



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED OCTOBER 31, 2023 AND 2022

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying condensed interim financial statements of Reflex Advanced Materials Corp. (formerly Freedom Battery Metals Inc.) have been prepared by and are the responsibility of the Company's management. The Company's independent auditors have not performed a review or audit of these interim financial statements.

Reflex Advanced Materials Corp.

Condensed Consolidated Interim Statements of Financial Position

As at October 31, 2023 and January 31, 2023

In Canadian Dollars, unless noted (unaudited)

| As at | Notes | October 31, 2023 | January 31, 2023 |
|--|-------|------------------|------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Cash | | 14,595 | 435,171 |
| Accounts receivable | | 77,136 | 35,579 |
| Prepaid expenses | 4 | 20,208 | 266,697 |
| TOTAL CURRENT ASSETS | | 111,939 | 737,447 |
| Exploration and evaluation assets | 5,7 | 1,813,540 | 1,559,128 |
| Investments | | 200,000 | - |
| TOTAL ASSETS | | 2,125,479 | 2,296,575 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 8 | 577,828 | 143,910 |
| TOTAL LIABILITIES | | 577,828 | 143,910 |
| EQUITY (DEFICIENCY) | | | |
| Share capital | 7 | 9,516,524 | 2,889,021 |
| Share subscription | 7 | - | 340,000 |
| Reserves | 7 | 819,250 | 1,173,093 |
| Deficit | | (8,788,123) | (2,249,449) |
| TOTAL EQUITY (DEFICIENCY) | | 1,547,651 | 2,152,665 |
| TOTAL LIABILITIES AND EQUITY (DEFICIENCY) | | 2,125,479 | 2,296,575 |

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

Going concern (Note 2) and Subsequent events (Note 10)

Approved on behalf of the Board of Directors:

"Paul Gorman" Director

"David Bowen" Director

Reflex Advanced Materials Corp.

Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss

For the Three and Nine Months Ended October 31, 2023 and 2022

In Canadian Dollars, unless noted (unaudited)

| For the Three Months Ended | Notes | Three Months Ended | | Nine Months Ended | |
|--|-------|--------------------|------------------|--------------------|------------------|
| | | 2023 | 2022 | 2023 | 2022 |
| | | \$ | \$ | \$ | \$ |
| EXPENSES | | | | | |
| Advertising and marketing | | 25,466 | 68,449 | 2,068,300 | 68,449 |
| Consulting fees | 8 | 89,525 | 99,325 | 305,532 | 157,670 |
| Director fees | 8 | 9,000 | - | 27,000 | - |
| Exploration and evaluation costs | | 1,729,259 | - | 3,222,739 | - |
| Filing fees | | 25,818 | 26,208 | 49,143 | 58,188 |
| Office and miscellaneous | | 4,554 | 19,391 | 56,640 | 22,393 |
| Professional fees | | 28,993 | 39,393 | 208,636 | 100,685 |
| Share-based compensation | 7,8 | 58,161 | - | 593,357 | - |
| Foreign exchange (gain) / loss | | 3,846 | - | 7,327 | - |
| NET AND COMPREHENSIVE LOSS | | (1,974,622) | (252,766) | (6,538,674) | (407,385) |
| Loss per share, basic and diluted | | (0.04) | (0.01) | (0.14) | (0.02) |
| Weighted average number of common shares outstanding – Basic and diluted | | 53,228,890 | 25,888,871 | 46,209,070 | 19,133,679 |

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

Reflex Advanced Materials Corp.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the Nine Months Ended October 31, 2023 and 2022

In Canadian Dollars, unless noted (unaudited)

| | Common Shares | Share Capital | Share Subscriptions | Reserves | Deficit | Total Equity (Deficiency) |
|---|-------------------|------------------|------------------------|------------------|--------------------|------------------------------|
| | Number (#) | \$ | \$ | \$ | \$ | \$ |
| 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 | 228,731 | (192,167) | 65,836 | - | 102,400 |
| Shares issued - private placement (Note 7) | 9,700,000 | 1,018,500 | - | - | - | 1,018,500 |
| Share issuance costs (Note 7) | - | (2,175) | - | - | - | (2,175) |
| Shares issued for exploration and evaluation assets | 2,750,000 | 928,125 | - | - | - | 928,125 |
| Exercise of warrants | 71,000 | 15,987 | - | (1,587) | - | 14,400 |
| Net and comprehensive loss for the period | - | - | - | - | (407,385) | (407,385) |
| Balance, October 31, 2022 | 31,166,766 | 2,598,772 | - | 64,249 | (437,162) | 2,225,859 |
| Balance, January 31, 2023 | 31,295,266 | 2,889,021 | 340,000 | 1,173,093 | (2,249,449) | 2,152,665 |
| Shares issued - private placement - \$0.40 (Note 7) | 10,000,000 | 4,000,000 | (340,000) | - | - | 3,660,000 |
| Shares issued - private placement - \$0.55 (Note 7) | 454,545 | 250,000 | - | - | - | 250,000 |
| Shares issued - private placement - \$0.20 (Note 7) | 4,350,000 | 870,000 | - | - | - | 870,000 |
| Shares issued for exploration and evaluation assets (Note 5) | 200,000 | 68,870 | - | - | - | 68,870 |
| Share issuance costs (Note 7) | - | (544,445) | - | 296,550 | - | (247,895) |
| Exercise of warrants (Note 7) | 5,461,358 | 739,328 | - | - | - | 739,328 |
| Exercise of restricted share units (Note 7) | 2,750,000 | 1,243,750 | - | (1,243,750) | - | - |
| Vesting of options and restricted share rights (Note 7) | - | - | - | 593,357 | - | 593,357 |
| Net and comprehensive loss for the period | - | - | - | - | (6,538,674) | (6,538,674) |
| Balance, October 31, 2023 | 54,511,169 | 9,516,524 | - | 819,250 | (8,788,123) | 1,547,651 |

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

Reflex Advanced Materials Corp.
Condensed Consolidated Interim Statements of Cash Flows
For the Nine Months Ended October 31, 2023 and 2022
In Canadian Dollars, unless noted (unaudited)

| For the Nine Months Ended | Note | October 31, 2023 | October 31, 2022 |
|---|------|--------------------|------------------|
| | | \$ | \$ |
| OPERATING ACTIVITIES | | | |
| Net loss for the period | | (6,538,674) | (407,385) |
| Items not affecting cash | | | |
| Share-based compensation | 7 | 593,357 | - |
| Net changes in non-cash working capital items: | | | |
| Accounts receivable | | (41,557) | (18,086) |
| Prepaid expenses | | 246,489 | (54,125) |
| Accounts payable and accrued liabilities | | 433,918 | 78,152 |
| Cash used in operating activities | | (5,306,467) | (401,444) |
| INVESTING ACTIVITIES | | | |
| Property option agreement payments | 5 | (185,542) | (354,628) |
| Investments | | (200,000) | - |
| Cash used in investing activities | | (385,542) | (354,628) |
| FINANCING ACTIVITIES | | | |
| Proceeds from issuance of shares | 7 | 4,780,000 | 1,018,500 |
| Proceeds from issuance of special warrants | 7 | - | 102,400 |
| Proceeds from exercise of warrants | 7 | 739,328 | 14,400 |
| Share issuance costs | 7 | (247,895) | (2,175) |
| Cash received from financing activities | | 5,271,433 | 1,133,125 |
| Net change in cash | | (420,576) | 377,053 |
| Cash, beginning of year | | 435,171 | 503,736 |
| Cash, end of period | | 14,595 | 880,789 |
| Supplemental cash flow information | | | |
| Shares issued for mineral property acquisition | 5 | 68,870 | - |

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

Reflex Advanced Materials Corp.

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended October 31, 2023 and 2022

In Canadian Dollars, unless noted (unaudited)

1. NATURE OF OPERATIONS

Reflex Advanced Materials Corp., formally 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 December 28, 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 \$6,538,674 (2022 - \$407,385) during the nine months ended October 31, 2023 and has an accumulated deficit of \$8,788,123 as of October 31, 2023 (January 31, 2023 - \$2,249,449). 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

In these financial statements, unless otherwise indicated, all amounts are expressed in Canadian dollars, which is the Company’s functional and presentation currency.

These financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company’s audited financial statements for the year ended January 31, 2023.

Reflex Advanced Materials Corp.

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended October 31, 2023 and 2022

In Canadian Dollars, unless noted (unaudited)

b. Basis of consolidation

These financial statements include the operations of the Company and its wholly owned subsidiaries as follows:

- 1377838 B.C. Ltd. ("Subco"), which is incorporated in British Columbia, Canada
- Reflex Advanced Montana LLC, which is incorporated in Montana, United States

Control exists when the parent company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. All significant intercompany transactions and balances have been eliminated.

c. Foreign currencies

The Company's functional and presentation currency is the Canadian dollar.

Monetary assets and liabilities are translated into Canadian dollars using the exchange rate in effect at the date of the statement of financial position.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined, and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

d. Significant accounting judgments and estimates

The timely preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to estimates are recognized prospectively. As at October 31, 2023 the following have been identified as material estimates:

i. Share-based compensation

Management determines fair value for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using valuation techniques. Assumptions are made and judgment used in applying valuation techniques.

These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Similar calculations are made to value warrants. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

In the preparation of these financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. The following critical judgments can have an effect on the amounts recognized in the financial statements:

i. Exploration and evaluation assets

The Company is required to make certain judgments in assessing indicators of impairment of exploration and evaluation assets. Judgment is required to determine if the right to explore will expire in the near future or is not expected to be renewed.

Reflex Advanced Materials Corp.

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended October 31, 2023 and 2022

In Canadian Dollars, unless noted (unaudited)

Judgment is required to determine whether substantive expenditures on further exploration for and evaluation of mineral resources in specific areas will not be planned or budgeted. Judgment is required to determine if the exploration for and evaluation of mineral resources in specific areas have not led to the commercially viable quantities of mineral resources and the Company will discontinue such activities. Judgment is required to determine whether there are indications that the carrying amount of an exploration and evaluation property is unlikely to be recovered in full of successful development of the project or by sale.

4. PREPAID EXPENSES

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

| | October 31, 2023 | January 31, 2023 |
|---------------------------|------------------|------------------|
| | \$ | \$ |
| Marketing and advertising | - | 252,388 |
| Other contracts | 20,208 | 14,309 |
| Total | 20,208 | 266,697 |

5. EXPLORATION AND EVALUATION ASSETS AND EXPENSES

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

| | Zig-Zag Lithium | Ruby Graphite | Total |
|-----------------------------------|-----------------|------------------|------------------|
| | \$ | \$ | \$ |
| 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 |
| Balance, January 31, 2023 | 139,750 | 1,419,378 | 1,559,128 |
| Option agreement - cash | 50,000 | 135,542 | 185,542 |
| Option agreement - shares | 18,870 | 50,000 | 68,870 |
| Balance, October 31, 2023 | 189,750 | 1,604,920 | 1,813,540 |

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

| | Zig-Zag Lithium | Ruby Graphite | Total |
|----------------------------------|-----------------|------------------|------------------|
| | \$ | \$ | \$ |
| Geophysics and geology | - | 800,910 | 800,910 |
| Drilling | - | 1,514,264 | 1,514,264 |
| Metallurgical | - | 295,799 | 295,799 |
| Project management and equipment | - | 611,766 | 611,766 |
| Balance, October 31, 2023 | - | 3,222,739 | 3,222,739 |

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.

Reflex Advanced Materials Corp.

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended October 31, 2023 and 2022

In Canadian Dollars, unless noted (unaudited)

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 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 ⁽²⁾ | Yes |
| 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.
- (2) The Company has received an extension from the Optionor, to extend the annual exploration expenditures required in the first year, to the second year. The total exploration expenditure remains \$310,000.

During the nine months ended October 31, 2023, the Company made cash payments of \$50,000 and issued 100,000 common shares, valued at \$18,870, in connection with the Zig-Zag option agreement.

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 were 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:

| Milestones | Cash Payments | Common Shares Issuances | Annual Exploration | Met |
|--|---------------|-------------------------|--------------------|-----|
| April 7, 2023 | \$100,000 | 100,000 common shares | \$125,000 | Yes |
| April 7, 2024 | \$100,000 | - | \$200,000 | No |
| 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 |

Reflex Advanced Materials Corp.

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended October 31, 2023 and 2022

In Canadian Dollars, unless noted (unaudited)

| | | | | |
|---|--------------------|--------------------------------|--------------------|----|
| 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 | |

During the nine months ended October 31, 2023, the Company made cash payments of \$100,000 USD (\$135,542 CAD) and issued 100,000 common shares, valued at \$50,000, in connection with the Ruby option agreement.

6. INVESTMENTS

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.

The investment in BGS was recorded at fair value on the statement of financial position, with any changes in fair value being recorded through the statements of loss.

7. SHAREHOLDERS' EQUITY

(a) Authorized and Issued Share Capital

Unlimited number of common shares without par value. At October 31, 2023, the Company had 54,511,169 common shares outstanding.

i) Nine months ended October 31, 2023

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.

On February 8, 2023, 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. There was no residual value allocated to the flow-through obligation, as the shares were issued at a discount to the market share price at the date of issuance.

In connection with closing of the February 8, 2023 private placement, the Company paid finder's fees in the aggregate of \$264,745 in cash and issued 540,550 finder's warrants, fair valued at \$285,693. Each finder's warrant is exercisable into one common share at an exercise price of \$0.65 until February 8, 2025.

On October 13, 2023, the Company closed a non-brokered private placement for aggregate gross proceeds of approximately \$410,000. Pursuant to the private placement, the Company issued 2,050,000 non-flow through units at a price of \$0.20 per unit. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant is exercisable into one common share at an exercise price of \$0.35 until October 13, 2025. The Company paid finder's fees in the aggregate of \$8,000 in cash and issued 40,000 finder's warrants, fair valued at \$2,128. Each finder's warrant is exercisable into one common share at an exercise price of \$0.35 until October 13, 2025. 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.

Reflex Advanced Materials Corp.

Notes to the Consolidated Financial Statements

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In Canadian Dollars, unless noted (unaudited)

On October 18, 2023, the Company closed a non-brokered private placement for aggregate gross proceeds of approximately \$460,000. Pursuant to the private placement, the Company issued 2,300,000 non-flow through units at a price of \$0.20 per unit. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant is exercisable into one common share at an exercise price of \$0.35 until October 18, 2025. The Company paid finder's fees in the aggregate of \$36,800 in cash and issued 164,000 finder's warrants, fair valued at \$8,729. Each finder's warrant is exercisable into one common share at an exercise price of \$0.35 until October 18, 2025. 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.

During the nine months ended October 31, 2023, the Company issued 100,000 common shares in connection with the Ruby option agreement (\$50,000) and 100,000 common shares in connection with the Zig-Zag property option agreement (note 6, 870).

During the nine months ended October 31, 2023, 5,461,358 warrants were exercised, for total cash proceeds of \$739,328. In addition, 2,750,000 restricted share units were exercised for 2,750,000 common shares of the Company.

ii) 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).

Reflex Advanced Materials Corp.

Notes to the Consolidated Financial Statements
For the Three and Nine Months Ended October 31, 2023 and 2022
In Canadian Dollars, unless noted (unaudited)

(b) Warrants

A summary of the movement in warrants is as follows:

| Number of Warrants | October 31, 2023 | January 31, 2023 |
|------------------------|-------------------|-------------------|
| Balance, Opening | 11,621,166 | 4,000,000 |
| Issued | 13,374,095 | 7,795,666 |
| Exercised | (5,461,358) | (174,500) |
| Balance, Ending | 19,533,903 | 11,621,166 |

The warrants outstanding as at October 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 | (2,960,000) | 1,040,000 | November 18, 2024 | 1.05 |
| August 3, 2022 | \$0.20 | 2,945,666 | (552,000) | 2,393,666 | August 3, 2024 | 0.76 |
| August 30, 2022 | \$0.15 | 4,850,090 | (1,936,358) | 2,913,732 | August 30, 2024 | 0.83 |
| February 8, 2023 | \$0.40 | 9,500,000 | (187,500) | 9,312,500 | February 8, 2025 | 1.28 |
| February 8, 2023 | \$0.55 | 1,040,550 | - | 1,040,550 | February 8, 2025 | 1.28 |
| February 8, 2023 | \$0.65 | 454,545 | - | 454,545 | February 8, 2025 | 1.28 |
| October 13, 2023 | \$0.35 | 1,065,000 | - | 1,065,000 | October 13, 2025 | 1.95 |
| October 18, 2023 | \$0.35 | 1,314,000 | - | 1,314,000 | October 18, 2025 | 1.97 |
| Balance, October 31, 2023 | \$0.33 | 25,169,851 | (5,635,858) | 19,533,993 | | 1.22 |

On June 26, 2023, the Company completed the repricing of 10,000,000 common share purchase warrants (the "Warrants") issued on February 8, 2023. The Warrants' exercise price was reduced from \$0.55 per share to \$0.40 per share. All other terms of the Warrants remained the same.

(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 nine months ended October 31, 2023, the Company granted 50,000 (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:

| | October 31, 2023 | January 31, 2023 |
|-------------------------|------------------|------------------|
| Exercise price | \$0.43 | \$0.43 |
| Risk-free interest rate | 3.40% | 3.35% |
| Volatility | 100% | 100% |
| Dividend yield | 0.00% | 0.00% |
| Expected life (years) | 5.00 | 5.00 |
| Forfeiture rate | 0.00% | 0.00% |

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.

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A summary of the Company's options at October 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 | 4.56 |
| June 13, 2023 | 0.38 | 50,000 | - | 50,000 | June 13, 2028 | 4.87 |
| Balance, October 31, 2023 | 0.43 | 1,100,000 | - | 1,100,000 | | 4.08 |

During the nine months ended October 31, 2023, the Company recorded share-based compensation expense of \$214,414 (2022 - \$nil) pursuant to options vesting. A remaining share-based compensation expense of \$70,695 (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 October 31, 2023 is as follows:

| | RSUs | Fair Value |
|--|------------------|---------------|
| Balance, January 31, 2022 | - | - |
| Grant – November 20, 2022 ⁽¹⁾ | 2,800,000 | \$0.43 |
| Balance, January 31, 2023 | 2,800,000 | \$0.43 |
| Grant – February 16, 2023 ⁽¹⁾ | 175,000 | \$0.78 |
| Grant – June 13, 2023 ⁽²⁾ | 450,000 | \$0.38 |
| Exercised | (2,750,000) | \$0.45 |
| Balance, October 31, 2023 | 675,000 | \$0.44 |

Notes:

- On February 16, 2023, the Company awarded an aggregate of 175,000 RSUs to consultants of the Company 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 June 13, 2023, the Company awarded an aggregate 450,000 RSUs to employees to consultants of the Company under the Company's restricted share unit plan. The RUSs 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.

During the nine months ended October 31, 2023, the Company recorded share-based compensation expense of \$378,933 (2022 - \$nil) pursuant to RSUs vesting. A remaining share-based compensation expense of \$30,440 (2022 - \$nil) is expected to be recognized as the remaining RSUs vest.

(e) Escrow shares

As at October 31, 2023, the Company had 1,020,060 (2022 – 1,530,090) 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 nine months ended October 31, 2023 and 2022 were as follows:

| For the Nine Months Ended | October 31, 2023 | October 31, 2022 |
|--|------------------|------------------|
| | \$ | \$ |
| Management fees (to company owned by CEO) | 112,500 | 35,000 |
| Management fees (to company owned by CFO) | 67,500 | - |
| Management fees (to company owned by former CEO) | - | 20,000 |
| Management fees (to company owned by former CFO) | - | 24,000 |
| Director fees | 27,000 | - |
| Share-based compensation (to directors and officers) | 381,279 | - |
| Total | 588,279 | 79,000 |

As at October 31, 2023, \$20,425 (January 31, 2023 - \$35,680) 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.

In addition, in August 2023, the Company paid \$50,000 and issued 100,000 common shares to Alex Pleson, a director of the Company, pursuant to the Zig-Zag Lithium Property option agreement (see note 5).

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 \$14,595 in cash (January 31, 2023 - \$435,171) at October 31, 2023 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 October 31, 2023 the Company's working capital deficit is \$465,889 (January 31, 2023 - \$593,537), 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.

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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.

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 nine months ended October 31, 2023.

10. SUBSEQUENT EVENTS

On November 17, 2023, the Company closed the third and final tranche of the non-brokered private placement for aggregate gross proceeds of approximately \$100,000. Pursuant to the private placement, the Company issued 500,000 non-flow through units at a price of \$0.20 per unit. Each unit consists of one common share and one-half common share purchase warrant.

On December 15, 2023 the Company announced its intention to complete a non-brokered private placement financing of up to 10,000,000 units of the Company at a price of \$0.10 per unit for aggregate gross proceeds of up to \$1,000,000. Each Unit shall consist of one (1) common share in the capital of the Company ("Share") and one (1) Share purchase warrant ("Warrant"), whereby each Warrant shall entitle the holder thereof to purchase an additional Share at an exercise price of \$0.15 for a period of 24 months from the date of issuance. The Company anticipates closing of the placement by January 2024.

11. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATION

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.

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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:

- Share capital – the market trading price of the common share;
- Flow-through premium – the difference noted between the market trading price of the common share and the price for each flow-through share or unit.
- Warrant reserve – any excess noted, if any.

Thereafter, as qualifying resource expenditures are incurred, these costs are expensed as exploration and evaluation expenses and the flow-through premium, if any, will be reversed when the paperwork to renounce is filed.

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 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.

In addition, there are no new IFRS standards issued, but not yet effective, that may affect the financial statements of the Company.