

Action Summary – 18 December 2024

Analyst Theodore R. O'Neill is *initiating coverage of Formation Minerals Inc. with a Buy rating and \$2PT*

- **We are initiating coverage of Formation Minerals Inc.** Formation Minerals Inc. is an emerging O&G mineral and royalty energy company. It acquires royalties, minerals, and overriding royalties across the major basins of the US, with current holdings in Colorado, Louisiana, Ohio, Oklahoma, Texas, West Virginia, and Wyoming.
- **Growth strategy.** Its growth strategy leverages the vast knowledge of its sector experts and the technical and scientific expertise of world-class E&P companies operating the properties.
- We believe prices for oil and natural gas will rise for the next few years and that will benefit FOMI's current holdings by increasing revenue, is likely to increase output as drilling expands and increase the market overall for acquiring rights.
- **Rising demand for natural gas.** There is a growing demand for electricity to power data centers. Exxon Mobil (XOM-NR) announced last week that it would build natural gas power plants that would utilize its carbon capture technology to meet the demand for data centers. It also announced a significant investment in LNG. We believe that under the new administration LNG terminals will be advanced again and demand will come from overseas to replace demand for Russian natural gas.
- **Rising demand for oil.** We believe the new administration will reduce or eliminate EV mandates, eliminating downward pressure on oil prices.
- **Shares appear to be priced significantly below absolute and comparative metrics.** The shares are selling at a discount to both our discounted price target model and its peers.

12/17 Closing price: \$0.03	Market cap: \$4 million	2026 Market cap/sales: 0.40x	2026 EV/Sales: 0.53
Shares outstanding: 91 million	Insider ownership: ~58%	Avg. trading volume: >10,000	Dividend/Yield: NA/NA

GAAP estimates (EPS in dollars – Revenue in \$000)

Period	EPS	Revenue	Op. Margin
2024A	<u>(\$0.03)</u>	<u>\$1.0</u>	<u>NME</u>
1Q25A	\$0.00	\$36	
2Q25E	(\$0.01)	\$100	
2Q25E	(\$0.00)	\$400	
4Q25E	<u>\$0.00</u>	<u>\$1,000</u>	
FY25E	<u>(\$0.01)</u>	<u>\$1,536</u>	<u>NME</u>
1Q26E	\$0.00	\$1,200	
2Q26E	\$0.00	\$1,600	
3Q26E	\$0.01	\$2,200	
4Q26E	<u>\$0.01</u>	<u>\$2,600</u>	
FY26E	<u>\$0.02</u>	<u>\$7,600</u>	<u>21.7%</u>

Note: Numbers may not add due to rounding. See our full model in the back of this report.

Cash balance (\$000)

• 2023A	• \$27
• 2024A	• \$4
• 2025E	• \$419
• 2026E	• \$3,618

Short term debt (\$000)

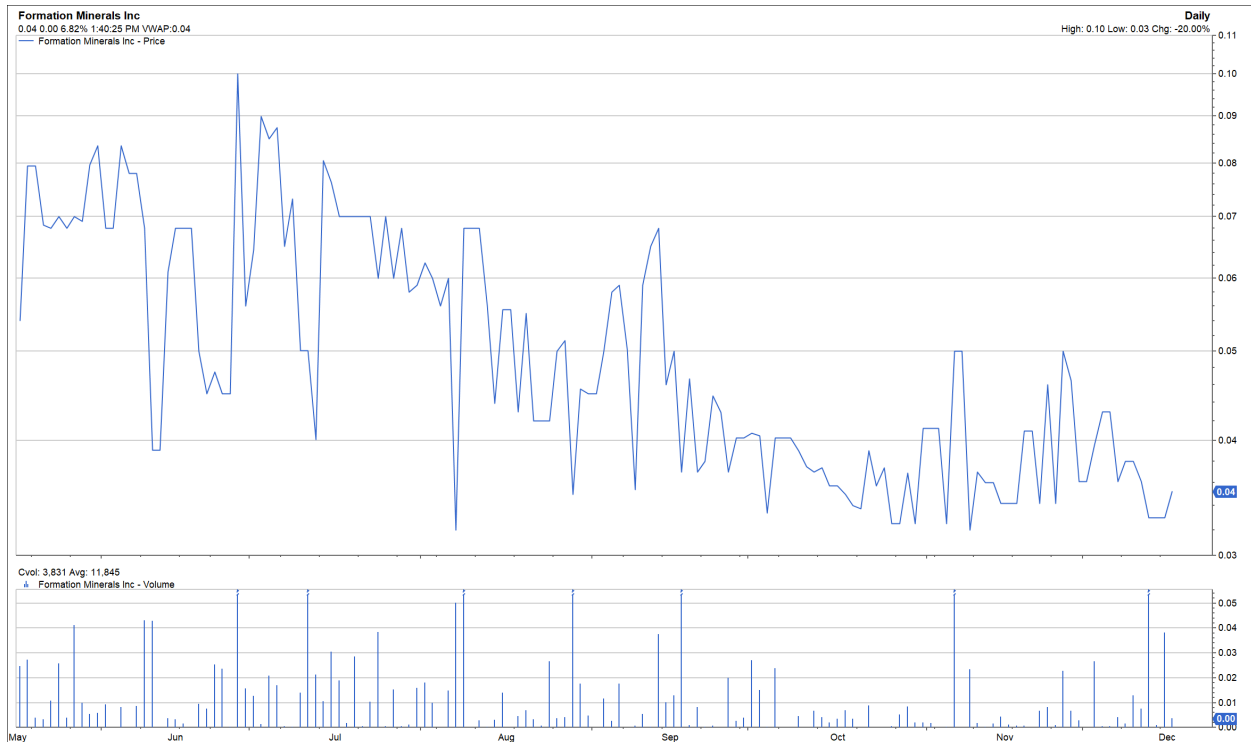
• 2023A	• \$995
• 2024A	• \$118
• 2025E	• \$135
• 2026E	• \$150

Risks/Valuation

- Risks include competition, brand development, lack of near-term earnings
- Our \$2.00 target is derived using a discounted future earnings model

Company description: Formed in early 2024, Formation Minerals Inc. is an emerging O&G mineral and royalty energy company based in Frisco, Texas. It is involved in acquisitions and development of lower-risk, oil and gas mineral as well as royalty interests, and holds a select non-operated working interest within the major oil and gas operations in the U.S.

Figure 1 – Formation Minerals - Trading snapshot since inception May 16, 2024



Source: FactSet

Investment Thesis

Formation Minerals, Inc. is an emerging O&G mineral and royalty energy company based in Texas. It is involved in acquisitions and development of lower-risk, oil and gas mineral as well as royalty interests, and holds a select non-operated working interest within the major oil and gas operations in the U.S. It acquires royalties, minerals, and overriding royalties across the major basins of the US, with current holdings in Colorado, Louisiana, Ohio, Oklahoma, Texas, West Virginia, and Wyoming.

Growth strategy. Its growth strategy leverages the vast knowledge of its experts in the sector to grow the company and utilize their unique knowledge and abilities along with the technical and scientific expertise of the world-class E&P companies operating the properties.

Rising prices and demand for oil and natural gas. We believe oil and natural gas prices will rise for the next few years, benefitting FOMI's current holdings by increasing revenue and output as drilling expands. In addition to increasing the value of its existing holdings, as prices rise, so will the market for those wishing to sell their existing rights. Indeed, these multiple macro factors are merging to create a favorable environment for the energy sector in general and FOMI in particular. Natural gas. There is a massive demand for electricity to power data centers. Coal is dead (in the U.S. but not in Asia) and nuclear requires years of permitting. Exxon Mobil announced last week that it would build natural gas power plants that would utilize its carbon



capture technology to meet the demand for data centers. It also announced a significant investment in LNG. We believe that under the new administration, LNG terminals will be advanced again, and demand will come from overseas to replace demand for Russian natural gas. This is all positive for natural gas.

Oil. We believe the new administration will reduce or eliminate EV mandates and this will eliminate downward pressure on oil prices.

Shares appear to be priced significantly below absolute and comparative metrics. The shares are selling at a discount to both our discounted price target model and its peers.

Valuation Methodology

We believe FOMI is undervalued, and we support that belief with a series of valuation techniques. We use two different techniques, below. To determine our price target, we use a discounted future earnings model, and we validate that result with a comparison to peers, i.e.:

- 1) The discounted value of all future earnings was used for our price target (see Figure 2)
- 2) Valuation relative to peers (see Figure 3)

Discounted Future Earnings – Basis for Price Target

Our 12-month price target of \$2.00 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings discounted at 10%, which we believe is large enough to compensate for the risk. We assume approximately 30% EPS near-term growth for earnings which steps down to GDP after 5-7 years. Our valuation model is shown in Exhibit 2 below. Note, this model understates future new products and growth through acquisitions and probably understates the tax benefits, but offsetting that, the earnings never have a down year. The implied share price is \$1.67, which we round to \$2.00. Although this target is substantially above where the stock is currently, were it to trade at that level, the implied 2026 Market cap to sales would be at or near the high end of the range.

Figure 2 – Formation Minerals – Price Target Calculation

Implied Value of Future Discounted Earnings: \$1.67		
Year 0 is 2025	Forecast GAAP EPS	Discounted EPS
0	(\$0.01)	(\$0.01)
1	\$0.02	\$0.02
2	\$0.05	\$0.04
3	\$0.08	\$0.06
4	\$0.12	\$0.08
5	\$0.15	\$0.09
Terminal Value		\$1.38

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

If we compare FOMI to the simple average of its peers, the shares sell at a discount on sales measures ranging from 80% to 86%. However, we expect significant growth in 2026, and if the group multiples hold at current levels, Figure 3 shows the shares would be trading at a significant discount. Were the shares to trade simply to the average of its peers, in the next 12 months, looking into 2026, (and we would argue that due to its growth potential, it should trade above average), it would trade to the higher end of the range, but would not have the highest multiple. Details on each of the peers can be found in Figure 10 near the back of the report. The companies we used in Figure 10 are in similar lines of business although none of them are a perfect match.

Figure 3 – Formation Minerals – Discount to Peers

	2025 Market Cap / Sales	2025 EV / Sales
Average	2.74	2.63
FOMI (based on 2026 revenue)	0.40	0.53
Discount to peers	86%	80%

Source: Litchfield Hills Research LLC and FactSet

Guidance and Financial Forecasts

The company provides no guidance. Our forecast assumes that the company reaches sustainable B/E in 2026 and can do so at approximately \$2MM/quarter of revenue. We do not need to make more aggressive assumptions to justify our assertion that the shares are undervalued. In addition, if our forecast is correct, there is no near-term need for capital. We expect a capital raise in the future if the company needs it to support significantly greater growth than is in our forecasts.

Company Overview

Summary

Formation Minerals, Inc. (OTCQB: FOMI), based in Jacksboro, Texas, is an energy company that acquires and manages high-growth oil and gas mineral and royalty interests in key US basins. The company holds interests in approximately 50,000 gross acres of royalty properties, with over 300 producing wells in several prominent regions, including the DJ Basin in Colorado and Wyoming, the Haynesville Shale in Louisiana, the Delaware and Permian Basins in Texas, the Marcellus and Utica Shales in West Virginia and the Anadarko Basin in Oklahoma.

Unlike traditional energy companies, FOMI does not drill or operate wells. Instead, the company acquires leases, real property interests and mineral rights, primarily structured as real property interests rather than securities. As a royalty owner, Formation Minerals receives a portion of the production from the leased acreage or the proceeds from its sale without bearing the costs associated with drilling or operating the wells.

History

SensaSure Technologies Inc., established on September 8, 2020, in Nevada, initially operated as a medical technology company, MedTech, offering a device for collecting breath samples for lab analysis. However, by

November 2023, the company faced significant challenges, including difficulties in securing capital, high patent maintenance costs, and delays in finding commercialization partners. Consequently, management decided to discontinue its MedTech operations. The company has since shifted its focus to the energy sector, entering into a merger agreement to develop new business opportunities in this field.

In December 2023, SensaSure entered into a merger agreement with Verde Bio Holdings, an energy company specializing in onshore oil and gas properties. The merger was completed through SensaSure's subsidiary Formation Minerals, Inc. in May 2024 with a focus on acquiring and managing oil and gas mineral and royalty interests in key US basins. Key financial data is shown in Figure 4.

Figure 4 – Formation Minerals – Key Financial Data – 2022 and 2023

Key Financial Data (USD millions) (In 000's)	2022	2023
Revenue	1.1	4.4
Total Operating Expenses	1,157.4	779.1
Net Loss	(1,677.9)	(766.0)
Cash	-	26.7
Current Assets	14.8	39.6
Current Liabilities	848.4	1,101.2
Working Capital Deficit	(833.6)	(1,061.6)
Cash Flows used in Operating Activities	(206.7)	(435.3)
Cash Flows used in Investing Activities	(26.7)	-
Cash Flows from Financing Activities	189.8	40.0

Sources: Litchfield Hills Research; Company filings, April 2024

Transaction Details:

1. Common Stock:
 - Shareholders of Verde's common stock received approximately one share of Formation Minerals' common stock for every 300.47 shares they owned in Verde at a par value of USD 0.01 per share.
 - Formation Minerals issued 6,917,770 shares of common stock.
2. Preferred Stock:
 - Series A Preferred Stock: Holders received one share of Formation Minerals' New Class A Preferred Stock for every 300.47 Verde Series A Preferred Stock.
 - Series C Preferred Stock: Holders received one share of Formation Minerals' New Class B Preferred Stock for every 0.15 shares of Verde Series C Preferred Stock.
 - Formation Minerals issued 1,665 shares of New Class A Preferred Stock and 5,345 shares of New Class B Preferred Stock.
3. Warrants: Formation Minerals assumed Verde's existing warrant obligations. A new warrant was issued, allowing the holder to purchase up to 210,195 shares of Formation Minerals' common stock at an exercise price of USD 0.75 per share, valid until January 27, 2027. The warrant included a beneficial ownership limitation of 4.99%.
4. Additional Issuances:
 - Spartan Capital Securities, LLC: Received 5,000,000 shares of Common Stock in exchange for services provided to Verde.

- Li Sze Tang: Issued 23,110,000 shares of Common Stock as compensation for advisory services related to the merger.
5. Reserves Acquired: Formation Minerals acquired reserves from Verde, valued at USD 1,195,130, based on a price of USD 75 per barrel of oil and USD 2.55 per (MMBtu) of natural gas. As of April 30, 2024, the company holds historically proven developed reserves, which include 11,150 thousand barrels (MBbls) of oil and 197,090 million cubic feet (MMcf) of natural gas. Notably, all these reserves are producing, with no portion attributed to wells that have been stimulated but are not yet generating hydrocarbons. The company expects to earn USD 35,000 from monthly royalty interest. Current reserves are shown in Figure 5.

Figure 5 – Formation Minerals – Total Reserves as of April 30, 2024

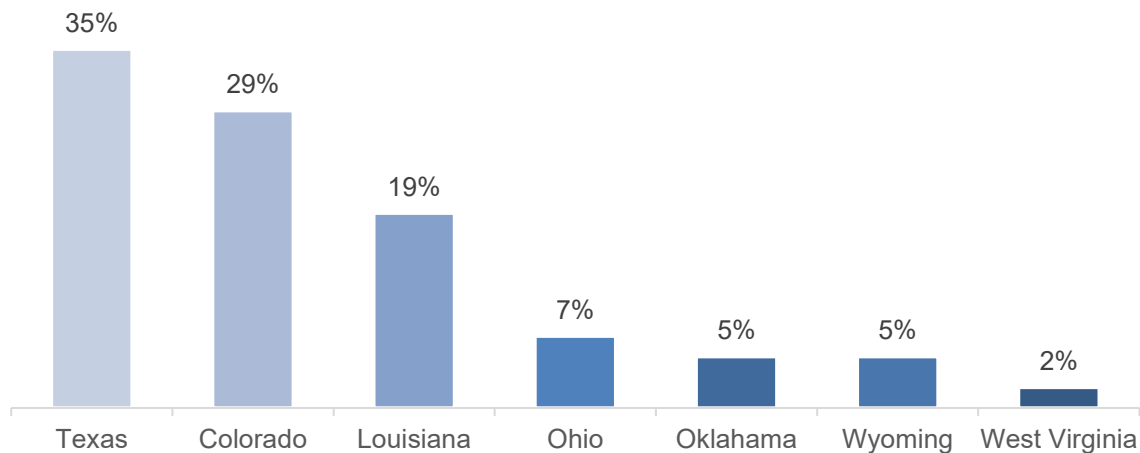
Category	Gross Reserves (Oil MBbls)	Gross Reserves (Gas MMcf)	Net Reserves (Oil MBbls)	Net Reserves (Gas MMcf)	Net Revenue (MS)	Life (years)
Proved Developed						
Producing	17,331	431,290	11.2	197.1	1,583.3	48.5
Probable						
Undeveloped	345	1,779	3.7	3.9	295.6	34.2
Possible						
Undeveloped	2,256	41,178	4.8	22.6	441.4	50
Total 3P	19,932	474,246	19.6	223.6	2,320.1	50

Sources: Litchfield Hills Research; Company filings, April 2024

Business Model

Formation Minerals focuses on generating steady cash flows by acquiring high-quality, cash-flow-generating royalty interests and divesting non-producing mineral interests. The company earns royalty interests from its oil and gas wells, with profits depending on commodity prices. It benefits from acquiring favorable properties in strategically chosen locations. The company has completed 18 acquisitions, acquiring over 400 wells in 8 states, operated by 24 different companies in 8 reservoirs, see Figure 6. Its long-term strategy involves significant investment in new assets, focusing on high-potential areas such as the Permian Basin and Eagle Ford for oil and the Haynesville Shale for natural gas. These regions were selected due to the increased drilling activity and pricing stability.

Figure 6 – Formation Minerals – Distribution of Wells by State



Sources: Litchfield Hills Research; Company Presentation

Recent Developments

- On May 14, 2024, FOMI issued a promissory note to 1800 Diagonal Lending LLC for USD 123,050 with a purchase price of USD 107,000, maturing on March 15, 2025. The note includes a 12% interest charge and will be repaid in 10 monthly payments of USD 13,781.60, starting June 15, 2024.
- On May 22, 2024, Formation Minerals sold certain mineral and royalty interests to a private buyer for USD 140,000 in cash under a purchase and sale agreement.
- On June 10, 2024, the company entered into a securities purchase agreement with GHS to sell up to 250 New Class B Preferred Stock shares at USD 1,000 per share, raising up to USD 250,000. FOMI initially sold 50 shares for USD 50,000 and issued 100 shares as equity incentives. On August 6, 2024, GHS purchased 50 additional shares for USD 50,000.
- On June 27, 2024, the company entered into a purchase and sale agreement to acquire oil, gas and mineral rights for USD 220,000 in cash. The acquisition, originally set to close by July 26, 2024, has been extended by 90 days to September 25, 2024, due to the need to meet customary closing conditions, including securing financing. The company will start receiving cash flow from the oil and gas production associated with the property from July 1, 2024.
- On August 15, 2024, Formation Minerals issued a promissory note to 1800 Diagonal Lending LLC for a principal amount of USD 98,400, purchased at USD 82,000, reflecting an original issue discount of USD 16,400. Under the Diagonal purchase agreement, the note matures on June 15, 2025. The company also reimbursed Diagonal USD 7,000 for expenses.

Industry Overview

Understanding Mineral Rights

When a person owns a piece of land in the US, they typically hold two types of rights – surface rights, which govern the use of the land's surface, and mineral rights, which cover the extraction and production of minerals beneath the surface. These rights can be sold, leased or donated separately, meaning a landowner could retain the surface rights for personal use while selling or leasing the mineral rights to a third party for exploration and extraction.

Different types of Mineral Rights

- **Mineral Interest (MI):** Mineral interest is a perpetual right of the owner to exploit, mine and/or produce any or all the minerals lying below the surface of the property. A mineral interest holder has the right to lease the minerals to a working interest holder pursuant to an oil and gas lease.
- **Royalty Interest (RI):** Royalty interests are typically created when the mineral rights owner leases their minerals to a working interest holder under an oil and gas lease. The royalty interest gives the owner a percentage of the revenue generated from the extracted minerals without having to cover the costs of production or operating the lease. However, they may still be responsible for certain post-production expenses. Generally, royalty interests come with limited environmental liability and end when the oil and gas lease expire.
- **Non-Participating Royalty Interest (NPRI):** An NPRI is a type of ownership in oil and gas production derived from a mineral estate. It is considered "expense-free," meaning the owner does not have to pay any production or operational costs. The term "non-participating" means that the owner does not receive bonuses or rental payments from leases and does not have the right to be involved in negotiating or executing oil and gas leases.
- **Working Interest (WI):** Working interest holders have the right to extract minerals from land leased under an oil and gas lease. They are responsible for their share of the costs related to capital expenditure and lease operations. However, they only receive revenue after payments to those with royalty interests and Overriding Royalty Interests (ORRIs). A working interest lasts only as long as the underlying oil and gas lease is in effect.
- **ORRI:** An ORRI is a right to receive royalties carved out from a working interest. Like standard royalty interests, ORRIs do not require the holder to pay for capital expenditures or lease operating expenses, and they carry limited environmental liability. However, depending on how the ORRI is structured, it may account for certain post-production expenses. ORRIs are tied to the same oil and gas lease as the working interest from which they are created and typically expire when that lease ends.

Selling Mineral Rights vs. Holding on

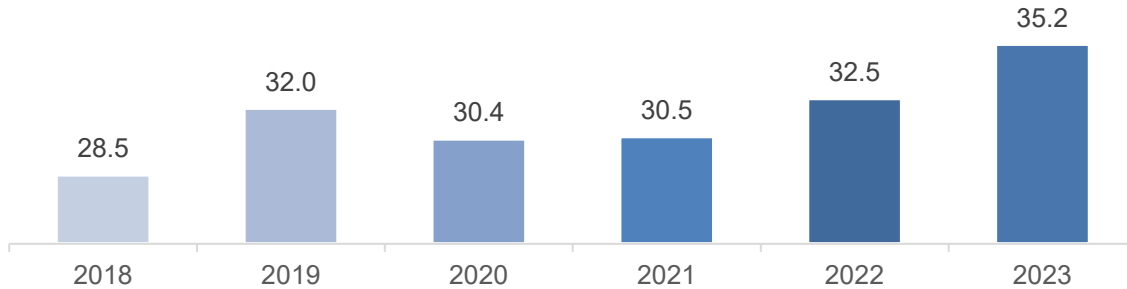
Selling mineral rights offers several advantages over holding onto them. These include:

- **Tax efficiency:** Selling mineral rights is often more tax-efficient than collecting royalties. This is because the sale of mineral rights typically incurs capital gains tax, which usually has lower rates than the income tax applied to royalty earnings.
- **Income diversification:** If mineral rights make up a significant portion of one's net worth (more than 5%), selling them can provide an opportunity for greater diversification. The proceeds from the sale can be reinvested in other assets, such as stocks or Exchange Traded Funds (ETFs), which offer diversification and regular dividend income.
- **Simplified estate planning:** Selling mineral rights can simplify estate planning and asset management, making managing one's financial affairs easier.
- **Debt reduction and financial security:** Many mineral owners sell their rights to reduce debt or to build a retirement fund, which provides financial stability and peace of mind.

Increasing Oil and Gas Production & Consumption

In 2023, the US was the world’s largest crude oil producer, producing 13.21MM barrels per day (bpd) during the year. According to the US Energy Information Administration (EIA), this output is expected to increase by 460,000 bpd, reaching 13.65MM bpd in 2024. This production capacity is unmatched by any other country at present. However, it still falls short of meeting its domestic demand (19MM bpd in 2023). Energy production from petroleum and other liquids is shown in Figure 7.

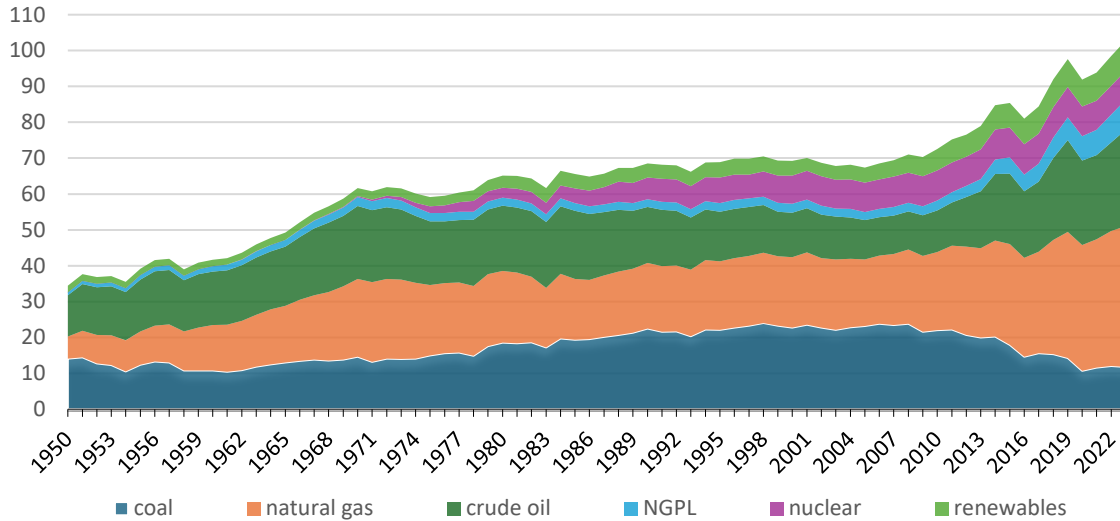
Figure 7 – Formation Minerals – Total US energy production from Petroleum and other liquids (2018-2023) (quads Btu)



Sources: Litchfield Hills Research, US EIA

US primary energy production from major sources (such as coal, natural gas, crude oil, nuclear, natural gas plant liquids (NGPL) and renewables), see Figure 8, has been rising continuously since 1950. In 1950, the total energy production in the US was 34.46 Quad btu, which tripled to 102.83 Quad btu in 2023, with oil and natural gas being the highest contributors, according to the EIA.

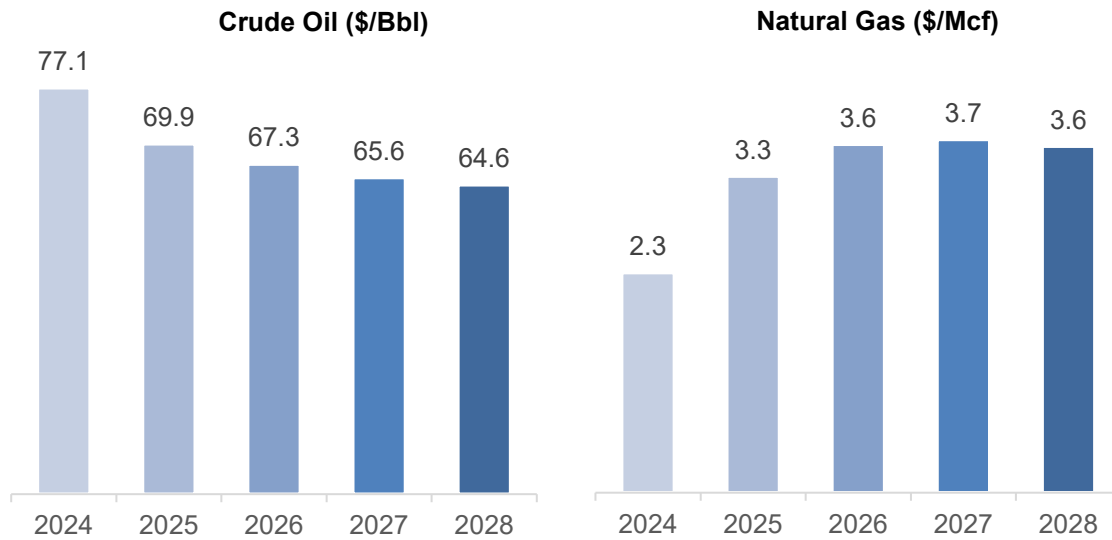
Figure 8 – Formation Minerals – US Primary energy production from major sources, 1950-2023 (quads Btu)



Sources: Litchfield Hills Research and US EIA

While mineral production has been increasing, the acquisition of mineral rights and the success of oil and gas exploration are heavily influenced by commodity prices and the strategic location of wells. The US is rich in mineral resources, though their distribution varies significantly across states. The Permian Basin is one of the most mineral-rich regions, contributing approximately 29% of the nation's crude oil output, with an average production of 1.7MM bpd. Therefore, securing mineral rights in key locations such as the Permian Basin or other mineral-rich areas is a critical and decisive factor for a company's success in the industry. Forward pricing is shown in Figure 9.

Figure 9 – Formation Minerals – Forward price of WTI Crude Oil Prices (\$/Bbl) and Natural gas (\$/Mcf)



Source: Bloomberg

Competition

There are no direct public comparables. We compare it to a list of companies with similar market characteristics in Figure 10.

Management

Scott Cox serves as CEO and Sole Director of Formation Minerals. Before that, he served as Chief Executive Officer and sole director of Verde Bio Holdings from November 20, 2019, until it merged with FOMI in 2024. Mr. Cox served as the President and Chief Operating Officer of NewBridge Global Ventures, Inc. (OTC: NBGV) from October 2017 to September 2018, where he led a transition into the legal cannabis space and the successful merger with a family-owned consortium of companies. Mr. Cox has previously served in various private and public companies in oil and gas and other sectors and in several entrepreneurial ventures. Mr. Cox attended Eastern New Mexico University where he studied Business Administration.

Figure 10 – Formation Minerals – Comp Table

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2025 Consensus Multiples (except book)			
					PE	EV /Sales	Market Cap / Sales	EV / EBITDA
ORA-CA	Aura Minerals Inc	\$12.24	885	1,046	7.42	1.58	1.36	
KEL-CA	Kelt Exploration Ltd.	\$4.48	881	932	6.68	1.78	1.69	
ADT1-GB	Adriatic Metals Plc	\$2.58	856	923	4.46	2.52	2.42	
ALS-CA	Altius Minerals Corporation	\$17.70	821	932	NMF	NMF	NMF	33.69
OBM-AU	Ora Banda Mining Ltd.	\$0.41	779	781	7.93	2.81	2.80	
CJ-CA	Cardinal Energy Ltd.	\$4.42	706	764	8.76	1.80	1.67	
EU-CA	enCore Energy Corp.	\$3.19	591	568	25.27	5.24	5.66	16.15
EGY-US	VAALCO Energy, Inc.	\$4.68	486	483	11.49	1.17	1.17	
TTI-US	TETRA Technologies, Inc.	\$3.60	475	638	9.22	0.94	0.70	
OBE-CA	Obsidian Energy Ltd	\$5.14	391	665	2.58	1.08	0.64	
TAL-CA	PetroTal Corp.	\$0.41	379	287	3.80	0.71	0.94	
TNZ-CA	Tenaz Energy Corp	\$10.04	275	241	NMF	1.36	1.47	
MTA-CA	Metalla Royalty & Streaming Ltd.	\$2.76	254	256	NMF	NMF	NMF	
RBX-CA	Robex Resources, Inc.	\$1.86	236	299	NMF	2.12	2.34	
GROY-US	Gold Royalty Corp.	\$1.24	210	258	NMF	9.82	8.81	
ECOR-GB	Ecora Resources PLC	\$0.81	201	297	8.27	5.09	3.44	6.95
ELE-CA	Elemental Altus Royalties Corp	\$0.82	200	173	14.05	4.96	5.75	
EMX-CA	EMX Royalty Corp	\$1.71	190	202	NMF	8.74	8.32	
PHX-US	PHX Minerals Inc. Class A	\$3.97	149	173	17.81	3.95	3.43	
NICU-CA	Magna Mining Inc	\$0.96	147	159	NMF	4.36	4.15	
CTGO-US	Contango ORE, Inc.	\$11.56	141	176		4.05	3.81	
GML-ZA	Gemfields Group Limited	\$0.11	127	261	3.57	0.76	0.32	2.17
PHAR-GB	Pharos Energy PLC	\$0.29	120	105		0.77	0.87	
RBV-CA	Rubellite Energy Corp.	\$1.29	120	104	4.30	0.58	0.67	
PEN-AU	Peninsula Energy Limited	\$0.70	112	(40)			4.25	
ATLX-US	Atlas Lithium Corporation	\$6.97	107	93	4.75	0.59	0.76	
LCX-CA	Lycos Energy Inc	\$1.78	95	109	3.25	0.83	0.73	
OPAL-US	OPAL Fuels Inc. Class A	\$3.29	94	966	4.53	2.27	1.37	6.35
BCB-AU	Bowen Coking Coal Ltd	\$0.00	41	101	0.11	0.22	0.07	
FEAM-US	5E Advanced Materials, Inc.	\$0.43	30	97		NMF	8.71	
CHAR-GB	Chariot Limited	\$0.02	29	24				
TI-CA	Titan Mining Corp.	\$0.20	27	57	3.45			
TAO-CA	TAG Oil Ltd	\$0.10	22	16	4.14	0.79	1.10	
	AVERAGE				<u>7.42</u>	<u>2.63</u>	<u>2.74</u>	<u>13.06</u>
FOMI-US	Formation Minerals Inc	\$0.03	3	4	NA	0.53	0.40	2.00
	FOMI Discount to peers:				NA	-80%	-86%	-85%

Source: FactSet and Litchfield Hills Research LLC

Figure 11 – Formation Minerals – Income Statement (\$ 000)

April ending year	2023A Year	2024A Year	2025E				2025E Year	2026E				2026E Year
			Q1A	Q2E	Q3E	Q4E		Q1E	Q2E	Q3E	Q4E	
Revenue	\$4	\$1	\$36	\$100	\$400	\$1,000	\$1,536	\$1,200	\$1,600	\$2,200	\$2,600	\$7,600
<i>Growth</i>								3321%	1600%	550%	260%	495%
Operating expenses:												
Consulting fees	0	0	56	56	56	56	224	56	56	56	56	224
Depletion expense	0	0	18	18	18	18	73	18	18	18	18	73
General and administrative	617	1,147	289	300	350	500	1,439	600	900	1,000	1,200	3,700
Professional fees	0	0	366	366	366	366	1,463	400	450	500	600	1,950
Project expenditures	0	0	0	0	0	0	0	0	0	0	0	0
R&D	162	10	0	0	0	0	0	0	0	0	0	0
Total Operating Expenses	779	1,157	729	740	790	940	3,199	1,074	1,424	1,574	1,874	5,947
Operating expense margins	NMF	NMF	NMF	740%	198%	94%	208%	90%	89%	72%	72%	78%
Operating Income	(775)	(1,156)	(693)	(640)	(390)	60	(1,663)	126	176	626	726	1,653
Operating Margin	NMF	NMF	NMF	NMF	-97.5%	6.0%	-108.2%	10.5%	11.0%	28.4%	27.9%	21.7%
Total Other Items	9	(522)	982	10	10	10	1,012	10	10	10	10	40
Pre-Tax Income	(766)	(1,678)	289	(630)	(380)	70	(651)	136	186	636	736	1,693
Taxes (benefit)	0	0	0	0	0	0	0	0	0	0	0	0
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income (loss)	(\$766)	(\$1,678)	\$289	(\$630)	(\$380)	\$70	(\$651)	\$136	\$186	\$636	\$736	\$1,693
Net Margin								11.3%	11.6%	28.9%	28.3%	22.3%
EPS	(\$0.01)	(\$0.03)	\$0.00	(\$0.01)	(\$0.00)	\$0.00	(\$0.01)	\$0.00	\$0.00	\$0.01	\$0.01	\$0.02
Share count	87,645	56,349	84,036	84,046	84,056	84,066	84,051	84,076	84,086	84,096	84,106	84,091

Source: Company reports and Litchfield Hills Research LLC

Figure 12 – Formation Minerals – Balance Sheet (\$ 000)

April ending year	2026E	2025E	2024A	2023A
Balance sheet				
Current Assets				
Cash and S.T.I.	\$2,647	\$419	\$4	\$27
Accounts receivable	120	100	64	0
Prepayments and other receivables	120	100	86	13
Inventories	0	0	0	0
Prepaid and other	0	0	0	0
Total Current Assets	2,887	619	154	40
Oil and natural gas properties - net	600	500	395	0
Other non-current	0	0	0	0
Total Assets	\$3,487	\$1,119	\$549	\$40
Current Liabilities				
Accounts payable and accrued	\$3,000	\$2,000	\$1,007	\$106
Notes and loans	150	135	118	995
Other current	2,000	1,500	1,414	0
Total current liabilities	5,150	3,635	2,539	1,101
Right-of-use liability	0	0	0	0
Other non-current	0	0	0	0
Total Liabilities	5,150	3,635	2,539	1,101
Stockholders' Equity				
Preferred stock				
Total stockholders equity	(1,663)	(2,516)	(1,990)	(1,062)
Total Liabilities and equity	\$3,487	\$1,119	\$549	\$40

Source: Company reports and Litchfield Hills Research LLC

Figure 13 – Formation Minerals – Cash Flow (\$ 000)

	2026E	2025E	2024A
Net Income	\$1,693	(\$651)	(\$1,678)
Accounts receivable	(20)	(36)	(64)
Prepayments and other receivables	(20)	(14)	(73)
Inventories	0	0	0
Prepaid and other	0	0	0
Oil and natural gas properties - net	(100)	(105)	(395)
Other non-current	0	0	0
Accounts payable and accrued	1,000	994	901
Notes and loans	15	2	(81)
Due to related party	0	14	(796)
Other current	500	86	1,414
Right-of-use liability	0	0	0
Other non-current	0	0	0
Preferred stock	(0)	0	0
Commons stock	(340)	831	(372)
Additional paid in capital	(500)	(706)	13,673
Accumulated other comp. loss and other	0	0	9
Dividend and/or tax adj.			
Total Cash Flow	\$2,228	\$415	\$16,736

Source: Litchfield Hills Research LLC

Disclosures:

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