FMS Lithium Corporation

Annual Financial Report

For the Year Ended 31 December 2022

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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 annual report for the year ended 31 December 2022.

Directors

The Directors of the Company in office at any time during or since the end of the year 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 Company was established on 7 March 2021 for the primary purpose of acquiring, exploring and developing lithium assets.

Information on Directors

Shanthar Pathmanathan

President, Treasurer and Director | Appointed 7 March 2021

Mr Pathmanathan was most recently the Chief Executive Officer and Managing Director of Lithium Consolidated Ltd, an ASX listed company, which had one of the largest portfolios of hard rock lithium exploration assets globally. Mr Pathmanathan also has 14 years of investment banking experience in the metals, mining and chemicals industries as well as in the oil and gas sector. He was also the Vice President in the Deutsche Bank investment banking division and prior to that, has also held investment banking and principal investment roles with the Macquarie Group in Australia and New York. Mr Pathmanathan holds a Bachelor of Laws from the University of Western Australia.

Edward Max Baker

Director | Appointed 7 March 2021

Dr Baker is a PhD Geologist and a fellow of AusIMM. Dr Baker has over 40 years of experience and has made several discoveries. Dr Baker previously acted as Chief Geologist for Rennison Goldfields, Inc., Newcrest Mining Limited and Mount Isa Mines, as well as VP Exploration at several mining companies. Dr Baker is currently a VP Exploration at New York Stock Exchange listed Integra Development Corp. (NYSE: ITGR).

Frederick Peter Forni

Director | Appointed 2 March 2022 and Resigned 16 April 2023

Mr Forni was a senior finance professional with Macquarie Holdings (USA) Inc., a US affiliate of Macquarie Group Limited, from October 1997 to October 2012, as well as a Senior Managing Director from and after July 2004. Mr Forni was involved in: (1) developing, marketing, executing and managing structured and conventional financial product transactions for the Macquarie Group, including the establishment of a NYSE listed US$425 million closed-end fund (Macquarie Global Infrastructure Fund; Ticker: MGU) and the formation and management of specialised investment portfolios of CLO and CMBS securities aggregating in excess of US$1 billion and (2) structuring principal and advisory transactions principal from an income taxations perspective.

Mr Forni acted as a Non-Executive Director for numerous Macquarie Group entities, including an investment adviser under the Investment Company Act of 1940 and a fund incubation joint venture with M.D. Sass. From 1995 to 1997, he was employed as a tax associate with Morgan, Lewis & Bockius LLP. Mr Forni holds Series 24, Series 7 and Series 63 FINRA licenses and is admitted to practice law in both New York and Connecticut. Mr Forni has a B.A. in Economics from Connecticut College, J.D. awarded cum laude, from Georgetown University Law Center and a LL.M. in taxation from New York University Law School.

Review of Operations

Resurgent Lithium Project

The Company owns the Resurgent Lithium Project which comprises 1,412 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.

Lithic Lithium LLC and Mustang Lithium LLC

Lithic Lithium LLC ('LLL') and Mustang Lithium LLC, wholly-owned subsidiaries of the Company, were established under the laws of the state of Delaware, USA on 21 April 2022. Lithic Lithium LLC and Mustang Lithium LLC have no directors or officers.

The Lithic and Mustang Projects are located in the prolific Big Smoky and Monte Cristo Basins of Esmeralda County, Central Nevada. Lithic is located 29 km north of Silver Peak, the only operational lithium producing mine in the United States. The property consists of 115 claims (961 ha) and adjoins Jindalee's Clayton North Project and Victory Resource's Smokey Lithium Project.

Mustang is located on the south-eastern flank of the hydrologically closed Monte Cristo Valley, 9 km south of Belmont Resources Kibby Lake project and 40 km east of American Lithium's TLC deposit. The Mustang project consists of 38 claims (217 ha) of a generally flat alluvial outwash plane with well exposed fines-dominant sediments and lithic tuffs. This claim area is within a mapped caldera inside the Monte Cristo Valley containing a significant area of volcanic rock capable of supplying lithium to the closed basin. Andesite and basalt flows are exposed in all directions within 2 – 6 km of the project in erosional windows through the alluvium.

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 (together, the 'Projects').

Red Mountain paid LLL an option fee of US$35,000 on the 18th of October 2022 for a 45-day option period and subsequently purchased the Projects for the following consideration:

a) US$150,000 cash;
b) 179,487,179 shares of Red Mountain (with a value of US$700,000 based on agreed exchange rates between the Australian Dollar and the US Dollar and share price values); and
c) a net smelter royalty in favour of LLL of 2%.

Following completion and subject to meeting the milestones pertaining to the Purchase Agreement, Red Mountain is required to pay to LLL additional consideration, as follows:

a) 102,564,103 shares of Red Mountain upon achieving 200 metres or greater aggregated over 10 drill holes with an average grade of 900 ppm Lithium; and
b) 102,564,103 shares of Red Mountain upon achieving 400 meters or greater aggregated over 10 drill holes with an average grade of 900 ppm Lithium.

Horizon Lithium LLC

Horizon Lithium LLC was established under the laws of the state of Delaware, USA as a wholly-owned subsidiary of the Company on 21 April 2022. Horizon Lithium LLC owns 839 mineral claims which were transferred by the Company to Horizon Lithium LLC by a deed dated 6 September 2022 in exchange for $10 (the 'Horizon Project'). Horizon Lithium LLC has no directors or officers.

The Horizon Project is located in Esmeralda Country, Nevada, USA and consists of 839 filed lode claims encompassing 7,015 hectares of land considered prospective for claystone hosted lithium mineralisation. The Horizon project is located 13 km SW of American Lithium's TLC Project ('TLC project') (MRE: 7.1mt LCE[2]) and is contiguous to the American Battery Technology Company ('ABTC') Tonopah Flat's project, Enertopia Corporation ('Enertopia') West Tonopah lithium project, and Auroch Minerals Lone Mountain prospect.

The Horizon Project is believed to be underlain by the same geologic formation that hosts the TLC project. Recent RC drilling from neighbouring properties have reported spectacular assay results and indicate a continuous lithium mineralised zone up to 145m thick with grades reaching 1,700 ppm Li. All drillholes by Enertopia and ABTC terminated in lithium mineralisation and the deposit is believed to be open laterally and at depth.

On 27 September 2022 Horizon Lithium LLC entered into a Property Option Agreement with Pan American Energy Corp. ('Pan American'), granting Pan American the right to acquire a 100% interest in Horizon Lithium LLC's mineral claims in consideration for completing a series of cash payments totalling $1 million and common share issuances of $9 million ('Common Shares'). Horizon Lithium LLC may receive additional common share issuances of up to $5 million upon Pan American achieving certain exploration milestones.

This is in accordance with the following schedule:

Timeline	Cash Consideration	Common Share Issuances[i]	Total Consideration
	US$	US$	US$
Upon signing[ii]	250,000	2,000,000	2,250,000
12 months from receiving drill permits	250,000	3,000,000	3,250,000
24 months from receiving drill permits	500,000	4,000,000	4,500,000
Milestone Issuance	-	1,250,000	1,250,000
Milestone Issuance	-	3,750,000	3,750,000
Total Consideration (including Milestone Issuances)	**1,000,000**	**14,000,000**	**15,000,000**

(i) Common Shares to be valued based on the greater of the 20-day volume-weighted average price of the Common Shares prior to the issuance of such Common Shares and the lowest price permissible pursuant to the policies of the exchanges(s) on which the Common Shares are then listed.

(ii) The consideration due upon signing has been received during the year.

Halo Lithium LLC

Halo Lithium LLC was established under the laws of the state of Delaware, USA, on 21 April 2022 as a wholly-owned subsidiary of the Company. Halo Lithium LLC owns 98 mineral claims which were transferred by the Company to Halo Lithium LLC by a deed dated 26 July 2022 in exchange for $10 (the 'Halo Project'). Halo Lithium LLC has no directors or officers.

The Halo Project is located in Esmeralda and Nye Country, Nevada, USA and consists of 98 filed Iode claims encompassing 819 hectares of land considered prospective for claystone hosted lithium mineralisation.

The Halo Project area is located strategically between two lithium majors being the TLC Project and American Battery Technology Company's Tonopah Flats Lithium Exploration Project. The Halo Project is believed to be underlain by the same geologic formation that hosts the TLC Project.

On 5 August 2022 Halo Lithium LLC entered into a Property Option Agreement with Clear Sky Lithium Corp. ('Clear Sky'), granting Clear Sky the right to acquire all of Halo Lithium LLC's mineral claims in consideration for completing a series of cash payments of $726,518 and issuing 3,615,269 payment shares to Halo Lithium LLC, subject to the reservation of a 1.0% net smelter royalty. This is in accordance with the following schedule:

Timeline	Cash Consideration	Consideration Shares
	US$	Number
Expense Reimbursement[i]	76,518	-
Initial Payment[i]	250,000	1,865,269
First Anniversary of Option Agreement	200,000	1,250,000
Second Anniversary of Option Agreement	200,000	500,000
Total	**726,518**	**3,615,269**

(i) The consideration due upon signing has been received during the year.

All Consideration Shares issued to FMSL will be subject to a voluntary escrow arrangement during which time the Consideration Shares may not be traded without the prior approval of Clear Sky. The Consideration Shares will be released from the escrow arrangement over a period of twelve months in three tranches (25% in the first tranche and 37.5% in the second and third tranches after six, nine and twelve months, respectively).

In the event Clear Sky's subsidiary exercises the option, Halo Lithium LLC will transfer the Halo Project subject to a one-percent net smelter returns royalty (the 'Royalty') on commercial production from the Project. One-half of the Royalty may be bought back from Halo Lithium LLC by Clear Sky's subsidiary at any time through a one-time cash payment of $1,000,000.

<u>Corporate Review</u>

Subscriptions

On 7 February 2022, the Company issued 25 additional shares of common stock to Chariot at an issue price of $800 per share under a subscription agreement entered into on 11 October 2021, representing total proceeds to the Company of $20,000.

On 11 February 2022, the Company entered into a subscription agreement with Chariot pursuant to which the Company issued 375 shares of common stock at an issue price of $800 per share, representing total proceeds to the Company of $300,000.

On 15 May 2022, the Company entered into a subscription agreement with Chariot pursuant to which the Company issued 125 shares of common stock to Chariot at an issue price of $800 per share, representing total proceeds to the Company of $100,000.

Refer to Note 11 Issued Capital for further information.

Convertible Notes

<u>Haroon Rashid</u>

On 18 May 2022, pursuant to a convertible note agreement entered into by the Company and Mr Haroon Rashid, the Company issued a convertible note with a term of three months to Mr Rashid for the sum of $25,000 and agreed to pay Mr Rashid an amount of interest equal to 10% of the proceeds ($2,500) at the expiry of the term along with the repayment of the principal ($25,000).

Under the terms of the convertible note agreement, the principal and interest were convertible into shares of the Company's common stock at a conversion price of $1,000 per share. The total of $27,500 was fully converted into shares of common stock at maturity.

<u>Jasveer Singh Jessy</u>

On 27 July 2022, pursuant to a convertible note agreement entered into between Mr Jasveer Singh Jessy and the Company, the Company issued a convertible note to Mr Jessy with a term of three months for the sum of A$750,000 and agreed to pay Mr Jessy an amount of interest equal to 15.77% of the proceeds at the expiry of the term, which were convertible into common stock, plus 6% interest which was due and paid in cash, along with the repayment of the principal.

Under the terms of the convertible note agreement, the principal and interest were convertible into shares of the Company's common stock at a conversion price of US$1,600 per share of common stock. In September 2022, the Company and Mr Jessy agreed to extend the maturity date to 12 October 2022 and in exchange for agreeing to extend the maturity the interest payable to him at maturity would be increased to a total of A$141,363 plus an extension fee of A$9,626 which was paid in cash. Mr Jessy elected to convert the interest due under the loan into shares of common stock but opted to receive repayment of the principal in cash. Mr Jessy received the return of the principal at the expiry of the extension agreement. The issuance of the shares to Mr Jessy were completed subsequent to year end.

PSNHO Pty Ltd
On 18 August 2022, pursuant to a convertible note agreement entered into between the Company and PSNHO Pty Ltd, the Company issued a convertible note to PSNHO Pty Ltd with a term of three months for the sum of $50,000 and agreed to pay PSNHO Pty Ltd 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 $1,000 per share. The total of $55,000 was fully converted into shares of common stock at maturity.

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.

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. The funds were partially received in November 2022 and the balance was received and repaid subsequent to year end.

Refer to Note 9 Convertible Notes for further information.

Financial Review
The Company incurred a loss for the year of $1,838,038 (2021: $1,236,467) and had net liabilities of $1,175,829 (2021: net assets of $159,709) as of 31 December 2022.

As of 31 December 2022, the Company had a cash and cash equivalents balance of $146,174 (2021: $177,756) and the Company had a working capital deficit of $470,369 (2021: surplus of $159,709).

Dividends Paid or Recommended
There were no dividends paid or declared during the current or previous financial year.

Significant Changes in the State of Affairs
There were no significant changes in the state of affairs of the Company during the financial year, 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 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.

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.

On 27 February 2023, the Company issued 59 shares of common stock to Mr Jessy at an issue price of US$1,600 per share, following Mr Jessy's election to convert the interest of A$141,363 due under the convertible note agreement.

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 12 March 2023, the Board resolved to declare a dividend to its shareholders, redistributing 1,617,720 shares held in Clear Sky Lithium Corp. (CSE: POWR), which was received as part of the consideration from the sale of the Halo Project.

On 16 April 2023, Mr Forni resigned as a Director from the Board.

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 year.

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
14 July 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

AUDITOR'S INDEPENDENCE DECLARATION UNDER APES 110 CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS (INCLUDING INDEPENDENCE STANDARDS) TO THE DIRECTORS OF FMS LITHIUM CORPORATION

I declare that, to the best of my knowledge and belief, during the financial year ended 31 December 2022, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

NEIL PACE
PARTNER

MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 14th day of July 2023.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2022

	Notes	Consolidated 31 December 2022 $	Company 31 December 2021 $
Revenue	*3*	961,518	-
Accounting and company secretary fees		(24,874)	(3,813)
Directors and management fees	*4*	(210,000)	(44,000)
Audit fees	*5*	(15,674)	(3,644)
Exploration and evaluation expenditure		(929,431)	(1,010,717)
Legal and consulting fees		(701,695)	(125,768)
Impairment of financial assets		(780,655)	-
Other income/(expenses)		14,922	(8,240)
Loss for the year before interest and tax		**(1,685,889)**	**(1,196,182)**
Finance costs		(152,149)	(40,285)
Loss for the year before income tax		**(1,838,038)**	**(1,236,467)**
Income tax expense		-	-
Net loss for the year		**(1,843,038)**	**(1,236,467)**

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
As at 31 December 2022

	Notes	Consolidated 31 December 2022	Company 31 December 2021
Current Assets			
Cash and cash equivalents	*6*	146,174	177,756
Trade and other receivables		-	119,886
Other assets		14,860	2,500
Total current assets		**161,034**	**300,142**
Non-Current Assets			
Financial assets	*7*	2,728,405	-
Total non-current assets		**2,728,405**	**-**
Total Assets		**2,889,439**	**300,142**
Current Liabilities			
Trade and other payables	*8*	531,275	140,433
Convertible notes	*9*	100,128	-
Total current liabilities		**631,403**	**140,433**
Non-Current Liabilities			
Deferred revenue	*10*	3,433,865	-
Total non-current liabilities		**3,433,865**	**-**
Total Liabilities		**4,065,268**	**140,433**
Net (Liabilities) / Assets		**(1,175,829)**	**159,709**
Equity			
Issued capital	*11*	1,898,676	1,396,176
Accumulated losses		(3,074,505)	(1,236,467)
Total Equity		**(1,175,829)**	**159,709**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2022

	Issued Capital $	Accumulated Losses $	Total $
Balance at 1 January 2022	**1,396,176**	**(1,236,467)**	**159,709**
Loss for the year	-	(1,838,038)	(1,838,038)
Other comprehensive income	-	-	-
Total comprehensive income	**-**	**(1,838,038)**	**(1,838,038)**
Transactions with owners, recognised directly in equity			
Issue of common stocks	420,000	-	420,000
Conversion of convertible notes	82,500	-	82,500
Total transactions with owners	**502,500**	**-**	**502,500**
Balance at 31 December 2022	**1,898,676**	**(3,074,505)**	**(1,175,829)**
Balance at Incorporation Date – 7 March 2021	**-**	**-**	**-**
Loss for the year	-	(1,236,467)	(1,236,467)
Other comprehensive income	-	-	-
Total comprehensive income	**-**	**(1,236,467)**	**(1,236,467)**
Transactions with owners, recognised directly in equity			
Issue of common stocks	1,305,319	-	1,305,319
Conversion of convertible notes	90,857	-	90,857
Total transactions with owners	**1,396,176**	**-**	**1,396,176**
Balance at 31 December 2021	**1,396,176**	**(1,236,467)**	**159,709**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2022

	Notes	Consolidated 31 December 2022	Company 31 December 2021
Cash Flows from Operating Activities			
Payments to suppliers and employees		(520,552)	(165,770)
Payments for exploration expenses		(929,431)	(885,838)
Interest expense		(32,014)	0
Net cash used in operating activities	*6*	**(1,481,997)**	**(1,051,608)**
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		539,886	1,185,433
Proceeds from convertible loans		692,243	201,429
Repayment of convertible loans and interest		(619,750)	(157,498)
Net cash provided by financing activities		**612,379**	**1,229,364**
Net (decrease) / increase in cash and cash equivalents		(31,582)	177,756
Cash and cash equivalents at the beginning of the year		177,756	-
Cash and cash equivalents at the end of the year	*6*	**146,174**	**177,756**

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2022

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 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

At balance date, the Company reported a net loss of $1,838,038 (2021: $1,236,467) and has net liabilities of $1,175,829 (2021: net assets of $159,709).

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, and has no assurances that sufficient funding, including adequate financing, will be available to enable it to continue its operations. These material uncertainties may cast a significant doubt on the validity of the going concern assumption.

The Company’s ability to continue as a going concern is dependent upon its ability to obtain funding or financing necessary, from either shareholders or new investors, so as to continue operations. If the going concern assumption was to no longer be appropriate then adjustments may be necessary to the carrying values of assets, liabilities, reported income and expenses and the statement of financial position classifications adopted in this financial report.

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 year. 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 year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 14 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.

r) 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.

s) 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 31 December 2022 has been recorded as deferred revenue at year end as disclosed in Note 10.

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. Income Tax

	Consolidated 31 December 2022 $	Company 31 December 2021 $
Income tax expense		
Current tax	-	-
Deferred tax	-	-
Aggregate income tax expense	-	-
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	-	-
Increase in deferred tax liabilities	-	-
Deferred tax – origination and reversal of temporary differences	**-**	**-**
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(1,828,038)	(1,236,467)
Tax at the statutory tax rate of 21%	(383,888)	(259,658)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	-	50
Income tax benefit	**(383,888)**	**(259,608)**

Carry forward losses

Potential future income tax benefits attributable to tax losses carried forward have not been brought to account at 31 December 2022, because the Directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

Note 3. Revenue

	Consolidated 31 December 2022 $	Company 31 December 2021 $
Proceeds from Sale of the Halo Project(i)	76,518	**-**
Proceeds from Sale of the Lithic and Mustang Project(ii)	885,000	
Total Revenue	**961,518**	**-**

(i) On 5 August 2022 the Company entered into a Property Option Agreement ('Option Agreement') with Clear Sky Lithium Corp. ('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.

The initial cash payment per the terms of the Option Agreement included an expense reimbursement of $76,518 which has been recognised as revenue and the remaining consideration balance has been recognised as Deferred Revenue. Refer to Note 11 Deferred Revenue for further details.

(ii) 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.

Red Mountain paid the Company an option fee of US$35,000 on the 18th of October 2022 for a 45-day option period. The option was subsequently exercised and the Company has received the following consideration:

a) US$150,000 cash; and

b) 179,487,179 shares of Red Mountain (with a value of US$700,000 based on agreed exchange rates between the Australian Dollar and the US Dollar and share price values).

The option fee and consideration received have been recognised as revenue.

Note 4. Related Party Transactions and Key Management Personnel ('KMP')

	Consolidated 31 December 2022 $	Company 31 December 2021 $
Directors' fees[(i)]	114,000	44,000
Management fees	96,000	110,000
Total Directors and Management fees	**210,000**	**154,000**

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

- Shanthar Pathmanathan - $60,000
- Edward Max Baker - $36,000
- Frederick Peter Forni - $18,000

<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, Jasveer Jessy Singh and Frederick Peter Forni are Directors of Chariot, which holds a 16.7% interest in the common stock of FMS Lithium as at 31 December 2022.

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 40.8% interest in the common stock of FMS Lithium as at 31 December 2022.

Convertible note agreements with KMP and their related parties

On 27 July 2022, pursuant to a convertible note agreement entered into between Mr Jasveer Singh Jessy and the Company, the Company issued a convertible note to Mr Jessy with a term of three months for the sum of A$750,000 and agreed to pay Mr Jessy an amount of interest equal to 15.77% of the proceeds at the expiry of the term, which were convertible into common stock, plus 6% interest which was due and paid in cash, along with the repayment of the principal.

Under the terms of the convertible note agreement, the principal and interest were convertible into shares of the Company's common stock at a conversion price of US$1,600 per share of common stock. In September 2022, the Company and Mr Jessy agreed to extend the maturity date to 12 October 2022 and in exchange for agreeing to extend the maturity the interest payable to him at maturity would be increased to a total of A$141,363 plus an extension fee of A$9,626 which was paid in cash. Mr Jessy elected to convert the interest due under the loan into shares of common stock but opted to receive repayment of the principal in cash. Mr Jessy received the return of the principal at the expiry of the extension agreement. The issuance of the shares to Mr Jessy were completed subsequent to year end.

Note 5. Auditors' Remuneration

	Consolidated 31 December 2022 $	Company 31 December 2021 $
Remuneration of the auditor of the Company Moore Australia Audit (WA) for:		
• Audit or review of the financial reports	15,674	3,644
Total auditor's remuneration	**15,674**	**3,644**

Note 6. Cash and Cash Equivalents

	Consolidated 31 December 2022 $	Company 31 December 2021 $
Cash at bank	146,174	177,756
Total cash and cash equivalents	**146,174**	**177,756**
Reconciliation of cash flows from operating activities:		
Loss after income tax	(1,838,038)	(1,236,467)
Non-cash items:		
• Foreign exchange movement	(22,441)	6,641
• Borrowing costs	-	40,285
Changes in assets and liabilities		
• (Increase) in other assets	(12,360)	(2,500)
• Increase in trade and other payables	390,842	140,433
	(1,481,997)	**(1,051,608)**

Note 7. Financial Assets

	Consolidated 31 December 2022 $	Company 31 December 2021 $
Shares in Clear Sky Lithium Corp.(i)	388,222	-
Shares in Pan American Energy Corp.(ii)	1,778,918	-
Shares in Red Mountain Mining Limited(iii)	561,265	-
Total Financial Assets	**2,728,405**	**-**

(ii) 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 31 December 2022, the 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.

(iii) 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 31 December 2022, 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.

(iv) 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 31 December 2022, 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 fair value hierarchy disclosed in Note 12 and the judgements disclosed in Note 1.

Note 8. Trade and Other Payables

	Consolidated 31 December 2022 $	Company 31 December 2021 $
Trade payables	12,227	136,789
Accruals	519,048	3,644
Total trade and other payables	**531,275**	**140,433**

All amounts are short-term. The carrying value of trade and other payables is considered a reasonable approximation of fair value.

Note 9. Convertible Notes

	Consolidated 31 December 2022 $	Company 31 December 2021 $
Balance at the beginning of the year	-	-
Issue of convertible notes at face value	692,243	201,429
Interest and fees	157,149	40,286
Interest payable	(111,049)	-
Principal, interest and fees – cash repayments(i)	(584,354)	(157,498)
Principal and interest – converted to equity(ii)	(82,500)	(90,857)
Foreign currency exchange	28,639	6,640
Balance at the end of the year	**100,128**	**-**

(i) On 27 July 2022, pursuant to a convertible note agreement entered into between Mr Jasveer Singh Jessy and the Company, the Company issued a convertible note to Mr Jessy with a term of three months for the sum of A$750,000 and agreed to pay Mr Jessy an amount of interest equal to 15.77% of the proceeds at the expiry of the term, which were convertible into common stock, plus 6% interest which was due and paid in cash, along with the repayment of the principal.

Under the terms of the convertible note agreement, the principal and interest were convertible into shares of the Company's common stock at a conversion price of US$1,600 per share of common stock. In September 2022, the Company and Mr Jessy agreed to extend the maturity date to 12 October 2022 and in exchange for agreeing to extend the maturity the interest payable to him at maturity would be increased to a total of A$141,363 plus an extension fee of A$9,626 which was paid in cash. Mr Jessy elected to convert the interest due under the loan into shares of common stock but opted to receive repayment of the principal in cash. Mr Jessy received the return of the principal at the expiry of the extension agreement. The issuance of the shares to Mr Jessy were completed subsequent to year end.

(ii) During the year, the Company issued a total of 83 common stock for an issue price of $1,000 per share to the convertible noteholders – Haroon Rashid and PSNHO Pty Ltd.

The terms of these convertible notes were as follows:

- The convertible notes were unsecured, had a term of two months and paid an amount of interest equal to 10% of their principal amount; and
- The principal and interest were convertible into common stock in whole or in part at the election of the noteholder at a conversion price at any time before the redemption date.

As of 31 December 2022, there is an outstanding convertible note to IDEVELOP WA Pty Ltd of $100,000. The convertible note to Helitrope Holdings LLC was partially received ($128) in November 2022 and the balance of the funds were received and repaid subsequent to year end.

Note 10. Deferred Revenue

	Consolidated 31 December 2022 $	Company 31 December 2021 $
Proceeds from Sale of the Halo Project	1,183,775	-
Proceeds from Sale of the Horizon Project	2,250,090	-
Total Deferred Revenue	**3,433,865**	**-**

Note 11. Issued Capital

	Consolidated 31 December 2022 $	Company 31 December 2021 $
12,260 fully paid common stock (2021: 11,502 fully paid common stock and 150 unpaid common stock)	1,898,676	1,396,176

Movement in Common Stock:	**Number**	**$**
Balance at the beginning of the year	11,652	1,396,176
Issue of common stock - 7 February 2022	25	20,000
Issue of common stock - 11 February 2022	375	300,000
Issue of common stock from conversion of convertible notes - 29 July 2022	83	82,500
Issue of common stock - 29 July 2022	125	100,000
Balance at the end of the year	**12,260**	**1,898,676**

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 12. Financial Instruments

Financial Risk Management Policies
Other than investments held at fair value, the Company's financial instruments consist mainly of deposits with banks, trade and other receivables, trade and other payables and borrowings.

The main purpose of non-derivative financial instruments is to raise finance for the Company's operations. The Company does not speculate in the trading of derivative instruments.

Specific Financial Risk Exposures and Management
The main risk the Group is exposed to through its financial instruments are market risk (including fair value and interest rate risk) and cash flow interest rate risk, credit risk, liquidity risk and foreign currency risk. The Group has determined that its exposure to commodity price risk would not have a material impact on its operating results.

(a) Interest rate risk
From time to time the Group has significant interest-bearing assets, but they are as a result of the timing of equity raising and capital expenditure rather than a reliance on interest income. The interest rate risk arises on the rise and fall of interest rates. The Group's income and operating cash flows are not expected to be materially exposed to changes in market interest rates in the future and the exposure to interest rates is limited to the cash and cash equivalents balances. The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is below:

31 December 2022	Floating interest rate $	Fixed interest rate maturing in: 1 year or less $	Non-interest Bearing $	Total $	Weighted average effective interest rate
Financial Assets					
Cash and cash equivalents	146,174	-	-	146,174	
Financial assets	-	-	2,728,405	2,728,405	
Total financial assets	**146,174**	**-**	**2,728,405**	**2,874,579**	
Financial Liabilities					
Trade and other payables	531,275	-	-	531,275	
Convertible loans	-	100,128	-	100,128	10%
Deferred revenue	-	-	3,433,865	3,433,865	
Total financial liabilities	**531,275**	**100,128**	**3,433,865**	**4,065,268**	
Net financial liabilities	**(385,101)**	**(100,128)**	**(705,460)**	**(1,190,689)**	

31 December 2021	Floating interest rate $	Fixed interest rate maturing in: 1 year or less $	Non-interest Bearing $	Total $	Weighted average effective interest rate
Financial Assets					
Cash and cash equivalents	177,756	-	-	**177,756**	-
Trade and other receivables	-	-	119,886	**119,886**	-
Total financial assets	**177,756**	**-**	**119,886**	**297,642**	
Financial Liabilities					
Trade and other payables	-	-	(140,433)	**(140,433)**	-
Convertible loans	-	-	-	-	20%
Total financial liabilities	**-**	**-**	**(140,433)**	**(140,433)**	
Net financial assets					

(b) Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Company.

Credit risk exposures

The maximum exposure to credit risk is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the Company in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

	Consolidated 31 December 2022 $	Company 31 December 2021 $
Cash and cash equivalents – AA Rated	146,174	177,756
	146,174	**177,756**

(c) Liquidity Risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The financial liabilities of the Company are confined to trade and other payables as disclosed in the Statement of Financial Position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are gross and undiscounted and include contractual interest payments.

31 December 2022	Interest rate	Less than 12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount assets/ (liabilities)
		$	$	$	$	$	$
Financial liabilities at amortised cost							
Trade and other payables		(531,275)	-	-	-	(531,275)	(531,275)
Convertible loans	10%	(100,128)	-	-	-	(100,128)	(100,128)
Deferred revenue		-	(3,433,865)	-	-	-	(3,433,865)
		(631,403)	**(3,433,865)**	**-**	**-**	**(631,403)**	**(4,065,268)**

31 December 2021	Interest rate	Less than 12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount assets/ (liabilities)
		$	$	$	$	$	$
Financial liabilities at amortised cost							
Trade and other payables	-	(140,433)	-	-	-	(140,433)	(140,433)
Convertible loans	20%	-	-	-	-	-	-
		(140,433)	**-**	**-**	**-**	**(140,433)**	**(140,433)**

(d) Net fair value of financial assets and liabilities

Fair value hierarchy

Assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

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.

The carrying value of the financial assets and financial liabilities recorded in the financial statements approximates their fair value in accordance with the accounting policies disclosed in Note 1. The fair value of financial instruments of the Company approximates their carrying value.

(e) Financial arrangements

The Company has no other financial arrangements in place.

Note 13. 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 14. Controlled Entities

	Country of Incorporation	Percentage Ownership %	
Parent Entity		**2022**	**2021**
FMS Lithium Corporation	USA		
Subsidiaries of FMS Lithium Corporation			
Lithic Lithium LLC	USA	100%	-
Mustang Lithium LLC	USA	100%	-
Horizon Lithium LLC	USA	100%	-
Halo Lithium LLC	USA	100%	-
Impact Lithium LLC	USA	100%	-

Note 15. Parent Entity Information

	31 December 2022 $	31 December 2021 $
Current assets	161,034	300,142
Total assets	**501,724**	**300,142**
Current liabilities	(243,404)	(140,433)
Total liabilities	**(1,006,152)**	**(140,433)**
Issued capital	1,898,676	1,396,176
Accumulated losses	(2,403,104)	(1,236,467)
Total equity	**(504,427)**	**159,709**
Loss of parent entity	**(1,166,637)**	**(1,236,467)**
Other comprehensive income	-	-
Total comprehensive loss of the parent entity	**(1,166,637)**	**(1,236,467)**

Note 16. Commitments and Contingent Liabilities

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

Note 17. Events after Reporting Date

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.

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.

On 27 February 2023, the Company issued 59 shares of common stock to Mr Jessy at an issue price of US$1,600 per share, following Mr Jessy's election to convert the interest of A$141,363 due under the convertible note agreement.

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 12 March 2023, the Board resolved to declare a dividend to its shareholders, redistributing 1,617,720 shares held in Clear Sky Lithium Corp. (CSE: POWR), which was received as part of the consideration from the sale of the Halo Project.

On 16 April 2023, Mr Forni resigned as a Director from the Board.

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 Year Ended 31 December 2022

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 13 to 36, comply with International Financial Reporting Standards so as to present fairly the financial position of the Company as at 31 December 2022 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
14 July 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

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

Opinion

We have audited the consolidated financial report of FMS Lithium Corporation (the Company) and its controlled entities, which comprises the statement of financial position as at 31 December 2022, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and directors' declaration.

In our opinion the accompanying financial report of the Consolidated Group, in all material respects:

i. gives a true and fair view of the Consolidated Group's financial position as at 31 December 2022 and of its performance for the year then ended; and

ii. complying with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the independence 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 financial report in Australia. We have also fulfilled our other ethical responsibilities with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) of the financial report, which indicates that the Company is dependent upon its ability to obtain funding or financing necessary, from either shareholders or new investors, so as to continue operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. Our audit opinion is not modified in this regard.

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

Responsibility of the Directors for the Financial Report

in accordance with International Financial Reporting Standards as described in Note 1 of the financial report. The directors' responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, making accounting estimates that are reasonable in the circumstances.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to include the economic decisions of the users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standard Board website http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our audit report.

Neil Pace	Moore Australia
NEIL PACE PARTNER	MOORE AUSTRALIA AUDIT (WA) CHARTERED ACCOUNTANTS

Signed at Perth this 14th day of July 2023.