



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JANUARY 31, 2023

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FOR THE PERIOD FROM INCORPORATION ON JUNE 10, 2021 TO JANUARY 31, 2022

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF REFLEX ADVANCED MATERIALS CORP. (FORMERLY FREEDOM BATTERY METALS INC.)

Opinion

We have audited the financial statements of Reflex Advanced Materials Corp. (formerly Freedom Battery Metals Inc.) (the "Company"), which comprise:

- ◆ the consolidated statements of financial position as at January 31, 2023, and 2022;
- ◆ the consolidated statements of net loss and comprehensive loss for the year ended January 31, 2023, and for the period from incorporation on June 10, 2021, to January 31, 2022;
- ◆ the consolidated statements of changes in shareholders' equity for the year ended January 31, 2023, and for the period from incorporation on June 10, 2021, to January 31, 2022;
- ◆ the consolidated statements of cash flows for the year ended January 31, 2023, and for the period from incorporation on June 10, 2021, to January 31, 2022;
- ◆ the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at January 31, 2023, and 2022, and its consolidated financial performance and consolidated cash flows for the year ended January 31, 2023 and the period from incorporation on June 10, 2021 to January 31, 2022 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$2,219,672 during the year ended January 31, 2023 and has an accumulated deficit of \$2,249,449 as of January 31, 2023. As stated in Note 2, these events, or conditions, along with other matters as set forth in Note 2 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended January 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no key audit matters to communicate in our auditors' report.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Canadian generally accepted 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Sukhjit Gill.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

May 31, 2023

SMYTHE LLP | smythecpa.com

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Reflex Advanced Materials Corp. (Formerly Freedom Battery Metals Inc.)

Consolidated Statements of Financial Position

As at January 31, 2023 and 2022

In Canadian Dollars, unless noted

As at	Notes	January 31, 2023	January 31, 2022
		\$	\$
ASSETS			
Cash		435,171	503,736
Accounts receivable		35,579	4,498
Prepaid expenses	5	266,697	-
TOTAL CURRENT ASSETS		737,447	508,234
Exploration and evaluation assets	6, 7	1,559,128	69,000
TOTAL ASSETS		2,296,575	577,234
LIABILITIES			
Accounts payable and accrued liabilities	8	143,910	5,240
TOTAL LIABILITIES		143,910	5,240
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	7	2,889,021	409,604
Share subscription	11	340,000	192,167
Reserves	7	1,173,093	-
Deficit		(2,249,449)	(29,777)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		2,152,665	571,994
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)		2,296,575	577,234

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

Approved on behalf of the Board of Directors:

"Paul Gorman" Director

"David Bowen" Director

Reflex Advanced Materials Corp. (Formerly Freedom Battery Metals Inc.)

Consolidated Statements of Net Loss and Comprehensive Loss

For the Year Ended January 31, 2023 & for the Period from Incorporation on June 10, 2021 to January 31, 2022

In Canadian Dollars, unless noted

For the Periods Ended January 31,	Notes	Year Ended January 31, 2023	Period from Incorporation to January 31, 2022
		\$	\$
EXPENSES			
Advertising and marketing		308,879	-
Consulting fees	8	269,170	21,790
Director fees	8	9,000	-
Exploration and evaluation costs	6	208,997	-
Filing fees		72,533	-
Office and miscellaneous		39,958	594
Professional fees		138,042	7,393
Share-based compensation	8	1,173,093	-
NET AND COMPREHENSIVE LOSS		(2,219,672)	(29,777)
Loss per share, basic and diluted		(0.10)	(0.00)
Weighted average number of common shares outstanding – Basic and diluted		22,937,207	9,844,355

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

Reflex Advanced Materials Corp. (Formerly Freedom Battery Metals Inc.)

Consolidated Statements of Changes in Shareholders' Equity

For the Year Ended January 31, 2023 & for the Period from Incorporation on June 10, 2021 to January 31, 2022

In Canadian Dollars, unless noted

	Common Shares	Share Capital	Share Subscriptions	Reserves	Deficit	Total Equity (Deficiency)
	Number (#)	\$	\$	\$	\$	\$
Incorporation, June 10, 2021	100	1	-	-	-	1
Shares issued - private placement - \$0.005 (Note 7)	1,500,000	7,500	-	-	-	7,500
Shares issued - private placement - \$0.02 (Note 7)	10,000,000	200,000	-	-	-	200,000
Shares issued - private placement - \$0.05 (Note 7)	4,000,000	200,000	-	-	-	200,000
Shares issued - Zig-Zag Lithium Property (Note 6)	200,000	4,000	-	-	-	4,000
Share issuance costs (Note 7)	-	(1,897)	-	-	-	(1,897)
Share subscriptions (Note 7)	-	-	192,167	-	-	192,167
Net and comprehensive loss for the period	-	-	-	-	(29,777)	(29,777)
Balance, January 31, 2022	15,700,100	409,604	192,167	-	(29,777)	571,994
Balance, January 31, 2022	15,700,100	409,604	192,167	-	(29,777)	571,994
Shares issued - private placement - special warrants (Note 7)	2,945,666	294,567	(192,167)	-	-	102,400
Shares issued - private placement - \$0.105 (Note 7)	9,700,000	1,018,500	-	-	-	1,018,500
Shares issued - Ruby Graphite Property (Note 6)	2,750,000	1,124,750	-	-	-	1,124,750
Shares issued - Zig-Zag Lithium Property (Note 6)	25,000	10,750	-	-	-	10,750
Share issuance costs (Note 7)	-	(2,175)	-	-	-	(2,175)
Exercise of warrants (Note 7)	174,500	33,025	-	-	-	33,025
Share subscriptions (Note 11)	-	-	340,000	-	-	340,000
Share-based compensation (Note 7)	-	-	-	1,173,093	-	1,173,093
Net and comprehensive loss for the period	-	-	-	-	(2,219,672)	(2,219,672)
Balance, January 31, 2023	31,295,266	2,889,021	340,000	1,173,093	(2,249,449)	2,152,665

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

Reflex Advanced Materials Corp. (Formerly Freedom Battery Metals Inc.)

Consolidated Statements of Cash Flows

For the Year Ended January 31, 2023 & for the Period from Incorporation on June 10, 2021 to January 31, 2022

In Canadian Dollars, unless noted

For the Periods Ended January 31,	Note	Year Ended January 31, 2023	Period from Incorporation to January 31, 2022
		\$	\$
OPERATING ACTIVITIES			
Net loss for the period		(2,219,672)	(29,777)
Items not affecting cash			
Share-based compensation	7	1,173,093	-
Net changes in non-cash working capital items:			
Accounts receivable		(31,081)	(4,498)
Prepaid expenses		(266,697)	-
Accounts payable and accrued liabilities		138,670	5,240
Cash used in operating activities		(1,205,687)	(29,035)
INVESTING ACTIVITIES			
Property option agreement payments	6	(354,628)	(65,000)
Cash used in investing activities		(354,628)	(65,000)
FINANCING ACTIVITIES			
Proceeds from issuance of shares	7	1,120,900	407,501
Proceeds from exercise of warrants	7	33,025	-
Proceeds from subscriptions received	11	340,000	192,167
Share issuance costs	7	(2,175)	(1,897)
Cash received from financing activities		1,491,750	597,771
Net change in cash		(68,565)	503,736
Cash, beginning of year		503,736	-
Cash, end of period		435,171	503,736
Supplemental cash flow information			
Shares issued for mineral property acquisition	6	1,135,500	-

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

Reflex Advanced Materials Corp. (Formerly Freedom Battery Metals Inc.)

Notes to the Consolidated Financial Statements

For the Year Ended January 31, 2023 & for the Period From Incorporation on June 10, 2021 to January 31, 2022

In Canadian Dollars, unless noted

1. NATURE OF OPERATIONS

Freedom Battery Metals Inc. (the “Company”) was incorporated under the *BC Business Corporations Act* on June 10, 2021. The principal business of the Company is the acquisition, exploration, and evaluation of resource properties. The Company’s registered and records office address is 6th Floor, 905 West Pender Street, Vancouver, BC V6C 1L6. Its principal place of business is 915 – 700 West Pender Street, Vancouver, BC V6C 1G8.

On July 25, 2022, the Company obtained a receipt for its final long form prospectus (the “Prospectus”) from the British Columbia Securities Commission, Alberta Securities Commission, Manitoba Securities Commission and Ontario Securities Commission. The Prospectus qualified the distribution of 2,945,666 common shares and 2,945,666 common share purchase warrants of the Company upon the exercise of 2,945,666 issued and outstanding special warrants. On August 3, 2022, the Company’s common shares began trading on the Canadian Securities Exchange (the “CSE”) under the symbol “FBAT” and the Company’s special warrants were converted into 2,945,666 common shares and 2,945,666 common share purchase warrants.

On October 7, 2022, the Company changed its name to “Reflex Advanced Materials Corp.” and changed its stock trading symbol from “FBAT” to “RFLX”. The purpose of the name change was to emphasize that both lithium and graphite are used in more applications than batteries alone.

These consolidated financial statements (the “financial statements”) were approved by the Board of Directors on May 31, 2023.

2. GOING CONCERN

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company incurred a net loss of \$2,219,672 (2022 - \$29,777) during the year ended January 31, 2023 and has an accumulated deficit of \$2,249,449 as of January 31, 2023 (2022 - \$29,777). The Company does not generate cash flow from operations to fund its exploration activities and has therefore relied upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its future operations and exploration activities to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future.

These events and conditions create a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments may be required to the carrying value of assets and liabilities and the statement of financial position classifications used. These financial statements do not include any adjustments that may arise should the Company be unable to continue as a going concern.

3. BASIS OF PRESENTATION

a. Statement of compliance

These financial statements have been prepared under International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

These financial statements, unless otherwise indicated, are expressed in Canadian dollars, which is the Company’s and its subsidiary’s functional currency.

b. Basis of presentation

The financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value as detailed in the accounting policies disclosed in Note 4 of these financial statements. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Reflex Advanced Materials Corp. (Formerly Freedom Battery Metals Inc.)

Notes to the Consolidated Financial Statements

For the Year Ended January 31, 2023 & for the Period From Incorporation on June 10, 2021 to January 31, 2022

In Canadian Dollars, unless noted

c. Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiary, 1377838 B.C. Ltd. ("Subco"). A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investees. All intercompany transactions and balances have been eliminated on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES

a. Exploration and evaluation assets

i. Exploration and evaluation

Staking costs, property option payments, and other costs associated with acquiring exploration and evaluation assets are capitalized and classified as intangible assets, whereas exploration and evaluation expenditures are recognized as an expense as they are incurred. Exploration and evaluation expenditures include costs of conducting geological and geophysical surveys, equipment rental, geochemical analysis, mapping and interpretation, and costs to obtain legal rights to explore an area.

Management reviews the carrying value of capitalized exploration costs annually. This review is based on the Company's intentions for development of the undeveloped property.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

ii. Development

Upon completion of a technical feasibility study and when commercial viability is demonstrated, capitalized exploration and evaluation assets are transferred to and classified as mineral property acquisition and development costs. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management are capitalized. Development expenditures are net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

The costs of removing overburden to access ore are capitalized as pre-production stripping costs and classified as a component of property, plant and equipment.

iii. Impairment

The carrying value of all categories of exploration and evaluation assets are reviewed at least annually by management for indicators the recoverable amount may be less than the carrying value. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash-generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

Value-in-use is based on estimates of discounted future cash flows expected to be recovered from an asset through their use. Estimated future cash flows are calculated using estimates of future recoverable reserves and resources, future commodity prices and expected future operating and capital costs.

Once calculated, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reflex Advanced Materials Corp. (Formerly Freedom Battery Metals Inc.)

Notes to the Consolidated Financial Statements

For the Year Ended January 31, 2023 & for the Period From Incorporation on June 10, 2021 to January 31, 2022

In Canadian Dollars, unless noted

Fair value less costs to sell is the amount obtainable from either quotes from an active market or the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit or group of units on a pro rata basis. Impairment losses are recognized in other expenses. Assumptions, such as commodity prices, discount rate, and expenditures underlying the fair value estimates are subject to risk uncertainties. Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

Impairment losses recognized in prior reporting periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized.

iv. Provision for environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or straight-line method.

The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

b. Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchase the shares.

At the time of closing a financing involving flow-through shares, the Company allocates proceeds received first to common shares based on the market trading price of the common shares at the time the flow-through shares are issued, and any excess is allocated to flow-through premium liability.

At the time of closing a financing involving flow-through units consisting of common shares and warrants, the Company allocates proceeds received as follows:

- Capital stock – the market trading price of the common share;
- Warrant reserve – based on the valuation derived using the Black-Scholes option pricing model; and
- Flow-through premium – any excess, recorded as a liability.

Thereafter, as qualifying resource expenditures are incurred, these costs are expensed as exploration and evaluation expenses and the flow-through premium, if any, is amortized to profit or loss.

At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax expense/liability accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares. For this adjustment, the Company considers the tax benefits (of

Reflex Advanced Materials Corp. (Formerly Freedom Battery Metals Inc.)

Notes to the Consolidated Financial Statements

For the Year Ended January 31, 2023 & for the Period From Incorporation on June 10, 2021 to January 31, 2022

In Canadian Dollars, unless noted

qualifying resource expenditures already incurred) to have been effectively transferred, if it has formally renounced those expenditures at any time.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule in accordance with Government of Canada flow-through regulations. When applicable, this flow-through share tax expense is accrued and recorded in profit or loss.

c. Mining exploration tax recoveries

The Company recognizes mining exploration tax recoveries in the period in which there is reasonable expectation, based on management's estimate, of receiving a refund. The amount of tax credit receivable is subject to review and approval by the taxation authorities and is adjusted for in the period when such approval is confirmed.

d. Financial instruments

i. Financial assets

Initial recognition and measurement

The Company recognizes a financial asset when it becomes party to the contractual provisions of the instrument. A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortized cost if it meets the conditions that: i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are carried in the statement of financial position at fair value with changes in fair value therein, included in other comprehensive income. The Company has no financial assets classified as fair value through other comprehensive income.

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in the statement of loss and comprehensive loss. The Company classifies cash as fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset measured at amortized cost is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if necessary. The Company has no financial assets classified as amortized cost.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly

Reflex Advanced Materials Corp. (Formerly Freedom Battery Metals Inc.)

Notes to the Consolidated Financial Statements

For the Year Ended January 31, 2023 & for the Period From Incorporation on June 10, 2021 to January 31, 2022

In Canadian Dollars, unless noted

since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets, is derecognized when:

- The contractual rights to receive cash flows from the financial asset have expired; or
- The Company has transferred substantially all the risks and rewards of the financial asset.

ii. Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

Financial liabilities at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction costs directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method. The Company's accounts payable and accrued liabilities are measured at amortized cost.

Financial liabilities at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises. The Company has no financial liabilities classified as fair value through profit or loss.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets, is recognized in profit or loss.

iii. Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- 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.
- Level 3 – Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments classified as Level 1 in the fair value hierarchy is cash.

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e. Common shares

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

f. Equity units

The proceeds received on the issuance of units, comprised of common shares and warrants, are allocated using the residual value method. Under the residual value method, proceeds are allocated first to share capital up to the fair value of the common share, determined by reference to the quoted market price of the common shares on the issuance date, with the residual amount of proceeds, if any, allocated to the reserve for warrants.

g. Restricted share units

The fair value of the restricted share units ("RSU") is recognized over the vesting periods based on the volume weighted average trading price of the Company's common shares for the five trading days immediately preceding the grant date. Costs recognized when the RSU vest are charged to share-based payment with the corresponding equity recorded as reserves. When the RSU are settled in shares, recorded fair value is transferred from reserves to share capital. For cash settled RSU, the fair value of the RSU is recognized as share-based payment expense, with a corresponding increase in accrued liabilities over the vesting period. The amount recognized as an expense is based on the estimate of the number of RSUs expected to vest. Cash settled RSU are measured at their fair value at each reporting period on a mark-to-market basis. Upon vesting of the cash settled RSU, the liability is reduced by the cash payout.

h. Share-based payments

The Company has a stock option plan that is described in Note 7 and grants share options to acquire common shares of the Company to directors, officers, employees, and consultants. Share-based payments to employees are measured at the fair value of the instruments granted. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued as calculated using the Black-Scholes option pricing model. The offset to the recorded expense is to reserves. Consideration received on the exercise of stock options is recorded as share capital and the recorded amount in reserves is transferred to share capital. For those options that expire or are cancelled, the recorded fair value in reserves is transferred to deficit.

i. Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

j. Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

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Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets, as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted rates. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

k. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Significant areas requiring the use of management's judgments include:

Going concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Recoverability of mineral properties

The application of the Company's accounting policy for mineral properties requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Business combinations or asset acquisitions

At the time of acquisition, the Company considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Company accounts for an acquisition as a business combination where an integrated set of activities and assets is acquired. More specifically, consideration is given to the extent to which significant processes are acquired.

When the acquisition does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

Control

At the time of acquisition, the Company assesses whether it has control over the acquiree. Control exists when the Company has power over an entity, when the Company is exposed, or has rights, to variable returns from the entity

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and when the Company has the ability to affect those returns through its power over the entity. Where control exists, the Company consolidates the results of the acquired entity.

Significant areas requiring the use of management estimates include:

Valuation of share-based payments

The Company uses the Black-Scholes option pricing model for valuation of share purchase options and share purchase warrants issued as finders fees. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

5. PREPAID EXPENSES

As at January 31, 2023, the Company has \$266,697 (2022 - \$nil) in prepaid expenses which consist of the following:

	January 31, 2023	January 31, 2022
	\$	\$
Marketing and advertising	252,388	-
Filing fees	14,309	-
Total	266,697	-

6. EXPLORATION AND EVALUATION ASSETS AND EXPENSES

The following table summarizes the Company's exploration and evaluation assets by property at January 31, 2023 and 2022:

	Zig-Zag Lithium	Ruby Graphite	Total
	\$	\$	\$
Balance, June 10, 2021	-	-	-
Option agreement – cash	65,000	-	65,000
Option agreement – share issuance	4,000	-	4,000
Balance, January 31, 2022	69,000	-	69,000
Balance, January 31, 2022	69,000	-	69,000
Option agreement – cash	60,000	294,628	354,628
Option agreement – share issuance	10,750	1,124,750	1,135,500
Balance, January 31, 2023	139,750	1,419,378	1,559,128

The following table summarizes the Company's exploration and evaluation expenses by property and type of expense, for the year ended January 31, 2023:

	Zig-Zag Lithium	Ruby Graphite	Total
	\$	\$	\$
Geophysics and geology	-	208,997	208,997
Balance, January 31, 2023	-	208,997	208,997

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a) Zig-Zag Lithium Property, Ontario, Canada

On September 1, 2021, the Company entered into an option agreement with Alex Pleson (a related party), (“Optionor”) to acquire a 100% interest in the Zig-Zag Lithium Property (“Zig-Zag”) by paying consideration of \$250,000 in cash, agreeing to incur at least \$310,000 in expenditures on the Zig-Zag Property, and issue 500,000 Shares to the Optionor. The Property Agreement was negotiated on an arm’s length basis, as the Optionor was not a director when the Property Agreement was entered into on September 1, 2021. The Optionor is now a director of the Company, having been appointed to the Board on September 21, 2021.

Pursuant to the Zig-Zag option agreement, the Company has the option to acquire a 100% interest in the Zig-Zag Lithium Property, in consideration for completing a series of cash payments, common share issuances and exploration expenditures commitments, in accordance with the following schedule:

Milestones	Cash Payments	Common Shares Issuances ⁽¹⁾	Annual Exploration Expenditures	Met
Within five (5) days following the “Effective Date” (September 1, 2021).	\$65,000	200,000 common shares	-	Yes
Within five (5) days following receipt of the final technical report, prepared in accordance with the appropriate National Instrument standards (NI 43-101F1).	\$60,000	-	-	Yes
On or before the first anniversary of the date upon which the Company’s shares are listed for trading on any stock exchange in Canada.	\$50,000	100,000 common shares	\$110,000	No
On or before the second anniversary of the date upon which the Company’s shares are listed for trading on any stock exchange in Canada.	\$75,000	200,000 common shares	\$200,000	No
Total	\$250,000	500,000 common shares	\$310,000	

Note:

⁽¹⁾ The agreement outlines that a common share payment may be required (up to 25,000 common shares of the Company) to the original optionor of the property, to obtain 100% interest in the property. During the year ended January 31, 2023, the Company issued 25,000 common shares to the original optionor of the property.

b) Ruby Graphite Property, Montana, USA

On October 7, 2022, pursuant to a securities exchange agreement (the “Agreement”), among the Company, Broadstone Resources Inc. (“Broadstone”) and a subsidiary of Broadstone (“Subco”), the Company acquired all the issued and outstanding shares of Subco in consideration for the issuance of 2,750,000 common shares of the Company (the “Consideration Shares”) to Broadstone and cash consideration of \$294,628 (the “Acquisition”).

The Acquisition is considered to be outside the scope of IFRS 3 Business Combinations since Subco does not meet the definition of a business for accounting purposes; as such the Acquisition was accounted for as an asset acquisition. The Acquisition of Subco is accounted for considering IFRS 2 Share Based Payment, whereby the Company is deemed to have issued shares in exchange for the net assets of Subco. As a result, the Acquisition has been measured at the market value of the Company’s shares issued, being the more reliable measure of fair value. The total share and cash purchase consideration of \$1,419,378 was allocated to exploration and evaluation assets.

Subco holds an option to acquire a 100% interest in the Ruby Graphite project (the “Ruby Option”), a project area covering approximately 2,000 acres and 96 federal lode mining claims located in Beaverhead County, Montana, U.S.A.

Pursuant to the Ruby Option, the Company has the option to acquire a 100% interest in the Ruby Graphite Property, in consideration for completing a series of cash payments, common share issuances and exploration expenditures commitments, in accordance with the following schedule:

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Milestones	Cash Payments	Common Shares Issuances	Annual Exploration Expenditures	Met
April 7, 2023	\$100,000	100,000 common shares	\$125,000	Yes
April 7, 2024	\$100,000	-	\$200,000	Yes
April 7, 2025	\$200,000	-	\$250,000	No
April 7, 2026	\$300,000	-	\$250,000	No
April 7, 2027	\$300,000	-	\$250,000	No
April 7, 2028	-	-	\$250,000	No
Identification by a QP of a mineral resource of 500,000 tonnes of graphite on the Property (proven, indicated or inferred)	-	300,000 common shares	-	No
Receipt of a favorable economic valuation (positive PFS)	-	300,000 common shares	-	No
Receipt of a bulk sampling permit from BLM that is supported by the Montana Department of Environment Quality	-	300,000 common shares	-	No
Commencement of Commercial Production	\$3,000,000	-	-	No
Total	\$4,000,000	1,000,000 common shares	\$1,325,000	

7. SHAREHOLDERS' EQUITY

(a) Authorized and Issued Share Capital

Unlimited number of common shares without par value. At January 31, the Company had 31,295,266 common shares outstanding.

i) Year-ended January 31, 2023

On April 22, 2022, the Company completed a non-brokered private placement financing raising aggregate gross proceeds of \$294,567 by the issuance of 2,945,666 special warrants at \$0.10 per special warrant. Each special warrant is convertible into one unit of the Company at any time for no additional consideration. Each unit comprises one common share and one whole share purchase warrant. Each warrant will be exercisable for a period of two years from the date the Company's common shares commence trading on the Canadian Securities Exchange, at an exercise price of \$0.20. The Company received \$192,167 in subscription funds related to this private placement prior to January 31, 2022.

On August 3, 2022, the Company's common shares began trading on the Canadian Securities Exchange (the "CSE") under the symbol "FBAT" and the Company's special warrants were converted into 2,945,666 common shares and 2,945,666 common share purchase warrants. Using the residual method, 100% of the proceeds were allocated to the value of the common shares, as their fair value at the time of issuance was in excess of total proceeds. As a result, the fair value of the warrants is nil. In connection with the issuance of special warrants, the Company incurred \$2,175 in issuance costs.

On August 30, 2022, the Company completed a non-brokered private placement through the issuance of 9,700,000 units of the Company at \$0.105 per unit for aggregate gross proceeds of \$1,018,500. Each unit is composed of one common share and one-half of one common share purchase warrant. Each warrant is exercisable at \$0.15 per share for two years from issuance. Using the residual method, 100% of the proceeds were allocated to the value of the common shares, as their fair value at the time of issuance was in excess of total proceeds. As a result, the fair value of the warrants is nil.

On October 7, 2022, the Company issued 2,750,000 common shares with a fair value of \$1,124,750 in connection with the Ruby Graphite Property option acquisition (note 6).

On November 17, 2022, the Company issued 25,000 common shares with a fair value of \$10,750 in connection with the Zig-Zag Lithium Property option agreement (note 6).

ii) Year Ended January 31, 2022

On June 10, 2021, the Company issued 100 common shares at a price of \$0.005 in connection with the incorporation of the Company.

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On June 15, 2021, the Company completed a non-brokered private placement financing raising aggregate gross proceeds of \$7,500 by the issuance of 1,500,000 common shares at a price of \$0.005 per share to the founders of the Company.

On August 19, 2021, the Company completed a non-brokered private placement financing raising aggregate gross proceeds of \$200,000 by the issuance of 10,000,000 common shares at \$0.02 per share.

On September 21, 2021, the Company issued 200,000 common shares at \$0.02 per share in connection with the Zig-Zag Lithium Property option agreement (note 6).

On November 18, 2021, the Company completed a non-brokered private placement financing raising aggregate gross proceeds of \$200,000 by the issuance of 4,000,000 units of the Company at \$0.05 per unit. Each unit comprises one common share and one whole share purchase warrant. Each warrant will be exercisable for a period of three years following the issuance date at an exercise price of \$0.10. The fair value of the warrants was determined to be \$nil.

In connection with the private placements above, the Company incurred \$1,897 in share issuance costs.

(b) Warrants

A summary of the movement in warrants during the years ended January 31, 2023 and 2022 is as follows:

Number of warrants for the periods ending	January 31, 2023	January 31, 2022
Balance, opening	4,000,000	-
Issued	7,795,666	4,000,000
Exercised	(174,500)	-
Balance, ending	11,621,166	4,000,000

The warrants outstanding as at January 31, 2023 are as follows:

Date Granted	Exercise Price	Warrants Issued	Warrants Exercised	Warrants Remaining	Expiry Date	Remaining Life
	\$					
November 18, 2021	\$0.10	4,000,000	-	4,000,000	November 18, 2024	1.80
August 3, 2022	\$0.20	2,945,666	(137,000)	2,808,666	August 3, 2024	1.51
August 30, 2022	\$0.15	4,850,000	(37,500)	4,812,500	August 30, 2024	1.58
Balance, January 31, 2023	\$0.15	11,795,666	(174,500)	11,621,166		1.64

(c) Share purchase options

On November 20, 2022, the Company adopted a stock option plan (the "Plan") to grant share purchase options ("options") to directors, senior officers, employees, and consultants of the Company. The aggregate outstanding options are limited to 10% of the outstanding common shares. The option exercise price under each option shall be not less than the Market Value on the Grant Date.

During the year ended January 31, 2023, the Company granted 1,050,000 (2022 - nil) options to officers and employees of the Company. The fair value of each option granted was determined using the Black-Scholes option pricing model with the weighted average assumptions as follows:

	January 31, 2023	January 31, 2022
Exercise price	\$0.43	N/A
Risk-free interest rate	3.35%	N/A
Volatility	100%	N/A
Dividend yield	0.00%	N/A
Expected life (years)	5.00	N/A
Forfeiture rate	0.00%	N/A

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Option pricing models require the use of highly subjective estimates and assumptions. The expected volatility assumption is based on the historical volatility of comparable entities to the Company's common share price on the CSE. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life. The Company uses historical data to estimate option exercise, forfeiture, and employee termination within the valuation model.

A summary of the Company's options at January 31, 2023 is as follows:

Date Granted	Exercise Price	Options Issued	Options Exercised	Options Remaining	Expiry Date	Remaining Life
	\$					
November 20, 2022	0.43	1,050,000	-	1,050,000	November 20, 2027	4.80
Balance, January 31, 2023	0.43	1,050,000	-	1,050,000		4.80

During the year ended January 31, 2023, the Company recorded share-based compensation expense of \$71,481 (2022 - \$nil) pursuant to options vesting. A remaining share-based compensation expense of \$275,019 (2022 - \$nil) is expected to be recognized as the remaining options vest.

(d) Restricted share units

On November 20, 2022, the Company adopted a restricted share unit plan (the "RSU Plan") to grant restricted share units ("RSUs") to directors, senior officers, employees, and consultants of the Company. The aggregate outstanding RSUs are limited to 10% of the outstanding common shares.

A summary of the Company's restricted share units at January 31, 2023 is as follows:

	RSUs	Fair Value
Balance, January 31, 2022	-	-
Grant – November 20, 2022 ⁽¹⁾⁽²⁾	2,800,000	\$0.43
Balance, January 31, 2023	2,800,000	\$0.43

Notes:

⁽¹⁾ On November 20, 2022, pursuant to the provisions of the Company's restricted share unit plan, the Company granted an aggregate of 2,500,000 restricted share units of the Company (the "RSUs") to the various consultants of the Company with a fair value of \$0.43 per RSU. The restricted share units vest four months from the grant date.

⁽²⁾ On November 20, 2022, pursuant to the provisions of the Company's restricted share unit plan, the Company granted an aggregate of 300,000 restricted share units of the Company to the various directors and officers of the Company with a fair value of \$0.43 per RSU. The restricted share units vest semi-annually over two years from the grant date.

During the year ended January 31, 2023, the Company recorded share-based compensation expense of \$1,101,612 (2022 - \$nil) pursuant to RSUs vesting. A remaining share-based compensation expense of \$102,388 (2022 - \$nil) is expected to be recognized as the remaining RSUs vest.

(e) Escrow shares

As at January 31, 2023, the Company had 1,530,090 (2022 - nil) common shares subject to escrow. Under the escrow agreement, 10% of the total common shares to be released upon listing with the Canadian Securities Exchange and 15% of the remaining shares are to be released every six months following listing. The Company was listed on the Canadian Securities Exchange on August 3, 2022.

8. RELATED PARTY TRANSACTIONS

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Board of Directors and corporate officers.

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The aggregate value of transactions relating to key management personnel during the years ended January 31, 2023 and 2022 were as follows:

For the Period Ended	January 31, 2023	January 31, 2022
	\$	\$
Management fees (to company owned by CEO)	102,500	-
Management fees (to company owned by CFO)	19,500	-
Management fees (to company owned by former CEO)	28,000	4,000
Management fees (to company owned by former CFO)	23,000	9,000
Director fees	9,000	-
Share-based compensation (to directors and officers)	84,478	-
Total	266,478	13,000

As at January 31, 2023, \$35,680 (January 31, 2022 - \$nil) was owing to key management personnel for fees and expenses incurred on behalf of the Company with these amounts all included in accounts payable and accrued liabilities. The amounts payable are non-interest bearing, are unsecured, and have no specific terms of repayment.

9. RISK MANAGEMENT

a) Financial Risk Management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

i. Credit Risk

Credit risk is the risk that a counter party will be unable to pay any amounts owed to the Company. Management's assessment of the Company's exposure to credit risk on its \$435,171 in cash (January 31, 2022 - \$503,736) is low as the Company's cash is held with major Canadian financial institutions.

ii. Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at January 31, 2023 the Company's working capital surplus is \$593,537 (January 31, 2022 - \$502,994), and it does not have any long-term monetary liabilities. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

iii. Market Risk

Market risk incorporates a range of risks. Movements in risk factors, such as currency risk, price risk and interest rate risk, affect the fair values of financial assets and liabilities. The Company is not exposed to these risks.

iv. Currency Risk

The operating results and financial position of the Company are reported in Canadian dollars. As the Company is exploring opportunities in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to minimal currency risk and is nominal to the financial statements.

The Company has not entered into any agreements or purchased any foreign currency hedging instruments to hedge possible currency risks at this time. Management believes the foreign exchange risk derived from currency conversions is not significant, and therefore, does not hedge its foreign exchange risk.

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b) Fair Values

The carrying values of cash, accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

c) Capital Management

The Company considers its shareholders' equity as capital. The Company's objectives when maintaining capital are to maintain a sufficient capital base in order to satisfy its capital obligations and ongoing operational expenses, and at the same time preserve investor's confidence required to sustain future development and production of the business.

The Company manages its capital structure and makes adjustments as necessary in light of economic conditions. The Company, upon approval from its Board of Directors, intends to balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. To maintain its capital structure the Company may, from time to time, issue equity or debt, repay debt or sell assets.

The Company is not exposed to any externally imposed capital requirements. There has been no change in the Company's approach to capital management during the year ended January 31, 2023.

10. INCOME TAX

A reconciliation of the expected income tax recovery is as follows:

For the Year Ended	January 31, 2023	January 31, 2022
	\$	\$
Net loss for the year	(2,219,672)	(29,777)
Statutory tax rate	27%	27%
Expected income tax recovery at the statutory rate	(599,311)	(8,040)
Items not deductible for tax purposes	316,735	-
Unused tax losses and offsets not recognized	283,163	-
Change in unrecognized deductible temporary differences	(587)	8,040
Income tax recovery	-	-

The Company recognizes tax benefits on losses or other deductible amounts generated where it is probable the Company will generate future taxable income to utilize deferred tax assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consists of the following amounts:

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For the Year Ended	January 31, 2023	January 31, 2022
	\$	\$
Deferred tax assets:		
Loss carry-forwards	869,155	8,305
Share issuance costs	2,879	410
Resource properties	208,997	-
Unrecognized deferred tax assets	(1,081,031)	(8,715)
Net deferred tax assets	-	-

The Company has non-capital losses of approximately \$869,000 available to offset future income for income tax purposes which commence expiring in 2041. Due to the uncertainty of realization of these loss-carry forwards, the benefit is not reflected in the financial statements.

11. SUBSEQUENT EVENTS

On February 8, 2023, the Company closed a non-brokered private placement for aggregate gross proceeds of approximately \$4,250,000. Pursuant to the private placement, the Company issued 10,000,000 non flow-through units at a price of \$0.40 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$0.55 until February 8, 2025.

The Company also issued 454,545 flow-through units pursuant to the private placement at a price of \$0.55 per flow-through unit. Each flow-through unit consists of one flow-through share and one common share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$0.65 until February 8, 2025.

In connection with closing of the private placement, the Company paid finder's fees in the aggregate of \$264,745 in cash and issued 540,550 finder's warrants. Each finder's warrant is exercisable into one common share at an exercise price of \$0.65 until February 8, 2025. As at January 31, 2023, the Company had received \$340,000 in share subscriptions in relation to the private placement.

On February 16, 2023, the Company awarded an aggregate of 175,000 RSUs to consultants of the Company's under the Company's restricted share unit plan. The RSUs shall vest immediately following approval of the Plan and the grant of such RSUs in accordance with the policies of the Canadian Securities Exchange ("CSE"). Each vested RSU entitles the holder to receive one common share of the Company.

On March 30, 2023, the Company entered into a subscription agreement to make a strategic investment in Bio Graphene Solutions Inc. ("BGS") by purchasing 202,020 common shares of BGS for \$200,000. BGS is a private nanotechnology company that specializes in the production of high-quality graphene. As part of the strategic investment into BGS, Reflex expects to benefit by collaborating with BGS on potential cross-development projects that include exploring downstream applications that compliment any graphite material sourced from the Company's Ruby Graphite project.

Subsequent to January 31, 2023, the Company has had 1,866,000 warrants exercised for proceeds of \$199,400.