FMS Lithium Corporation

Interim Financial Report

For the Half-Year Ended 30 June 2023

Contents

General Information

The financial statements cover FMS Lithium Corporation and its controlled entities (‘**the Company’**, **‘FMSL’** or ‘**Consolidated Group’**). The financial statements are presented in US dollars, which is FMSL's functional and presentation currency.

FMSL is a Company limited by shares, incorporated and domiciled in the United States of America.

Corporate Directory

Directors	Shanthar Pathmanathan Edward Max Baker
Company Secretary	Joseph P. Galda
Registered Office	Suite 210, 241 Ridge Street Reno, Nevada 89501 USA
Auditors	Moore Australia Audit (WA) Level 15, Exchange Tower 2 The Esplanade Perth Western Australia 6000 Australia

Directors' Report

The Directors of FMS Lithium Corporation and its controlled entities (**'the Company'**, **'FMSL'** or '**Consolidated Group'**) present their interim financial report for the half-year ended 30 June 2023.

Directors

The Directors of the Company in office at any time during or since the end of the period are:

- Shanthar Pathmanathan | President, Treasurer and Director
- Edward Max Baker | Director
- Frederick Peter Forni | Director (Resigned 16 April 2023)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The primary purpose of the Company is acquiring, exploring and developing lithium assets.

Review of Operations

Resurgent Lithium Project

The Company owns the Resurgent Lithium Project which comprises 1,412 unpatented lode mining claims ('Claims') located in the McDermitt Caldera in the states of Oregon and Nevada, USA. The McDermitt Caldera is considered the largest and highest-grade lithium play in North America and hosts the two largest known lithium resources in the USA: the Thacker Pass project owned by Lithium Americas Corporation and the McDermitt Lithium project owned by Jindalee Resources Ltd. Clay-hosted lithium mineralisation is in the lake sediments deposited within the closed-basin caldera which serves as an ideal geological host for trapping and enriching the lithium mineralisation. The source for the lithium, the McDermitt Tuff, contained very high-grade pre-eruptive lithium content, as measured via melt-inclusion analysis at 1,646 +/- 194 ppm Li.

In April 2023, the Company staked and filed an additional 38 Claims at the Resurgent Project.

Corporate Review

Subscriptions

On 28 February 2023, the Company issued 125 additional shares of common stock to Chariot at an issue price of $1,200 per share under a subscription agreement entered into on 21 October 2022, representing total proceeds to the Company of $150,000.

On 26 June 2023, the Company entered into a subscription agreement with BGA Chariot Pty Ltd pursuant to which the Company will issue 102 shares of common stock at an issue price of $870 per share, representing total proceeds to the Company of $88,740. The funds were received and the shares were issued subsequent to year end.

Convertible Notes

IDEVELOP WA Pty Ltd

On 5 October 2022, pursuant to a convertible note agreement entered into by the Company and IDEVELOP WA Pty Ltd, the Company issued a convertible note to IDEVELOP WA Pty Ltd with a term of three months for the sum of $100,000 and agreed to pay an amount of interest equal to 10% of the proceeds ($10,000) at the expiry of the term along with the repayment of the principal ($100,000).

Under the terms of the convertible note agreement, the principal and interest are convertible into shares of the Company's common stock at a conversion price of $1,000 per share.

On 19 January 2023, the Company fully repaid the principal and an amended interest amount due to IDEVELOP WA Pty Ltd per the convertible note agreement and amendment agreement, which amounted to a total of $117,000.

Helitrope Holding LLC

On 25 October 2022, pursuant to a convertible note agreement entered into by the Company and Helitrope Holding LLC, the Company issued a convertible note to Helitrope Holding LLC with a term of three months for the sum of $100,000 and agreed to pay an amount of interest equal to 15% of the proceeds ($15,000) at the expiry of the term along with the repayment of the principal ($100,000).

Under the terms of the convertible note agreement, the principal and interest are convertible into shares of the Company's common stock at a conversion price of $1,600 per share.

On 10 January 2023, the Company received the balance due from the convertible note agreement with Helitrope Holding LLC and subsequently repaid the principal and interest amounts at expiry of the term, which amounted to a total of $105,000.

Financial Review

The Company incurred a loss for the period ended 30 June 2023 of $1,146,162 (30 June 2022: $598,680) and had net liabilities of $2,315,542 (31 December 2022: of $1,175,829) as of 30 June 2023.

As of 30 June 2023, the Company had a cash and cash equivalents balance of $45,018 (31 December 2022: $146,174) and the Company had a working capital deficit of $650,260 (31 December 2022: deficit of $470,369).

Dividends Paid or Recommended

On 12 March 2023, the Board resolved to declare a dividend to its shareholders, redistributing 1,618,121 shares held in Clear Sky Lithium Corp. (CSE: POWR), which was received as part of the consideration from the sale of the Halo Project. The dividends were paid subsequent to year end.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Company during the financial period, other than the changes noted and described above in this Directors' report.

Future Developments, Prospects and Business Strategies

Other than referred to in this report, further information on other likely developments in the operations of the Company and the expected results of operations have not been included in this report because the Directors believe the provision of such information would be likely to result in unreasonable prejudice to the Company.

Events after Reporting Date

On 4 August 2023, the Company received 1,250,000 Consideration Shares from Clear Sky Lithium Corp ('Clear Sky') (CSE: POWR) as part of the consideration from the sale of the Halo Project. This is in accordance with the first anniversary of the Property Option Agreement which was initially entered into on 5 August 2022.

On 15 August 2023, the Board resolved to approve the issue of 1,282 common stock of the Company to Chariot Corporation Ltd for the price of $1,100 per share pursuant to a subscription agreement entered into by both parties.

On 20 August 2023, the Board resolved to approve the contribution of one hundred percent of its ownership interests in (A) Horizon Lithium LLC, a Delaware Limited Liability Company (“Horizon”); (B) Halo Lithium LLC, a Delaware Limited Liability Company (“Halo”); (C) Lithic Lithium LLC, a Delaware Limited Liability Company (“Lithic”); and (D) Mustang Lithium LLC, a Delaware Limited Liability Company (“Mustang”); to Mustang Lithium LLC pursuant to the Contribution Agreement. Halo and Horizon’s assets primarily consist of all future receivables from its property option agreement entered into with POWR Lithium Corp (TSXV: POWR) and Pan American Energy Corp. (TSXV: PNRG) respectively. Lithic's assets primarily consist of all future contract receivables from its purchase and sale agreement with Red Mountain Mining Limited (ASX: RMX).

On 31 August 2023, pursuant to a convertible note agreement entered into by the Company and Murugesan Mahesan and Kaushala Murugesan, the Company issued a convertible note to Murugesan Mahesan and Kaushala Murugesan with a term of two months for the sum of $50,000 and agreed to pay an amount of interest equal to 10% of the proceeds ($5,000) at the expiry of the term along with the repayment of the principal ($50,000). Under the terms of the convertible note agreement, the principal and interest are convertible into shares of the Company’s common stock at a conversion price of $1,100 per share.

On 29 September 2023, the redistribution of the 1,618,121 shares held in Clear Sky to FMS Lithium’s shareholders was completed as part of the dividend declared in March 2023.

On 4 October 2023, Director of FMS Lithium, Mr Pathmanathan, provided the Company with an interest free loan of $20,000 for working capital purposes. It was agreed that the term of the loan would be for an indefinite period and repayment would be made once the Company had sufficient funds.

On 17 October 2023, the Company entered into a Contribution Agreement with Mustang to transfer one hundred percent of its membership interest in Halo, Horizon and Lithic to Mustang.

No other matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operation of the Company, the result of those operations, or the state of affairs of the Company in future financial years.

Indemnification and Insurance of Directors, Officers and Auditor

Indemnification

The Company’s Articles of Incorporation include indemnities in favour of persons who are or who have been officers of the Company as that term is defined below. To the extent permitted by law, the Company indemnities every person who has been an officer against:

- Any liability to any person (other than to the Company or related parties) incurred while acting in their official capacity and in good faith; and
- Costs and expenses incurred by the Officer in successfully defending legal proceedings and ancillary matters.

For this purpose, "officer" means any director or secretary of the Company. The Company has given indemnities by deed of indemnification in favour of certain such officers in respect of liabilities incurred by them whilst acting as an officer of the Company. No claims under the above-mentioned indemnities have been made against the Company during or since the end of the financial period.

The Company has not entered into any agreement with its current auditors indemnifying them against any claims by third parties arising from their provision of audit services.

Insurance Premium
During the financial period, the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting on behalf of the Company. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against, and the premium paid, cannot be disclosed.

Environmental Regulations

The Company endeavours to comply with all regulatory requirements pertaining to the environment in each jurisdiction in which it operates. The Directors are not aware of any material breaches by the Company of any of these environmental regulations during the period beginning with the commencement of the financial period and ending on the date of this Directors' report.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the financial period.

Auditor of the Company

Moore Australia Audit (WA) was appointed to the office as the Company's independent auditor.

Each of the Directors who were members of the Board at the time of approving this report confirms that:

- To the best of his knowledge and belief, there is no information relevant to the preparation of their report of which Moore Australia Audit (WA) is unaware; and
- He has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditor is aware of that information.

This report is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors,

Shanthar Pathmanathan
Director
23 October 2023

MOORE

Moore Australia Audit (WA)

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000
PO Box 5785, St Georges Terrace, WA 6831

T +61 8 9225 5355
F +61 8 9225 6181

www.moore-australia.com.au

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF FMS LITHIUM CORPORATION

As auditor for the review of FMS Lithium Corporation for the half-year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and

b) no contraventions of any applicable code of professional conduct in relation to the review.

Neil Pace

NEIL PACE
PARTNER

MOORE AUSTRALIA

MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 23rd day of October 2023.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 30 June 2023

	Notes	30 June 2023 $	30 June 2022 $
Other income		-	-
Accounting and company secretary fees		(30,208)	(6,738)
Audit fees		(8,000)	(6,250)
Directors' and management fees	*2*	(104,000)	(102,000)
Exploration and evaluation expenditure		(59,522)	(446,275)
Legal and consulting fees		(37,852)	(33,720)
Other expenses		(8,585)	-
Impairment of financial assets		(893,152)	-
Foreign exchange movement		27,157	(3,697)
Loss for the period before interest and tax		**(1,114,162)**	**(598,680)**
Finance costs		(32,000)	-
Loss for the period before income tax		**(1,146,162)**	**(598,680)**
Income tax expense		-	-
Net loss for the period		**(1,146,162)**	**(598,680)**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position
As at 30 June 2023

	Notes	30 June 2023	31 December 2022
Current Assets			
Cash and cash equivalents		45,018	146,174
Other assets		12,876	14,860
Total current assets		**57,894**	**161,034**
Non-Current Assets			
Financial assets	*3*	1,768,583	2,728,405
Total non-current assets		**1,768,583**	**2,728,405**
Total Assets		**1,826,477**	**2,889,439**
Current Liabilities			
Trade and other payables		470,204	531,275
Dividend payable	*4*	237,950	-
Convertible notes		-	100,128
Total current liabilities		**708,154**	**631,403**
Non-Current Liabilities			
Deferred revenue	*5*	3,433,865	3,433,865
Total non-current liabilities		**3,433,865**	**3,433,865**
Total Liabilities		**4,142,019**	**4,065,268**
Net Liabilities		**(2,315,542)**	**(1,175,829)**
Equity			
Issued capital	*6*	2,143,076	1,898,676
Accumulated losses		(4,458,618)	(3,074,505)
Total Equity		**(2,315,542)**	**(1,175,829)**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity
For the Half-Year Ended 30 June 2023

	Issued Capital $	Accumulated Losses $	Total $
Balance at 1 January 2023	**1,898,676**	**(3,074,505)**	**(1,175,829)**
Loss for the period	-	(1,146,163)	(1,146,163)
Dividends paid	-	(237,950)	(237,950)
	-	**(1,384,113)**	**(1,384,113)**
Transactions with owners, recognised directly in equity			
Issue of common stocks	244,400	-	244,400
Total transactions with owners	**244,400**	**-**	**244,400**
Balance at 30 June 2023	**2,143,076**	**(4,458,618)**	**(2,315,542)**

	Issued Capital $	Accumulated Losses $	Total $
Balance at 1 January 2022	**1,396,176**	**(1,236,467)**	**159,709**
Loss for the period	-	(598,680)	(598,680)
	-	**(598,680)**	**(598,680)**
Transactions with owners, recognised directly in equity			
Issue of common stocks	320,000	-	320,000
Total transactions with owners	**320,000**	**-**	**320,000**
Balance at 30 June 2022	**1,716,176**	**(1,835,147)**	**(118,971)**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows
For the Half-Year Ended 30 June 2023

	30 June 2023	31 December 2022
Cash Flows from Operating Activities		
Payments to suppliers and employees	(109,626)	(520,552)
Payments for exploration expenses	(59,522)	(929,431)
Interest expense	(22,000)	(32,014)
Net cash used in operating activities	**(191,148)**	**(1,481,997)**
Cash Flows from Investing Activities		
Proceeds from sale of tenements	-	838,036
Net cash provided by investing activities	**-**	**838,036**
Cash Flows from Financing Activities		
Proceeds from issue of common stocks	150,000	539,886
	40,120	-
Proceeds from convertible loans	99,872	692,243
Repayment of convertible loans and interest	(200,000)	(619,750)
Net cash provided by financing activities	**89,992**	**612,379**
Net (decrease) / increase in cash and cash equivalents	(101,156)	(31,582)
Cash and cash equivalents at the beginning of the period	146,174	177,756
Cash and cash equivalents at the end of the half-period	**45,018**	**146,174**

The accompanying notes form part of these financial statements.

Notes to the Condensed Consolidated Financial Statements
For the Half-Year Ended 30 June 2023

These financial statements cover FMS Lithium Corporation and its controlled entities (‘**the Company’**, **‘FMSL’** or ‘**Consolidated Group’**). The Company is a company limited by shares, incorporated and domiciled in the United States of America (USA). The Company is a for-profit entity. The Company’s financial statements are presented in US dollars, which is also the Company’s functional currency.

The Company owns the Resurgent Lithium Project which comprises 1,412 claims located in Oregon and Nevada, USA.

The following is a summary of the material accounting policies adopted by the Company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Note 1. Summary of Significant Accounting Policies

a) Basis of preparation

These interim consolidated financial statements are general purpose financial statements which have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee, applicable to companies reporting under IFRS, as appropriate for profit-oriented entity.

The financial statements have been prepared on an accruals basis and are based on historical costs, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 1.

b) Going concern

The Company incurred a loss for the period ended 30 June 2023 of $1,146,162 (30 June 2022: $598,680) and had net liabilities of $2,315,542 (31 December 2022: of $1,175,829) as of 30 June 2023. As at 30 June 2023, the Company had a cash and cash equivalents balance of $45,018 (31 December 2022: $146,174) and the Company had a working capital deficit of $650,260 (31 December 2022: deficit of $470,369).

The financial statements have been prepared on the basis of going concern which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company continues to incur operating losses, experiencing net cash outflows from operating activities, and has limited financial resources. Notwithstanding this, the financial statements have been prepared on a going concern basis because the Company’s major shareholder, Chariot Corporation Limited, has provided a letter confirming it will provide financial support as and when required for at least the next 12 months.

c) New and amended accounting standards and interpretation

The Company has adopted all the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are mandatory for the current reporting period.

d) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by FMS Lithium Corporation at the end of the reporting period. A controlled entity is any entity over which FMS Lithium Corporation has the power to govern the financial and operating policies of, so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights is considered.

Where controlled entities have entered or left the consolidated group during the period, the financial performance of those entities are included only for the period of the period that they were controlled. A list of controlled entities is contained in Note 8 of the notes to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Consolidated Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Business combinations by the Group are accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Consolidated Group. Losses incurred by the Consolidated Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

e) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustments recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

e) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

g) Trade and other receivables

Trade receivables are amounts due from customers for good and services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional which is considered to be fair value; none of the Company's trade receivables contain financing components. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Company applies the AASB 9 Financial Instruments simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on share credit risk characteristics and the days past due. The expected loss rates are based on the Company's past history, existing market conditions and forward-looking estimates at the end of each reporting period.

h) Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

i) Exploration and evaluation expenditure

Accounting for exploration and evaluation expenditure is assessed separately for each are of interest. Each area of interest is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Costs associated with acquiring mining leases, including costs of associated options, are capitalised and reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount.

Other exploration and evaluation costs are generally expensed to profit or loss in the period they are incurred.

Capitalised exploration and evaluation expenditure is carried forward where the right to explore an area of interest is current and they are either expected to be recouped through the sale or successful development of an area of interest or where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

The future recoverability of the carrying amount of capitalised exploration and evaluation expenditure is dependent on successful development and commercial exploitation, or alternatively, the sale of an area of interest.

j) Trade and other payables

Liabilities for trade creditors and other amounts carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

k) Finance Costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

l) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

n) Segment information

Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

In respect to the Company's current operations, the financial information presented to the chief operating decision maker is consistent with that presented in the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position and Statement of Cash Flows.

During the current period, the Company only having one segment being the exploration assessment of Resurgent Lithium Project. Accordingly, all significant operating disclosures are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

o) Foreign currencies

The Company's financial statements are presented in US dollars, which is also the Company's functional currency. For each entity, the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

p) Issued capital

Common stocks are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

q) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Financial assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Recognition and derecognition
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement

Financial assets
Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15 *Revenue from Contracts with Customers*, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Classification of financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income ('FVOCI') comprise of equity securities which are not held for trading, and which the Company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments, and the Company considers this classification to be most relevant.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either:

(i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or
(ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial liabilities
Financial liabilities are classified as measured at amortised cost using effective interest method. Interest expense is recognised in profit or loss.

Impairment of financial assets
The Company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months.

Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured based on the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Revenue recognition

Revenue represents revenue generated from external customers and is measured at the fair value of the consideration received or receivable. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from sale of mineral projects
Periodically the Company may sell its interests in mineral projects.

In recognising revenue from the sale of mineral projects the Company has applied AASB 15: Revenue from Contracts with Customers which either recognises profit over time or at a point in time (being at completion of a contract) depending on the terms of the specific contract.

Such revenue is recognised when the Company passes control or title of the asset to the customer. Consideration received prior to control of the asset passing to the customer is recorded as deferred revenue under liabilities and will be recognised as revenue in the income statement at a future time when control of the relevant asset is assessed to have passed to the customer.

For these contracts the measure of when control or title of the asset passes to the customer is determined based on milestones and related terms and conditions contained within the contract for sale of a mineral project, which broadly aligns towards satisfying a performance obligation.

Contract modifications that do not add distinct goods or services are accounted for as a continuation of the original contract with the change recognised as a cumulative adjustment to revenue at the date of modification when agreed to by the parties.

Dividend income
Dividends from listed entities are recognised as income on the date the share is quoted ex-dividend or ex-distribution.

Interest income
Income from interest bearing securities is recognised as the interest accrues using the effective interest rate method.

r) Critical accounting estimates, judgements and assumption
The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liabilities affected in future periods.

Key Judgement
Following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Measurement of fair value financial instruments

The Company's financial instruments in the quoted equity shares of Red Mountain, Pan American and Clear Sky are traded in an active market and are considered level 1 investments.

Revenue recognition on sale of mineral projects
Revenue is recognised when the Company passes control or title of the asset to the customer. Consideration received prior to control of the asset passing to the customer is recorded as deferred revenue under liabilities and will be recognised as revenue in the income statement at a future time when control of the relevant asset is assessed to have passed to the customer.

Significant judgement is applied as to when control of the asset passes tot e customer, based on terms and conditions set out in specific sale contracts.

Significant consideration received prior to 30 June 2023 has been recorded as deferred revenue at year end as disclosed in Note 5.

Assessment of control or significant influence
At each reporting date the Company assesses the nature of the arrangement that exists with each of the entities that it invests in ('investee') to determine the appropriate accounting treatment in the Consolidated financial report. Significant judgment is required to be applied in considering the level of influence that the Company may have in directing the operational and decision making of the investees. Factors that determine the level of influence include, but are not limited to, percentage of equity holding in the investee, board representation and voting rights. Depending on the Company's conclusion as to the level of influence that exists at each reporting date, the Company may consolidate the results of the investee, equity account the results of the investee or hold the investee as a financial asset at fair value through other comprehensive income in the Company's Consolidated Statement of Financial Position.

Key Estimates
Impairment of assets
In assessing impairment, management estimates the recoverable amount of each asset based on expected future cash flows and uses an interest rate to discount them.

Where forward-looking information (such as a significant change in economic conditions) may provide evidence that there may be an increasing number of defaults, historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Note 2. Related Party Transactions and Key Management Personnel ('KMP')

	30 June 2023 $	30 June 2022 $
Directors' fees(i)	56,000	54,000
Management fees	48,000	48,000
Total Directors and Management fees	**104,000**	**102,000**

Notes:

(i) Total fees paid to each Director during the period is as follows:

- Shanthar Pathmanathan - $30,000
- Edward Max Baker - $18,000
- Frederick Peter Forni - $8,000 (resigned 16 April 2023)

<u>Other transactions with KMP and their related parties</u>

Chariot Corporation Ltd ('Chariot')

Chariot is an unlisted company limited by shares, incorporated and domiciled in Australia. Shanthar Pathmanathan and Frederick Peter Forni are Directors of Chariot, which holds a 17.48% interest in the common stock of FMS Lithium as at 30 June 2023.

Rosepoint Holdings Pty Ltd ('Rosepoint')

Rosepoint is a proprietary company limited by shares, incorporated and domiciled in Australia. Shanthar Pathmanathan is the sole director of Rosepoint, which holds a 40.18% interest in the common stock of FMS Lithium as at 30 June 2023.

Note 3. Financial Assets

	30 June 2023 $	31 December 2022 $
Shares in Clear Sky Lithium Corp.(i)	237,950	388,222
Shares in Pan American Energy Corp.(ii)	1,128,654	1,778,918
Shares in Red Mountain Mining Limited(iii)	401,979	561,265
Total Financial Assets	**1,768,583**	**2,728,405**

Notes:

(i) On 5 August 2022 the Company entered into a Property Option Agreement with Clear Sky Lithium Corp. (CSE: POWR) ('Clear Sky') to acquire 100% of the Halo Project from FMSL, subject to the Royalty, in consideration for completing a series of cash payments and share issuances ('Consideration Shares'). The initial payment included an issuance of 1,865,269 Consideration Shares (before costs) in Clear Sky.

As at 30 June 2023, the remaining total of 1,618,121 Consideration Shares in Clear Sky (net of costs), have been revalued based on the closing share price of Clear Sky's shares on the CSE and the average exchange rate on that date has been applied.

(ii) On 27 September 2022 Horizon Lithium LLC entered into a Property Option Agreement ('Option Agreement') with Pan American Energy Corp. (CSE: PNRG) ('Pan American'), granting Pan American the right to acquire a 100% interest in Horizon Lithium LLC's mineral claims. As part of the consideration, Pan American issued 3,012,174 common shares with a total value of $2,000,000 upon execution of the Option Agreement.

As at 30 June 2023, the Pan American shares have been revalued based on the closing share price of Pan American's shares on the CSE and the average exchange rate on that date has been applied.

(iii) On 3 December 2022 the Company entered into a purchase agreement ('Purchase Agreement') with Red Mountain Mining Limited (ASX: RMX) ('Red Mountain') to divest the Lithic Lithium Project and the Mustang Lithium Project. The sales proceeds included a stock consideration of 179,487,179 fully paid ordinary shares in Red Mountain, which were initially valued at US$700,000 based on an agreed exchange rate between the US Dollar and Australian Dollar and share price values at execution of the Purchase Agreement.

As at 30 June 2023, the Red Mountain shares have been revalued based on the closing share price of Red Mountain's shares on the ASX and the average exchange rate on that date has been applied.

The fair value of the financial assets has been determined in accordance with the judgements disclosed in Note 1.

Note 4. Dividend Payable

On 12 March 2023, the Board resolved to declare a dividend to its shareholders, redistributing 1,618,121 shares held in Clear Sky Lithium Corp. (CSE: POWR), which was received as part of the consideration from the sale of the Halo Project.

As at 30 June 2023, the shares have been revalued based on the closing share price of Clear Sky's shares on the CSE and the average exchange rate on that date has been applied.

Note 5. Deferred Revenue

	30 June 2023 $	**31 December 2022 $**
Proceeds from Sale of the Halo Project	1,183,775	1,183,775
Proceeds from Sale of the Horizon Project	2,250,090	2,250,090
Total Deferred Revenue	**3,433,865**	**3,433,865**

Note 6. Issued Capital

	30 June 2023 $	31 December 2022 $
12,444 fully paid common stock (31 December 2022: 12,260 fully paid common stock)	2,143,076	1,898,676

Movement in Common Stock:	**Number**	**$**
Balance at the beginning of the period	12,260	1,898,676
Issue of common stock as repayment of interest on a convertible note loan – 27 February 2022	59	94,400
Issue of common stock – 28 February 2022	125	150,000
Balance at the end of the period	**12,444**	**2,143,076**

Common Stock

Common stock entitles the holder to participate in liquidating and non-liquidating distributions made by the Company and to vote on matters determined by the shareholders of the Company. The fully paid shares of common stock have a par value of $0.001.

Capital Management

Due to the nature of the Company's activities, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet due diligence programs and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

Note 7. Operating Segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The financial information presented to the chief operating decision maker is consistent with that presented in the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position and Statement of Cash Flows.

Note 8. Controlled Entities

	Country of Incorporation	Percentage Ownership %	
Parent Entity		**2023**	**2022**
FMS Lithium Corporation	USA		
Subsidiaries of FMS Lithium Corporation			
Lithic Lithium LLC	USA	100%	100%
Mustang Lithium LLC	USA	100%	100%
Horizon Lithium LLC	USA	100%	100%
Halo Lithium LLC	USA	100%	100%
Impact Lithium LLC	USA	100%	100%
Chariot USA Corporation	USA	100%	-
Terrano Lithium LLC	USA	100%	-
Stealth Lithium LLC	USA	100%	-

Note 9. Commitments and Contingent Liabilities

There are no commitments or contingent liabilities at the end of the reporting period.

Note 10. Events after Reporting Date

On 4 August 2023, the Company received 1,250,000 Consideration Shares from Clear Sky Lithium Corp (‘Clear Sky’) (CSE: POWR) as part of the consideration from the sale of the Halo Project. This is in accordance with the first anniversary of the Property Option Agreement which was initially entered into on 5 August 2022.

On 15 August 2023, the Board resolved to approve the issue of 1,282 common stock of the Company to Chariot Corporation Ltd for the price of $1,100 per share pursuant to a subscription agreement entered into by both parties.

On 20 August 2023, the Board resolved to approve the contribution of one hundred percent of its ownership interests in (A) Horizon Lithium LLC, a Delaware Limited Liability Company (“Horizon”); (B) Halo Lithium LLC, a Delaware Limited Liability Company (“Halo”); (C) Lithic Lithium LLC, a Delaware Limited Liability Company (“Lithic”); and (D) Mustang Lithium LLC, a Delaware Limited Liability Company (“Mustang”); to Mustang Lithium LLC pursuant to the Contribution Agreement. Halo and Horizon’s assets primarily consist of all future receivables from its property option agreement entered into with POWR Lithium Corp (TSXV: POWR) and Pan American Energy Corp. (TSXV: PNRG) respectively. Lithic's assets primarily consist of all future contract receivables from its purchase and sale agreement with Red Mountain Mining Limited (ASX: RMX).

On 31 August 2023, pursuant to a convertible note agreement entered into by the Company and Murugesan Mahesan and Kaushala Murugesan, the Company issued a convertible note to Murugesan Mahesan and Kaushala Murugesan with a term of two months for the sum of $50,000 and agreed to pay an amount of interest equal to 10% of the proceeds ($5,000) at the expiry of the term along with the repayment of the principal ($50,000). Under the terms of the convertible note agreement, the principal and interest are convertible into shares of the Company’s common stock at a conversion price of $1,100 per share.

On 29 September 2023, the redistribution of the 1,618,121 shares held in Clear Sky to FMS Lithium's shareholders was completed as part of the dividend declared in March 2023.

On 4 October 2023, Director of FMS Lithium, Mr Pathmanathan, provided the Company with an interest free loan of $20,000 for working capital purposes. It was agreed that the term of the loan would be for an indefinite period and repayment would be made once the Company had sufficient funds.

On 17 October 2023, the Company entered into a Contribution Agreement with Mustang to transfer one hundred percent of its membership interest in Halo, Horizon and Lithic to Mustang.

No other matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operation of the Company, the result of those operations, or the state of affairs of the Company in future financial years.

Directors' Declaration
For the Half-Year Ended 30 June 2023

In accordance with a resolution of the Directors of FMS Lithium Corporation, the Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 9 to 27, comply with International Financial Reporting Standards so as to present fairly the financial position of the Company as at 30 June 2023 and its performance as represented by the results of its operations, for the financial year ended on that date; and

2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors

Shanthar Pathmanathan
Director
23 October 2023

Moore Australia Audit (WA)

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000

PO Box 5785, St Georges Terrace, WA 6831

T +61 8 9225 5355
F +61 8 9225 6181

www.moore-australia.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF FMS LITHIUM CORPORATION

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of FMS Lithium Corporation (the company) and its controlled entities (the consolidated entity or group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the company is not in accordance with the *Corporations Act 2001,* including:

i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the half-year ended on that date; and

ii. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with Auditing Standards on Review Engagements *ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF FMS LITHIUM CORPORATION (CONTINUED)

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial report is not in accordance with the *Corporations Act 2001* including:

i. giving a true and fair view of the Company's financial position as at 30 June 2023 and its performance for the half-year ended on that date; and

ii. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Neil Pace

NEIL PACE
PARTNER

MOORE AUSTRALIA

MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 23rd day of October 2023.