Happy Creek Minerals (C$ 0.145)

TSX.V : HPY
H + L prices (12 months) : C$ 0.23 – 0.13
Net shares issued : 92.3 million
Fully diluted shares : 98.3 million
Market Capitalization : C$ 13.4 million

2019 price target: C$ 0.30

Company profile

Happy Creek Minerals ("Happy Creek") owns a 100% interest in 7 properties totalling approximately 581.7 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 Rateria - West Valley Copper and Fox Tungsten properties are now at more advanced stage of exploration, including resource definition and expansion, as well as engineering and economic evaluation stage for Fox.

Although Happy Creek’s other properties are thought to warrant additional exploration, the current focus is on advancing the Fox and Rateria-West Valley properties.
Overview of Projects
 ➢ Fox Property – 100%-owned, located in south-central B.C.

The Fox Property is a new discovery of tungsten in a mineral system overall 10 kilometres by 3 kilometres in dimension and located northeast of 100 Mile House, south-central B.C. The total Indicated Resource of the Ridley Creek Zone is currently 582,400 tonnes grading 0.826% WO₃, containing 4.8 million kg WO₃ and the total Inferred Resource is 565,000 tonnes grading 1.231% WO₃ containing 6.96 million kg WO₃ for the Ridley Creek, BN and BK Zones combined.

The selected cut-off for the material amenable to open-pit extraction is 0.175% WO₃ and for material amenable to underground extraction a cut-off of 0.45% WO₃ was applied.

A portion of the Indicated Resources is within an open-pit. These resource grades are comparable with the Cantung mine (now closed), that when it was in operation at around 1,250 tonnes per day, was regarded as the largest and highest-grade tungsten producer in the western world.

Exploration in 2017 also located new mineralization areas at surface and the South Grid returned a drill intercept above cut-off grade near surface.

All mineralized zones are open to further expansion. Drilling has returned numerous intercepts containing more than 3% WO₃ that are outstanding on a global basis.

The large-scale mineral system, near-surface setting, high-grade and proximity to infrastructure are positive qualities of the Fox Project and is thought to be a rare and exceptional tungsten find.

Plans include increasing the resource base and performing a Preliminary Economic Assessment (“PEA”) to advance Fox as a new high-grade tungsten project in the western world.

➢ Rateria - West Valley Property - 100%-owned, located in south-central B.C.

Happy Creek’s Rateria and West Valley Property adjoins and surrounds the southern end of Teck’s Highland Valley Copper Mine property, Canada’s largest copper producer. It also adjoins the northside of the past-producing Craigmont Copper Mine Property. At the Rateria Property, the Company has discovered two new copper zones located approximately 6.5 kilometres from a currently producing open-pit and contains geology and drill results with similar copper grade to other Highland Valley deposits.

Drilling at both zones has identified continuous and positive grades approximately one kilometre in length and up to 150 metres in width and to over 350 metres in depth. These zones occur within a larger envelope of lower-grade material and remain open.

Drill highlights include 95.0 metres of 0.67% copper, 250.0 metres of 0.25% copper from Zone 1 and 152.5 metres of 0.35% copper, 0.06 g/t gold and 105.5 metres of 0.37% copper, 0.14 g/t gold, 0.005% molybdenum and 0.63 g/t rhenium in Zone 2. There is thought to be clear resource potential in both Zone 1 and 2.
Happy Creek’s Highland Valley property facing south. The first time this area is held by one Company.

Additional mineral claims were acquired in 2017 that expands the Property to 240 square kilometres thought to have excellent potential to discover other copper deposits, and within a mining district having a history of 5 deposits achieving commercial production.

► Update on the Fox, Hen and Rateria properties

On September 25, 2018, Happy Creek provided an update on the Company’s Rateria copper, Fox tungsten and Hen gold properties.

On the Rateria copper property – Zone 1 and 2 both have drilled dimensions of approximately one kilometre in length, 50 to 150 metres in width and over 350 metres in depth and remain open, with drill grades comparable to that currency being mined in the Highland Valley district. In early September a historical access trail dating from the mid-1950s near to the Sho prospect was cleared and evaluated. Mineralized zones are exposed in 5 places with an area approximately 20-40 metres in width and 200 metres in length and open.

Grab samples collected of the mineralized material range from 0.06% copper up to 3.59% copper, 287 ppb gold and 11.9 g/t silver. The average of the 19 selected materialized samples collected from all 5 exposures is 1.68% copper.

On September 22, 2018, geological mapping on trend some 600 metres to the southeast of the area located an outcrop containing a 1 to 3-metre-wide series of bornite-rich copper veins and cross cutting veinlets that are not recorded in any historical information. This new prospect is thought to be part of the mineralized structures further to the northwest, which together is at least 800 metres of strike length.

Based on geophysical surveys, this area is in proximity to a wide, mostly covered first order northwest trending structure that cuts the batholith through the Sho, Moss 4, Zone 1 and South Yubet prospects, a distance of at least 7 kilometres.

The recent work completed around the Sho prospect contributes to the ongoing geological vectoring toward new large-scale porphyry copper targets in a district hosting Canada’s largest porphyry mine.
Fox Tungsten Property

The Fox is located 75 kilometres northeast of 100 Mile House, BC. In late July, geological mapping was completed for three days at several tungsten-bearing calc-silicate layers that occur strategically above that hosting the current Indicated resource of 582,400 tonnes grading 0.826% WO3 and 565,000 tonnes (Inferred) grading 1.231% WO3. These are among the highest-grade tungsten resources in the western world.

Previous mapping in 2017 had indicated the presence of the two layers immediately above the Ridley Creek deposit but there was uncertainty as to their continuity. In 2018 the two layers were re-located and a third found and all three were traced continuously along strike in a north-south direction for more than 500 metres and connected to earlier mapping.

Abundant sub-parallel intrusive sills of monzogranite-alaskite composition also occur and that is encouraging for the development of the tungsten skarns. Sixteen rock samples collected at widely separated locations returned from trace to 0.35% WO3.

Interpretation from this work combined with previous mapping confirms that the upper calc-silicate layers are continuous for approximately 2 kilometres along strike, which is the same as the lower, resource-bearing layer. The upper layers are also some 500 metres west of the Ridley Creek zone and provide more confidence that the deposit should continuous that far to the west, beneath Deception Mountain.

Previous drilling of 2 drill holes that were directed beneath Deception mountain returned intervals of 19.4 metres of 0.93% WO3 and 26 metres of 1.19% WO3 that are therefore potentially open to the northwest for at least 500 metres. The upper layers have never been drilled and will be incorporated in future drill plans that test the western extent of the Ridley Creek, BN and BK zones beneath Deception Mountain.

Further work was also completed between the BN and Ridley Creek deposits which contains most of the resources. On November 21, 2018, the Company announced new high-grade tungsten in outcrops were found south of the Ridley Creek deposit. Using hand tools to clean poorly exposed bedrock, samples returned up to 7.43% WO3, 0.43% zinc over 0.35 metres and is open in thickness. In another area, samples returned 0.61% WO3 over approximately 3.15 metres and is open in width and along strike. Drilling is required to test the total thickness and extent of these at-surface mineralized zones.

The findings support the the likelihood that between the BN and Ridley Creek deposits, a distance of one kilometre, more resources can be found. Logging road construction has recently begun to advance closer to the BN and Ridley Creek deposits improving access to the resources. In addition, the newly constructed roads have opened up the western portion of the property that has never been explored. Several stream sediment samples were collected that indicated positive tungsten and is encouraging for the presence of undiscovered tungsten in this area.

Hen Gold Property

The Hen Property is located approximately 2 kilometres west of the Fox Property. Prospecting along a recently constructed logging road has resulted in the discovery of a new mineralized showing. The first and only grab sample collected from a recent roadcut returned 7.6 g/t gold, 2.08% lead, 4.02% zinc and 0.16% copper. The host rock is a sulphide-rich volcanic sediment near the base of the Nicola Group basalt conglomerate and top of the Lemieux Creek Formation. This style of mineralization has not been seen before on the property. In addition, 2 rock samples collected northeast of the Ledge prospect returned 2.13 g/t gold and 0.55 g/t gold.

In addition to the two more advanced staged projects, Happy Creek has several other 100%-owned properties with well-defined quality targets that are thought to be ready for testing:

Silverloss Property with approximately 91 square kilometres of mineral tenure 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.
► **Hawk Property** is underlain by geology of the Quesnel Terrane, which hosts numerous copper, copper-gold deposits and mines in B.C. **Happy Creek** 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. Exploration work has confirmed the presence of bulk tonnage copper-gold-silver (alkalic porphyry) targets and exploration drilling is recommended as the next step.

► **Hen & Art DL Property** contains sediment hosted gold-silver prospects sharing geological similarities with the Spanish Mountain or Eureka Peak deposits to the north. Trenching returned 2.1 metres 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. Up to 42 g/t gold over 1.0 metre in a quartz vein occur at the DL adit, and to the southeast, drill hole GL 10-3 returned 72.5 metres of 4.03 g/t silver, including 20.0 metres of 8.5 g/t silver and is thought to warrant further exploration.

**Management**

**David Blann**, President, CEO, Director, P.Eng., has been engaged in precious and base metal exploration, development and production stage projects for over 30 years. He has worked predominantly within Canada and the U.S.A., as well as in Mexico, Chile and West Africa. Within central British Columbia, Canada, he has been involved in the discovery of a number of epithermal gold-silver and porphyry copper systems. Mr. Blann has been a director or vice president of several junior mining companies and designed the strategy and assembled the projects as founder of Happy Creek Minerals.

**Walter Segsworth**, Director, Chairman, has over 40 years of experience in mining throughout Canada and overseas and has served as a senior officer of several mining companies including Westmin Resources, where he was President and CEO, and Homestake Mining, where he was President and COO. Mr. Segsworth is currently lead independent director of Pan American Silver and a director of Sabina Gold & Silver Corporation. Mr. Segsworth is past Chairman of the Mining Association of British Columbia and the Mining Association of Canada and was named B.C.’s Mining Person of the Year in 1996.

**Richard Lee**, CMA, Chief Financial Officer, has spent over 30 years either working for public accounting firms or for companies that trade on a recognized stock exchange. Mr. Lee has been working with and for public companies which trade in Canada on the TSX-Venture Exchange as well as with companies registered with the SEC in the United States. In addition, he has been involved in numerous start-up ventures.

**Rodger Gray**, Director, has over 20 years of experience as a stockbroker and officer of an IDA member firm. He is currently with Altus Securities in Toronto, and was until recently, the president and chief executive officer of Toll Cross Securities, a Toronto-based, full-service broker dealer specializing in the junior resource sector. Mr. Gray has previously acted as a director and vice-president investment banking, institutional equities, with First Associates Investments Inc. and prior thereto as president of St. James Securities.

**Paul Berndt**, Director, is a resource development executive with extensive experience in taking projects to production, in particular, tungsten projects. He has a background in mineral process engineering and over 45 years’ experience. His expertise includes public company management roles, project development and process engineering as well as stakeholder relations. Mr. Berndt has managed many small to medium-sized projects from conception to production, with attention to safety and sound environmental practices.

**Michael Cathro**, P.Geo, B.Sc (Honours Geo Sciences, Director, has a career that includes work as an exploration geologist with major and junior mining companies in Canada and overseas, and 17 years with the B.C. Ministry of Energy, Mines and Petroleum Resources in technical and management roles. Prior to leaving government in early 2008, he led the team that successfully completed the aboriginal consultation, environmental review and permitting of the New Afton copper-gold project, now one of the largest underground metal mines in Canada. Mr. Cathro has served as vice president for several junior resource companies and as Chair of Geoscience B.C.
Sassan Liaghat, PhD, Geology, Senior Geologist/Project Manager, has a background in technical research related to mineral deposits at McGill, U.B.C., and the Mineral Deposits Research Unit (MDRU). He also gained valuable field experience as an exploration geologist with Amarc Resources and Nova Gold Resources in B.C. Mr. Liaghat has worked full time with the Company since early 2009 and manages the Company’s field exploration team and the Company’s GIS and mapping database.

**Finance**

**Happy Creek** incurred a net loss of C$ 156,622, including a gain of C$ 154,343 on the fulfilment of the Exploration Resources option agreement to acquire the Silver Dollar Property, for the six months ended July 31, 2018, compared to a loss of C$ 255,989 for the same period in 2017.

On May 7, 2018, the Company received approval to conduct a normal course issuer bid through facilities of the TSX Venture Exchange to purchase up to approximately 4.62 million shares of the 92.32 million shares issued and outstanding common shares of the Company, representing 5% of the Company’s issued and outstanding common shares. The Bid has taken place May 7, 2018 and will terminate on May 7, 2019. At July 31, 2018, the Company had purchased 130,000 shares at a cost of C$ 20,366 (C$ 0.157 per share)

<table>
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<th>Financial statements (in C$ million)</th>
<th>July 31 2018</th>
<th>January 31 2018</th>
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</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
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<tr>
<td>Current assets</td>
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<td><strong>Net Cash flows</strong></td>
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On November 27, 2018, **Happy Creek** announced it intends to carry out a non-brokered private placement of up to C$ 800,000 through the sale of up to 2.5 million flow-through common shares at a price of C$ 0.20 per share for gross proceeds of up to C$ 500,000 and up to 2 million common shares at a price of C$ 0.15 per share for gross proceeds of up to C$ 300,000.
Investment comments:

Happy Creek’s Rateria - West Valley Copper and Fox Tungsten properties located in B.C. are at a more advanced stage of exploration, including resource definition and expansion, as well as engineering and economic evaluation stage for Fox, a new discovery for tungsten. The total Indicated Resource of the Ridley Creek Zone on the Fox Property contains 4.8 million kg WO3 and the total Inferred Resource contains 6.96 million kg WO3 for the Ridley Creek, BN and BK Zones combined. All mineralized zones are open to further expansion. Plans include increasing the resource base and performing a Preliminary Assessment (“PEA”) to advance Fox as a new high-grade tungsten project in the western world.

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Based on its Fox tungsten discovery, having the potential to emerge into a quality high-grade tungsten development project among the best in the western world and the Rateria - West Valley Property, having proven that new copper zones can be found with similar grade as Teck’s Highland Valley Copper Mine, in my view, Happy Creek, at a current depressed market valuation of C$ 13.4 million, offers a high investment leverage potential.

This underpins my 2019 price target of C$ 0.30.