FORMATION METALS INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2024

The effective date of this report is March 3, 2025

Management Discussion & Analysis:

Management's discussion and analysis ("MD&A") provides a detailed analysis of the results and financial condition of Formation Metals Inc. (the "Company" or "Formation") for the nine months ended December 31, 2024. The following management discussion and analysis, prepared as of March 3, 2025, should be read together with the unaudited interim financial statements for the nine months ended December 31, 2024, with the related notes attached thereto and the audited financial statements for the year ended March 31, 2024, with the related notes attached thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A supplements but do not form part of the financial statements. Management is responsible for the preparation of the financial statements and the MD&A for the nine months ended December 31, 2024. News releases and previous filings may be found on SEDAR+ at www.sedarplus.ca.

Description of Business:

The Company was incorporated on March 1, 2022, under the laws of British Columbia. The Company's head office address is 1575 Kamloops Street, Vancouver BC V5K 3W1. The registered and records office address is 400 – 1681 Chestnut Street, Vancouver BC V7Y 1G5.

The Company's principal business activities include the acquisition and exploration of mineral property assets. On March 10, 2022, the Company entered into an Arrangement Agreement (the "Arrangement") with USHA to transfer the Nicobat Nickel-Copper-Cobalt property (the "Property") to the Company whereby USHA shareholders will be issued one (1) share of the Company with respect to every five (5) shares of USHA owned on the share distribution record date (the "Share Distribution Record Date"), which was determined by USHA's Board of Directors to be April 12, 2023. Pursuant to the arrangement agreement and on the payable date of April 20, 2023, USHA completed the transfer of the Property and distributed 9,480,474 common shares of the Company to the USHA shareholders on a pro rata basis.

Forward Looking Statements:

This Management Discussion and Analysis contains certain forward-looking statements and information relating to Formation that is based on the beliefs of the Company, or management, as well as assumptions made by and information currently available to the Company or management. When used in this document, the words "anticipate", "believe", "estimate", "expect", 'implied", "intend" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company regarding future events and are subject to certain risks, uncertainties and assumptions, including the risks and uncertainties noted with the inflationary pressures, rising interest rates, the global financial climate and the conflicts in Ukraine and the Middle East affecting current economic conditions and increasing economic uncertainty. Should one or more of these risks materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, implied, expected or intended. In each instance, forward-looking information should be considered in the light of the accompanying meaningful cautionary statements herein. Formation cautions that forward-looking statements involve risk and uncertainty.

Project Overview

The Company's sole asset is an 85% interest in the Nicobat Nickel-Copper-Cobalt Project and was acquired through an Arrangement Agreement (the "Arrangement") between Usha Resources Ltd. (USHA) and the Company whereby USHA shareholders were to be issued one (1) share of the Company with respect to every five (5) shares of USHA owned on the share distribution record date, which was subsequently determined to be April 12, 2023, in exchange for the Property.

Pursuant to the arrangement agreement and on the payable date of April 20, 2023, USHA completed the transfer of the Property and distributed 9,480,474 common shares of the Company to the USHA shareholders on a pro rata basis. A 2% net smelter royalty (NSR) is held by Emerald Lake Development Corporation (the "Vendor") and Formation has the right to at any time acquire up to 1.5% of the vendor held 2% NSR royalty, free and clear of any liens, charges or encumbrances whatsoever, upon payment of $CDN 2,000,000 (two million).

The Property consists of 2 combined surface and mining right patents located within Dobie Township, approximately 6 km west of Emo, Ontario and 21 km south of New Gold's Rainy River Mine which hosts the Zone 34 nickel discovery.

Historic exploration work between 1952 and 1972 included over 15,000 metres of drilling, 220 drill holes and numerous bulk samples that identified several non-compliant historic resources with higher-grade nickel zones of interest.

Modern exploration of the Property began with Crystal Lake Mining, which completed a 10-hole 1,860 metre drill program in late 2015. Of note, drillhole A-04-15 confirmed that high-grade nickel-copper shoots existed and were considerably better than previously recorded in the historical drilling. Hole A-04-15 intersected from surface to 63.75 metres a weighted average of 1.05% nickel and 2.18% copper (note that the true width of A-04-15 is materially narrower than the drill hole intersection). Usha Resources then completed a 7-hole 1,439 metre drill program in late 2020 that confirmed previous drill results and tested the potential for adding tonnage and grade.

Formation completed a site visit in November 2023 to substantiate hole locations, outcrops (pit) and review some of the drill core. The Company intends to complete a field program budgeted for $265,000 that includes 1,000 metres of drilling in FY25.

Overall Performance

The Company does not generate revenues from operations. The Company's loss for the nine months ended December 31, 2024, was $1,066,178 (December 31, 2023: $137,818).

Working capital as at December 31, 2024, was $1,225,757 (December 31, 2023: $691,633), and comprised cash of $1,146,131 (December 31, 2023: $685,889), receivables of $55,988 (December 31, 2023: $54,417), and accounts payable and accrued liabilities of $120,912 (December 31, 2023: $48,673).

Summary of Exploration and Corporate Activities

During the nine months ended December 31, 2024, the Company did not complete any exploration activities. During the year ended March 31, 2024, the Company completed the following exploration activities:

- A site visit in November 2023 to substantiate hole locations, outcrops (pit) and review some of the drill core. The Company intends to complete a field program budgeted for $265,000 that includes 1,000 metres of drilling in FY25.

During the nine months ended December 31, 2024, the Company did not complete any corporate activities. During the year ended March 31, 2024, the Company completed the following corporate activities:

- On April 26, 2023, the Company announced the completion of the Arrangement between USHA and the Company whereby the former transferred its 85% interest in the Nicobat Property to the Company in exchange for 9,480,474 common shares.
- On November 3, 2023, the Company closed a non-brokered private placement raising gross proceeds of $850,000 through the issuance of 17,000,000 units (each a “Unit”) at $0.05 per Unit. Each Unit consists of one common share (each a “Share”) of the Company and one transferable common share purchase warrant (each a “Warrant”) exercisable at $0.20 per Share for a period of two (2) years (the “Expiry Date”) from the closing date (the “Closing Date”) of the Private Placement.
- On November 3, 2023, the Company issued 2,000,000 Units at a deemed price of $0.05 per Unit, to settle $100,000 in debt (the “Debt Settlement”) with one creditor of the Company, Usha Resources Ltd. Each Unit consisted of one Share and one Warrant, exercisable at $0.20 per Share until the Expiry Date. The debt was incurred by USHA on behalf of Formation prior to completion of the November 3, 2023 financing and is for costs associated with the Formation’s listing including audit, accounting and legal fees, regulatory and filing fees, transfer agent fees, and other office and administrative fees.

The following table summarizes the acquisition and exploration expenditures for the Property for the nine months ended December 31, 2024:

Acquisition Costs		**Nicobat, Ontario**
Balance, March 31, 2023	$	-
Contribution from spin-out assets:		
Acquisition costs		245,000
Consulting fees		36,094
Title claim fees		3,077
Geological reports		13,368
Assay sampling		23,313
Drilling expenses		197,229
Field expenses		10,390
Balance, March 31, 2024 and December 31, 2024	$	528,471
Exploration Advances:		
Balance, March 31, 2023 and March 31, 2024		-
Exploration advance		134,985
Balance, December 31, 2024		134,985
Exploration Expenditures:		
Balance, March 31, 2023	$	-
Field Expenses		1,441
Title claim fees		357
Balance, March 31, 2024	$	1,798
Title claim fees		21
Balance, December 31, 2024	$	21
Balance, December 31, 2024	**$**	**665,275**

As at December 31, 2024, the issued share capital was comprised of 36,540,474 common shares

Critical accounting policies and estimates

The preparation of the unaudited interim financial statements in accordance with International Financial Reporting Standards 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. Actual results could differ from these estimates. A detailed description of these matters, as well as the significant accounting policies adopted by the Company are disclosed in the notes to the unaudited interim financial statements for the nine months ended December 31, 2024.

Financial Instruments

IFRS 9 establishes three primary measurement categories for financial assets: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortized cost. The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the instrument.

The Company determines the classification of its financial instruments at initial recognition. Upon initial recognition, a financial asset is classified as measured at: amortized cost, fair value through profit and loss ("FVTPL"), or fair value through other comprehensive income (loss) ("FVOCI"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial liability is classified and measured at amortized cost or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment that is held for trading is measured at FVTPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVTPL.

The Company classifies its financial instruments as follows:

Asset or Liability	IFRS 9 Classification
Cash	Amortized cost
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

A fuller description of financial instruments is provided in Note 4 to the unaudited interim financial statements for the nine months ended December 31, 2024.

Recent Accounting Pronouncements

Certain new standards, interpretations, amendments, and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee.

During the nine months ended December 31, 2024, the Company was not required to, and has not adopted any new standards, interpretations, amendments, and improvements to existing standards which had a material impact on the Company's unaudited interim financial statements. The Company also does not expect the adoption of any currently announced new standards, interpretations, amendments, and improvements to existing standards to have a material impact on the Company's unaudited interim financial statements.

Summary of Quarterly Results & Results of Operations

The table below provides, for each of the last eight quarterly periods, a summary of corporate losses and is derived from unaudited quarterly financial statements prepared by management. The Company's condensed unaudited interim financial statements are prepared in accordance with IFRS applicable to unaudited interim financial statements and are expressed in Canadian dollars.

	Loss per quarter	Loss per share	Property costs
January 1, 2023 – March 31, 2023	119,108	119,108	-
April 1, 2023 – June 30, 2023	22,422	-	-
July 1, 2023 – September 30, 2023	67,673	-	177
October 1, 2023 – December 31, 2023	47,722	-	1,264
January 1, 2024 – March 31, 2024	4,128	-	357
April 1, 2024 – June 30, 2024	15,105	-	21
July 1, 2024 – September 30, 2024	14,092	-	-
October 1, 2024 – December 31, 2024	1,081,981	0.04	-

Discussion of Operations for the nine months ended December 31, 2024

Loss and comprehensive loss for the nine months ended December 31, 2024, was $1,111,178 (2023: $137,818) of which $42,690 (2023: $46,092) was spent on audit, accounting, and legal fees. Regulatory and filing fees of $26,655 (2023: $4,975) were incurred for the nine months ended December 31, 2024.

Discussion of Operations for the three months ended December 31, 2024

Loss and comprehensive loss for the three months ended December 31, 2024, was $1,081,981 2023: 47,722) of which $12,243 (2023: $12,840) was spent on audit, accounting, and legal fees. Regulatory and filing fees of $22,756 (2023: $2,691) were incurred for the three months ended December 31, 2024.

Liquidity, Capital Resources and Capital Expenditures

At December 31, 2024, the Company's working capital, defined as current assets less current liabilities, was $1,225,757 (March 31, 2024: $687,148). The Company's ability to continue as a going concern is dependent upon its ability to raise additional capital. The factors considered by management are disclosed in Note 1 of the financial statements. The successful completion of such financing is not guaranteed, and depends on a number of factors, including the general sentiment in the capital markets, the strength of commodities prices and the strength of the local and global economies.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial statements are summarized below.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party 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 the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

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 December 31, 2024, the Company's cash and receivables exceeded its current liabilities. In order to meet future obligations as they become due, the Company may need to access funding from the issuance of equity securities, the exercise of stock options or through other sources. The Company's access to financing is uncertain and there is no assurance of continued access to equity funding.

Market risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk and are disclosed as follows:

a) *Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

b) *Foreign currency* risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in a foreign currency. As at December 31, 2024, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

c) *Price risk*

The Company has no exposure to price risk with respect to equity prices as the Company is not listed. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

The Company's business and operations could be adversely affected by the outbreak of an epidemic or a pandemic or other health crises, e.g., COVID-19. Global government actions, along with market uncertainty could cause an economic slowdown resulting in a decrease in the demand for metals and have a negative impact on metal prices, as well as possible disruptions to global supply chains. While these effects are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time.

Related Party Transactions

The aggregate amount of expenditures payable to key management personnel consisting of directors, former directors or companies with common directors was as follows:

Name of the Key management personnel	Company's Name	Nature of Transaction	Nine months ended December 31, 2024	Nine months ended December 31, 2023
Deepak Varshney, CEO	1473632 BC Ltd.	Consulting fees and reimbursements	36,026	162
Khalid Naeem, CFO	Aterna Advisors Inc.	Accounting fees and reimbursements	13,500	6,000

Included in accounts payable and accrued liabilities is $61,864 owing to a company with common officers and director, a director and officers of the Company.

Outstanding Share Data

Authorized Capital

Unlimited common shares with no par value and unlimited preferred shares with no par value.

Issued and Outstanding Capital

36,540,474 common shares were issued and outstanding at December 31, 2024, and 28,480,474 as at December 31, 2023.

Stock Options, Restricted Share Units, and Warrants Outstanding

	Number	Exercise Price	Expiry Date
Non-flow through warrants	16,620,000	$ 0.20	November 3, 2025
Stock options	3,100,000	0.20	November 8, 2026
Restricted Share Units	2,210,000	-	December 10, 2027

Subsequent Events

The Company completed its Warrant incentive program and received proceeds totaling $1,209,000 through the exercise of 6,045,000 eligible warrants.

The Company entered into an option agreement with Wallbridge Mining, to acquire a 100% interest in the N2 Property located in Northwestern Quebec. The Company can acquire a 100% interest in the property by paying an aggregate of $550,000 in cash to Wallbridge Mining, issuing an aggregate of 4,000,000 common shares to Wallbridge Mining and completing $5,000,000 of work expenditures on the Property as indicated in the table below:

	Common shares	Cash payment	Work commitment
Signing	1,000,000	$ 50,000	$ -
1st Anniversary	1,000,000	50,000	400,000
2nd Anniversary	1,000,000	50,000	600,000
3rd Anniversary	-	100,000	1,200,000
4th Anniversary	-	100,000	-
5th Anniversary	-	100,000	-
6th Anniversary	1,000,000	100,000	2,800,000
	4,000,000	$ 550,000	$ 5,000,000