FORMATION METALS INC.

Interim Financial Statements

(Expressed in Canadian Dollars)

For the nine months ended December 31, 2023

(UNAUDITED)

FORMATION METALS INC.
Interim Statement of Financial Position
(Expressed in Canadian dollars)
(Unaudited)
As at

	December 31, 2023	March 31, 2023
ASSETS		
Current		
Cash	$ 685,889	$ 2,005
Receivables	54,417	-
	740,306	2,005
Exploration and evaluation assets (Note 5)	529,912	-
	$ 1,270,218	$ 2,005
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 48,673	$ 121,112
Shareholders' equity		
Share capital (Note 7)	1,478,471	1
Deficit	(256,926)	(119,108)
	1,221,545	(119,107)
	$ 1,270,218	$ 2,005

Nature of business and continuing operations (Note 1)

Approved on Behalf of the Board on February 29, 2024:

"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 December 31, 2023		Three months ended December 31, 2022		Nine months ended December 31, 2023		For the period from incorporation on March 1, 2022 to December 31, 2022
EXPENSES								
Consulting fees	$	-	$	-	$	32,750	$	-
Office and miscellaneous		35,988		-		55,791		-
Professional fees (Notes 6, 9)		12,840		-		46,092		-
Regulatory and filing fees		2,691		-		4,975		-
Transfer agent fees		640		-		2,647		-
		52,159		-		142,255		-
Interest income		(4,437)		-		(4,437)		-
Loss and comprehensive loss for the period	$	47,722	$	-	$	137,818	$	-
Basic and diluted loss per common share	$	0.00	$	-	$	0.01	$	-
Weighted average number of common shares outstanding - basic and diluted		21,665,257		1		12,901,823		1

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)								
	Shares		Amount		Share Subscriptions		Deficit		Total Shareholders' Equity
Balance, March 31, 2022	-	$	-	$	1	$	-	$	1
Loss and comprehensive loss for the period	-		-		-		-		-
Balance, December 31, 2022	-	$	-	$	1	$	-	$	1
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		528,471		-		-		528,471
Shares issued pursuant to private placement	17,000,000		850,000		-		-		850,000
Shares issued for debt settlement	2,000,000		100,000		-		-		100,000
Loss and comprehensive loss for the period	-		-		-		(137,818)		(137,818)
Balance, December 31, 2023	28,480,474	$	1,478,471	$	-	$	(256,926)	$	1,221,545

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)

	Nine months ended December 31, 2023	For the period from incorporation on March 1, 2022 to December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss and comprehensive loss for the period	$ (137,818)	$ -
Adjustment for item not involving cash:		
Share-based payments	100,000	-
Changes in non-cash working capital items:		
Increase in accounts receivable	(54,417)	-
Decrease in accounts payable and accruals	(72,439)	-
Net cash used in operating activities	(164,674)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(1,442)	-
Net cash used in investing activities	(1,442)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of share capital	850,000	1
Proceeds from related party	-	2,004
Net cash provided in financing activities	850,000	2,005
Increase in cash for the period	683,884	2,005
Cash, beginning of period	2,005	-
Cash, end of period	$ 685,889	$ 2,005
Cash paid during the period for interest	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -

Supplemental disclosure with respect to cash flows:

During the period ended December 31, 2023, the Company issued 9,480,474 common shares valued at $528,471 as consideration for the Nicobat property (Note 5).

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

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 Resources Ltd. (“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, which was subsequently determined to be April 12, 2023. The Arrangement was completed on April 20, 2023 (Note 5).

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 property 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 $47,722 for the three months ended December 31, 2023, which resulted in an accumulated deficit of $256,926 as at December 31, 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 financial statements have been prepared in accordance with IFRS Accounting 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 December 31, 2023, the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. 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 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.

2. STATEMENT OF COMPLIANCE

These unaudited interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") using policies consistent with 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.

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 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 reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in 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:

Judgments

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.

Exploration and evaluation assets

The carrying value and the recoverability of exploration and evaluation assets included in the statements of financial position. The cost model is utilized, and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

5. EXPLORATION AND EVALUATION OF ASSETS

During the nine months ended December 31, 2023, the Company completed a plan of arrangement with USHA whereby the Company issued 9,480,474 common shares valued at $528,471 as consideration in connection with the spin-off of USHA's Nicobat Nickel-Copper-Cobalt property.

(Expressed in Canadian dollars)

Acquisition Costs	**Nicobat, Ontario**	**Total**
Balance, March 31, 2023	$ -	$ -
Contribution from spin-out assets:		
Acquisition costs	245,000	245,000
Consulting fees	36,094	36,094
Title claim fees	3,077	3,077
Geological reports	13,368	13,368
Assay sampling	23,313	23,313
Drilling expenses	197,229	197,229
Field expenses	10,390	10,390
Balance, December 31, 2023	$ 528,471	$ 528,471
Exploration Expenditures:		
Balance, March 31, 2023	$ -	$ -
Field Expenses	1,441	1,441
Balance, December 31, 2023	$ 1,441	$ 1,441
Balance, December 31, 2023	**$ 529,912**	**$ 529,912**

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.

Accounts payable included $2,162 (2022: $2,005) owed to a company with common officers and director, a director and officers of the Company.

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.

7. SHARE CAPITAL

(a) Authorized

Unlimited number of common and preferred shares without par value.

(b) Issued and outstanding

As at December 31, 2023, the issued share capital was comprised of 28,480,474 common shares.

(Expressed in Canadian dollars)

During the nine months ended December 31, 2023, the Company issued 28,480,474 common shares pursuant to the following:

i. 9,480,474 common shares valued at $528,471, pursuant to the completion of spin-out Arrangement on April 20, 2023.
ii. 19,000,000 units issued on November 3, 2023. Each unit consisted of one common share and one warrant to acquire one additional common share exercisable at $0.05 share for a period of two years. The Company issued 17,000,000 units for cash proceeds of $850,000 pursuant to private placement and issued 2,000,000 units valued at $100,000 for settlement of debt.

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

(c) Warrants

As at December 31, 2023, the Company had 19,000,000 warrants outstanding.

A summary of changes in outstanding warrants is as follows:

	Warrants outstanding	Weighted Average Exercise Price
Outstanding and exercisable at March 31, 2023	-	$ -
Warrants issued	19,000,000	0.20
Warrants exercised	-	-
Outstanding and exercisable at December 31, 2023	19,000,000	$ 0.20

The following warrants were outstanding at December 31, 2023:

	Number of Shares	Exercise Price	Expiry Date
Warrants:			
Non-flow through warrants	19,000,000	$ 0.20	November 3, 2025

8. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the nine months ended December 31, 2023 was based on the loss attributable to common shareholders of $137,818 (2022 – $nil) and the weighted average number of common shares outstanding of 12,901,823 (2022 – 1).

The calculation of basic and diluted loss per share for the three months ended December 31, 2023 was based on the loss attributable to common shareholders of $47,722 (2022 – $nil) and the weighted average number of common shares outstanding of 21,665,257 (2022 – 1).

9. MANAGEMENT OF CAPITAL

Capital is comprised of all the components of the Company's shareholders' equity as at December 31, 2023, the Company's shareholders' equity was $1,221,545 and there was no long-term debt outstanding. The Company manages its capital structure to maximize its financial flexibility adjusting it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. The Company is not subject to any externally imposed capital requirements or debt covenants. There were no changes in the Company's approach to capital management during the nine months ended December 31, 2023.

10. 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:

(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, 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.

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 date.

As at December 31, 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 the carrying value because of the short-term nature of the instruments.

11. SUBSEQUENT EVENTS

There are no subsequent events.