

**HAPPY CREEK MINERALS LTD.**

**Financial Statements**

**For the three months ended April 30, 2017 and 2016**

**(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**  
**April 30, 2017 and January 31, 2017**

	Note	April 30, 2017	January 31, 2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 492,393	\$ 636,391
Amounts receivable	5	11,577	46,321
Prepaid expenses		43,910	14,986
<b>Total current assets</b>		547,880	697,698
<b>Non-current assets</b>			
Equipment	6	16,455	17,141
Reclamation deposits	7	89,000	89,000
Marketable securities		6,000	6,000
Exploration and evaluation properties	8	14,187,230	14,140,708
<b>Total non-current assets</b>		14,298,685	14,252,849
<b>Total assets</b>		\$ 14,846,565	\$ 14,950,547
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other accounts payable	9	\$ 32,147	\$ 33,151
<b>Non-current liabilities</b>			
Deferred tax liability	11	729,652	729,652
<b>Total liabilities</b>		761,799	762,803
<b>Equity</b>			
Share capital	10	18,329,962	18,329,962
Share option reserve	10	2,072,658	2,072,658
Deficit		(6,292,059)	(6,189,081)
Accumulated other comprehensive loss		(25,795)	(25,795)
<b>Total equity</b>		14,084,766	14,187,744
<b>Total equity and liabilities</b>		\$ 14,846,565	\$ 14,950,547
Going concern	2		
Commitments	14		
Subsequent events	15		

These financial statements are authorized for issue by the Board of Directors on June 27, 2017

Approved by the Board of Directors:

“David Blann” Director    “Rodger Gray” Director

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

**HAPPY CREEK MINERALS LTD.**  
**Statements of Loss and Comprehensive Loss**  
**April 30, 2017 and 2016**

	Note	Three months ended April 30,	
		2017	2016
<b>Revenue</b>			
Interest income		\$ 832	\$ 1,008
<b>Expenses</b>			
Advertising and promotion		14,126	11,101
Conferences and travel		14,457	12,447
Management fees and salaries	12	52,754	48,789
Share-based payments	12	-	-
Office and administration		21,372	20,087
Professional fees		1,101	5,035
		<u>103,810</u>	<u>97,459</u>
<b>Loss before other item</b>		(102,978)	(96,451)
Flow-through recovery		-	-
<b>Loss before income taxes</b>		<u>(102,978)</u>	<u>(96,451)</u>
<b>Provision for income taxes</b>			
Deferred income tax recovery	11	-	-
<b>Net loss for the year</b>		(102,978)	(96,451)
Unrealized gain (loss) on available for sale financial assets, net of tax		-	-
<b>Comprehensive loss for the year</b>		<u>\$ (102,978)</u>	<u>\$ (96,451)</u>
<b>Basic and diluted loss per share</b>		<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
<b>Weighted average number of shares outstanding</b>		<u>79,187,759</u>	<u>72,137,630</u>

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

**HAPPY CREEK MINERALS LTD.****Statements of Cash Flows****April 30, 2017 and 2016**

	<b>Three months ended April 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>CASH AND CASH EQUIVALENTS</b>		
<b>FROM (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (102,978)	\$ (96,451)
Items not involving cash:		
Deferred income tax recovery	-	-
Depreciation	686	1,739
Share-based payments	-	-
Flow-through recovery	-	-
	<u>(102,292)</u>	<u>(94,712)</u>
<b>Changes in non-cash working capital items:</b>		
Amounts receivable	34,744	1,574
Prepaid expenses	(28,924)	(6,703)
Trade and other accounts payable	(1,004)	(22,197)
	<u>(97,476)</u>	<u>(122,038)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of shares	-	-
Share issuance costs	-	-
	<u>-</u>	<u>-</u>
<b>INVESTING ACTIVITIES</b>		
Expenditures on exploration and evaluation properties	(46,522)	(63,284)
Mineral property option payments received (paid)	-	-
Mineral exploration tax credits ("METC") received	-	-
Purchase of equipment	-	-
Reclamation deposits	-	-
	<u>(46,522)</u>	<u>(63,284)</u>
<b>Increase(decrease) in cash and cash equivalents</b>	<b>(143,998)</b>	<b>(185,322)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>636,391</b>	<b>599,651</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 492,393</b>	<b>\$ 414,329</b>
<b>Supplemental Cash Flow Information:</b>		
Accounts payable related to exploration and evaluation expenditures	\$ -	\$ -
Shares issued as finder's fee	-	-
Warrants issued as finder's fee	-	-
	<u>\$ -</u>	<u>\$ -</u>
<b>Cash and Cash Equivalents Consist Of:</b>		
Cash	\$ 104,412	\$ 26,348
Money market fund	387,981	387,981
	<u>\$ 492,393</u>	<u>\$ 414,329</u>

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

**HAPPY CREEK MINERALS LTD.**  
**Statements of Changes in Equity**  
**April 30, 2017 and 2016**

	<u>Common Shares</u>		<b>Share Option Reserve</b>	<b>Accumulated other comprehensive loss</b>	<b>Deficit</b>	<b>Total equity</b>
	<b>Number</b>	<b>Amount</b>				
		\$	\$	\$	\$	\$
<b>February 1, 2016</b>	72,137,631	17,266,133	1,797,120	(28,795)	(5,621,737)	13,412,721
Common shares issued for cash	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Net loss for the period	-	-	-	-	(96,451)	(96,451)
Other comprehensive loss	-	-	-	-	-	-
<b>April 30, 2016</b>	<b>72,137,631</b>	<b>17,266,133</b>	<b>1,797,120</b>	<b>(28,795)</b>	<b>(5,718,188)</b>	<b>13,316,270</b>
<b>February 1, 2017</b>	79,187,789	18,329,962	2,072,658	(25,795)	(6,189,081)	14,187,744
Private placement – flow-through shares	-	-	-	-	-	-
Flow-through premium	-	-	-	-	-	-
Private placement – non flow-through shares	-	-	-	-	-	-
Shares issued as finder’s fee	-	-	-	-	-	-
Share issuance costs	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Net loss for the period	-	-	-	-	(102,978)	(102,978)
Other comprehensive income	-	-	-	-	-	-
<b>April 30, 2017</b>	<b>79,187,789</b>	<b>18,329,962</b>	<b>2,072,658</b>	<b>(25,795)</b>	<b>(6,292,059)</b>	<b>14,084,766</b>

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

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the three months ended April 30, 2017 and 2016**

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**1. NATURE OF OPERATIONS**

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

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

**2. GOING CONCERN**

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

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

**3. BASIS OF PRESENTATION**

These unaudited interim financial statements have been prepared on a historical cost basis. In addition these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These unaudited interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. The unaudited interim financial statements do not include all of the disclosures required for a complete set of annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended January 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

**HAPPY CREEK MINERALS LTD.**  
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The policies applied in these financial statements are based on IFRS issued and outstanding as of April 30, 2017.

**3.1. Basis of measurement**

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

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

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

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

**(i) Going concern**

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

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

The Company is required to make significant judgments regarding the capitalization of the costs incurred in respect to its exploration and evaluation properties. The Company is also required to make significant judgments on the ongoing feasibility of mineral exploration, and whether there are indicators that the development of a specific area is unlikely and exploration and evaluation properties should be impaired. Management has assessed impairment indicators on the Company's exploration and evaluation properties and has concluded that no impairment indicators existed as of April 30, 2017.

**4. SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Cash and Cash Equivalents**

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

**4.2 Equipment**

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



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

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

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

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

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

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

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

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

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

#### **4.4 Decommissioning and Restoration**

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.

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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 April 30, 2017, the Company has determined that it does not have any decommissioning and restoration obligations related to current or former operations in excess of the reclamation bonds held by the B.C. Ministry of Energy and Mines.

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

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

#### **4.6 Provisions**

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

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

#### **4.7 Income Taxes**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the three months ended April 30, 2017 and 2016, all the outstanding share options and warrants were anti-dilutive.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
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**4.12 Financial Instruments - Recognition and Measurement**

*Non-derivative financial assets and financial liabilities*

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

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

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

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

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

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

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

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

**4.13 Share Issuance Costs**

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

**4.14 Comprehensive Income (Loss)**

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

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
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**4.15 Changes in Accounting Standards**

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

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

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

**5. AMOUNTS RECEIVABLE**

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

**6. EQUIPMENT**

	<b>Computer equipment</b>	<b>Off-road vehicle</b>	<b>Mobile equipment</b>	<b>Total</b>
<b>Cost</b>				
Balance, February 1, 2017	\$ 5,101	\$ 38,078	\$ 23,965	\$ 67,144
Additions	-	-	-	-
April 30, 2017	<u>5,101</u>	<u>38,078</u>	<u>23,965</u>	<u>67,144</u>

<b>Accumulated depreciation</b>				
Balance, February 1, 2017	4,908	21,130	23,965	50,003
Depreciation for the year	108	578	-	686
Balance, April 30, 2017	<u>5,016</u>	<u>21,708</u>	<u>23,965</u>	<u>50,689</u>
Net book value	<u>\$ 85</u>	<u>\$ 16,370</u>	<u>\$ -</u>	<u>\$ 16,455</u>

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

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

**HAPPY CREEK MINERALS LTD.**  
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**7. RECLAMATION DEPOSITS**

As at April 30, 2017, the Company had reclamation deposits held in trust by the Province of British Columbia totalling \$89,000 (January 31, 2017 - \$89,000) with regards to its exploration of properties in British Columbia.

**8. EXPLORATION AND EVALUATION PROPERTIES**

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

	Cariboo properties British Columbia	Highland Valley properties British Columbia	Revelstoke properties British Columbia	Total
<b>February 1, 2016</b>	\$ 6,252,883	\$ 7,078,139	\$ 163,194	\$ 13,494,216
<b>Acquisition Costs</b>				
Option and acquisition costs(received)	-	-	(20,000)	(20,000)
<b>Exploration Costs</b>				
Assaying and petrographic	40,043	6,552	-	46,595
Communications	10,730	-	-	10,730
Field supplies	11,199	-	-	11,199
Geological and consulting	85,088	7,569	693	93,350
Geophysics	-	-	-	-
Mineral tenure costs	500	-	-	500
Field support and drilling	608,291	-	-	608,291
Travel and accommodation	23,913	-	-	23,913
BC METC	(128,086)	-	-	(128,086)
<b>January 31, 2017</b>	6,904,561	7,092,260	143,887	14,140,708
<b>Acquisition Costs</b>				
Option and acquisition costs	-	-	-	-
<b>Exploration Costs</b>				
Assaying and petrographic	-	-	-	-
Communications	400	157	-	557
Field supplies	-	-	-	-
Geological and consulting	44,679	520	-	45,199
Mineral tenure costs	766	-	-	766
Field support and drilling	-	-	-	-
Travel and accommodation	-	-	-	-
BC METC	-	-	-	-
Option payments received	-	-	-	-
<b>April 30, 2017</b>	\$ 6,950,406	\$ 7,092,937	\$ 143,887	\$ 14,187,230

As at April 30, 2017, cumulative METC rebates offset against deferred exploration and evaluation property costs totalled \$1,011,079 (January 31, 2017 - \$1,011,079).

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The Company is required by the Government of British Columbia to incur a minimum amount of expenditures to maintain concessions. The minimum expenditure amount is based on the number of tenures and the length of time that the right to each concession has been held. Expenditures in excess of the required annual minimum may be carried over to future years and, subject to certain conditions, to other mineral tenures located in B.C.

## **8.1 Highland Valley Properties**

### *8.1.1 Rateria*

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

### *8.1.2 West Valley*

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

### *8.1.3 Abbott Lake Property*

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

### *8.1.4 Tyner Lake Property*

In 2013, and amended in February 2014, the Company acquired an option to earn a 100% interest in the Tyner Lake Property, comprised of 18 mineral claims totaling approximately 2,300 hectares. To earn its interest, the Company paid \$25,000 cash and issued 250,000 shares. These claims are subject to a 2% NSR royalty.

## **8.2 Cariboo District**

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

In 2005, the Company acquired from three individuals, including one director of the Company, a 100% interest in five mineral properties located in the Cariboo Region, approximately 80 kilometres northeast of 100 Mile House, British Columbia. To earn its interest, the Company paid \$25,000 cash, issued 5,000,000 common shares and spent \$160,000 on exploration. The acquisition is subject to a 2.5% NSR royalty, of which 1% can be bought back by the Company for \$2,000,000. The Property is comprised of 5 groups of claims known as the Silverboss (32 claims totaling approximately 8,200 hectares), Fox (38 claims totaling approximately 16,700 hectares), Hen, Art-DL (12 Hen and Art-DL



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claims totaling approximately 6,600 hectares) and Hawk (22 claims totaling approximately 1,900 hectares).

*8.2.2 Gus Property*

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

*8.2.3 Grey Property*

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

*8.2.4 Eye Property*

This property totals approximately 100 hectares.

**8.3 Revelstoke District Properties**

*8.3.1 Silver Dollar Property*

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

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

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

- Paying \$20,000 (paid);
- Incurring a minimum of \$100,000 (approximately \$18,000 incurred) in mining work expenditures within a period of 12 months commencing from the date of the Option Agreement (the "Due Diligence Period");
- Issuing 300,000 common shares of Explorex to the Company (issued – refer to Note 16.2);
- Issuing an additional 300,000 common shares of Explorex to the Company within 12 months after the Due Diligence Period; and
- Issuing an additional 500,000 common shares of Explorex to the Company within 18 months after the Due Diligence Period.

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Pursuant to the Option Agreement:

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

Amendment to Option Agreement

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

- Incurring \$100,000 in mining work expenditures by July 31, 2017 (with the period from the date of the Option Agreement to July 31, 2017 becoming the Due Diligence Period);
- Issuing 300,000 common shares of Explorex to the Company on or before May 11, 2017 (issued – refer to Note 15.1);
- Issuing an additional 300,000 common shares of Explorex to the Company within 12 months after the end of the Due Diligence Period; and
- Issuing an additional 500,000 common shares of Explorex to the Company within 18 months after Due Diligence Period.

## 9. TRADE AND OTHER ACCOUNTS PAYABLE

	<u>April 30, 2017</u>	<u>January 31, 2017</u>
<b>Financial Liabilities</b>		
Trade payables	\$ 12,413	\$ 13,872
Payroll accruals	2,634	2,179
Accrued liabilities	17,100	17,100
	<u>\$ 32,147</u>	<u>\$ 33,151</u>

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

## 10. EQUITY

### 10.1 Authorized Share Capital

Unlimited number of common shares with no par value.

### 10.2 Shares Issued

Shares issued and outstanding as at April 30, 2017 are 79,187,789 (January 31, 2017 – 79,187,789).

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

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

**10.3 Warrants**

The following warrants were outstanding:

	<u>Warrants</u>	<u>Exercise Price</u>
February 1, 2016	7,213,000	\$ 0.17
Expired	(1,668,000)	0.20
January 31, 2017	5,812,375	0.16
Expired	-	-
Issued – finder’s	-	-
April 30, 2017	<u>5,812,375</u>	<u>\$ 0.16</u>

  

<u>Expiry date</u>	<u>Warrants</u>	<u>Exercise Price</u>
May 22, 2018	545,000	\$ 0.20
September 4, 2018	5,000,000	0.15
August 24, 2018	267,375	0.16
	<u>5,812,375</u>	<u>\$ 0.16</u>

At April 30, 2017, the weighted-average remaining life of the outstanding warrants was 1.30 years (2017 – 1.56 years).

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

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

**10.4 Share-based Compensation**

The Company has adopted an incentive share option plan for the benefit of directors, officers and employees, which options, to acquire up to 10% of the issued share capital at the award date, may be granted to eligible optionees from time to time. Additional shares have also been issued to consultants of

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
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the Company, as part of their compensation arrangement. Share options granted have a term of between one and five years, vest immediately or over time and have an exercise price determined by the directors. The Company's policy is that the exercise price may not be less than the closing quoted price of the Company's common shares traded through the facilities of the exchange on which the Company's common shares are listed.

Total share options granted during the year ended January 31, 2017 were 3,050,000 (year ended January 31, 2016 – 500,000). Total share-based payments recognized for the fair value of share options granted, vested and approved by the shareholders during the year ended January 31, 2017 was \$256,822 (year ended January 31, 2016 - \$65,745). No options were granted during the quarter ended April 30, 2017.

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

	<u>Year Ended January 31, 2017</u>	<u>Year Ended January 31, 2016</u>
Strike price	0.18 – \$ 0.22	\$ 0.18
Risk free interest rate	0.58 – 0.83%	0.48%
Expected option life (years)	3.00 years	3.00 years
Expected stock price volatility	80.85 – 79.34%	86.1338%
Dividend payments during life of option	Nil	Nil
Expected forfeiture rate	Nil	Nil

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

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

	<u>Options</u>	<u>Exercise price</u>
February 1, 2016	2,725,000	\$ 0.18
Issued	3,050,000	0.19
Expired	-	-
Forfeited	-	-
January 31, 2017	5,775,000	0.19
Issued	-	-
April 30, 2017	5,775,000	\$ 0.19

At April 30, 2017, the weighted average remaining life of the outstanding options was 1.54 years (2017 – 1.79 years).

<u>Outstanding</u>			<u>Vested</u>		
<u>Number of Options</u>	<u>Exercise price</u>	<u>Remaining contractual life (years)</u>	<u>Number of Options</u>	<u>Exercise price</u>	<u>Remaining contractual life (years)</u>
2,150,000	\$ 0.18	0.19	1,666,665	\$ 0.18	0.50
75,000	0.18	0.01	75,000	0.18	0.50
500,000	0.18	0.08	500,000	0.18	1.00
2,300,000	0.18	0.91	2,250,000	0.18	2.30

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
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750,000	0.22	0.35	750,000	0.22	2.70
5,775,000	\$ 0.19	1.54	5,241,665	\$ 0.19	1.65

**11. RELATED PARTY TRANSACTIONS AND BALANCES**

**Relationships**

Standard Metals Exploration Ltd.  
("Standard")

**Nature of the relationship**

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

Key management

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

	<b>Geological exploration services</b>	<b>Management services</b>
Services provided for the period ended April 30, 2017:		
Chief operating officer	\$ -	\$ 15,000
Chief financial officer	-	12,000
Standard	2,340	-
	<b>\$ 2,340</b>	<b>\$ 27,000</b>

	<b>Geological exploration services</b>	<b>Management services</b>
Services provided for the period ended April 30, 2016:		
Chief operating officer	\$ -	\$ 15,000
Chief financial officer	-	10,500
Standard	4,970	-
	<b>\$ 4,970</b>	<b>\$ 25,500</b>

Key management compensation includes:

	<b>Three months ended</b>	
	<b>April 30, 2017</b>	<b>2016</b>
Management fees and salaries	\$ 27,000	\$ 25,500
Share-based payments	-	-
	<b>\$ 27,000</b>	<b>\$ 25,500</b>

At April 30, 2017, there were no payables to Standard or any other related parties.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the three months ended April 30, 2017 and 2016**

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

## **12. MANAGEMENT OF CAPITAL**

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

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

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

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

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

## **13. RISK MANAGEMENT**

### **13.1 Financial Risk Management**

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

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

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

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

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

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

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at April 30, 2017, the Company's working capital is \$515,733, and it does not have any long-term monetary liabilities. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2017, the Company had cash and cash equivalents of \$492,393 to settle current liabilities of \$32,147.

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the three months ended April 30, 2017 and 2016**

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**d. Market Risk**

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

**13.2 Fair Values**

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

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

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

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

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

**14. COMMITMENTS**

**14.1 Lease Commitment**

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

Fiscal Year	Amount
2018	\$ 25,203

**14.2 Termination of Service Agreements**

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

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

**HAPPY CREEK MINERALS LTD.**  
**Notes to the Financial Statements**  
**For the three months ended April 30, 2017 and 2016**

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**15. SUBSEQUENT EVENTS**

**15.1 Common Shares of Explorex Received**

On May 8, 2017, the Company received 300,000 common shares of Explorex pursuant to the Option Agreement. Refer to Notes 8.3.

**15.2 Private Placement**

On May 30, 2017 the Company announced that it intends to carry out a non-brokered private placement to raise up to \$3,000,000 through the sale of up to 5,769,230 flow-through common shares at a price of \$0.26 per share for gross proceeds of up to \$1,500,000 and up to 7,500,000 common shares at a price of \$0.20 per share for gross proceeds of up to \$1,500,000.



**HAPPY CREEK MINERALS LTD.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION and ANALYSIS**  
**For the Three Months Ended April 30, 2017 and 2016**

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**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 the three months ended April 30, 2017 and 2016. This MD&A has been prepared by management as of June 27, 2017 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 three months ended April 30, 2017 and 2016. The following MD&A should be read in conjunction with the interim financial statements and related notes for the three months ended April 30, 2017 and 2016. The interim 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 "forward-looking information" within the meaning of applicable securities laws, including statements that address capital costs, recovery, grade, and timing of work or plans at the Company's mineral projects. Forward-looking information may be, but not always, identified by the use of words such as "seek", "anticipate", "plan", "planned", "continue", "expect", "thought to", "project", "predict", "potential", "targeting", "intends", "believe", "opportunity", "further" and others, or which describes a goal or action, event or result such as "may", "should", "could", "would", "might" or "will" be undertaken, occur or achieved. Statements also include those that address future mineral production, reserve potential, potential size or scale of a mineralized zone, potential expansion of mineralization, potential type(s) of mining, potential grades as well as to Happy Creek's ability to fund ongoing expenditure, or assumptions about future metal or mineral prices, currency exchange rates, metallurgical recoveries and grades, favourable operating conditions, access, political stability, obtaining or renewal of existing or required mineral titles, licenses and permits, labour stability, market conditions, availability of equipment, accuracy of any mineral resources, anticipated costs and expenditures. Assumptions may be based on factors and events that are not within the control of Happy Creek and there is no assurance they will prove to be correct. Such forward-looking information involves known and unknown risks, which may cause the actual results to materially differ, and/or any future results expressed or implied by such forward-looking information. Additional information on risks and uncertainties can be found within Financial Statements, Prospectus and other materials found on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there can be no assurance that such information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. The Company withholds any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by law.

## **HAPPY CREEK MINERALS LTD.**

### **FORM 51-102F1**

#### **MANAGEMENT'S DISCUSSION and ANALYSIS**

##### **For the Three Months Ended April 30, 2017 and 2016**

Under NI43-101 (2001), the reader is cautioned that results or information from an adjacent property does not infer or indicate similar results or information will or does occur on the subject property. Historical information from the subject or adjacent property cannot not be relied upon as the Company's QP, a term which was created and defined under NI-43-101 has not prepared nor verified the historical information.

#### **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 totalling approximately 566 square kilometres of mineral tenure located in British Columbia, Canada. The Company acquired these early-stage properties mainly between 2005 and 2009, based on their interpreted potential to host economic deposits. The Company performed systematic surface exploration to identify quality targets worthy of drilling at five properties, four properties were drill tested and drill discoveries were made at two: the Rateria and Fox properties are now at the resource definition stage. Although the Company's other properties are thought to warrant additional exploration, the priority for further work is on the Fox and Rateria properties:

1. Fox property: Ownership 100%. The Fox is a new discovery of tungsten in a mineral system overall 10 km by 3 km in dimension and located northeast of 100 Mile House, B.C. In January 2017, the Company announced that the Fox property holds indicated resources of 486,000 tonnes of 0.817% WO<sub>3</sub> (tungsten trioxide), and inferred resources of 361,000 tonnes of 1.568% WO<sub>3</sub>. A portion of the indicated resources are within an open pit. An NI43-101 report can be found on the Company's website or on SEDAR. The resource is from two zones, and two others contain potentially economic drill results, and a further two zones are undefined. All mineralized zones are open to further expansion. The Fox property contains tungsten grades that are comparable with the Cantung mine (now closed) that when in operation a few years ago, was regarded as the largest and highest grade tungsten producer in the western world. The large scale mineral system, near-surface setting, high grade and proximity to infrastructure are positive qualities of this project, and it is thought to be a rare and exceptional tungsten find. Plans include increasing the resource base and performing a preliminary economic assessment.
2. Rateria-West Valley property: Ownership 100%. The Company's Rateria and West Valley property surround the southern end of Teck's Highland Valley copper mine property, one of Canada's largest base metal producers. It also adjoins the north side of the past-producing Craigmont copper mine property. At the Rateria property, the Company has discovered two new copper zones located approximately 6.5 km from a currently producing open pit and contains geology and drill results with similar copper grade to other highland valley deposits. Zone 1 is

## HAPPY CREEK MINERALS LTD.

### FORM 51-102F1

#### MANAGEMENT'S DISCUSSION and ANALYSIS

#### For the Three Months Ended April 30, 2017 and 2016

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approximately 1.2 km in length, 50 to 200 metres in width, and at least 400 metres in depth. Drill highlights include 95.0 metres of 0.67% copper and 250.0 metres of 0.25% copper. Zone 2 is 450 metres in length, up to 150 metres in width, and at least 300 metres in depth. Both zones are open to further expansion. Highlights of drilling in Zone 2 include 152.5 metres of 0.35% copper, 0.06 g/t Au, and 85.0 metres of 0.32% copper, 0.16 g/t gold. The elevated gold values in Zone 2 appear higher than in other Highland Valley deposits, and with additional drilling there is thought to be resource potential in both Zone 2 and Zone 1. The Company has also identified several other untested large scale copper targets. The property is overall approximately 162 square kilometres in area within a mining district having a history of 5 deposits achieving commercial production.

The Company has conducted exploration on several other 100% owned properties and several well-defined, quality targets are ready for drill testing:

1. Silverboss property: Surrounding the past-producing Boss Mountain molybdenum mine, the Company has conducted systematic surface rock and soil sampling, geology and geophysics. This work has identified several new bulk-tonnage copper-molybdenum-gold-silver targets that are untested by drilling. Highlights include 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 at the Dogtooth zone and 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 at the Silverboss shaft. To the north, the Gus prospect is underlain by positive copper values in soil approximately 2 kilometres by 1 kilometre in dimension. In addition to the potential for molybdenum deposits adjacent to the former molybdenum mine, the underlying geology and presence of copper and gold share similarities to the Woodjam deposit (227m tonnes at 0.31% copper- Woodjam Copper website) to the northwest.
2. Silver Dollar property: This property is part of the historical Camborne mining camp and covers several high-grade prospects which were developed and mined on a small scale in the early 1900's. At the Gillman prospect, between one and 14 tonnes of ore grading 62 grams per tonne gold, 62 grams per tonne silver was shipped in 1933. 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. Gold, silver, lead and zinc prospects occur along a well-defined nine kilometre structural trend. The Company has confirmed high gold and silver values occur at the known prospects and the property is generally underexplored. On May 12th, 2016, the Company announced that it has optioned the property to Explorex Resources Inc.
3. Hawk property: The property is underlain by geology of the Quesnel Terrane, which hosts numerous copper, copper-gold deposits and mines in B.C. The Company has conducted systematic geochemistry, geology, geophysics, trenching with limited drilling. Property results include chip sampling at the Main zone with 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

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silver. Exploration work has confirmed the presence of bulk tonnage copper-gold-silver (alkalic porphyry) targets and exploration drilling is recommended as the next step.

4. Hen-Art-DL property: Prospecting, rock and soil sampling, trenching and reconnaissance drilling has identified several new gold skarn prospects at the Hen property. Trenching returned 2.1 meters of 3.98 g/t gold and 2.0 metres of 4.20 g/t gold and up to 35.06 g/t gold in grab samples at the Hen and Dyke zones, respectively. The DL property contains sediment-hosted gold-silver prospects sharing geological similarities with the Spanish Mountain or Eureka Peak deposits to the north. Values of up to 42 g/t gold over 1.0 metre in a quartz vein occur at the DL adit, and to the southwest, drill hole GL10-3 returned 72.5 metres of 4.03 g/t silver including 20.0 metres of 8.5 g/t silver.

#### Exploration updates

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

The Company acquires claims and conducts property evaluation work and may drop, or acquire by staking, claims as a normal course of its business. Exploration work is necessary to maintain mineral claims in good standing with the provincial government. Some claims are allowed to lapse if they are deemed less desirable, or insufficient work is conducted on them.

#### Summary of 2016 Exploration work Completed.

##### Fox Tungsten Property

Between May and October 12th, 2016, the Company completed 2,330 metres of drilling in 28 holes (average depth 83 metres), 79 metres of trenching and channel sampling, 1.2 km of machine trail construction between the BN and RC zones, 61 contour soil samples between the BN and BK zones, and several hundred UV lamp tests while performing geology mapping at night and day with 23 rock samples collected for assay. Other professionals were also engaged to conduct a geotechnical and independent QP review and a tree/forest study.

On January 26, 2017, the Company announced an updated resource estimate from two of the five main mineralized zones on the property. Together, the BN and Ridley Creek zones contain 486,000 tonnes of 0.817%  $WO_3$  (tungsten trioxide) (indicated), and 361,000 tonnes of 1.568%  $WO_3$  (inferred). The resources are thought to represent among the highest grades for a new tungsten discovery in the western world.

Other zones not included in the resource returned further encouraging results: At the BK zone, F16-14 and F16-15 returned 5.2m of 0.70%  $WO_3$  and 6.0m of 0.67%  $WO_3$ , respectively. This zone requires additional drilling to generate its first resource. At the South Grid, surface rock sampling in May returned positive tungsten values with several containing 1.75 to 5.89%  $WO_3$ . The first drilling performed at the end of the program met with difficulties in access and support for this area, and holes

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were lost at shallow depth due to the drill shifting in deep mud conditions. Three holes returned intervals up to 2.0m of 0.145%  $WO_3$  and 1.5m of 0.126%  $WO_3$ , within skarn units that are approximately 5-16 metres in thickness. The limited extent of drilling is considered inconclusive as the target is 1.5 km by 500 metres in dimension. Other new prospects were located during field work containing up to 1.5m of 3.44%  $WO_3$  between the Ridley Creek and BK zone.

Additional drilling is proposed to increase the resource for the project and initiating various engineering and environmental studies for potentially conducting a preliminary economic assessment.

#### Silver Dollar Property

On May 11, 2016, the Company announced that Explorex Resources Inc. has entered into an option agreement to acquire the Silver Dollar property. Details of the option agreement can be found in Mineral Property Transactions. During 2016, Explorex performed geological reconnaissance and rock sampling on the property. Results are announced in an Explorex press release dated November 21, 2016, in which analytical results include assays up to 57.1 g/t gold.

#### Highland Valley Property

During 2016, the Company conducted a review of geology, and performed an Ah horizon soil geochemical survey over Zone 1 and Zone 2, which contain significant copper values in drillcore beneath approximately 10-20 metres of glacial till, as well as the West Sho geophysical target where no bedrock information occurs. The Company has now performed C horizon (glacial till), MMI and Ah horizon soil geochemical surveys over the known mineralized zones. Preliminary results from all methods appear to be inconclusive in directly identifying bedrock mineralized zones where the glacial till is greater than 10 metres in thickness.

#### **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.

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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.

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.

Between 2013 and April 2016, the Company staked claims for its own account that joined the Rateria and West Valley property. On April 6, 2016, the Company acquired by staking, a 454.15 Ha claim that adjoins the south end of the Rateria (Tyner) property.

*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

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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 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 one current director 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

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\$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.

#### *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.



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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.

Silver Dollar Property Option

On May 12<sup>th</sup> 2016, the Company announced that it has optioned the Silver Dollar property to Explorex Resources Inc. ("Explorex"). Under the Terms of the Option Agreement, Explorex can earn a 100% interest in the Property, subject to a 1% Net Smelter Royalty retained by the Company, by making the following payments, share issuance and exploration work commitment: \$20,000 cash within the earlier date of 5 days of TSX Exchange approval of closing a proposed Explorex financing, or by June 30<sup>th</sup> 2016 (completed) a minimum \$100,000 work commitment within 6 months of signing (the "Due Diligence Period"), 300,000 shares within 20 days after the Due Diligence Period, 300,000 shares within 12 months after the Due Diligence Period, and 1,000,000 shares within 18 months after the Due Diligence Period. After the Period ending October 31 2016, the Company and Explorex amended terms of the agreement to extend the due diligence period by six months, and reduce the final share issuance to 500,000 shares (from 1,000,000), for a total share issuance of 1,100,000 should the option be completed. On April 21, 2017, a further amendment to the Silver Dollar Option was announced by Explorex that extends the due diligence period from May 11, 2017 to July 31, 2017 to allow more field time during snow-free conditions, but will still issue 300,000 shares of Explorex to Happy Creek on or before May 11, 2017. These shares have been received by the Company subsequent to the period end.

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**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.

	<b>Prepared in accordance with IFRS</b>		
<b>As at and for the year ended</b>	<b>Jan. 31, 2017</b>	<b>Jan. 31, 2016</b>	<b>Jan. 31, 2015</b>
Interest revenue	\$ 4,032	\$ 14,018	\$ 1,052
Net loss	\$ 567,344	\$ 321,645	\$ 418,310
Basic net loss per share	\$ 0.01	\$ 0.00	\$ 0.01
Total assets	\$ 14,950,547	\$ 14,232,785	\$ 13,300,126
Basic weighted average number of shares outstanding	75,228,141	65,888,342	60,042,261

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

	<b>Prepared in accordance with IFRS for interim reporting</b>							
<b>For the quarter ended</b>	<b>Apr 30 2017</b>	<b>Jan 31 2017</b>	<b>Oct 31 2016</b>	<b>Jul 31 2016</b>	<b>Apr 30 2016</b>	<b>Jan 31 2016</b>	<b>Oct 31 2015</b>	<b>Jul 31 2015</b>
	\$	\$	\$	\$	\$	\$	\$	\$
Interest revenue	832	876	1,360	788	1,008	1	12,005	1,043
Administrative expenses	(103,810)	(252,061)	(212,398)	(98,958)	(97,459)	(101,432)	(62,100)	(119,873)
Net income (loss)	(102,978)	(161,685)	(211,038)	(98,170)	(96,451)	(15,747)	(50,095)	(118,830)
Basic net income (loss) per share	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

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.

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**Results of Operations**

*Three months ended April 30, 2017*

The Company incurred a net loss of \$102,978 for the three months ended April 30, 2017 compared with a loss of \$96,451 for the same period in 2016. General and administrative expenses rose modestly with the following accounts accounting for the increase in the overall loss. ;

- Increase in advertising and promotion of \$3,025 due to increased funding efforts.
- Conferences and travel costs increased by \$2,010 in conjunction with increased funding efforts.
- Management fees and salaries increased by \$3,965 due to certain geological services not being capitalized to property accounts and a small increase to management remuneration.
- Office and administrative costs remained the same as fiscal 2016 due to cost control measures.

**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.

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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.

#### **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 April 30, 2017 the Company had cash and cash equivalents of \$492,393 (January 31, 2017 - \$636,391). The Company's working capital surplus as of April 30, 2017 was \$515,733 (January 31, 2017 – surplus of \$664,547). During the year ended January 31, 2017 the Company completed a private placement raising \$1,191,560 by issuing 1,058,908 flow-through shares at a price of \$0.22 per share and 5,991,250 non-flow-through shares at a price of \$0.16 per share. Subsequent to April 30, 2017 the Company announced it intends to carry out a non-brokered private placement to raise up to \$3,000,000 by way of a combination of flow-through and non-flow-through shares.

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.

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**RELATED PARTY TRANSACTIONS AND BALANCES**

<b>Relationships</b>	<b>Nature of the relationship</b>
Standard Metals Exploration Ltd. ("Standard")	Standard is a private company controlled by an officer and director of the Company. Standard provides geological exploration and management consulting services to the Company.
Key management	Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the President and Chief Executive Officer, Chief Financial Officer, and Senior Geologist.

	<b>Geological exploration services</b>	<b>Management services</b>
Services provided for the period ended		
April 30, 2017:		
Chief operating officer	\$ -	\$ 15,000
Chief financial officer	-	12,000
Standard	2,340	-
	<b>\$ 2,340</b>	<b>\$ 27,000</b>

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	<b>Geological exploration services</b>	<b>Management services</b>
Services provided for the period ended		
April 30, 2016:		
Chief operating officer	\$ -	\$ 15,000
Chief financial officer	-	10,500
Standard	4,970	-
	<b>\$ 4,970</b>	<b>\$ 25,500</b>

Key management compensation includes:

	<b>Three months ended April 30,</b>	
	<b>2017</b>	<b>2016</b>
Management fees and salaries	\$ 27,000	\$ 25,500
Share-based payments	-	-
	<b>\$ 27,000</b>	<b>\$ 25,500</b>

At April 30, 2017, there were no payables to Standard or any other related parties.

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

**Subsequent Events**

Subsequent to April 30, 2017 the Company announced that it intends to carry out a non-brokered private placement to raise up to \$3,000,000 through the sale of up to 5,769,230 flow-through common

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shares at a price of \$0.26 per share for gross proceeds of up to \$1,500,000 and up to 7,500,000 common shares at a price of \$0.20 per share for gross proceeds of up to \$1,500,000.

Subsequent to April 30, 2017 the Company received on May 8, 2017 300,000 common shares of Explorex pursuant to the Silver Dollar Property Option Agreement

#### **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, reclamation bonds, marketable securities, trade and other accounts payable.

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

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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 April 30, 2017.

**(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.



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**(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 June 27, 2017 are as follows:

	<b>June 27, 2017</b>
<b>Common shares</b>	<b>79,187,789</b>
<b>Stock Options</b>	<b>5,775,000</b>
<b>Warrants</b>	<b>5,812,375</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.*