

## FORM 51-102F3

### MATERIAL CHANGE REPORT

**Item 1: Name and Address of Reporting Issuer**

Formation Metals Inc. (the “**Company**”)  
Suite 400 – 1681 Chestnut Street  
Vancouver, BC V6J 4M6

**Item 2: Date of Material Change**

January 31, 2025.

**Item 3: News Release**

A news release was issued and disseminated on January 31, 2025 and filed on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)).

**Item 4: Summary of Material Changes**

The Company announced that it has completed its warrant incentive program (the “**Warrant Incentive Program**”) and received proceeds totalling \$1,209,000 through the exercise of 6,045,000 common share purchase warrants (“**Eligible Warrants**”). See Item 5 for complete details.

**Item 5: Full Description of Material Change**

The Company announced that it has completed its Warrant Incentive Program and received proceeds totalling \$1,209,000 through the exercise of 6,045,000 Eligible Warrants.

Pursuant to the Warrant Incentive Program, the Company offered to issue to each holder (the “**Warrant Holders**”) of unexercised Eligible Warrants (which were previously issued by the Company pursuant to a private placement that completed on November 3, 2023 at the original exercise price of \$0.20 per common share (each a “**Share**”), the issuance of one common share purchase warrant for every Eligible Warrant exercised (each an “**Incentive Warrant**”) on or before the exercise deadline of January 31, 2025 (the “**Exercise Deadline**”). The Incentive Warrants are exercisable for a period of two years from the date of issue at an exercise price of \$0.30 per Share.

Any Eligible Warrants not exercised before the Exercise Deadline will remain valid until the original expiry date of November 3, 2025 at the original exercise price of \$0.20 per Share.

The Incentive Warrants issued in connection with the Warrant Incentive Program are subject to a statutory hold period of four months from the date of issuance in accordance with applicable securities legislation.

Deepak Varshney, CEO and a director of the Company, received 500,000 Incentive Warrants through his corporation, Castello Q Development Corporation. The Incentive Warrants issued to the insider are subject to a four month hold period pursuant to securities legislation. The issuance of Incentive Warrants to the insider is considered a “related party transaction” within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”). The Company is relying on exemptions from the formal valuation requirements of MI 61-101 pursuant to section 5.5(a) and the minority shareholder approval requirements of MI 61-101 pursuant to section 5.7(1)(a) in respect of such insider participation as the fair market value of the transaction, insofar as it involves interested parties, does not exceed 25% of the Company's market capitalization.

#### **Related Party Disclosure**

The following supplementary information is provided in accordance with Section 5.2.

**(a) a description of the transaction and its material terms:**

See item 5.1 above.

**(b) the purpose and business reasons for the transaction:**

See item 5.1 above.

**(c) the anticipated effect of the transaction on the issuer's business and affairs:**

See item 5.1 above.

**(d) a description of:**

**(i) the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties:**

Prior to the completion of the Warrant Incentive Program, Deepak Varshney, CEO and a director of the Company, held 859,300 Shares of the Company, both directly and indirectly. Pursuant to the Warrant Incentive Program, Mr. Varshney acquired 500,000 Incentive Warrants. After completion of the Warrant Incentive Program, the number of Shares beneficially owned or controlled by Mr. Varshney remains 859,300 Shares or approximately 2.09% of the outstanding Shares of the Company.

**(ii) the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person or company referred to in subparagraph (i) for which there would be a material change in that percentage:**

See item (d)(i) above.

**(e) unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee:**

Resolution passed by the board of directors of the Company on November 28, 2024 and January 31, 2025. No special committee was established in connection with the Warrant Incentive Program.

**(f) a summary in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction:**

Not applicable.

**(g) disclosure, in accordance with section 6.8 of MI 61-101, of every prior valuation in respect of the issuer that relates to the subject matter of or is otherwise relevant to the transaction:**

**(i) that has been made in the 24 months before the date of the material change report:**

Not applicable.

- (ii) **the existence of which is known, after reasonable enquiry, to the issuer or to any director or senior officer of the issuer:**

Not applicable.

- (h) **the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction:**

The Company did not enter into any agreement with an interested party or a joint actor with an interested party in connection with the Warrant Incentive Program. To the Company's knowledge, no related party to the Company entered into any agreement with an interested party or a joint actor with an interested party, in connection with the Warrant Incentive Program.

- (i) **disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying under sections 5.5 and 5.7 of MI 61-101, respectively, and the facts supporting reliance on the exemptions:**

The participation of Deepak Varshney in the Warrant Incentive Program constitutes a related party transaction under MI 61- 101. The Company is relying on the exemptions from the valuation requirement and the minority approval requirement set out in subsections 5.5(a) *Fair Market Value Not More than 25% of Market Capitalization* and 5.7(1)(a) *Fair Market Value not More than 25% of Market Capitalization*, of MI 61-101, respectively.

The Company did not file a material change report in respect of the related party transaction at least 21 days before the closing of the Offering, which the Company deems reasonable in the circumstances so as to be able to avail itself of the proceeds of the Offering and complete the Offering in an expeditious manner.

The Company will send a copy of this material change report to any security holder of the Company upon request and without charge.

**Item 5.2 Disclosure for Restructuring Transactions**

Not applicable.

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Not applicable.

**Item 6: Reliance on subsection 7.1(2) or (3) of National Instrument 51-102**

Not applicable.

**Item 7: Omitted Information**

None.

**Item 8: Executive Officer**

For further information, please contact:

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CEO

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**Item 9: Date of Report**

January 31, 2025.