

**FORTY PILLARS MINING CORP.**

Condensed Interim Financial Statements  
(Expressed in Canadian Dollars)

**FOR THE THREE-MONTH PERIOD ENDED MAY 31, 2021**

### **Notice of no Auditor Review of Interim Financial Statements**

**Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.**

**The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.**

**The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.**

**Forty Pillar Mining Corp.**

## Condensed Interim Statement of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

		May 31, 2021		February 28, 2021
<b>ASSETS</b>				
<b>Current</b>				
Cash	\$	223,443	\$	1
Amount receivables		9,890		-
		233,333		1
<b>Non-current assets</b>				
Exploration and evaluation assets (Note 5)		451,920		-
	\$	685,253	\$	1
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current</b>				
Accounts payable and accrued liabilities	\$	204,711	\$	-
<b>Shareholders' equity</b>				
Share capital		1,118,815		1
Subscription receivable		(362,000)		-
Contributed surplus		131,570		-
Deficit		(407,843)		-
		480,542		1
	\$	685,253	\$	1

Nature and continuance of operations (Note 1)

Approved on Behalf of the Board on July 27, 2021:

"Mike Sieb"

Mike Sieb, Director

"Gary Schellenberg"

Gary Schellenberg, Director

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

**Forty Pillar Mining Corp.**

## Condensed Interim Statement of Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

		Three-month Period Ended May 31, 2021
<b>EXPENSES</b>		
Interest and bank charges	\$	433
Exploration expense		11,680
Professional fees		4,048
Website development		6,727
Share-based payment		131,570
Filing and listing fees		253,385
<b>Loss and comprehensive loss for the period</b>	<b>\$</b>	<b>(407,843)</b>
<b>Basic and diluted loss per common share</b>	<b>\$</b>	<b>(0.45)</b>
<b>Weighted average number of common shares outstanding</b>		<b>912,077</b>

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

**Forty Pillar Mining Corp.**

## Condensed Interim Statement of Changes in Shareholder's Deficiency

(Expressed in Canadian dollars)

(Unaudited)

	Number of common shares	Share capital	Subscription receivable	Contributed surplus	Deficit	Total
Balance, Inception February 4, 2021	-	\$ -	\$ -	\$ -	\$ -	-
Shares issued for cash on incorporation	1	1	-	-	-	1
Loss and comprehensive loss for the period	-	-	-	-	-	-
Balance, February 28, 2021	1	1	-	-	-	1
Cancelled incorporation share	(1)	(1)	-	-	-	(1)
Shares issued for plan of arrangement (Note 4)	6,485,174	518,815	-	-	-	518,815
Shares issued for cash	7,500,000	600,000	(362,000)	-	-	238,000
Share-based payment	-	-	-	131,570	-	131,570
Loss and comprehensive loss for the period	-	-	-	-	(407,843)	(407,843)
Balance, May 31, 2021	13,985,174	\$1,118,815	\$(362,000)	\$131,570	\$(407,843)	\$480,542

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

**Forty Pillar Mining Corp.**

## Condensed Interim Statement of Cash Flows

For the three-month period ended May 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

		Three-month period ended May 31, 2021
<b>Cash flows from operating activities</b>		
Net loss for the period	\$	(407,843)
Non-cash items:		
Share-based payment		131,570
Changes in non-cash working capital items:		
Amount Receivables		(9,890)
Accounts payable and accrued liabilities		204,711
Net cash used by operating activities		(81,452)
<b>Cash flows from investing activity</b>		
Cash from Origen per Plan of Arrangement		66,894
<b>Cash flows from financing activity</b>		
Shares issued for cash		238,000
<b>Net change in cash</b>		<b>223,442</b>
<b>Cash, beginning of the period</b>		<b>1</b>
<b>Cash, end of the period</b>	\$	<b>223,443</b>

**Supplemental cash flow information:**

Plan of Arrangement

Note 4

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

## **Forty Pillar Mining Corp.**

Notes to the Condensed Interim Financial Statements

For the three-months period ended May 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

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### **1 NATURE AND CONTINUANCE OF OPERATIONS**

Forty Pillars Mining Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) ("BCBCA") on February 4, 2021. The address of its head office is located at Suite 488-625 Howe Street, Vancouver, British Columbia, Canada V6C 2T6. The Company's registered and records office is 400 – 725 Granville Street, Vancouver, British Columbia, Canada, V7Y 1G5.

The Company was created to facilitate an Arrangement Agreement dated April 2021 ("Arrangement Agreement") with Origen Resources Inc. ("Origen"). In accordance with the Arrangement Agreement, the Company was incorporated as a wholly-owned subsidiary of Origen. Origen transferred its mineral exploration business and other assets to the Company in exchange for 6,485,174 common shares and \$66,894 in cash. The common shares were then distributed to the shareholders of Origen. The exchange in shares for the exploration business and other assets has been recorded as a capital transaction at the fair value of the net assets received. See Note 5.

On May 31, 2021, the Company was listed on the CSE under the symbol PLLR.

The Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of or participation in an interest in properties, assets or businesses.

These condensed interim financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The ability of the Company to continue as a going concern is dependent on its ability to obtain additional equity financing and achieve future profitable operations. As at May 31, 2021, the Company had working capital of \$28,622, had not yet achieved profitable operations and has an accumulated deficit of \$407,843 since its inception. The Company expects to incur further losses in the development of its business. All of these circumstances comprise a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. If the going concern assumption were not appropriate for these financial statements, it could be necessary to restate the Company's assets and liabilities on a liquidation basis.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

**Forty Pillar Mining Corp.**

Notes to the Condensed Interim Financial Statements

For the three-months period ended May 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

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**2 BASIS OF PRESENTATION**

The condensed interim financial statements have been prepared in accordance to IAS 34 Interim Financial Reporting using accounting policies consistent with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The condensed financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. In addition, the condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow disclosure. These condensed interim financial statements do not include all the information required for full annual financial statements. The interim financial statements should be read in conjunction with the Company's financial statements for the period from incorporation of February 4, 2021 to February 28, 2021.

These condensed interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

**3 SIGNIFICANT ACCOUNTING POLICIES**

## a) Financial instruments

The following is the Company's accounting policy for financial assets and liabilities:

Financial assets:

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (FVTOCI), or at amortized cost.

The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the statement of loss and comprehensive loss in the period. The Company has classified its cash as fair value through profit or loss.



**Forty Pillar Mining Corp.**

Notes to the Condensed Interim Financial Statements

For the three-months period ended May 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

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**3 SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

## a) Financial instruments (cont'd...)

Financial assets: (cont'd...)

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in they arise.

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment. The Company has classified its receivables as amortized cost.

Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss: This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Amortized cost: This category includes accounts payable which are recognized at amortized cost using the effective interest method.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized in the statement of loss and comprehensive loss immediately, while transaction costs associated with all other financial instruments are included in the initial measurement of the financial instrument.

**Forty Pillar Mining Corp.**

Notes to the Condensed Interim Financial Statements

For the three-months period ended May 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

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**3 SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

## b) Exploration and evaluation assets

Exploration costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. No exploration costs are capitalized until the legal right to explore the property has been obtained. When it is determined that such costs will be recouped through successful development and exploitation, the capitalized expenditures are depreciated over the expected productive life of the asset. Costs for a producing asset are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for the prospects abandoned are written off.

Impairment review for exploration and evaluation assets is carried out on a project by project basis, with each project representing a single cash generating unit. At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that these assets are impaired. An impairment review is undertaken when indicators of impairment arise but typically when one or more of the following circumstances apply:

- Unexpected geological occurrences are identified that render the resource uneconomical;
- Title to the asset is compromised;
- Fluctuations in the metal prices render the project uneconomical;
- Variation in the currency of operations; and
- Threat to political stability in the country of operation.

From time to time, the Company may acquire or dispose of exploration and evaluation assets pursuant to the terms of option agreements. Due to the fact that these options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation assets or recoveries when the payments are made or received.

The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm out its exploration and evaluation assets, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from their disposition thereof.

When entitled, the Company records refundable mineral exploration tax credits or incentive grants on an accrual basis and as a reduction of the carrying value of the mineral property interest. When the Company is entitled to non-refundable exploration tax credits, and it is probable that they can be used to reduce future taxable income, a deferred income tax benefit is recognized.

**Forty Pillar Mining Corp.**

Notes to the Condensed Interim Financial Statements

For the three-months period ended May 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

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**3 SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

## c) Impairment of tangible and intangible assets

Tangible and intangible assets with finite useful lives are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the assets' cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss except to the extent it reverses gains previously recognized in other comprehensive loss/income. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized in profit or loss.

## d) Leases

Except for short term leases and leases of low-value assets, the Company (i) recognizes 'right-of-use' assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments discounted at the incremental borrowing rate; (ii) recognizes depreciation of right-of-use assets and interest on lease liabilities in the statement of loss; and (iii) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

## e) Valuation of equity units issued in private placements

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement ("Agreement"), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are assigned value based on the residual value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

**Forty Pillar Mining Corp.**

Notes to the Condensed Interim Financial Statements

For the three-months period ended May 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

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**3 SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

## f) Share-based compensation

The Company uses the fair value-based method for measuring compensation costs. The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods or services received.

## g) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable relating to previous years.

Deferred tax is recognized in respect to the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Forty Pillar Mining Corp.**

Notes to the Condensed Interim Financial Statements

For the three-months period ended May 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

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**3 SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

h) Significant judgments, estimates and assumptions

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount;
- The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices;
- The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets; and
- The fair value of the exploration and evaluation properties transferred in the plan of arrangement. Management estimated the fair value of the exploration and evaluation assets transferred which formed the value recorded on completion of the transaction.

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- The conclusion that the plan of arrangement was an acquisition of assets and not a business combination.

**Forty Pillar Mining Corp.**

## Notes to the Condensed Interim Financial Statements

For the period ended May 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

**4. PLAN OF ARRANGEMENT**

The Company entered into an Arrangement Agreement dated April 1, 2021 under the BCBCA with its parent company, Origen Resources Inc. The Arrangement Agreement was completed on May 31, 2021. Pursuant to the Arrangement Agreement, Origen completed a share reorganization and spun out its Silver Dollar Property, Beatrice Property and \$66,894 in cash in exchange for 6,485,174 common shares of the Company. In accordance with IFRIC 17, Distribution of Non-Cash assets to Owners, the Company recognized the distribution of net assets to the Company's shareholders at fair value. Accordingly, the common shares were valued at \$0.08 per share, of which 3,891,102 shares were distributed to Origen's shareholders and 2,594,072 shares were retained by Origen, for total consideration of \$518,714.

**Silver Dollar Property, British Columbia**

On April 28, 2020, the Company acquired the Silver Dollar Property as part of the Plan of Arrangement.

The Company owns a 100% interest in the Silver Dollar Property, located in the Revelstoke Mining District of British Columbia, subject to an existing 1.0% net smelter return ("NSR") royalty held by Happy Creek Minerals Ltd., beginning upon commencement of commercial production on the property.

Raffles entered into an option agreement with Exploits on August 14, 2018, whereby Exploits had the right to acquire a 75% interest in the Silver Dollar Property. On November 9, 2020, Exploits elected to terminate the option agreement. The Company is required to complete exploration expenditures of \$66,894 to keep the property in good standing. The Company has until December 31, 2021 to incur the required exploration expenditures.

Exploits and the Company were related by virtue of an officer of Exploits and a director of the Company being related.

**Beatrice Mineral Property, British Columbia**

The Company also acquired 100% of the Beatrice Mineral Property as part of the Plan of Arrangement. The Beatrice Mineral Property is located in the southern portion of the Silver Dollar property (referred to as the Gilman portion) and form part of the Silver Dollar Property.

**5. EXPLORATION AND EVALUATION ASSETS**

	Silver Dollar Property	Beatrice Property	Total
<b>Acquisition Costs</b>			
Opening, February 28, 2021	\$ -	-	\$ -
Plan of Arrangement	434,040	17,780	451,920
Additions during the period	-	-	-
Closing, May 31, 2021	434,040	17,780	451,920
<b>Exploration Costs</b>	-	-	-
<b>Balance, May 31, 2021</b>	<b>\$ 434,040</b>	<b>\$ 17,780</b>	<b>\$ 451,920</b>

**Forty Pillar Mining Corp.**

Notes to the Condensed Interim Financial Statements

For the three-months period ended May 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

**6 RELATED PARTY TRANSACTIONS**

Payments to key management personnel including the President and Chief Executive Officer, Chief Financial Officer, Directors and companies directly controlled by key management personnel are for salaries, consulting fees, management fees, or professional fees and are directly related to their position in the Company or to services provided to the Company.

During the period ended May 31, 2021, the Company issued 400,000 stock options to the officers and directors of the Company. Upon the issuance, \$40,843 in share-based compensation expense was recorded.

**7 SHARE CAPITAL****a) Authorized**

Unlimited number of common shares without par value.

**b) Issued and outstanding**

On February 4, 2021, the date of incorporation, the Company issued one common share for \$1. On May 25, 2021, the common share was cancelled.

On May 25, 2021, 6,485,174 common shares were issued pursuant to the Plan of Arrangement (Note 5).

On May 25, 2021, the Company closed a private placement for gross proceeds of \$600,000 through the sale of 7,500,000 shares at a price of \$0.08 per share, of which \$362,000 was not received as of May 31, 2021.

**c) Stock Option Plan**

The Company has a stock option plan under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares. The exercise price of each option is based on the market price of the Company's stock at the date of grant. The options can be granted for a term of five years and vest as determined by the board of directors.

As at May 31, 2021, the following stock options were outstanding:

	Number of Stock Options	Weighted Average Exercise Price
Balance, February 28, 2021	-	\$-
Granted	1,300,000	0.11
Balance, May 31, 2021	1,300,000	\$ 0.11

**Forty Pillars Mining Corp.****Notes to the Condensed Interim Financial Statements**

For the period ended May 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

**7 SHARE CAPITAL (cont'd...)**

During the period ended May 31, 2021, the Company granted 1,300,000 stock options with an exercise price of \$0.11 per share, expire on May 31, 2026. The fair value of the stock options was \$131,570. The weighted average fair value per option was \$0.11. The fair value of the options is estimated using the Black-Scholes option pricing model assuming a life expectancy of 5 years, a risk-free rate of 0.60%, a forfeiture rate of 0%, and volatility of 150%.

A summary of the Company's stock options outstanding and exercisable as at May 31, 2021 is as follows:

Expiry Date	Number of Stock Options outstanding and exercisable	Exercise Price	Remaining life(years)
May 31, 2026	1,300,000	\$0.11	5.00

**c) Share Purchase Warrants**

As of the date of the MD&A, there are nil share purchase warrants outstanding.

**8. CAPITAL MANAGEMENT**

Capital is comprised of items within the Company's shareholder's deficiency. As at May 31, 2021, the Company's shareholder's deficiency was \$407,843. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support for its projects. The Company is not subject to any externally imposed capital requirements.



## **Forty Pillars Mining Corp.**

Notes to the Condensed Interim Financial Statements

For the three-months period ended May 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

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### **9. FINANCIAL INSTRUMENTS AND RISK**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of cash is based on Level 1 inputs of the fair value hierarchy. The fair value of the Company's accounts payable approximates their carrying values due to their short-term nature.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high - credit quality financial institutions.

#### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at May 31, 2021, the Company had a cash balance of \$223,443 to settle current liabilities of \$204,711.

#### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

##### *a) Interest rate risk*

The Company has cash balances and no interest-bearing debt. The interest rate risk on cash is not considered significant.

##### *b) Foreign currency risk*

The Company does not have assets or liabilities in a foreign currency.

##### *c) Price risk*

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, and the stock market to determine the appropriate course of action to be taken by the Company.