3,365	3,365
Prepaid expenses		22,469	14,808
<b>Total current assets</b>		<b>233,009</b>	<b>241,930</b>
<b>Non-current assets</b>			
Equipment	6	9,460	14,149
Reclamation deposit	7	62,000	62,000
Deferred expenses		-	-
Marketable securities		10,000	10,000
Exploration and evaluation properties	8	13,096,324	13,027,565
<b>Total non-current assets</b>		<b>13,177,784</b>	<b>13,113,714</b>
<b>Total assets</b>		<b>\$ 13,410,793</b>	<b>\$ 13,355,644</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other accounts payable	9,12	\$ 42,853	\$ 126,574
<b>Non-current liabilities</b>			
Deferred tax liability		965,750	965,750
Flow through shares liability		-	-
<b>Total liabilities</b>		<b>1,008,603</b>	<b>1,092,324</b>
<b>Equity</b>			
Share capital	10	16,002,633	15,507,483
Share option reserve	10	1,778,181	1,662,181
Deficit		(5,354,062)	(4,881,782)
Accumulated other comprehensive loss		(24,562)	(24,562)
<b>Total equity</b>		<b>12,402,190</b>	<b>12,263,320</b>
<b>Total equity and liabilities</b>		<b>\$ 13,410,793</b>	<b>\$ 13,355,644</b>

Going concern 2

These financial statements are authorized for issue by the Board of Directors on December 17, 2014.

Approved by the Board of Directors:

"David Blann" Director "Paul Reynolds" Director

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

**HAPPY CREEK MINERALS LTD.**  
**Statements of Loss and Comprehensive Income (Loss)**  
**October 31, 2014 and 2013**

	Note	Three months ended October 31,		Nine months ended October 31,	
		2014	2013	2014	2013
<b>Revenue</b>					
Interest income		\$ 151	\$ 1,181	\$ 1,052	\$ 6,122
<b>Other expenses</b>					
Advertising and promotion		29,529	21,633	92,345	90,666
Conferences and travel		1,884	-	10,734	25,270
Management fees and salaries		47,017	26,882	170,449	103,979
Share-based payments		116,000	8,161	116,000	41,506
Office and administration		18,506	17,163	61,440	75,041
Part XII.6 tax		-	-	1,307	8,621
Professional fees		6,715	6,766	21,057	35,457
		<u>219,651</u>	<u>80,605</u>	<u>473,332</u>	<u>380,540</u>
<b>Loss before income taxes</b>		(219,500)	(79,424)	(472,280)	(374,418)
<b>Provision for income taxes:</b>					
Deferred income tax recovery (expense)		-	5,818	-	35,613
<b>Net income (loss) for the period</b>		(219,500)	(73,606)	(472,280)	(338,805)
Unrealized gain on available for sale financial assets		-	-	-	-
Deferred income tax on available for sale financial assets		-	-	-	-
<b>Comprehensive income (loss) for the period</b>		<u>\$ (219,500)</u>	<u>\$ (73,606)</u>	<u>\$ (472,280)</u>	<u>\$ (338,805)</u>
<b>Basic and diluted earnings (loss) per share</b>		<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
<b>Weighted average number of shares outstanding</b>		<u>59,183,126</u>	<u>57,379,370</u>	<u>59,183,126</u>	<u>57,379,370</u>

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

**HAPPY CREEK MINERALS**  
**Statements of Cash Flows**  
**October 31, 2014 and 2013**

	Nine months ended October 31,	
	2014	2013
<b>CASH AND CASH EQUIVALENTS FROM (USED IN) OPERATING ACTIVITIES</b>		
Income (loss) for the period	\$ (472,280)	\$ (338,805)
Items not involving cash:		
Deferred income tax (recovery) expense	-	(35,613)
Amortization	4,689	324
Share based payments	116,000	41,506
	<u>(351,591)</u>	<u>(332,588)</u>
<b>Changes in non-cash working capital items:</b>		
Receivables	2,255	4,250
Prepaid expenses	(7,661)	2,406
Trade and other accounts payable	(83,721)	16,107
	<u>(440,718)</u>	<u>(309,825)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	-	(1,921)
Deferred expenses	-	(46,500)
Expenditures on mineral properties	(52,355)	(470,319)
Mineral property option payments	(16,404)	(2,500)
	<u>(68,759)</u>	<u>(521,240)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of shares	500,400	-
Share issuance costs	(5,250)	-
	<u>495,150</u>	<u>-</u>
<b>Decrease increase in cash and cash equivalents</b>	(14,327)	(831,065)
<b>Cash and cash equivalents, beginning of year</b>	207,689	1,152,514
<b>Cash and cash equivalents, end of year</b>	<u>\$ 193,362</u>	<u>\$ 321,449</u>
<b>Supplemental Cash Flow Information:</b>		
Amortization capitalized to exploration and evaluation properties	\$ -	\$ 5,286
Accounts payable related to exploration and evaluation costs	<u>\$ 16,122</u>	<u>-</u>
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 42,702	\$ 68,988
Short-term deposits	150,660	252,461
	<u>\$ 193,362</u>	<u>\$ 321,449</u>

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

**HAPPY CREEK MINERALS**  
**Statements of Changes in Equity**  
**October 31, 2014 and 2013**

---

	<u>Common Shares</u>		<u>Share Option Reserve</u>	<u>Accumulated Other Comprehensive Loss</u>		<u>Deficit</u>	<u>Total Equity</u>
	<u>Number</u>	<u>Amount</u>					
<b>February 1, 2013</b>	57,286,630	\$ 15,442,857	\$ 1,620,675	\$ (14,562)	\$ (3,963,584)	\$ 13,085,386	
Shares issued for property	425,000	64,625	-	-	-	64,625	
Share based payments	-	-	41,506	-	-	41,506	
Loss for the period	-	-	-	-	(338,805)	(338,805)	
<b>October 31, 2013</b>	<u>57,711,630</u>	<u>\$ 15,507,482</u>	<u>\$ 1,662,181</u>	<u>\$ (14,562)</u>	<u>\$ (4,302,389)</u>	<u>\$ 12,852,712</u>	
<b>February 1, 2014</b>	57,711,630	\$ 15,507,483	\$ 1,662,181	\$ (24,562)	\$ (4,881,782)	\$ 12,263,320	
Shares issued for private	3,336,000	495,150	-	-	-	\$ 495,150	
Share-based payments	-	-	116,000	-	-	116,000	
Earnings (loss) for the period	-	-	-	-	(472,280)	(472,280)	
<b>October 31, 2014</b>	<u>61,047,630</u>	<u>\$ 16,002,633</u>	<u>\$ 1,778,181</u>	<u>\$ (24,562)</u>	<u>\$ (5,354,062)</u>	<u>\$ 12,402,190</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, 2014 and 2013**

---

**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 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 related to events or conditions that cast significant doubt upon the entity’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 balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

**3. BASIS OF PRESENTATION**

These unaudited interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by International Accounting Standards Board (“IASB”), applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. The unaudited interim financial statements do not include all of the disclosures required for a complete set of annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended January 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

---

The accounting policies below have been applied to all periods presented in these financial statements; and are based on IFRS as issued by the 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, 2014.

**3.1. Basis of measurement**

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 comparative figures presented in these financial statements are in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

**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, 2014.

**(iii) Deferred taxes**

The Company recognizes the deferred tax benefit related to deferred losses and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred income and resource tax assets.

The Company recognizes deferred tax liabilities when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. The Company records a provision for the amount that is expected to be settled, which requires the application of judgement as



**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

---

to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the Company's estimate of the likelihood of a future outflow, the expected settlement amount, and future changes in tax laws.

**(iv) Share-based payments**

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to the statement of loss and comprehensive income (loss) over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

**4. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared at its historical cost convention except for certain financial instruments which are measured at fair value.

**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.

	<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 net loss as a component of office and administrative expenses. Depreciation of assets utilized in mineral exploration activities is capitalized as a cost of mineral 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, exploring

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

---

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 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, 2014, the Company has determined that it does not have any decommissioning and restoration obligations related to current or former operations.

#### **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

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

---

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.

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 tax 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 could be claimed by the investors rather than the company.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

---

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 are 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 are computed by dividing net earnings (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). In computing diluted earnings

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

---

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 period ended October 31, 2014 and 2013, all the outstanding share options and warrants were anti-dilutive.

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

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

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

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

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

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

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

The Company's financial instruments consist of cash and cash equivalents, receivables, marketable securities, trade and other accounts payable.

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

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

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

---

**4.13 Share Issuance Costs**

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

**4.14 Comprehensive Income (loss)**

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

**4.15 Changes in Accounting Standards**

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

***Accounting Standards Issued and Effective January 1, 2014 or Later***

IFRS 9 Financial Instruments replaces the current standard *IAS 39 Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

**5. RECEIVABLES**

The Company has amounts receivable from the Province of British Columbia and the Government of Canada due to statutory credits and refunds and has classified these receivables as non-financial assets.

**6. EQUIPMENT**

	<b>Computer equipment</b>	<b>Off-road vehicle</b>	<b>Mobile equipment</b>	<b>Total</b>
<b>Cost</b>				
Balance , February 1, 2014	\$ 5,101	\$ 18,818	\$ 23,965	\$ 47,884
Additions	-	-	-	-
Balance, October 31,2014	<u>5,101</u>	<u>18,818</u>	<u>23,965</u>	<u>47,884</u>
<b>Accumulated depreciation and amortization</b>				
Balance, February 1, 2014	3,612	16,538	13,585	33,735
Depreciation for the period	<u>324</u>	<u>771</u>	<u>3,594</u>	<u>4,689</u>
Balance, October 31,2014	<u>3,936</u>	<u>17,309</u>	<u>17,179</u>	<u>38,424</u>
Net book value	<u>\$ 1,165</u>	<u>\$ 1,509</u>	<u>\$ 6,786</u>	<u>\$ 9,460</u>

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

---

	<b>Computer equipment</b>	<b>Off-road vehicle</b>	<b>Mobile equipment</b>	<b>Total</b>
<b>Cost</b>				
Balance , February 1, 2013	\$ 3,180	\$ 18,818	\$ 23,965	\$ 45,963
Additions	1,921	-	-	1,921
Balance, January 31, 2014	<u>5,101</u>	<u>18,818</u>	<u>23,965</u>	<u>47,884</u>
<b>Accumulated depreciation and amortization</b>				
Balance , February 1, 2013	3,180	15,509	8,793	27,482
Depreciation for the period	432	1,029	4,792	6,253
Balance, January 31, 2014	<u>3,612</u>	<u>16,538</u>	<u>13,585</u>	<u>33,735</u>
Net book value	<u>\$ 1,489</u>	<u>\$ 2,280</u>	<u>\$ 10,380</u>	<u>\$ 14,149</u>

**7. RECLAMATION DEPOSITS**

As at October 31, 2014, the Company had reclamation deposits held in trust by the Province of British Columbia totalling \$62,000 (January 31, 2014 - \$62,000) with regards to its exploration of properties in British Columbia. These funds are available to the Company once an inspector has reviewed and approved the site for completion of reclamation. The Company makes an effort to reclaim its site disturbance on an on-going basis with several properties thought to be fully reclaimed, and ready for inspection. Some of the funds may be available on a near-term basis, however there is no guarantee that such funds will be returned.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

---

**8. EXPLORATION AND EVALUATION PROPERTIES**

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

	<b>Cariboo properties British Columbia</b>	<b>Highland Valley properties British Columbia</b>	<b>Revelstoke properties British Columbia</b>	<b>Total</b>
<b>February 1, 2013</b>	\$ 5,444,384	\$ 6,843,815	\$ 131,567.00	\$ 12,419,766
<b>Acquisition Costs</b>				
Option and acquisition costs	-	74,625	-	74,625
<b>Exploration Costs</b>				
Assaying and petrographic	53,940	11,620	-	65,560
Geophysics	930	-	-	930
Communications	4,424	1,276	-	5,700
Field supplies	1,574	1,469	-	3,043
Geological and consulting	87,154	49,223	2,300	138,677
Amortization of field equipment	2,861	1,762	-	4,623
Mineral tenure costs	2,102	2,272	-	4,374
Field support and drilling	273,210	32,325	-	305,535
Travel and accommodation	102	1,934	-	2,036
Insurance - mobile equipment	2,169	527	-	2,696
<b>January 31, 2014</b>	<b>5,872,850</b>	<b>7,020,848</b>	<b>133,867</b>	<b>13,027,565</b>
<b>Acquisition Costs</b>				
Option and acquisition costs	-	16,404	-	16,404
<b>Exploration Costs</b>				
Assaying	3,868	4,705	1,323	9,896
Communications	300	500	250	1,050
Field supplies	2,450	1,793	-	4,243
Field support and drilling	8,854	-	-	8,854
Geological and consulting	9,702	11,431	3,258	24,391
Insurance-mobile equipment	1,185	1,185	-	2,370
Travel and accommodation	680	-	-	680
Mineral tenure costs	800	-	71	871
<b>October 31, 2014</b>	<b>\$ 5,900,689</b>	<b>\$ 7,056,866</b>	<b>\$ 138,769</b>	<b>\$ 13,096,324</b>

As at October 31, 2014, cumulative METC rebates offset against deferred exploration and evaluation property costs are \$824,183 (January 31, 2014 - \$824,183).



**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

---

The Company is required by the Government of British Columbia to incur a minimum amount of expenditures to maintain concessions. The minimum expenditure amount to maintain claims is based on the number and age of tenures. 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.

## **8.1 Highland Valley Properties**

### *8.1.1 Rateria*

In 2004, the Company acquired an option, subsequently completed, to earn a 100% interest in the Rateria Property, comprised of 7 mineral claims located 10 kilometres south of the Highland Valley copper molybdenum concentrator near Logan Lake, British Columbia. To earn its interest the Company paid \$155,000 cash, issued 950,000 shares, and incurred \$500,000 in exploration expenditures prior to December 31, 2007. These claims are also subject to a 2.5% net smelter returns (“NSR”) royalty capped at \$3,000,000. The Company may at any time buy back 1% of the NSR for \$2,000,000. During the year ended January 31, 2009 the Company also purchased a 100% interest in four additional mineral claims for a total of \$25,750 cash. Two of the claims are subject to a 2.5% NSR, which the Company can purchase for \$3,000,000.

### *8.1.2 West Valley*

During the year ended January 31, 2009, the Company purchased for \$25,000 cash a 100% interest in a group of 43 mineral claims known as the West Valley Property, which lies to the west of the Rateria Properties. The Company subsequently purchased 9 additional contiguous claims for \$7,500.

### *8.1.3 BX Property*

On June 6th, 2011, the Company announced that it had negotiated an Option agreement with an arm’s length party to earn a 100% interest in the BX property, which is approximately 11.5 square kilometres in area and adjoins Teck’s Highland Valley Copper mine property. The Company was granted the exclusive right to acquire an undivided 100% interest in the BX property over a three year period by paying a total of \$130,000 in cash (\$20,000 paid to date), issuing a total of 500,000 in shares (50,000 issued to date) and incurring a total of \$400,000 in exploration expenditures. Upon vesting of the Company’s interest, the Optionor would hold a 2% NSR, and the Company would have the right to purchase 1% of the NSR by paying \$1,000,000 in cash to the Optionor. During the period of the option agreement the vendor allowed the related claims to lapse, resulting in a loss of the BX property. Accordingly, the Company wrote off all \$130,600 in costs that had been incurred on the property to January 31, 2012.

On April 2, 2012, the Company reached a settlement agreement whereby the vendor paid \$35,000, returned to the Company the common shares issued to date and transferred to the Company a 100% interest in certain B.C. mineral properties (refer to Note 8.3) referred to as the Revelstoke property. The \$35,000 and the 50,000 shares (issued at an original value of \$10,500) were recovered in current income. The Company has elected to record no amount in respect to the mineral property interests received.

### *8.1.4 Abbott Lake Property*

On May 30, 2012, the Company acquired an option to earn a 100% interest in the Abbott Lake Property, comprised of 8 mineral claims that adjoin the south side of the Company’s West Valley property. To earn its interest the Company must pay \$15,000 cash (paid) and issue, in aggregate, 350,000 shares (issued). These claims are also subject to a 0.5% NSR royalty. The Company completed the terms of the agreement in October, 2013 and has earned a 100% interest.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

---

*8.1.5 Tyner Lake Property*

On September 27, 2013, the Company acquired an option to earn a 100% interest in the Tyner Lake Property, comprised of 18 mineral claims. To earn its interest the Company must pay \$30,000 cash (\$10,000 paid) and issue 500,000 shares (250,000 issued). The balance of the cash and share payments must be made within one year of the anniversary date. These claims are also subject to a 2% NSR royalty.

During the quarter the Company and the Optionor amended the original agreement. To earn its 100% interest, the Company must now pay an aggregate of \$25,000 cash (\$10,000 paid as of January 31, 2014) and issue 250,000 shares (issued). The Company completed the terms of the agreement in February, 2014 by making the remaining \$15,000 payment and accordingly earned a 100% interest in the property.

**8.2 Cariboo District**

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

The Property is comprised of 5 groups of claims known as the Silverboss, Fox, Hen, Art-DL and Hawk claim groups.

During the year ended January 31, 2009 the Company acquired from unrelated parties a 100% interest in 13 additional mineral claims in consideration for \$20,500 cash and the issuance of 50,000 common shares.

*8.2.1 Gus Property*

In 2007, the Company entered into an option agreement to earn a 100% interest in the Gus Property, located in the Cariboo Region approximately 80 kilometres northeast of 100 Mile House, British Columbia. During the year ended January 31, 2011, the Company issued an additional 100,000 shares to the optionor for a total of 300,000 shares to date and made additional cash payments of \$20,000 for a total of \$50,000 cash paid to date. This completes all necessary obligations under the agreement. The Company now holds a 100% interest in the claims subject to a 1.5% NSR, which the Company can buy back at any time for \$1,500,000.

*8.2.2 Grey Property*

In 2007, the Company entered into an option agreement to earn a 100% interest in the Grey Property, located in the Clinton Mining Division, British Columbia. To acquire its interest, the Company agreed to issue 300,000 common shares and pay \$100,000 to the optionors over a five year period. During the year ended January 31, 2011, the Company completed all obligations under this agreement and acquired a 100% in the property by issuing an additional 150,000 common shares and paying \$60,000 in cash. The claims are subject to a 2% NSR, of which 1% can be bought out by the Company for \$1,000,000.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

---

*8.2.3 Eye claim option*

On July 20th 2011, the Company announced it had granted an Option to Newmont Mining Corporation (Newmont) to acquire the Company's Eye mineral claim in south central British Columbia (B.C.) Canada. To earn a 100% interest in the Eye property, Newmont must pay the Company a total of \$368,000 in cash and perform \$280,000 in exploration in stages over a five year period. If Newmont elects to purchase the property it will grant to the Company an NSR of 0.5%, subject to a cap of \$1.5 million. In addition, Newmont was to assume the underlying royalty obligations to the previous owner of the property. On June 17<sup>th</sup>, 2013 the Company announced that Newmont had dropped its option on the Eye property.

**8.3 Revelstoke District Properties**

As part of the settlement with the vendor of the BX property (refer to Note 8.1.3), the Company received 100% interest in 17 claims known as the Silver Dollar Property, located in the Revelstoke Mining District of British Columbia.

During the year ended January 31, 2013 the Company acquired from unrelated parties a 100% interest in 18 additional contiguous mineral claims in consideration for \$10,150 cash.

**9. TRADE AND OTHER ACCOUNTS PAYABLE**

	<u>October 31, 2014</u>	<u>January 31, 2014</u>
<b>Financial liabilities</b>		
Trade payables	\$ 19,025	\$ 90,496
Payroll accruals	8,828	6,078
Accrued liabilities	15,000	30,000
	<u>\$ 42,853</u>	<u>\$ 126,574</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. EQUITY**

**10.1 Authorized**

Unlimited number of common shares with no par value

**10.2 Shares Issued**

Shares issued and outstanding as at October 31, 2014 are 61,047,630 (January 31, 2014 – 57,711,630).

During the nine months ended October 31, 2014 the Company completed a private place with gross proceeds of \$500,400 through the sale of 3,336,000 units at a price of \$0.15 per unit. Each unit consists of one common share as well as one-half of a share purchase warrant. A whole warrant will entitle the holder thereof to acquire one common share at a price of \$0.20. These warrants expire on May 21, 2015.

During the year ended January 31, 2014, the following share transactions occurred:

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

---

- i. The Company issued 425,000 shares with a value of \$64,626 to fulfill its obligations to earn a 100% interest in the Abbott Lake property (refer to Note 8.1.4) and Tyner Lake property (refer to Note 8.1.5).

During the year ended January 31, 2013 the following share transactions occurred:

- i. In April 2012, the Company reached a settlement agreement whereby the vendor of the BX property returned 50,000 common shares to the Company, in addition to other consideration, because the vendor allowed the related claims of the property to lapse resulting in the loss of the BX property as described in Note 8.1.3.
- ii. In May 2012, 175,000 shares were issued as partial payment on the Abbott Lake property transaction described in note 8.1.4. A value of \$0.12 per share was attributed to this transaction.
- iii. On December 28, 2012, the Company completed a non-brokered private placement issuing a total of 1,790,000 flow-through units ("FT Units") of the Company at a subscription price of \$0.25 per unit for total gross proceeds of \$447,500. Each FT Unit consists of one flow-through common share of the Company and one-half of one share purchase warrant ("FT Warrant"). Each flow-through common share qualifies as a "flow-through share" for the purposes of the *Income Tax Act* (Canada). Each whole FT Warrant is exercisable into a common share of the Issuer at a price of \$0.35 per common share for a period of 18 months from the closing date of the offering. The Company paid a finder's fee in connection with the offering in accordance with TSX Venture Exchange policies. The finder's fee was comprised of 7.4% of the gross proceeds raised from the sale of FT Units.

### 10.3 Warrants

The following warrants were outstanding:

	<u>Warrants</u>	<u>Weighted Average Exercise Price</u>
Balance, January 31, 2013	9,492,667	\$ 0.37
Expired/cancelled	(8,597,667)	0.38
Balance, January 31, 2014	895,000	0.37
Granted	1,668,000	0.20
Expired/cancelled	(895,000)	0.37
Balance, October 31, 2014	<u>1,668,000</u>	<u>\$ 0.20</u>

### 10.4 Share-based compensation

The Company has adopted an incentive share option plan for the benefit of directors, officers and employees, which options to acquire up to 10% of the issued share capital, at the award date, may be granted to eligible optionees from time to time. Additional shares have also been issued to consultants of the Company, as part of their compensation arrangement. Share options granted have a term of between one and five years, vest immediately or over time and have an exercise price determined by the directors. The

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

---

Company's policy is that the exercise price may not be less than the closing quoted price of the Company's common shares traded through the facilities of the exchange on which the Company's common shares are listed.

Total share options granted during the year ended January 31, 2014 were 950,000 (year ended January 31, 2013 – 1,800,000). Total share-based payments recognized for the fair value of share options granted, vested and approved by the shareholders during the year ended January 31, 2014 was \$41,506 (year ended January 31, 2013 - \$112,699). During the nine months ended October 31, 2014, 2,900,000 share purchase options were granted to Directors, Officers and consultants. Total share-based payments recognized for the fair value of share purchase options granted was \$116,000 for the nine months ended October 31, 2014.

The fair value of the share options granted in the nine months ended October 31, 2014 and the year ended January 31, 2014 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	<b>Nine months Ended October 31, 2014</b>	<b>Year Ended January 31, 2014</b>
Strike Price	\$0.18	\$0.22
Risk free interest rate	1.19%	1.19%
Expected option life	3	0.84
Expected stock price volatility	80%	80%
Dividend payments during life of option	Nil	Nil
Expected forfeiture rate	Nil	Nil

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

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

	<b>Options</b>	<b>Weighted average exercise price</b>
January 31, 2013	4,500,000	\$ 0.22
Issued	950,000	0.20
Expired	(2,175,000)	0.21
January 31, 2014	<u>3,275,000</u>	<u>0.19</u>
Issued	2,900,000	0.18
Expired	(1,450,000)	0.19
<b>October 31, 2014</b>	<b><u>4,725,000</u></b>	<b><u>\$ 0.18</u></b>

At October 31, 2014, the weighted average remaining life of the outstanding options was 2 years (2014 – .78 years).

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

<u>Outstanding</u>			<u>Vested</u>		
<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining contractual life (years)</b>
300,000	0.12	-	300,000	0.12	-
125,000	0.17	0.16	125,000	0.17	0.16
200,000	0.18	0.58	200,000	0.18	0.58
2,900,000	0.18	3.00	2,900,000	0.18	3.00
250,000	0.23	1.00	250,000	0.23	1.00
750,000	0.20	0.66	750,000	0.20	0.66
200,000	0.20	0.83	200,000	0.20	0.83
<b>4,725,000</b>	<b>0.08</b>	<b>2.06</b>	<b>4,725,000</b>	<b>0.07</b>	<b>2.06</b>

Subsequent to October 31, 2014 300,000 share purchase options expired unexercised.

**11. INCOME TAXES**

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

<b>For the year ended January 31,</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Expected tax recovery at a rate of 25.83% (2013 – 25.00%)	<b>137,693</b>	147,958
Increase (decrease) resulting from:		
Non-deductible expenses, net	<b>(11,143)</b>	(16,800)
Share issuance costs	<b>36,679</b>	35,494
Flow-through share premiums recognized in income	<b>39,308</b>	306,795
Deferred taxes applicable to flow-through expenditures	<b>(600,588)</b>	(42,996)
Effect of tax rate changes	<b>12,860</b>	3,144
	<b>(385,191)</b>	433,595
<b>For the year ended January 31,</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Recognized in net loss	<b>(385,191)</b>	433,595
	<b>(385,191)</b>	433,595

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

---

The future income tax liability is comprised of the following tax effected temporary differences:

<b>As at January 31,</b>	<b>2014</b>	2013
	<b>\$</b>	<b>\$</b>
Mineral properties	<b>2,311,852</b>	1,710,463
Non-capital losses carried forward	<b>(1,280,507)</b>	(1,073,458)
Marketable securities	<b>(3,315)</b>	(1,937)
Equipment	<b>(8,854)</b>	(6,950)
Cumulative eligible capital carried forward	<b>(140)</b>	(135)
Share issuance and incorporation costs	<b>(53,286)</b>	(86,732)
	<b>965,750</b>	541,251

The Company has Canadian non-capital losses of \$4,887,351 for income tax purposes which expire as follows:

<b>Year of origin</b>	<b>Non-capital loss</b>	<b>Year of expiry</b>
2006	\$ 37,679	2026
2007	373,798	2027
2008	624,065	2028
2009	609,444	2029
2010	571,196	2030
2011	772,131	2031
2012	638,908	2032
2013	665,959	2033
2014	631,848	2034
	<b>\$ 4,925,028</b>	

**12. RELATED PARTY TRANSACTIONS AND BALANCES**

<b>Relationships</b>	<b>Nature of the relationship</b>
1820546 Ontario	1820546 Ontario is a private company controlled by a former director of the Company. 1820546 Ontario provided consulting services to the Company.
Standard Metals Exploration Ltd. ("Standard")	Standard Metals Exploration Ltd. is a private company controlled by an officer and director of the Company. Standard Metal provides geological exploration services for 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, Directors, Chief Financial Officer, and Senior Geologist.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

Services provided for the period ended	Geological exploration services	Management services	Consulting services
October 31,2014			
1820546 Ontario	\$ -	\$ -	\$ -
Standard Metals Exploration Ltd.	14,004	55,000	-

  

Services provided for the period ended	Geological exploration services	Management services	Consulting services
October 31,2013			
1820546 Ontario	\$ -	\$ -	\$ 24,000
Standard Metals Exploration Ltd.	27,500	42,500	-

Additional key management compensation includes:

	<b>Nine months ended October 31,</b>	
	<b>2014</b>	<b>2013</b>
Management fees	\$ 37,500	\$ 39,000
Share-based payments	-	-
	<u>\$ 37,500</u>	<u>\$ 39,000</u>

Amounts owing to or from related parties are non-interest bearing, unsecured and due on demand. The transactions were in the normal course of operations.

### 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



**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

---

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 share capital.

**b. Credit Risk**

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed to or owing by the Company. Management's assessment of the Company's exposure to credit risk is low despite the fact that substantially all of the Company's amounts receivable are concentrated with the Government of Canada for the reimbursement of goods and services tax input tax credits and with the Government of British Columbia for British Columbia Mineral Exploration Tax Credits receivable.

**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, 2014, the Company has a working capital surplus of \$190,156, 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. During the period the Company completed a private placement for gross proceeds of \$500,400. 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, 2014, the Company had a cash and cash equivalents of \$193,362 to settle current liabilities of \$42,853. The Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

**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, goods and service taxes receivable, mineral exploration tax credits receivable, marketable securities and trade and other accounts payable approximate fair values due to their short-term to maturity nature or the ability to readily convert to cash.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As at October 31, 2014, the fair value of the Company's financial instruments approximate their carrying value due to their short term nature. All financial instruments are all 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.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the Nine months ended October 31, 2014 and 2013**

---

**Level 2** – Quoted prices in markets that are not active, or inputs that are 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**

On November 23, 2009, the Company entered into an operating lease for office premises to be effective from December 1, 2009, to November 30, 2012. During the 2013 year the Company extended the lease terms for an additional period of two years to be effective until November 30, 2014. The monthly lease payments include rent, operating costs and property taxes. The minimum payments for the remaining period of the extension are as follows:

<b>Calendar Year</b>	<b>Amount \$</b>
2014	<u>2,703</u>
	<u><u>2,703</u></u>

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

---

**Overview**

This Management's Discussion and Analysis ("MD&A") provides relevant information on the operations and financial condition of Happy Creek Minerals Ltd., ("Happy Creek" or the "Company") for periods ended October 31, 2014 and 2013. This MD&A has been prepared by management as of December 17, 2014 and includes information up to that date.

The MD&A supplements, but does not form part of, the interim financial statements of the Company for the period ended October 31, 2014 and 2013. The following MD&A should be read in conjunction with the interim financial statements and related notes of the Company for the nine months ended October 31, 2014 and the Company's audited financial statements for the years ended January 31, 2014 and 2013. The financial statements and the notes therein have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All monetary amounts in this MD&A and in the financial statements are expressed in Canadian dollars unless otherwise stated. Additional information may be found on SEDAR at [www.sedar.com](http://www.sedar.com), and [www.happycreekminerals.com](http://www.happycreekminerals.com).

The MD&A may contain statements that are forward-looking in nature, involving known and unknown risks and uncertainties such as general economic and business conditions, operating costs, changes in foreign currency, exchange rates and other factors. Since forward-looking statements address future events and conditions, by their nature, they involve inherent risks and uncertainties. Actual results may be materially different from those expressed or implied in such statements. The Company assumes no obligation to update or revise any forward-looking statement whether as a result of new information, future events, or any other reason except as required by law.

**Overall Performance**

Happy Creek Minerals Ltd. (the "Company") is engaged in the business of acquisition and exploration of mineral properties in British Columbia, Canada. The company's focus is to explore for and locate economic mineral deposits in areas that are in proximity to existing and past producing mines and existing resource-based infrastructure. The Company's objective is to partner or sell such deposits to a larger mining company for development and production, or under certain conditions may carry the project to production.

The Company owns a 100% interest in 9 properties located in British Columbia, Canada. The Company acquired these properties at an early stage mainly between 2005 and 2009, and initially performed systematic, surface exploration to identify quality targets. Important exploration successes were achieved on the Rateria and Fox properties; these are new discoveries now at the resource definition drilling stage:

1. Rateria property: Two new copper zones, partially defined and open in extent that are located approximately 6.5 km from a producing open pit at Teck's Highland Valley Copper mine (HVC). Drill results returned grades similar to that currently being mined at HVC. Zone 1 is approximately 1.2 km in length, 50 to 200 metres in width, and at least 400 metres in depth and is open in extent.

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

---

Zone 2 is currently 450 metres long, up to 150 metres wide, 300 metres in depth and remains open in extent. Metallurgy of Zone 1 shows excellent recoveries and concentrate grades of 40% copper, 396 g/t silver. Due to the type of copper mineral present, it is also potentially leachable. The Company is the first in the area to announce rhenium (Re) in drill results, with concentrations thought to be important in Zone 2. The Company has also identified several other prospective copper targets on the Rateria and West Valley properties;

2. Fox property: A new discovery of tungsten and molybdenum overall 10 km by 3 km in dimension. It hosts at least five prospect areas with tungsten grades from surface, trench and drill core thought to be comparable to some of the best mines and advanced stage projects in the western world. Metallurgy shows excellent potential for a commercial concentrate, along with by-product zinc, silver, gold and indium. The near-surface setting, grades and proximity to infrastructure are positive qualities of this project, and it is thought to be a rare and exceptional tungsten find.

The Company has advanced several other properties to well-defined, quality targets ready for drill testing:

1. Silverboss property: Surface rock and soil sampling, geology and geophysics have identified several bulk-tonnage copper, molybdenum and gold targets adjacent to the former Boss Mountain molybdenum mine (Glencore-Xstrata);
2. Silver Dollar property: Recently acquired, this property covers several historical past producing gold, silver, lead and zinc prospects that occur along a well-defined nine kilometre structural trend. The Company has confirmed positive to high grades occur within a regional fault zone and it is thought to have good potential for quality, high grade deposits.
3. Hawk property: Geochemistry, geology, geophysics, trenching and limited drilling has outlined several bulk tonnage copper-gold (alkalic porphyry) targets. These are typical of others within the Quesnel Trough which contains most of B.C.'s copper-gold mines and deposits.
4. Hen-Art-DL property: Prospecting, rock and soil sampling, trenching and reconnaissance drilling has identified several new gold skarn and sediment-hosted gold-silver prospects.

### **Exploration updates**

The following is an overview of the Company's properties with results from the most recent years. Please refer to the Company's website, news releases and filings on SEDAR for additional details, maps, photos and other information.

#### *Highland Valley District- Rateria and West Valley properties*

The Company's Highland Valley property adjoins and surrounds the southern end of Teck's Highland Valley Copper Mine property (HVC). The HVC mine is one of Canada's largest copper producers utilizing three separate open pits to feed a current 130,000 tonnes per day concentrator. Forecast grades of reserves and resources range from 0.20 to 0.34% copper. There are geological similarities between HVC

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

and the Company's properties. On the Rateria property between 2006 and 2013, the Company completed property-wide three dimensional induced polarization and magnetic geophysical, geology, geochemical surveys and diamond drilling. Zone 1 was first identified in 2006 with drill holes intersecting the interpreted edge of a mineralized zone. Follow up drilling carried out between 2007 and 2011 has outlined positive copper grades starting at surface and is overall approximately 1.2 kilometres in length, 50 to 200 metres in width to over 400 metres in depth. Zone 1 remains open to further expansion.

Zone 1 Highlights		
Hole	Interval (m)	Cu %
R07-9	100.0	0.29
R10-11	152.1	0.24
R10-12	253.7	0.24
R10-13	145.3	0.25
R11-1	95.0	0.67
R11-6	100.0	0.35
R11-8	250.0	0.25
R11-8	162.5	0.32
R11-11	242.5	0.25
includes	102.5	0.43
R11-13	47.5	0.42
R11-28	307.8	0.10
includes	40.0	0.28
and	22.5	0.20

Several hundred metres to the west of Zone 1, drilling returned 7.5 metres of 1.35% copper, 12.4 g/t silver, and 7.5 metres of 1.7% copper, 30.7 g/t silver and 7.5 metres of 0.60% copper, 3.5 g/t silver. These holes partially outline a new copper zone over a distance of 600 metres that remains undefined and open in extent. It is interpreted to be the southern extension to Teck's Yubet prospect and part of the adjacent Zone 1 mineral system.

In 2008, drilling discovered a second zone (Zone 2). On February 2, 2010, the Company was the first in Highland Valley to announce rhenium (Re) values in drill core, including values up to 19.0g/t Re. Rhenium is typically recovered from molybdenite concentrate and prices range from around \$4,000 to \$9,000 per kilogram. Rhenium enrichment level within molybdenite is important to its viability for economic recovery from the concentrate. On a calculated basis, Zone 2 drill results indicate from 4 to 8 kg Re/ tonne molybdenite, which is comparable to mines where it is recovered. Rhenium is used in metal alloys for example, in the new fuel efficient jet engines and in catalysts to produce high octane, lead-free gasoline.

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

---

Zone 2 Highlights						
	Interval	Cu	Mo	Au	Ag	Re
	(m)	%	%	(g/t)	(g/t)	(g/t)
R08-01	113.0	0.33	0.002	0.05	1.5	N/A
R08-05	126.0	0.46	0.008	0.10	1.7	N/A
R09-06	38.2	0.11	0.029	0.03	1.2	2.14
R09-07	48.0	0.30	0.002	0.07	1.6	0.26
R11-36	152.5	0.26	0.008	0.07	0.8	0.67
R11-39	277.5	0.10	0.002	0.01	0.5	0.15
R12-01	92.8	0.30	0.001	0.15	1.5	0.02
R12-02	152.5	0.35	0.004	0.06	1.7	0.57

In Zone 2, drilling has returned continuous, positive drill results in an area approximately 450 metres in length, 50-100 metres in width and to a depth of 300 metres., however more widely spaced drilling suggests the mineral system is over one km by 500 metres in dimension, and remains open in extent in several directions.

Between May and November 2013, the Company performed limited geological mapping, prospecting, soil and rock sampling and tested a new area on the Rateria and recently acquired Tyner Lake property.

On June 9<sup>th</sup>, 2014 the Company announced it has received exploration permits for a 5 year operational plan to conduct extensive geophysical surveys, trenching and drilling on its Highland Valley properties. Due to market conditions, limited exploration work consisting of geological investigations and database compilation and targeting studies were conducted during the year. .A composite drill sample from Zone 1 was tested for acid leach capability and results were announced August 19<sup>th</sup> 2014. The test suggests there is good potential to leach copper from Zone 1 material, and is the first step to determining if a copper heap leach method of extraction is feasible. Heap leaching of copper is typically considered a low-cost method of extracting copper and producing copper cathode plate directly on site. Between August and October, the Company received results of a LIDAR topographic survey of the southern Rateria/ Tyner Lake area, and conducted further geological work.

*West Valley*

From its acquisition in 2008 to 2011, the Company completed property-wide reconnaissance stream sediment sampling and prospecting, geological mapping and a limited induced polarization and diamond drilling of three holes at the NTP prospect in 2010. These drill holes returned approximately 300 ppm copper from the top to end of the holes and are thought to indicate proximity to a large mineralized system. The geology also suggests that younger phases of the Guichon batholith underlie the area which supports potential for new deposits to be found. On May 4<sup>th</sup> 2012 the Company announced that twelve stream sediment samples returned strongly positive values of copper, underlain by north to northwest trending fault structures that are sub-parallel to, or splay off the Lornex fault; the Lornex fault extends southward from the giant Valley and Lornex deposits and is an important structure in the Highland Valley copper district. On May 27<sup>th</sup> 2013, the Company announced results from geology, prospecting and a

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

---

property-wide airborne magnetic and radiometric geophysical survey conducted in 2012. On October 8, 2013, the Company announced it has acquired an additional 18 mineral claims totaling 22.5 square kilometres.

During the Period ending October 31 2014, geological compilation, mapping, prospecting and sample collection was performed. Results from the West Valley property are thought to be encouraging for the potential to host porphyry copper systems, and several priority targets are evident.

The Company's Highland Valley properties have attracted interest from a number of companies for potential investment or JV, and a number of property tours were conducted.

*Cariboo Property*

*Fox*

The Fox tungsten-moly property was explored by the Company since 2006, starting at a very early stage. Surface sampling has identified an area approximately 10 by 3 kilometres in dimension, including the Nightcrawler and Deception Mountain areas where positive tungsten and locally molybdenum values occur. Tungsten prices are based on contained W03 (tungsten trioxide). Market prices for W03 have increased in the past ten years from around US\$15/kg, reaching US\$45/kg and are currently around US\$30.0/kg. Globally, tungsten mine grades generally average 0.18 to 0.30% W03 for open pit and 0.35 to 1.2% W03 for underground. Very few deposits worldwide have grades over 0.7% W03. On the Fox property, these grades occur and in general, there are positive to potentially economic values of tungsten located in two main areas: the Nightcrawler and Deception Mountain.

The Nightcrawler–Discovery Zone results include 5.0 metres of 0.33% W03 in 07F-03, 2.0 metres of 0.74% W03, 3.0 metres of 0.34% W03, and 2.0 metres of 0.48% W03 in 07F-05, 0.90 metres of 1.37% W03, 2.5 metres of 0.33% W03, and 9.2 metres of 0.16% W03, including 2.2 metres of 0.39% W03 in F10-1.

At the Discovery moly zone, two drill intercepts that are approximately 150 metres apart returned 1.7 metres of 0.51% molybdenum and 0.50 metres of 0.51% molybdenum, respectively. Locally, boulders contain over ten percent molybdenum. Multiple layers of tungsten mineralization at the Nightcrawler-Discovery zone has been intersected by widely spaced drilling over an area approximately 1.5 kilometres by 500 metres in dimension. The best grade-width in the drill holes occurs to the east where the mineralized zones remain open in extent.

On the east side of Deception Mountain, four outcropping mineralized zones occur over a three kilometre distance: from south to north, they are called the 708, BN, RC (Ridley Creek), and BK prospects. During 2010 hand trenching at three zones returned 7.0 metres of 0.80% W03, 4.9 metres of 1.07% W03, 2.0 metres of 5.0% W03, 7.3 metres of 1.25% W03, and 0.4 metres of 11.10% W03, respectively.

Between 2011 and 2013 drill programs on Deception Mountain have discovered and outlined a well mineralized zone at the RC prospect that remains open in extent. Approximately one kilometre to the north and south of the RC prospect, positive results were also obtained from the BK and BN zones,

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

respectively. At the BN, F12-27 returned three separate intervals; 4.1 metres of 1.78% W03, 14.8 metres of 4.0% W03, and 24.0 metres of 0.79% W03. This hole is thought to be one of the best tungsten drill results worldwide from a recent new discovery. Due to the gentle dip to the mineralized zones, the true thickness is estimated at approximately 90-95% of the reported drill width.

Highlights of drill results from the RC and BN Zones

Hole	From	Width	% W03
F11-02	5.70	<b>5.15</b>	<b>0.91</b>
F11-07	14.30	<b>4.70</b>	<b>1.03</b>
F11-08	8.25	<b>12.40</b>	<b>0.74</b>
F12-01	14.00	<b>19.40</b>	<b>0.82</b>
F12-09	15.00	<b>11.00</b>	<b>0.80</b>
F12-11	27.00	<b>14.00</b>	<b>0.66</b>
F12-17	20.00	<b>20.00</b>	<b>0.63</b>
F12-18	18.00	<b>24.70</b>	<b>0.68</b>
F12-27	1.90	<b>4.10</b>	<b>1.78</b>
F12-27	83.20	<b>14.80</b>	<b>4.04</b>
F12-27	136.00	<b>24.00</b>	<b>0.79</b>
F13-01	20.00	<b>9.50</b>	<b>0.60</b>
F13-03	20.00	<b>22.00</b>	<b>0.76</b>
F13-08	12.00	<b>14.82</b>	<b>0.59</b>
F13-09	31.65	<b>17.35</b>	<b>0.50</b>
F13-19	31.75	<b>26.25</b>	<b>1.19</b>

In a global comparison of tungsten projects, these results are thought to be strongly encouraging- among the highest in grade and generally close to surface. In addition, positive values of zinc, bismuth, indium, gold and silver also occur that are a potential by-product.

On December 11<sup>th</sup> 2013, the Company announced results of preliminary metallurgical work performed on an 800 kg surface sample. The first-pass gravity circuit recovered an average 59.3 per cent of the tungsten into a concentrate with 43.3 per cent WO<sub>3</sub>. The results include a 70% W03 product from the coarse cleaner concentrate that exceeds published commercially viable grades. In addition, a primary zinc cleaner concentrate yielded 18.4 per cent zinc, 4.04 grams per tonne gold, 156 grams per tonne silver and 66 grams per tonne indium, recovering 68.9 per cent of the zinc. This first-stage testing is considered positive as it does not include the normal upgrading and recovery benefits of subsequent cleaning, recycling and tungsten flotation that are conducted during locked-cycle testing and incorporated into a final full-scale design. Advanced metallurgical work is recommended.

On September 17<sup>th</sup>, 2014, the Company announced it had performed geological work on the Fox property. On the northwest side of Deception Mountain, favorable calc silicate and skarn zones were



**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

---

located in several areas with positive tungsten indicated by ultra violet light. The interpretation of the geology suggests the zones of favorable calc silicate, skarn and tungsten occurring at the BN, RC, and BK on the east side of the mountain continue through the mountain to the other side, a distance of approximately 1.4 km. Geological work and sampling was also completed at the Nightcrawler area, with several areas showing positive tungsten that suggest the zone continues eastward from previous drilling.

Analytical results are pending.

On the Fox tungsten property, all of the results are thought to indicate a large scale, strong mineral system and drill results confirm the presence of at least one zone having potentially economic grades comparable to the highest grade tungsten mines or projects.

The Company has received a permit for a five year plan including trenching, drilling and bulk sampling, with a goal of achieving a resource and feasibility status.

*Black Riders*

Located to the southeast of the Fox, the Black Riders property is underlain by a large magnesium-rich ultramafic complex containing nickel and chrome values in outcrops in an area approximately one km by three km in dimension. On June 10<sup>th</sup> 2014, the Company announced results of petrographic work from several samples. The samples were found to contain, in part, nickel occurring as iron-nickel alloy and awaruite. These minerals are of interest for their ability to be concentrated using magnetic and gravity methods, unlike traditional nickel sulphide deposits. The preliminary results are thought to be encouraging and further sampling and testing for the abundance of nickel-iron alloy minerals is planned.

*Silverboss*

The Silverboss property surrounds the former Boss Mountain molybdenum mine, currently owned by Xstrata/Glencore and under Option to NMC Resource Corp. The Boss Mountain molybdenum mine was Canada's first significant "primary" producer of molybdenum because of its relatively high grades. Exploration by Happy Creek has identified large scale and positive soil and rock geochemical anomalies of copper, molybdenum and gold extending outward from the known mineralized zones and well onto the Silverboss property. The Horse Trail zone contains numerous mineralized rock samples ranging from 0.10 to 1.69% copper, 0.108 to 0.637% molybdenum and 1.03 to 10.0 g/t gold. The Dogtooth and East Breccia zones have returned values of 0.10 to 5.0 g/t gold and up to 53.01 g/t gold, 343.0 g/t silver in grab samples and 9.29 g/t gold, 27.3 g/t silver over 1.17 metres in width. These veins are located within a positive soil geochemical anomaly that is approximately 1.6 by 1.2 kilometres in dimension. The historical Silverboss shaft zone consists of a shear and quartz vein system, 1.0 to 3.0 metres in width that has been traced on surface for 350 metres. Samples from this zone contain 9.25 g/t gold, 514.8 g/t silver over 0.25 metres and 2.52 percent copper, 6.21 g/t gold, 295 g/t silver and 6.76 g/t indium in grab samples. Further north, the Company has also identified another area (Gus) where positive copper values occur in soil approximately 2 kilometres by 1 kilometre in dimension.

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

---

On April 3, 2013, the Company announced completion of a three dimensional induced polarization (3D IP) and magnetic geophysical survey over the Silverboss Shaft and Horse Trail prospects. At the Silverboss Shaft prospect, the 3DIP survey has produced a clear and positive response of 9 to over 13 milliseconds chargeability that extends to over 250 metres below surface. This positive response extends north and eastward, forming another zone approximately 350 metres by 400 metres in dimension that remains open in extent. At the Horse Trail zone, the 3D IP survey has returned a moderate to very strong response that extends westward from the open pits of the past-producing Boss Mountain mine. Importantly, chargeability values of greater than 40 milliseconds occur near the edge of the property and decrease gradually westward for up to one kilometre distance. This positive geophysical expression at surface contains positive values of copper, molybdenum, gold and silver in quartz veins and soil samples. The geophysical results combined with the positive surface samples and geology located adjacent a significant past-producer are thought to represent a quality bulk tonnage exploration target that is ready for drill testing.

On December 8<sup>th</sup>, 2014, the Company announced results from a geological investigation on the Silverboss property to the south of the Boss Mountain mine, where an airborne geophysical survey and some previous soil samples returned encouraging results. The target area is completely covered by overburden or glacial till, however recent logging activity has made access much easier. Large boulders located in the area contain from trace to 0.52% copper and 0.20 g/t gold, and support the potential for underlying bulk tonnage style porphyry copper-gold mineralization. Further work is recommended to include a geophysical survey and drill testing.

*Hawk*

The Hawk property is located within the Quesnel Trough where the geology is known to host alkalic style copper-gold-silver deposits and mines within central B.C. Exploration on the Hawk property has returned surface samples containing positive copper, gold and silver values in an area approximately 3.5 kilometres by 1.5 kilometres in dimension. Chip sampling at the Main zone returned 0.88% copper and 1.07 g/t gold across 5.0 metres and boulders nearby contain up to 4.5% copper and 18.0 g/t gold. Historical drilling approximately 100 metres north of the Main zone returned 3.0 metres grading 0.79% copper, 1.73 g/t gold, 9.43g/t silver and 1.83 metres containing 0.93% copper, 3.1 g/t gold and 12.34 g/t silver.

In 2007, and several hundred metres east and southeast of these samples, reconnaissance drilling returned 9.1 metres of 0.093% copper and 0.134 g/t gold in the first few samples of 07H-02. As the mineralization occurs right at the top of the angled hole, it is thought the hole may have only cut one edge of a mineralized zone and it remains open in extent behind the hole.

During the year ended January 31, 2010, The Company optioned the Hawk property to Jiulian Resources Inc. who focused on additional geological mapping, outcrop sampling and soil geochemical confirmation. During the period ending July 31, 2010, Jiulian completed two drill holes totaling 995 metres that targeted the centre of a large induced polarization geophysical anomaly. Details on this work can be found in Jiulian Resources news release dated June 21, 2010, respectively. In summary, the drill holes intersected long intervals containing abundant pyrite (up to 10%), and trace up to 0.10% copper and 0.20 g/t gold

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

---

and much of the core remains un-sampled. It is interpreted that these holes intersected the margins of a porphyry copper system at some distance from the Main zone described above.

Additional prospecting and rock sampling were conducted during 2011. On March 1, 2012, the Company announced that surface rock sample results include 1.64% copper, 3.0 g/t gold, 18.3 g/t silver, 0.007 g/t palladium and 0.007 g/t platinum. One sample returned 0.767% copper, 1.18 g/t gold, 4.08 g/t silver, 0.024 g/t palladium, and 0.189 g/t platinum. These are the first samples on the property analyzed for platinum and palladium and results indicate these precious metals are present and in part support an alkaline porphyry copper-gold model.

On October 11, 2012, the Company announced results of machine trenching conducted during 2012. Selected sample assays include 4.55 per cent copper, 12.8 grams per tonne gold and 52.3 grams per tonne silver; 1.93 per cent copper, 10.5 grams per tonne gold and 18.6 grams per tonne silver; and 0.43 per cent copper, 1.61 grams per tonne gold and 3.4 grams per tonne silver. At the Main zone trenching confirmed previous chip sampling and returned 0.76% copper, 2.09 g/t gold, 8.64 g/t silver over 5.0 metres.

The Hawk property contains a large scale alkaline type copper-gold system, similar to others in the Quesnel Trough, and has a number of targets thought to be ready for drill testing.

*Hen*

The Hen property is located about 16 kilometres southeast of the Boss Mt. molybdenum mine. The property adjoins to the south the Company's Silverboss property. The Hen property is approximately 5172 hectares (52 square kilometres) in area. The key prospects on the Hen property include, from west to east: Anomaly Creek (porphyry style copper, lead, zinc, gold), and the Hen, Dyke and Ledge (calcic skarn gold). The Hen prospect contains 2.1 metres of 3.98 g/t gold in a trench. First pass diamond drilling during 1995 and 1996 on the Hen showing returned 8.0 metres of 0.80 g/t gold including 1.0 metre of 1.30 g/t gold, 1.6 metres of 1.00 g/t gold, 0.8 metres of 2.08 g/t gold and 0.86 metres of 1.98 g/t gold. Soil samples located uphill of the trench and drill holes returned 2.65 and 1.41 g/t gold that have not been investigated. Approximately one kilometre along strike to the southeast of the Hen zone, the Dyke zone contains 3.5 metres of 3.46 g/t gold and up to 35.06 g/t gold in grab samples. Approximately 15 metres north of this sample, a subcrop rock sample returned 2.34 g/t gold. Trenching in 2009 at the Dyke zone returned 4.0 metres of 2.08 g/t gold, and 2.0 metres of 4.20 g/t gold. The Ledge zone is located approximately 1.5 kilometres east of the Dyke zone and boulders returned 1.14 g/t gold and 1.1 g/t gold. In 2009, trench T-13 returned 28.0 metres containing 400 ppm arsenic and 0.02 g/t gold, and 16 metres of 300 ppm arsenic. Trench T-14 returned 36.0 metres of 300 ppm arsenic and 4.0 metres grading 0.12 g/t gold and 0.11 percent arsenic that remains open in extent. Together, the Hen, Dyke and Ledge prospects comprise calcic gold skarn zones occurring over a distance of approximately 4 kilometres that is largely underexplored.

On July 5, 2011, the Company announced that chalcopyrite and molybdenite (copper, molybdenum sulphides) were located in a previously underexplored area of the property, and soil geochemical sampling surveys are underway.

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

---

On February 13, 2012 the Company announced results from the 2011 Hen and Art-DL sampling. In total, 708 soil, 20 stream sediment (silt) and 21 rock samples were collected. Rock samples contain from less than 0.01 gram per tonne gold to 1.04 grams per tonne gold, less than 0.01 g/t silver to 17.7 g/t silver and 2.8 parts per million copper to 1,300 parts per million copper. Soil samples returned values from trace to 0.10 g/t gold, 2.1 g/t silver, 480 ppm copper, 16.9 ppm molybdenum and 627 ppm zinc. Silt samples returned from trace to 0.03 g/t gold, 0.60 g/t silver, 193 ppm copper, 11.6 ppm molybdenum and 180 ppm zinc. These results are thought to indicate potential for porphyry copper type mineralization and in part may explain the gold bearing skarn mineralization of the adjacent Hen, Dyke and Ledge zones. Exploration to date has developed several targets that are thought to warrant drilling.

*Art-DL*

The Company's Art-DL property has an historical adit with a large quartz vein containing values up to 42 g/t gold over 1.0 metre. Drilling during 2010 beneath the adit did not intersect the quartz vein or significant gold values and the orientation of the gold-bearing quartz vein in the adit remains unknown. To the southwest of the adit, drill hole GL10-3 returned 72.5 metres of 4.03 g/t silver including 20.0 metres of 8.5 g/t silver. These results are thought to be positive and of exploration interest. Several positive anomalies of up to 1.8 g/t gold in soil also occur that require further investigation, and much of the Art-DL property remains unexplored. The Art-DL property is thought to hold potential for sediment hosted bulk tonnage gold deposits with similarities to the Thunder Ridge and the Spanish Mountain gold deposit that are located to the south and north, respectively.

On February 13, 2012 the Company released results from 2011 sampling including the location of new showings containing 1.04 g/t gold, 17.7 g/t silver and 0.29 g/t gold, 14.0 g/t silver in quartz carbonate veins within black phyllite. These results are consistent with previous results from the property and expand the area containing positive gold and silver values. Further work is recommended to include geological mapping, trenching and drilling.

*Revelstoke Property*

*Silver Dollar*

The Silver Dollar property consists of 4,590 hectares (45.9 square kilometres) of mineral tenure owned 100% by the Company and located approximately 45 kilometres southeast of Revelstoke, B.C. A number of mineral showings and past-producing lead-zinc-silver-gold prospects dating from over 100 years ago occur over a distance of approximately nine kilometres. There is an access road through most of the length of the property, and remnants of a historical aerial ore tram and mill site. The Silver Dollar, Iron Dollar, Gilman and other developed prospects are part of the historical Camborne mining camp. In 1933, the Gillman shipped between one and 14 tonnes of ore grading 62 grams per tonne gold, 62 grams per tonne silver. In 1947, the Silver Pass Development Syndicate processed six tonnes of ore and recovered 9,860 grams silver, 1,378 kilograms lead and 1,009 kilograms zinc. With multiple small claim owners, there was intermittent, fragmented surface work and underground development occurring into the 1950's. Ore shipments were transported to the smelter in Trail, B.C., or to the United States. In 1984, a drill hole on the Silver Dollar zone returned 2.10 metres grading 229.0 grams per tonne silver, one gram per tonne

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

---

gold, 10.95 per cent zinc, 4.04 per cent lead and 0.29 per cent copper. In 1986, a drill hole intersected 0.70 metres grading 38.0 grams per tonne gold.

During 2012, the Company completed an airborne geophysical survey and geological mapping and sampling. On May 16, 2013, the Company announced that strong precious metals occur including samples containing 50.30 g/t gold, 216 g/t silver and 4.49 g/t gold, 4496 g/t silver. Important base metal results include a 1.8 metre chip sample returning 16.8% zinc, 3.9% lead, 1.67 g/t gold and 241.0 g/t silver.

During 2014, the Company performed additional geological work on the Silver Dollar property and results are pending.

The geophysical surveys geology and numerous mineralized zones support a prominent through-going favorable structure that is part of the 40 km long Camborne fault. The large scale of the fault system and numerous prospects containing positive base and precious metal values suggest potential for large and quality mineral deposits to occur.

### **Mineral property Transactions**

The Company is active in its exploration and prospecting business, which requires from time to time, the acquisition or disposition of mineral claims depending on relative opportunity cost, market conditions and financial resources available. For mineral claims that are disposed, abandoned, or otherwise relinquished there can be no assurance that such property does not contain economic resources. The Company is registered as a Free Miner in British Columbia that allows it to stake its own mineral claims. The Company may see an appropriate opportunity to increase its existing mineral properties by staking claims directly itself, or may acquire from arm's length individuals mineral claims for cash-only payments of less than \$10,000. These transactions are conducted in the normal course of its business activity. Larger property acquisitions involving option payments, work commitments and share issuance are described below.

#### Highland Valley District

##### *Rateria*

In 2004 the Company acquired an option to earn a 100% interest in the Rateria Property located approximately 10 kilometres southeast of Teck's Highland Valley copper-molybdenum mine concentrator near Logan Lake, British Columbia. To earn its interest the Company paid \$155,000 to the Optionor, issued 950,000 shares and spent \$500,000 on exploration. The Company's interest in the Property is also subject to a 2.5% net smelter royalty ("NSR"). The Company at its own option may buy down the NSR by 1% for a payment of \$2,000,000, or purchase 100% of the NSR for \$3,000,000. On June 24, 2008 the Company paid the final \$50,000 and issued 250,000 shares to acquire a 100% interest in the Rateria property.

During the year ended January 31, 2009 the Company purchased a 100% interest from an arm's length individual, mineral claims totalling approximately 1340 hectares (13.4 square kilometres) that adjoin the Rateria property to the south. The Company paid \$25,000 in cash and granted a NSR of 2% with the Company having the right to purchase the NSR for a lump sum of \$3,000,000.

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

---

On June 5<sup>th</sup> 2012, the Company announced it had acquired by staking or paying less than \$5,000 cash to arm's length vendors for a 100% interest in 309 hectares of mineral claims on the south side of the Rateria property.

On October 8<sup>th</sup> 2013, and pursuant to the terms of an Option agreement with an arm's length vendor, the company acquired the right to a 100-per-cent interest in certain minerals claims known as the Tyner Lake property. The Tyner Lake property consists of 18 mineral claims that total approximately 22.5 square kilometres in area. By way of consideration, the company will make cash payments totalling \$30,000 (\$10,000 paid) and will issue 500,000 shares (250,000 issued) at a deemed price of 15 cents per share by September 15<sup>th</sup> 2014. The property is subject to a 2-per-cent net smelter return (NSR) in favour of the Optionor, which may be repurchased by the company for \$2-million. On February 8<sup>th</sup> 2014, the Company announced the completion of the Tyner Lake option under an amendment. Under the amended agreement, the company paid a total of \$25,000 cash and issued 250,000 shares, and the vendor retains the NSRR as above, while all other terms and conditions remain the same.

*West Valley*

In October 2008 the Company purchased a 100% interest for \$25,000 in 49 mineral claims totaling approximately 9,175 hectares (91.75 square kilometres) that are located approximately four kilometres west of the Rateria property. Several additional claims were also acquired for less than \$5,000 in cash.

On June 5<sup>th</sup> 2012, the Company announced it has acquired the Abbot property, consisting of 2,911 hectares (29.1 square kilometres) adjoining the south side of the company's West Valley property. To earn a 100-per-cent interest in the Abbot property, the company must pay to an arm's-length vendor a total of \$15,000 in cash and issue 350,000 shares by May 30, 2013. The vendor retains a 0.5-per-cent net smelter return (NSR), with the company having the right to purchase the NSR for \$1-million.

On May 27<sup>th</sup> 2013, the Company announced it has completed the payments and obtained title for a 100% interest into the Abbot property which will be a part of the West Valley property going forward.

*BX*

On June 6<sup>th</sup>, 2011, the Company announced it has negotiated an Option agreement with an arm's length party to earn a 100% interest in the BX property located in Highland Valley, BC. The BX property is approximately 11.5 square kilometres in area and adjoins Teck's Highland Valley Copper mine property, approximately six kilometres from the former Bethlehem deposits, the first copper mine in the camp. The Company has been granted the exclusive right to acquire an undivided 100% interest in the BX property over a three year period, by paying a total of \$130,000 in cash, issuing a total of 500,000 in shares and incurring a total of \$400,000 in exploration expenditures on the BX property. Upon vesting of the Company's interest, the Optionor will hold a 2% NSR (Net Smelter Royalty), and the Company has the right to purchase 1% of the NSR by paying \$1,000,000 in cash to the Optionor.

On February 9, 2012 the Company was notified that the vendor of the BX property had lost title to the property. On April 2, 2012, the Company announced a settlement whereby the Company received from the BX property vendor, \$35,000 in cash, return of 50,000 shares of the company, and a 100% interest

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

---

in the Silver Dollar and Windflower properties located approximately 45 kilometres southeast of Revelstoke, B.C. These properties are described hereafter as the "Revelstoke Property".

*Cariboo Property*

In 2005 the Company acquired from three individuals, including two current directors of the Company, a 100% interest in five mineral properties located in the South Central Cariboo Region, approximately 80 kilometers northeast of 100 Mile House, British Columbia. To acquire its interest the Company issued 5,000,000 common shares and paid \$25,000 to the Optionors and spent \$160,000 on exploration. The Company's interest in the Property is subject to a 2.5% NSR, of which 1% can be purchased by the Company for \$2,000,000. The Property is comprised of 5 groups of claims known as the Silverboss, Fox, Hen, Art-DL and Hawk claim groups.

*Grey*

During the year ended January 31, 2008 the Company entered into an option agreement to earn a 100% interest in the Grey property ("Grey Option"), approximately 6.0 square kilometres in area that adjoin to the south of the Company's Hawk property. Under the terms of the Grey Option, the Company has the right to earn a 100% interest in the Grey property by making staged cash and share payments over 5 years that total \$100,000 cash and 300,000 common shares of the Company. During the period ended July 31 2010, the Company completed its final payment of \$60,000 and issued 150,000 shares and now owns a 100% interest in the Grey property, subject to a 2.0% NSR. Under the terms of the Grey Option with the Vendor, the Company may purchase half of the NSR from the vendor for \$1,000,000. The Grey property is combined with the Hawk property and together is now referred to as the Hawk property.

*Gus*

During the year ended January 31, 2008 the company entered into an option agreement to earn a 100% interest in the Gus Property that is approximately 25 square kilometres in area and adjoins the Company's Silverboss property. The property also includes the single Eye claim, located by itself and 4 kilometres to the northwest of the Gus property. To acquire its interest the Company must issue to the vendor 300,000 common shares and pay \$50,000 over a three year period. The Property is subject to a 1.5% NSR, which the Company can buy back at any time for \$1,500,000.

As of April 30, 2010, the Company had completed its earn-in and now owns a 100% interest in the Gus and Eye Property, subject only to the NSR disclosed above. In the future, results from the property will be included as part of the Silverboss property.

On December 15, 2008 the Company purchased from an arm's length party a 100% interest in five mineral claims totaling approximately 1,867 hectares (18.67 square kilometres) that adjoin the Company's Silverboss property and in part the former Boss mountain molybdenum mine. These mineral claims were purchased for a total of \$15,000 cash and the issuance of 50,000 shares from treasury. The Company also acquired from arm's length individuals a 100% interest in several mineral claims adjoining the Silverboss, Hen and Fox properties for less than a total of \$5,000.

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

---

Golden Ledge

During the year ended January 31, 2010, the Company entered into an option agreement with an unrelated third party to acquire one additional mineral claim (Golden Ledge) adjacent to the south side of the Art-DL property, and adjoins to the north, Spanish Mountain Gold's Thunder Ridge property. Under the terms of this new option agreement, the Company must make aggregate cash payments of \$150,000 (\$25,000 paid) issue an aggregate 850,000 common shares (150,000 issued) of the Company to the vendor, and incur \$700,000 in exploration expenditures over four years in order to earn a 100% interest in this additional claim, subject to a 2% NSR. The NSR may be purchased by the Company for \$1,000,000 for the first 1% NSR and \$1,500,000 for the second 1% NSR. During the period ending October 31, 2010, the company completed detailed soil sampling, prospecting, rock sampling and six drill holes on the property. As the drill results from the Golden Ledge property were not satisfactory, the Option has been dropped and the property returned to the vendor.

Hawk and Grey property Joint Venture

During the year ended January 31, 2010, the Company signed an Option Agreement with Jiulian Resources Inc. (TSX-V:JLR) whereby Jiulian can earn up to a 65% interest into the Hawk and Grey property by paying the Company \$150,000 in cash, issuing 700,000 shares and conducting \$1.2 million in exploration expenditures on the property over four years. Jiulian relinquished its option and returned the property to the Company in March, 2011. The Company has received data collected by Jiulian for work conducted during 2009 and 2010.

Eye Property Option

On July 20<sup>th</sup> 2011, the Company announced it has an Option agreement with Newmont Mining Corporation (Newmont) for the Company's Eye mineral claim (1.2 square kilometres) in south central British Columbia (B.C.) Canada. To earn a 100% interest in the Eye property, Newmont must pay the Company a total of \$368,000 in cash and perform \$280,000 in exploration, in annual stages over a five year period. If Newmont elects to purchase the property it will grant to the Company an NSR (Net Smelter Royalty) of 0.5%, with payments up to a collective maximum of \$1.5 million. In addition, Newmont will cover the underlying Royalty obligations to the previous owner. On June 18<sup>th</sup> 2012, the Company announced that Newmont has made its first anniversary (second) payment to continue its Option on the Eye property. On June 17<sup>th</sup>, 2013, the Company announced that Newmont has dropped the Eye property Option, and returned the property in good standing until August 22, 2022.

**Financial Results of Operations**

The following is a summary of selected financial data for the Company for the three most recently completed years, accompanied by a discussion of those factors affecting the comparability of the data, including, where applicable, discontinued operations, changes in accounting policies, significant acquisitions or disposals and major changes in the direction of the Company's business.



**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

	Prepared in accordance with IFRS		
As at and for the year ended	Jan. 31, 2014	Jan. 31, 2013	Jan. 31, 2012
Interest revenue	\$ 6,998	\$ 19,000	\$ 14,513
Net loss	\$ 918,198	\$ 158,236	\$ 717,010
Basic net loss per share	\$ 0.02	\$ 0.01	\$ 0.02
Total assets	\$ 13,355,644	\$ 13,734,337	\$ 13,769,716
Basic weighted average number of shares outstanding	57,486,493	55,618,507	47,250,882

The following is a summary of selected financial data for the Company for the eight most recently completed quarters.

	Prepared in accordance with IFRS for interim reporting							
For the quarter ended	Oct 31 2014 \$	Jul 31 2014 \$	Apr 30 2014 \$	Jan 31 2014 \$	Oct 31 2013 \$	Jul 31 2013 \$	Apr 30 2013 \$	Jan 31 2013 \$
Interest revenue	151	660	241	876	1,181	2,187	2,754	2,883
Loss before income taxes	(219,651)	(113,541)	(140,140)	(152,555)	(80,605)	(163,406)	(136,441)	(165,403)
Net income (loss)	(219,500)	(112,881)	(139,899)	(576,727)	(73,606)	(137,831)	(130,034)	(58,965)
Basic net income (loss) per share	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)	(0.00)	(0.00)	(0.01)

The Company has no dividend policy and has no intention of developing a dividend policy in the foreseeable future. The Company has paid no dividends and has no retained earnings from which it might pay dividends.

**Results of Operations**

*Three months ended October 31, 2014*

The Company incurred a net loss before income taxes of \$219,500 for the three months ended October 31, 2014 compared with a loss of \$73,606 for the same period in 2013. Certain accounts included in general and administrative expenses varied but the prime reason for the increase in loss from one period to the next is due to the booking of \$116,000 as share-based payments for options granted during the quarter. For the three months ended October 31, 2013 there was a deferred tax recovery of \$5,818 as well as a share-based payment of \$8,161. Only a share-based payment of \$116,000 occurred during the three months ended October 31, 2014. Changes to specific general and administrative accounts were as follows;

- Increase in advertising and promotion of \$7,896 as a result of management's attempts to generate interest in the Company's business.

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

---

- Management fees and salaries rose by \$20,135 due to salaries not being deferred to property accounts.

### **Deferred Income Taxes**

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 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 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 tax 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.

The Company has financed a portion of its exploration activities through the issue of flow-through shares. Canadian tax legislation permits a company to issue flow-through instruments whereby the deduction for tax purposes relating to qualified resource expenditures could be claimed by the investors rather than the company.

A flow-through instrument comprises transfer of income tax deductions and common shares. Proceeds from an issuance of a flow-through instrument are allocated to liability and equity components in proportion, according to their respective fair values at the date of issuance. Upon renunciation of the flow-through expenditures for Canadian income tax purposes, 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 expense in profit and loss.

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

---

**Liquidity and Capital Resources**

The ability of the Company to continue to operate as a going concern is dependent upon its ability to obtain necessary financing to meet the Company's obligations and liabilities as they become due. As of October 31, 2014 the Company had cash and cash equivalents of \$193,362 (January 31, 2014 - \$207,689). The Company's working capital surplus as of October 31, 2014 was \$190,156 (January 31, 2014 – surplus of \$115,356). During the nine months ended October 31, 2014 the Company completed a private placement raising \$500,400 by issuing 3,336,000 units. Each unit consists of a common share as well as one-half of a share purchase warrant. Each whole warrant is exercisable for a one year period at \$0.20 per warrant to acquire one common share.

The Company is a mining exploration and development company with no producing resource properties, and consequently, does not generate operating income or cash flow of a significant nature at this time. To date the Company has relied primarily upon the sale of Common Shares to provide working capital for exploration activities and to fund the administration of the Company. Since the Company does not expect to generate any revenues in the near future, it will continue to rely primarily upon the sale of Common Shares to raise capital. There can be no assurance that financing will be available to the Company when required. The Company has no debt instruments. The Company has no externally imposed capital requirements.

**Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

**RELATED PARTY TRANSACTIONS AND BALANCES**

<b>Relationships</b>	<b>Nature of the relationship</b>
1820546 Ontario	1820546 Ontario is a private company controlled by a former director of the Company. 1820546 Ontario provided consulting services to the Company.
Standard Metals Exploration Ltd. ("Standard")	Standard Metals Exploration Ltd. is a private company controlled by an officer and director of the Company. Standard Metal provides geological exploration services for the Company.
Key management	Key management are those personnel having the authority and responsibility for planning,

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

directing and controlling the Company and include the President and Chief Executive Officer, Directors, Chief Financial Officer, and Senior Geologist.

Services provided for the period ended	Geological exploration services	Management services	Consulting services
October 31, 2014			
1820546 Ontario	\$ -	\$ -	\$ -
Standard Metals Exploration Ltd.	14,004	55,000	-

  

Services provided for the period ended	Geological exploration services	Management services	Consulting services
October 31, 2013			
1820546 Ontario	\$ -	\$ -	\$ 24,000
Standard Metals Exploration Ltd.	27,500	42,500	-

Additional key management compensation includes:

	<b>Nine months ended October 31,</b>	
	<b>2014</b>	<b>2013</b>
Management fees	\$ 37,500	\$ 39,000
Share-based payments	-	-
	<u>\$ 37,500</u>	<u>\$ 39,000</u>

Amounts owing to or from related parties are non-interest bearing, unsecured and due on demand. The transactions were in the normal course of operations.

**Management Contracts**

Effective February 1, 2011, the President was compensated entirely through his private company at a rate of \$10,000 per month. Effective July 1, 2013 \$5,000 of the monthly fee was being deferred until such time as the Company receives funding. Effective April 1, 2014, the President of the Company will be paid \$5,000 as an employee. Any work done in his capacity as a professional geologist will be invoiced through a corporation controlled by the President.

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

---

Effective July 15, 2012 the Chief Financial Officer is compensated at a rate of \$5,000 per month. Effective June 1, 2014 the Chief Financial Officer is compensated at a rate of \$3,500 per month as part of managements cost cutting program.

**Subsequent Events**

Subsequent to the period end 300,000 share purchase options expired unexercised.

**Risk Factors**

Happy Creek's success depends upon a number of factors, many of which are beyond the Company's control. Typical risk factors and uncertainties include the ability to raise financing, mineral title matters, exploration permitting or weather delays, skilled labour shortage, operating cost inflation, metal price and currency rate fluctuations, and changing legislation, regulations or the administration thereof. There is uncertainty in judging future potential value of a mineral property or claims that are deemed unnecessary and allowed to lapse or returned to a vendor. Risk factors could materially affect the Company's future operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

**Financial Instruments**

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

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

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

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

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

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

The Company's financial instruments consist of cash and cash equivalents, receivables, marketable securities, trade and other accounts payable.

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

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

---

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

**Significant judgements, 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, 2014.

**(iii) Deferred taxes**

The Company recognizes the deferred tax benefit related to deferred losses and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred income and resource tax assets.

The Company recognizes deferred tax liabilities when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. The Company records a provision for the amount that is expected to be settled, which requires the application of judgement as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the Company's estimate of the likelihood of a future outflow, the expected settlement amount, and future changes in tax laws.

**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Nine Months Ended October 31, 2014 and 2013**

---

**(iv) Share-based payments**

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to the statement of loss and comprehensive income (loss) over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

**Share Capital**

Common shares, stock options, warrants, and agent's warrants as at December 17, 2014 are as follows:

	<b>December 17, 2014</b>
<b>Common shares</b>	<b>61,047,630</b>
<b>Stock Options</b>	<b>1,525,000</b>
<b>Warrants</b>	<b>1,668,000</b>
<b>Agents options</b>	<b>Nil</b>

**Future Outlook**

Management monitors the currently uncertain global financial market conditions, especially pertaining to commodities and resources. It evaluates and adjusts budgets and work performed as results are received, market conditions, financial resources, or government exploration permit requirements change. It may adjust property expenditure allocation, acquire, hold or dispose of mineral tenure on an on-going basis.

*David Blann, P.Eng. is a Qualified Person as defined by National Instrument 43-101 and is responsible for the preparation and approval of the geological and technical information disclosed above. All monetary amounts are in Canadian currency unless otherwise indicated.*