FORMATION METALS INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED JUNE 30, 2023

The effective date of this report is August 29, 2023

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 three months ended June 30, 2023. The following management discussion and analysis, prepared as of August 29, 2023, should be read together with the audited consolidated financial statements for the three months ended June 30, 2023 with the related notes attached thereto and the audited financial statements for the year ended March 31, 2023 with the related notes attached thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A supplements but does not form part of the financial statements. Management is responsible for the preparation of the financial statements and the MD&A for the three months ended June 30, 2023. News releases and previous filings may be found on SEDAR at www.sedar.com.

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, 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. 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 and the recent outbreak of an epidemic or a pandemic, e.g., the novel coronavirus (COVID-19). 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.

Overall Performance

The Company does not generate revenues from operations. The Company's loss for the three months ended June 30, 2023 was $22,422 (June 30, 2022: $13).

Working capital deficiency as at June 30, 2023, was $141,530 (June 30, 2022: $nil), and comprised cash of $2,005 (June 30, 2022: $5), receivables of $475 (June 30, 2022: $nil), and accounts payable and accrued liabilities of $144,010 (June 30, 2022: $nil).

Summary of Corporate Activities

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.

Critical accounting policies and estimates

The preparation of the 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 interim financial statements for the three months ended June 30, 2023.

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 interim financial statements for the three months ended June 30, 2023.

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 three months ended June 30, 2023, 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 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 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 interim financial statements are prepared in accordance with IFRS applicable to interim financial statements and are expressed in Canadian dollars.

	Loss per quarter	Loss per share	Property costs
Date of Incorporation – March 31, 2022	$ -	$ -	$ -
April 1, 2022 – June 30, 2022	13	13	-
July 1, 2022 – September 30, 2022	-	-	-
October 1, 2022 – December 31, 2022	-	-	-
January 1, 2023 – March 31, 2023	119,095	119,095	-
April 1, 2023 – June 30, 2023	22,422	0	-

Discussion of Operations for the three months ended June 30, 2023

Loss and comprehensive loss for the three months ended June 30, 2023, was $22,422 (2022: $13) of which $20,045 (2022: $nil) was spent on audit, accounting and legal fees. Regulatory and filing fees of $519 (2022: $nil) were incurred for the three months ended June 30, 2023. Accounting fee of $3,000 (2022: $nil) was paid to the officer of the Company (see related party transactions).

Liquidity, Capital Resources and Capital Expenditures

At June 30, 2023, the Company's working capital, defined as current assets less current liabilities, was ($141,530) (March 31, 2023: ($119,107)). 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

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and interest receivable. The Company limits its exposure to credit loss by placing its cash and G.I.C.'s with major 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 June 30, 2023, 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 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 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 June 30, 2023, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

c) *Price risk*

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 closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

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	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	-

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Outstanding Share Data

<u>Authorized Capital</u>

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

<u>Issued and Outstanding Capital</u>

9,480,474 common shares were issued and outstanding at June 30, 2023, and 1 as at June 30, 2022.

Subsequent Events

There are no subsequent events.