

FORMATION METALS INC.

Condensed Interim Financial Statements
(Expressed in Canadian Dollars)

For the three months ended June 30, 2023

(UNAUDITED)

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 interim condensed financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

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

August 29, 2023

FORMATION METALS INC.

Interim Statement of Financial Position

(Expressed in Canadian dollars)

As at

	June 30, 2023 (Unaudited)	March 31, 2023 (Audited)
ASSETS		
Current		
Cash	\$ 2,005	\$ 2,005
Receivables	475	-
	<u>2,480</u>	<u>2,005</u>
Exploration and evaluation assets (Note 5)	<u>474,024</u>	<u>-</u>
	<u>\$ 476,504</u>	<u>\$ 2,005</u>

LIABILITIES AND SHAREHOLDERS' EQUITY**Current**

Accounts payable and accrued liabilities \$ 144,010 \$ 121,112

Shareholders' equity

Share capital (Note 7) 474,024 1

Deficit (141,530) (119,108)332,494 (119,107)\$ 476,504 \$ 2,005

Nature of business and continuing operations (Note 1)

Approved on Behalf of the Board on August 29, 2023:

"Deepak Varshney"
Deepak Varshney, Director

"Navin Kumar Varshney"
Navin Kumar Varshney, Director

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

FORMATION METALS INC.

Interim Statement of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended June 30, 2023	Three months ended June 30, 2022
<hr/>		
EXPENSES		
Office and miscellaneous	\$ 1,858	\$ 13
Professional fees (Notes 6, 9)	20,045	-
Regulatory and filing fees	519	-
	<hr/>	<hr/>
	22,422	13
Loss and comprehensive loss for the period	<hr/>	<hr/>
	\$ 22,422	\$ 13
	<hr/>	<hr/>
Basic and diluted loss per common share	\$ 0.00	\$ 13.00
	<hr/>	<hr/>
Weighted average number of common shares outstanding - basic and diluted	7,501,035	1
	<hr/>	<hr/>

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

FORMATION METALS INC.

Interim Statement of Changes in Equity

(Expressed in Canadian dollars)

(Unaudited)

	Share Capital (Note 7)		Share Subscription s	Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance, March 31, 2022	-	\$ -	\$ 1	\$ -	\$ 1
Loss and comprehensive loss for the period	-	-	-	(13)	(13)
Balance, June 30, 2022	-	\$ -	\$ 1	\$ (13)	\$ (12)
Balance, March 31, 2023	1	\$ 1	\$ -	\$ (119,108)	\$ (119,107)
Shares delisted pursuant to spin-out	(1)	(1)	-	-	(1)
Shares issued pursuant to spin-out	9,480,474	474,024	-	-	474,024
Loss and comprehensive loss for the period	-	-	-	(22,422)	(22,422)
Balance, June 30, 2023	9,480,474	\$ 474,024	\$ -	\$ (141,530)	\$ 332,494

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

FORMATION METALS INC.Interim Statement of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended June 30, 2023	Three months ended June 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss and comprehensive loss for the period	\$ (22,422)	\$ (13)
Changes in non-cash working capital items:		
(Increase) decrease in accounts receivable	(475)	-
Increase in accounts payable and accruals	<u>22,898</u>	<u>5</u>
Net cash used in operating activities	<u>1</u>	<u>(8)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of share capital	<u>(1)</u>	<u>-</u>
Net cash provided (used) in financing activities	<u>(1)</u>	<u>-</u>
Decrease in cash for the period	-	(8)
Cash, beginning of period	<u>2,005</u>	<u>-</u>
Cash, end of period	<u>\$ 2,005</u>	<u>\$ (8)</u>
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the period for income taxes	<u>\$ -</u>	<u>\$ -</u>

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

FORMATION METALS INC.

Notes to the Interim Financial Statements
For the three months ended June 30, 2023
(Expressed in Canadian dollars)
(Unaudited)

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’s head office address is 1575 Kamloops 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 May 10, 2022, the Company entered into an Arrangement Agreement (the “Arrangement”) with USHA to transfer the Nicobat Nickel-Copper-Cobalt 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 subsequently determined to be April 12, 2023. The Arrangement was completed on April 20, 2023.

The Company’s exploration and evaluation properties are at the exploration stage. The business of exploring for minerals and mining involves a high degree of risk. The property that is explored is ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

The Company has a loss of \$22,422 for the three months ended June 30, 2023, which resulted in an accumulated deficit of \$141,530 as at June 30, 2023. The Company’s ability to continue its operations is dependent upon obtaining additional financing sufficient to cover its operating costs. All the preceding indicates the existence of a material uncertainty that may cast substantial doubt about the Company’s ability to continue as a going concern.

These unaudited interim consolidated financial statements have been prepared 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 rather than through a process of forced liquidation. Different basis of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2023, the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company’s ability to continue as a going concern is dependent upon successful results from its exploration activities and its ability to raise equity capital or borrowings sufficient to meet current and future obligations. There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include but are not limited to the COVID-19 global pandemic from March 2020 and political conflicts in other

FORMATION METALS INC.

Notes to the Interim Financial Statements
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regions. While the Company has been successful in obtaining its required financing in the past, there is no assurance that such financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements are presented in Canadian dollars, which is the functional currency of the Company.

2. STATEMENT OF COMPLIANCE

These unaudited interim 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"). These interim financial statements follow the same accounting policies and methods of application as the Company's March 31, 2023 annual audited financial statements however do not include all financial information required for full annual financial statement presentation and should be read in conjunction with the annual financial statements for the year ended March 31, 2023.

The Company's interim 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.

3. BASIS OF PRESENTATION

These interim 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

FORMATION METALS INC.

Notes to the Interim Financial Statements
For the three months ended June 30, 2023
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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 judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of interim 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.

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 1.

Estimates

Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments and warrants recorded as marketable securities. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and Company's earnings and equity reserves.

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(Expressed in Canadian dollars)
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5. EXPLORATION AND EVALUATION OF ASSETS

During the three months ended June 30, 2023, the Company completed a plan of arrangement with USHA whereby the Company issued 9,480,474 common shares as consideration in connection with the spin-off of USHA's Nicobat Nickel-Copper-Cobalt property.

Acquisition Costs	Nicobat, Ontario	Total
Balance, March 31, 2023 and 2022	\$ -	\$ -
Contribution from spin-out assets	474,024	474,024
Balance, June 30, 2023	\$ 474,024	\$ 474,024

6. 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.

During the three months ended June 30, 2023, \$11,980 (2022- \$nil) was due to related parties included in accounts payable and accrued liabilities:

Name of the Key management personnel	Company's Name	Nature of Transaction	Three months ended June 30, 2023	Three months ended June 30, 2022
Navin Varshney	Individual	Reimbursement	\$ 2,000	\$ -
Deepak Varshney, CEO	Individual	Reimbursement	5	-
Khalid Naeem, CFO	Aterna Advisors Inc.	Accounting fees	9,975	-

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 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.

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7. SHARE CAPITAL

(a) Authorized

Unlimited number of common and preferred shares without par value.

(b) Issued and outstanding

As at June 30, 2023, the issued share capital was comprised of 9,480,474 common shares.

During the three months ended June 30, 2023, the Company issued 9,480,474 common shares valued at \$474,024, pursuant to the completion of spin-out Arrangement Agreement.

As at June 30, 2022, the issued share capital was comprised of 1 common share.

8. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the three months ended June 30, 2023 was based on the loss attributable to common shareholders of \$22,422 (2022 – \$13) and the weighted average number of common shares outstanding of 7,501,035 (2022 – 1).

9. PROFESSIONAL FEES

During the three months ended June 30, 2023, the Company incurred \$20,045 (2022 – \$nil) in professional fees, which consists of accounting, audit fees and legal fees.

10. 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.

11. 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:

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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:

(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 June 30, 2023, 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

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal year. The Company intends to settle these with funds from its positive working capital position. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration and corporate activities and anticipating investing and financing activities. The risk to the going concern assumption is outlined in Note 1.

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

As at June 30, 2023, the Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities which are classified at amortized cost. The fair value approximates at the carrying value because of the short-term nature of the instruments.