

**FORMATION METALS INC.**

**Financial Statements  
(Expressed in Canadian Dollars)**

**DECEMBER 31, 2022**

**(UNAUDITED)**

**FORMATION METALS INC.**  
Statement of Financial Position  
(Expressed in Canadian Dollars)  
(Unaudited)

	December 31, 2022	March 31, 2022
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 2,005	\$ 1
Prepaid Expenses	-	-
	2,005	1
<b>Exploration and evaluation assets</b>	-	-
	\$ 2,005	\$ 1
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Due to related parties (Note 5)	\$ 2,004	\$ -
<b>Shareholders' equity</b>		
Share capital (Note 6)	1	1
Deficit	-	-
	1	1
<b>Total Liabilities and Shareholders' Equity</b>	\$ 2,005	\$ 1

Nature of business and continuing operations (Note 1)

Subsequent events (Note 9)

Approved on Behalf of the Board on DATE:

May 1, 2023

"Deepak Varshney"

Deepak Varshney, Director

"Navin Varshney"

Navin Varshney, Director

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

**FORMATION METALS INC.**  
Statement of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)  
(Unaudited)

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	<b>Three months ended December 31, 2022</b>	<b>Nine months ended December 31, 2022</b>
<b>EXPENSES</b>		
<b>Loss and comprehensive loss for the year</b>	\$ -	\$ -
<b>Basic and diluted loss per common share</b>	\$ -	\$ -
<b>Weighted average number of common shares outstanding - basic and diluted</b>		

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

**FORMATION METALS INC.**  
**Statement of Changes in Shareholders' Equity**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

	Share Capital (Note 6)		Share Subscriptions	Deficit	Total Shareholders' Equity
	Shares	Amount			
<b>Balance, (incorporation) – March 1, 2022</b>	1	\$ 1	\$ -	\$ -	\$ 1
Common shares issued (Note 6)	-	-	-	-	-
Loss and comprehensive loss for the year	-	-	-	-	-
<b>Balance, September 30, 2022</b>	1	\$ 1	\$ -	\$ -	\$ 1
Loss and comprehensive loss for the year	-	-	-	-	-
<b>Balance, December 31, 2022</b>	1	\$ 1	\$ -	\$ -	\$ 1

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

**FORMATION METALS INC.**  
**Statement of Cash Flows**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

	Nine months ended December 31, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Loss and comprehensive loss for the year	\$ -
Increase in accounts payable and accruals	-
Net cash used in operating activities	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from related parties	2,004
Proceeds from the issuance of share capital	1
Net cash provided (used) in financing activities	2,005
<b>Increase (decrease) in cash for the year</b>	<b>2,005</b>
<b>Cash, beginning of year</b>	<b>-</b>
<b>Cash, end of year</b>	<b>\$ 2,005</b>
<b>Cash paid during the period for interest</b>	<b>\$ -</b>
<b>Cash paid during the period for income taxes</b>	<b>\$ -</b>

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

## **FORMATION METALS INC.**

Notes to the Financial Statements

For the nine month ended December 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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### **1. NATURE OF BUSINESS AND CONTINUING OPERATIONS**

Formation Metals Inc. (the “Company”) was incorporated on March 1, 2022 under the laws of British Columbia. The Company is a wholly-owned subsidiary of Usha Resources Ltd. (“USHA”). The Company’s head office address is 400 – 1681 Chestnut Street, Vancouver BC, V5K 3W1, Canada. The registered and records office address is 400 – 1681 Chestnut Street, Vancouver BC, V7Y 1G5, Canada.

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 9,480,476 common shares of the Company to the USHA shareholders on a pro rata basis.

### **2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The Company’s financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will realize its assets and discharge its liabilities in the normal course of business for at least the next twelve months. Management recognizes that the Company will need to obtain additional financial resources in order to meet its planned business objectives. There are no assurances that the Company will be able to obtain additional financial resources and/or achieve positive cash flows or profitability. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

The outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Company or its clients, employees, contractors, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments.

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### **3. BASIS OF PRESENTATION**

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. The financial statements are presented in Canadian dollars, which is also the Company's functional currency. In addition, the financial statements have been prepared using the accrual basis of accounting except for cash flow information. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

### **4. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 end of the reporting period applicable to the period of expected realization or settlement.

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 tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

#### **(b) Share capital**

Common shares are classified as share capital. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

The proceeds from the issue of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to common share purchase warrants.

## FORMATION METALS INC.

Notes to the Financial Statements

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### (c) Basic and diluted loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

### (d) Financial instrument measurement and valuation

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 assets or liability either directly or indirectly; and
Level 3	Inputs that are not based on observable market data.

The measurement of the Company's financial instruments is disclosed in Note 10 to these financial statements. Any financial instrument that is valued using level 2 or 3 inputs will involve estimation uncertainty.

### Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or 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.

The Company's accounting policy for each of the categories is as follows:

**Financial assets at FVTPL:** Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of profit or loss in the period.

**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 income (loss) in which 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

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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.

**Impairment of financial assets at amortized cost:** The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

**Financial liabilities and equity:** Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss (FVTPL) – This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Amortized cost – This category consists of liabilities carried at amortized cost using the effective interest method. Accounts payable and accrued liabilities are included in this category. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

### (e) Mineral Properties

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as mineral concession taxes, option payments, wages and salaries, surveying, geological consulting and laboratory, field supplies, travel and administration. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they are incurred. Exploration and evaluation properties are not amortized during the exploration and evaluation stage. Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'.

### (f) Impairment of non-financial assets

Non-financial assets, including mineral properties 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

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fair value less costs to sell, the asset is written down to its recoverable amount. An impairment loss is charged to statements of comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in income or loss. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. These are typically the individual properties or projects.

#### **(g) Share-based payments**

Share-based payments to employees are measured at fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to contributed surplus. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

#### **(h) Foreign Currency**

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates (“the functional currency”), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

#### **(i) Critical accounting estimates and judgements**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, and expenses. Estimates and associated assumptions applied in determining asset or liability values are based on historical experience and various other factors including other sources that are believed to be reasonable under the circumstances but are not necessarily readily apparent or recognizable at the time such estimate or assumption is made. Actual results may differ from these estimates.

Estimates and underlying assumptions used in determining asset and liability values are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

#### *Judgements*

##### **Going Concern**

The Company's management has assessed the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. The factors considered by management are disclosed in Note 2.

#### *Estimates*

##### **Deferred tax assets and liabilities**

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development, and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

## 5. 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. 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.

As of December 31, 2022, \$2,004 was due to related parties.

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Name of the Key management personnel	Company's Name	Three months ended December 31, 2022	Three months ended December 31, 2021
Deepak Varshney, CEO	Deepak Varshney	\$ 4	\$ nil
Navin Varshney, Director	Navin Varshney	2,000	nil

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has identified its

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directors and officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

During the period from incorporation on March 1, 2022 to December 31, 2022, \$nil was recorded as compensation costs for key management personnel and companies related to them.

### **6. SHARE CAPITAL**

#### **(a) Authorized**

Unlimited number of common and preferred shares without par value.

#### **(b) Issued and outstanding**

As at December 31, 2022, the issued share capital was comprised of 1 common share.

The Company issued 1 common share for nominal consideration upon incorporation.

The calculation of basic and diluted loss per share for the period ended December 31, 2022 was based on the loss attributable to common shareholders of \$Nil and the weighted average number of common shares outstanding of 1.

### **7. MANAGEMENT OF CAPITAL**

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing 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.

### **8. FINANCIAL INSTRUMENTS**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### **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: currency risk, interest rate risk and other price risk and are disclosed as follows:

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#### **(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at December 31, 2022, the Company is not exposed to currency risk.

#### **(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

#### **(iii) Price rate 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.

### **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 manages liquidity risk through the management of its capital structure, as outlined in Note 7. The Company monitors its ability to meet its short-term exploration and administrative expenditure requirements by raising additional funds through share issuances when required.

### **Fair Value Measurements**

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

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

As at December 31, 2022 the Company's financial instruments consist of cash and due to related parties. Cash is classified as fair value using Level 1 measurement. Due to related parties is classified as amortized cost. The fair value of the amounts due to related parties approximates its carrying value because of the short-term nature of the instruments.

### **9. SUBSEQUENT EVENTS**

Subsequent to December 31, 2022, the Company:

Completed the statutory arrangement under a plan of arrangement (the "Arrangement") with USHA. Pursuant to the Arrangement Agreement and on the payable date of April 20, 2023, USHA completed the transfer of the Property and distributed 9,480,476 common shares of the Company to the USHA shareholders on a pro rata basis.