

BRAILLE ENERGY SYSTEMS INC.
(formerly Mincom Capital Inc.)

Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended June 30, 2019

(Expressed in Canadian dollars)
(Unaudited)

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NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements.

Braille Energy Systems Inc. (formerly Mincom Capital Inc.)

Condensed Consolidated Interim Statements of Financial Position (Unaudited)

(in Canadian dollars)

As at	June 30 2019	September 30, 2018
	\$	\$
ASSETS		
Current assets		
Cash	59,873	621,845
Trade and other receivables (Note 6)	209,261	150,759
Amounts due from related parties (Note 13)	66,437	94,525
Inventory (Note 7)	261,393	242,900
Prepaid expenses	195,907	69,132
	792,871	1,179,161
Property, plant and equipment (Note 8)	103,232	109,730
Intangible assets (Note 9)	1,390,546	1,541,925
Goodwill (Note 9)	882,275	839,015
	3,168,924	3,669,831
LIABILITIES		
Current liabilities		
Line of credit	67,165	-
Accounts payable and accrued liabilities	505,981	183,773
Warranty provision	-	49,422
Amounts due to related parties (Note 13)	129,182	540,905
Penalty payable - short term	-	31,787
	702,328	805,887
Penalty payable - long term	222,568	218,054
Deferred tax liability	197,633	193,123
Amounts due to related parties (Note 13)	800,253	710,994
	1,922,782	1,928,058
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	4,612,438	4,612,438
Warrants (Note 11)	608,000	608,000
Contributed surplus	189,622	152,687
Deficit	(4,166,341)	(3,719,938)
Accumulated other comprehensive income	(102,485)	3,638
Equity attributable to owners of the parent	1,141,234	1,656,825
Non-controlling interest	104,908	84,948
	1,246,142	1,741,773
	3,168,924	3,669,831

Going concern (Note 2)

On behalf of the Board

(signed "Gary Economo")

Gary Economo, Director

(signed "Jeffrey York")

Jeffrey York, Director

Braille Energy Systems Inc. (formerly Mincom Capital Inc.)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (Unaudited)

(in Canadian dollars)

	Three months ended June 30,		Nine months ended June 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Revenue	628,779	83,483	1,930,553	83,483
Cost of goods sold	(280,802)	(91,287)	(1,060,091)	(91,287)
	347,977	(7,804)	870,462	(7,804)
Operating expenses				
Consulting fees	60,541	34,010	216,146	52,020
Salaries and benefits	89,391	12,280	219,999	12,280
Stock-based compensation	36,935	-	36,935	-
Travel and promotion	5,648	(3,840)	80,688	16,798
Professional fees	16,417	20,092	233,859	51,731
Filing fees	221	32,600	12,069	37,736
Interest	36,691	-	101,074	-
Insurance	23,986	5,891	9,883	17,648
Agent fees	6,898	2,225	11,376	12,181
Other expenses	121,875	5,486	354,927	20,774
	(398,602)	(108,744)	(1,276,955)	(221,168)
Net loss before tax	(50,625)	(116,548)	(406,493)	(228,972)
Tax recovery				
Deferred tax expense	32,231	-	(15,029)	-
Net loss	(18,394)	(116,548)	(421,522)	(228,972)
Other comprehensive income				
Exchange differences on translation	(68,051)	5,649	(48,950)	5,649
Other comprehensive income	(68,051)	5,649	(48,950)	5,649
Total comprehensive loss	(86,445)	(110,899)	(470,472)	(223,323)
Net loss attributable to:				
Owners of the parent	(16,546)	(226,800)	(446,403)	(226,800)
Non-controlling interest	(1,849)	(2,172)	24,881	(2,172)
	(18,394)	(228,972)	(421,522)	(228,972)
Total comprehensive loss attributable to:				
Owner of the parent	(77,757)	5,081	(490,432)	5,081
Non-controlling interest	(8,688)	568	19,960	-
	(86,445)	5,649	(470,472)	5,081
Basic and diluted loss per common share	(0.0004)	(0.005)	(0.009)	(0.012)
Basic and diluted weighted average number of common shares outstanding	47,012,257	21,199,070	47,012,257	19,074,528

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

Braille Energy Systems Inc. (formerly Mincom Capital Inc.)

Condensed Consolidated Interim Statements of Changes of Equity (Unaudited)

(in Canadian dollars)

	Number of shares	Share capital \$	Warrants \$	Contributed Surplus \$	Deficit \$	Accumulated other comprehensive income	Equity attributable to owners of the parent	Non-controlling interest	Total \$
Balance, September 30, 2017	18,012,257	2,085,813	-	152,687	(1,224,145)	-	1,014,355	-	1,014,355.00
Net loss and total comprehensive loss	-	-	-	-	(112,425)	-	(112,425)	-	(112,425)
Balance, June 30, 2018	47,012,257	2,085,813	-	152,687	(1,336,570)	-	901,930.00	-	901,930.00
Shares issued for cash	-	1,920,900	-	-	-	-	1,920,900	-	1,920,900
Shares issued to acquire Braille Battery Inc.	-	-	-	-	-	-	-	-	-
Warrants issued	-	749,169	-	-	-	-	749,169	-	749,169
Share issuance costs	-	(143,444)	608,000	-	-	-	608,000	-	608,000
Acquisition of subsidiaries	-	-	-	-	-	-	-	117,653	117,653
Net loss and total comprehensive loss	-	-	-	-	(2,383,368)	-	(2,383,368)	(33,111)	(2,416,479)
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	3,638	3,638	406	4,044
Balance, September 30, 2018	47,012,257	4,612,438	608,000	152,687	(3,719,938)	3,638	1,656,825	84,948	1,741,773
Net loss and total comprehensive loss	-	-	-	-	(446,403)	-	(446,403)	19,960	(426,443)
Stock-based compensation	-	-	-	36,935	-	-	36,935	-	36,935
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	(106,123)	(106,123)	-	(106,123)
Balance, June 30, 2019	47,012,257	4,612,438	608,000	189,622	(4,166,341)	(102,485)	1,141,234	104,908	1,246,142

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

Braille Energy Systems Inc. (formerly Mincom Capital Inc.)

Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

(in Canadian dollars)

	Three months ended June 30,		Nine months ended June 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(33,039)	(116,548)	(291,811)	(228,973)
Adjustments for:				
Interest accretion	36,691	-	101,074	-
Stock options	36,935	-	36,935	-
Depreciation of tangible assets	(6,601)	-	6,658	-
Depreciation of intangible assets	(4,812)	-	35,385	-
Deferred tax recovery	32,231	-	(15,029)	-
Unrealized foreign exchange losses	3,870	-	(217,499)	-
Changes in working capital items	(107,075)	226,962	(476,556)	277,436
Cash flows (used in) from operating activities	(41,800)	110,414	(820,843)	48,463
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	-	48,997	8,727	48,997
Exploration and evaluation costs	-	(66,769)	-	(69,464)
Cash flows used in investing activities	-	(17,772)	8,727	(20,467)
FINANCING ACTIVITIES				
Proceeds from line of credit	(2,165)	-	(67,165)	-
Common Shares Issued	-	2,503,630	-	2,503,630
Share Issuance Costs	-	(143,444)	-	(143,444)
Change in amounts due from related parties	(33,437)	(33,346)	28,088	-
Change in amounts due to related parties	95,698	40,000	322,464	99,584
Penalty paid	-	-	(33,243)	-
Cash flows from financing activities	60,096	2,366,840	250,144	2,459,770
Increase (decrease) in cash	18,296	2,459,482	(561,972)	2,487,766
Cash, beginning of the period	-	30,741	621,845	2,457
Exchange differences on cash	-	69,804	-	69,804
Cash, end of the period	18,296	2,560,027	59,873	2,560,027
<i>Supplemental information:</i>				
Changes in working capital items consist of the following:				
Amounts receivable	29,710	(9,255)	(58,502)	(4,641)
Inventories	(33,316)	-	(18,493)	93,212
Prepaid expenses	17,392	24,592	(126,775)	14,083
Accounts payable and accrued liabilities	(120,861)	211,625	(322,208)	174,782
Warranty provision	-	-	49,422	-
	(107,075)	226,962	(476,556)	277,436

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

Braille Energy Systems Inc. (formerly Mincom Capital Inc.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine months ended June 31, 2019

(in Canadian dollars)

1. NATURE OF OPERATIONS

Braille Energy Systems Inc. (formerly Mincom Capital Inc) (the “Company” or “BESI”) was incorporated on May 24, 2011 under the Canada Business Corporations Act. The Company’s shares are listed on the TSX Venture Exchange under the symbol BES (formerly MOI). The head office of the Company is located at 945 Princess Street, Kingston, Ontario.

Further to the closing of the acquisition and change of business transaction on June 21, 2018 (Note 4), whereby the Company acquired an 89.95% ownership interest in Braille Holdings Inc., the Company is now a Tier 2 Technology Issuer. Braille Battery Inc. (“Braille Battery”), a wholly-owned subsidiary of Braille Holdings Inc., is an established battery-manufacturing and energy storage company supplying batteries to the professional motor sports industry.

Prior to the acquisition of Braille Battery, the Company engaged in the acquisition, exploration, and development of mineral properties in Quebec, Canada. The Company is in the exploration stage and does not derive any revenue from its properties. The Company does not intend to continue exploration activities on its Romer Property. Management is considering different options, including but not limited to, selling its interest in the property.

2. GOING CONCERN ASSUMPTION

These condensed consolidated interim financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”). The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the nine months ended June 30, 2019, the Company incurred a net loss of \$421,522 and negative cash flows used in operating activities of \$820,843. In addition, the Company has a deficit of \$4,166,341.

The above factors indicate material uncertainties, which may cast significant doubt about the Company’s ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company’s own resources and external market conditions.

The Company’s ability to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business and meet its corporate administrative expenses is dependent upon the Company’s ability to increase sales and reduce costs. No assurance can be given that the Company will be successful in meeting sales targets, reducing costs or obtaining the required additional financing in order to proceed with its plans to expand, through various means including equity financing, to support its operations. Failure to meet operational or financing goals could result in material uncertainties that cast significant doubt as to the Company’s ability to continue as a going concern.

These consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated interim financial statements, then adjustments would be necessary to the carrying amount of assets and liabilities, the reported expenses, and the consolidated interim statement of financial position classifications used.

Braille Energy Systems Inc. (formerly Mincom Capital Inc.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine months ended June 31, 2019

(in Canadian dollars)

3. BASIS OF PRESENTATION

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the years ended September 30, 2018 and 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 26 2019.

b) Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis and are expressed in Canadian dollars, which is also the Company's functional currency.

These condensed consolidated interim financial statements have been prepared using accounting policies that are consistent with those used in the preparation of the Company's audited annual statements for the years ended September 30, 2018 and 2017.

c) Judgments, estimates and assumptions

When preparing the financial statements, Management makes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

Significant Management judgment

The following are significant Management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires Management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, Management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

Functional currency

An area of judgment that has a significant effect on the amounts recognized in these condensed consolidated financial statements is the determination of functional currency. The determination of the Company and its subsidiaries' functional currency often requires significant judgment where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation methods used.

Braille Energy Systems Inc. (formerly Mincom Capital Inc.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine months ended June 31, 2019

(in Canadian dollars)

Contingencies

Management uses judgment to assess the existence of contingencies. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also uses judgment to assess the likelihood of the occurrence of one or more future events.

Going concern risk assessment

The assessment of the Company's ability to continue as a going concern involves significant judgment based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. The determination of fair value of identifiable intangible assets, in particular, requires the use of significant estimates and assumptions.

Assessment of impairment of goodwill and intangible assets

The Company's impairment tests for goodwill and intangible assets are based on value in use calculations that use a discounted cash flow model. The value-in-use calculations employ the following key assumptions: future cash flows, growth projections, including economic risk assumptions, and estimates of achieving key operating metrics. The cash flows are derived from the Company's budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the cash-generating-unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Useful lives of depreciable assets

Management reviews its estimates of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

Useful lives of intangible assets

The useful lives of intangible assets have been determined based on management estimated attrition rates related to the associated asset. Any subsequent change in these estimates would affect the amount of amortization recorded over future periods. Uncertainties in these estimates relate to the amortization period of intangible assets, specifically trademarks, customer relationships and intellectual property.

Allowance for Doubtful Accounts

The Company makes an assessment of whether accounts receivable are collectible from customers. Accordingly, an allowance for estimated losses arising from non-payment and other sales adjustments, taking into consideration customer credit-worthiness, current economic trends and past experience may be determined depending on the circumstances. If future collections differ from estimates, future earnings would be affected.

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For the three and nine months ended June 31, 2019

(in Canadian dollars)

Valuation adjustments for inventory

The Company records valuation adjustments for inventory by comparing the inventory cost to its net realizable value. This process requires the use of estimates and assumptions related to future market demand, costs and prices. These adjustments are reviewed on an ongoing basis and may have a significant impact on any valuation adjustment for inventory.

Contingencies

When contingencies exist, Management estimates the related financial impact to the Company of the possible outcomes of one or more future events.

Warranty provision

Management makes estimates in determining an appropriate warranty provision, based on past history of warranty claims.

Impairment of mineral exploration properties and exploration and evaluation assets

Management makes a determining if there are any facts and circumstances indicating impairment or reversal of impairment losses, which in many cases, is a subjective process involving judgment and a number of estimates and interpretations.

Determining whether to test for impairment of mineral exploration properties and exploration and evaluation assets requires management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment or a reversal of an impairment loss exists, the recoverable amount of the individual asset or cash-generating units must be estimated.

Share based payments

The estimation of stock-based compensation and warrants requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the estimated life of stock options and warrants granted and the time of exercise of those stock options and warrants. The valuation model used by the Company is the Black-Scholes model.

The Company allocates values to share capital and to warrants on the residual basis when the two are issued together as a unit. As this allocation is based upon the share price at the time of issuance and the stock is thinly-traded, the actual value of the components may differ from this allocation.

Units offered in private placement

Management uses the Black-Scholes option-pricing model to calculate the fair value of warrants as part of the unit issuance. Use of this method requires management to make assumptions and estimates about the expected life of the warrants, the risk-free rate, share price and the volatility of the Company's share price. In making these assumptions and estimates, management relies on data from comparable public companies

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(in Canadian dollars)

because the Company is thinly traded and the trading was halted. Estimation uncertainty relates to the fact that the Company is relatively thinly traded and was halted from trading at the time of the closing of the private placement. These factors may reduce the reliability of market data.

d) Basis of consolidation

These condensed consolidated interim financial statements consolidate those of the parent company and all of its subsidiaries as at and for the period ended June 30, 2019. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have year-end dates of September 30, 2019.

All intercompany transactions and balances between the companies are eliminated on consolidation, including unrealized gains and losses on transactions. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

Profit or loss and other comprehensive loss of a subsidiary acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of deficiency, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Company. The Company attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interest based on the respective ownership interests.

Composition of the Company:

The subsidiary of the Company and its underlining subsidiary and their principal activities as at June 30, 2019 were as follows:

Name of subsidiary	Place of incorporation	Ownership interests as at		Principal activity
		March 31, 2019	September 30, 2018	
Braille Holdings Inc.	United States	89.95%	89.95%	Holding company
Braille Battery Inc.	United States	100% (1)	100% (1)	Production and sale of Li-Ion batteries

(1) Braille Battery Inc. is owned 100% by Braille Holdings Inc.

4. BUSINESS COMBINATION

Braille Holdings Inc.

On June 21, 2018, the Company acquired an 89.95% ownership interest in Braille Holdings Inc. ("Braille") including its wholly-owned subsidiary Braille Battery Inc. ("Braille Battery"), an established battery manufacturing and energy storage company supplying batteries to the professional motor sports industry, based out of Sarasota, Florida. The acquisition signifies a change of business for the Company, with Braille Battery's operations now being the core business of BESl. In consideration for the 89.95% ownership interest in Braille, the Purchase Price for Braille is \$1,913,826 of which \$665,500 (US\$500,000) was paid in cash on closing, \$665,500 (US\$500,000) will be paid by way of interest free promissory note (the "Note"), and 10,000,000 Common Shares were issued to Grafoid (a related party that shares the same management and owns approximately 31% of the outstanding shares of the Company) from the treasury of the Company at the Closing with a fair value of \$749,169 (US\$1,000,000). The promissory Note and the shares issued to acquire Braille Battery have been discounted to reflect their fair value. The deemed issue price per Common Share is \$0.13 (US\$0.10). The Note will be interest-free and payable by January 1, 2020 (the "Maturity Date"). Mincom will have the right to repay the Note at any time on or prior to the Maturity Date without penalty. The note

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited)

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payable was discounted using a 20.7% rate. The shares issued fair value of \$0.07 has been determined based on the \$0.10 fair value of the common shares issued as part of the private placement and then discounted as a result of the required escrow period. The escrow common shares will be released in a series of instalments. As a result, the shares fair value has been discounted using a 20.7% discount rate. Under the tier two escrow the shares are released as follows: 10% of the shares are released when the exchange bulletin was issued, and the remainder are released based on 15 percent of the initial issuance at six months intervals.

Acquired trade receivable

Trade receivable acquired as part of the business combination amounted to \$62,435. The carrying value of these trade receivable approximates the fair value and all amounts are expected to be collectible. There was no allowance recorded on the acquired trade receivables.

Goodwill

Goodwill of \$882,275 is primarily related to growth expectations and other intangible assets that do not qualify for separate recognition, such as Braille's assembled workforce. The goodwill is not expected to be deductible for tax purposes.

Non-controlling interest

Non-controlling interest of \$117,653 was recognized as part of the business combination. The amount represents 10.05% of the identifiable net assets and excludes any portion of goodwill.

Contributions to the Company's results

Braille realized net income of \$371,196 for the nine months ended June 30, 2019.

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(in Canadian dollars)

Acquisition-date fair values

The acquisition-date fair values assigned to assets acquired and liabilities assumed in the Braille acquisition are as set out in the following table:

	Braille
	\$
ASSETS	
Current assets	
Cash	54,218
Amounts receivable	62,435
Inventories	580,360
Prepaid expenses	65,614
	<hr/> 762,627
Property, plant and equipment	119,496
Intangible assets	
Trademarks	894,000
Technologies	539,000
Customer relationships	190,000
	<hr/> 190,000
Total identifiable assets acquired	2,505,123
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	458,050
Warranty provision	34,776
	<hr/> 492,826
Penalty payable	286,651
Deferred tax liability	314,059
Amounts due to related parties - long term	240,911
	<hr/> 240,911
Total liabilities assumed	1,334,447
Non-controlling interest	117,653
Net identifiable assets acquired	1,053,023
Goodwill	860,803
	<hr/> 860,803
Net assets acquired	1,913,826

Acquisition-related costs are not included as part of the acquisition cost. \$687,600 have been included in professional fees in the consolidated statements of comprehensive loss for the year ended September 30, 2018. The non-controlling interest is calculated based on 10.5% of the net identifiable assets and liabilities upon acquisition.

Braille Energy Systems Inc. (formerly Mincom Capital Inc.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited)

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(in Canadian dollars)

5. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

Financial instruments

The Company's financial instruments at June 30, 2019 consist of cash, trade and other receivables, amounts due from related parties, line of credit, accounts payable and accrued liabilities, amounts due to related parties and penalty payable. The fair value of these financial instruments approximates their carrying value due to their short-term nature, except penalty payable. Penalty payable is carried at the amortized cost. Given that the risk profile of the Company has not changed the penalty payable carrying value is equal to its fair value.

Carrying amounts of financial assets and liabilities

Carrying amounts of financial assets and liabilities

	<u>June 30, 2019</u>	<u>September 30, 2018</u>
	\$	\$
Financial assets		
Loans and receivables		
Cash	59,873	621,845
Trade and other receivables	209,261	150,759
Amounts due from related parties	66,437	94,525
Financial liabilities		
Measured at amortized cost		
Line of credit	67,165	-
Accounts payable and accrued liabilities	505,981	183,773
Amounts due to related parties	929,435	1,251,899
Penalty payable	222,568	249,841

Risk management

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These main types of risk are market risk, credit risk and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Market risk

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk and other price risk, which result from its operating activities. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the remeasurement of monetary items denominated in foreign currency at period-end exchange rates are recognised in profit or loss.

Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its contractual obligations. The Company's only significant financial asset exposed to credit risk is cash and maximum exposure is equal to the carrying value of this asset. The Company's cash is held at a Canadian chartered bank. It is Management's opinion that the Company is not exposed to significant credit risk. There has been no change to Management's assessment of credit risk compared with the prior year.

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Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business as well as any anticipated transactions. The Company had a working capital surplus of \$90,543 at June 30, 2019 (\$373,274 as at September 30, 2018), including cash of \$59,873 and current liabilities totalling \$702,328, due within the next 12 months (\$621,845 and \$805,887 respectively at September 30, 2018). There has been no change to Management's assessment of liquidity risk compared with the prior year.

Capital management

The Company manages its capital to ensure its ability to continue as a going concern and to provide an adequate return to its shareholders. In the management of capital, the Company includes the components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire or dispose of assets. The Company is not subject to any external capital requirements, neither regulatory nor contractual. In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	June 30, 2019	September 30, 2018
	\$	\$
Tax receivable	34,229	34,229
Sales tax receivable	-	56,575
Trade receivables	175,032	59,955
Total amounts receivable	209,261	150,759

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. The Company did not recognize an allowance for either reporting date presented.

All trade receivables have been reviewed for indicators of impairment.

7. INVENTORY

Inventory consists of the following:

	June 30, 2019	September 30, 2018
	\$	\$
Parts	189,615	154,798
Finished goods	71,778	88,102
Total inventory	261,393	242,900

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8. PROPERTY, PLANT AND EQUIPMENT

	Solar panels				Total
	Modules	Electronics	Moulds	Equipment	
	\$	\$	\$	\$	\$
Cost					
Balance, September 30, 2018	31,715	15,858	50,050	18,597	116,220
Net exchange differences	1,024	512	1,616	600	3,752
Cost, June 30, 2019	32,739	16,370	51,666	19,197	119,972
Accumulated depreciation					
Balance, September 30, 2018	356	547	1,295	4,292	6,490
Depreciation	730	1,120	2,650	5,430	9,930
Net exchange differences	18	27	64	211	320
Accumulated depreciation, June 30, 2019	1,104	1,694	4,009	9,933	16,740
Net book value, June 30, 2019	31,635	14,676	47,657	9,264	103,232

9. INTANGIBLE ASSETS AND GOODWILL

	Trademarks	Technologies	Customer relationships	Total intangible assets	Goodwill	Total intangible assets and goodwill
						\$
	\$	\$	\$	\$	\$	\$
Cost						
Balance, September 30, 2018	869,904	524,272	185,114	1,579,290	839,015	2,418,305
Net exchange differences	22,646	13,649	4,819	41,114	43,260	84,374
Cost, June 30, 2019	892,550	537,921	189,933	1,620,404	882,275	2,502,679
Accumulated amortization						
Balance, September 30, 2018	19,331	11,650	6,384	37,365	-	37,365
Amortization	97,633	58,971	30,107	186,710	-	186,710
Net exchange differences	5,440	220	121	5,782	-	5,782
Accumulated amortization, June 30, 2019	122,404	70,841	36,612	229,857	-	229,857
Net book value, June 30, 2019	770,146	467,080	153,321	1,390,546	882,275	2,272,821

10. SHARE CAPITAL

Unlimited number of common shares, voting, participating and without par value

Issued and fully paid

Common shares	Number of shares	\$
Balance, June 30, 2019 and September 30, 2018	47,012,257	4,612,438

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11. WARRANTS

Outstanding warrants entitle the holders thereof to subscribe to an equivalent number of common shares.

The following table reflects the continuity of warrants:

	Number of warrants	Weighted average exercise price
		\$
Balance, June 30, 2019 and September 30, 2018	19,000,000	0.18

As at June 30, 2019, the following warrants were issued and outstanding:

Number of warrants	Issue date fair value	Exercise price	Expiry date
	\$	\$	
19,000,000	608,000	0.18	June 22, 2022

12. STOCK OPTIONS

On November 7, 2011, the Company adopted an incentive stock option plan in accordance with the policies of the TSX Venture Exchange (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares, which are exercisable for a period to be determined by the Board at the time the option is granted. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted.

The following table reflects the continuity of stock options:

	Number of options		Weighted average exercise price	
			\$	\$
Balance, June 30, 2019 and September 30, 2018	4,028,451	1,028,451	0.06	0.10

As at June 30, 2019, the following stock options were outstanding and exercisable:

Exercise prices	Outstanding		Exercisable		
	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average outstanding exercise price	Number vested	Weighted average vested exercise price
\$0.10	1,028,451	2.61	\$0.10	1,028,451	\$0.10
\$0.05	3,000,000	4.65	\$0.05	3,000,000	\$0.05

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As at September 30, 2018, the following stock options were outstanding and exercisable:

Exercise prices	Outstanding			Exercisable	
	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average outstanding exercise price	Number vested	Weighted average vested exercise price
\$0.10	1,028,451	3.36	\$0.10	1,028,451	\$0.10

The following table reflects the weighted-average fair value of stock options granted between April 10, 2019 and the related Black-Scholes option pricing model inputs that were used in the calculations:

	Nine months ended June 30, 2019
Stock options granted	3,000,000
Weighted average grant-date fair value	0.02
Weighted-average exercise price	0.05
Weighted-average market price at date of grant	0.05
Expected life of stock options (years)	5.00
Expected stock price volatility	100%
Risk-free interest rate	1.67%
Expected dividend yield	-

13. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these financial statements are as follows:

	As at June 30, 2019	As at September 30, 2018
Amounts due from related parties	\$	\$
Grafoid Inc.	33,740	60,298
Mistura Beauty Inc.	-	1,227
JAG Sky Inc.	33,000	33,000
	66,740	94,525

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Amounts due to related parties	As at June 30, 2019	As at September 30, 2018
	\$	\$
Current		
9174893 Canada Inc.	-	15,600
Grafoid Inc.	32,998	374,167
Focus Graphite Inc.	152	40,339
GGTC Inc.		22,035
JAG Consulting Inc.	35,591	-
JAG Leasing Inc.	45,804	45,308
Stria Lithium Inc.	152	-
Thombeth Holdings Inc.	14,788	43,456
	129,485	540,905

Long term	As at June 30, 2019	As at September 30, 2018
9174893 Canada Inc. - Loan 1	97,089	
9174893 Canada Inc. - Loan 2	40,000	
9174893 Canada Inc. - Loan 3	44,463	
	181,552	178,077
Braille Holding	11,386	
Grafoid Inc.	607,315	532,917
	800,253	710,994

Grafoid Inc.

During the year ended September 30, 2018, the Company charged Grafoid Inc. ("Grafoid"), which shares common management, \$82,417 for Grafoid's portion of shared professional and legal fees incurred in connection with the Company's pending acquisition of Braille Battery Inc. (Note 4). As at June 30, 2019, \$Nil (including HST), is included in amounts due from related parties (\$60,298 as at September 30, 2018).

Mistura Beauty Products Ltd.

During the year ended September 30, 2018, the Company charged Mistura Beauty Solutions Inc., a private beauty solutions company partially-owned by an Officer and Director of the Company, \$1,086 for shipping expenses incurred. As at September 30, 2018 an amount of \$1,227 (including HST), is included in due from related parties (\$Nil as at September 30, 2017). Subsequent to September 30, 2018, the shipping expenses were reimbursed in full.

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JAG Sky Inc.

As at June 30, 2019, the Company has prepaid \$33,000 to JAG Sky Inc for advance flight hours, a private air charter services company wholly-owned by an Officer and Director of the Company, for air travel to be used in the potential sale of the Romer mineral property (\$33,000 as at September 30, 2018). Since there is no scheduled flight to be taken at year end, the entire amount has been classified to be included in amounts due from related parties.

Stria Lithium Inc.

As at June 30, 2019, included in amounts due to related parties is an amount of \$152 due from Stria Lithium Inc., which shares common management with the Company (\$Nil as at September 30, 2018). The advance was provided in US dollars to the Company to provide working capital and is repayable within the year ended September 30, 2019. The advance is non-interest bearing.

Focus Graphite Inc.

As at June 30, 2019, included in amounts due to related parties is an amount of \$16,791 due from Focus Graphite Inc., which shares common management with the Company (\$Nil as at September 30, 2018). The advance was provided in US dollars to the Company to provide working capital and is repayable within the year ended September 30, 2019. The advance is non-interest bearing.

9174893 Canada Inc.

During the six months ended June 30, 2019, the Company was charged \$18,000 (2017 – \$18,000) by 9174893 Canada Inc. ("9174893 Canada"), a privately-held company owned by a Director of the Company, for consulting fees. With the acquisition of Braille Battery, the company assumed an amount of 164,987 due to 9174893 Canada for outstanding consulting fees. The entire amount assumed, has been repaid as at September 30, 2018. As at June 30, 2019, an amount of \$ 27,196 (including HST) is included in amounts due to related parties (\$15,600, as at September 30, 2018).

Grafoid Inc.

During the six months ended June 30, 2019, the Company was charged \$54,877 by Grafoid Inc. ("Grafoid"), which shares common management, for other general shared costs. Also, during the year ended September 30, 2018, the Company was charged \$397,650 by Grafoid Inc. ("Grafoid"), which shares common management, for its portion of shared professional and consulting services incurred in connection with the Company's acquisition of Braille. As at March 31, 2019, \$28,889 is included in amounts due to related parties (\$374,167 as at September 30, 2018).

Focus Graphite Inc.

During the year ended September 30, 2018, the Company was charged \$10,000 (2017 – \$15,000) by Focus Graphite Inc. ("Focus"), which shares common management, for accounting and administrative services and other administrative expenses. During the year ended September 30, 2018, the Company was charged \$29,500 (2017- \$Nil) by Focus for a portion of a salary expenses in relation to time spent by Focus employee on the Braille Battery purchase by the Company. As at December 31, 2018, an amount of \$16,639 (including HST) is included in amounts due to related parties (\$40,339 as at September 30, 2018).

GGTC Inc. (formerly 9229205 Ontario Inc.)

The Company currently leases space on a monthly basis from GGTC Inc. (formerly 9229205 Ontario Inc.) ("GGTC"), a privately-held company owned by two Directors of the Company. This lease arrangement started in

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July 2018 for approximately two years, the Company is charged \$6,500 per month (net of taxes). During the three months ended December 31, 2018, GGTC charged the Company \$19,500 in lease expenses. As at June 30, 2019, included in amounts due to related parties was an amount of \$0 (including HST) (\$22,035 as at September 30, 2018).

JAG Equipment Leasing Inc. (formerly 2395141 Ontario Inc.)

The Company used to lease equipment on a monthly basis from JAG Equipment Leasing Inc. (formerly 2395141 Ontario Inc.) ("JAG Equipment"), a privately-held company owned by two Directors of BESl. This lease ended in July 2017. As at December 31, 2018, included in amounts due to related parties was an amount of \$47,747 (\$45,308 as at September 30, 2018) due to JAG Equipment Leasing.

Thombeth Holdings Inc.

During the three months ended December 31, 2018, the Company was charged \$37,381 (2017 - \$Nil) by Thombeth Holdings Inc. ("Thombeth"), a privately-held company owned by a Director of the Company, for consulting fees. As at June 30, 2019, an amount of \$14,788 (including HST) is included in amounts due to related parties (\$43,456 as at September 30, 2018).

Loan from Officer

As at June 30, 2019, included in amounts due to related parties is an amount of \$98,138 due to an Officer of the Company (\$92,569 as at September 30, 2018). The amount relates to a loan of \$85,327, accrued interest of \$13,051 and loss on foreign exchange of \$240. The loan provided in US dollars, was given to the Company to provide working capital and is repayable on May 31, 2019. The loan bears interest at a rate of 10% per annum. During the three months ended December 31, 2018, the officer charged the Company interest \$2,142 (2017- \$1,970). During the three months ended June 30, 2019, the Company made no loan repayments (2017 - \$Nil).

As at June 30, 2019, included in amounts due to related parties is an amount of \$40,000 due to an Officer of the Company (\$40,000 as at September 30, 2018). The amount relates to a loan of \$40,000. The loan agreement entered by the Company and the Officer on April 10, 2018. The loan is repayable on Feb 1, 2023. The Company was charged a one time 10% setup fee due on the inception of the loan agreement. During the three months ended June 30, 2019, the officer charged the Company interest \$Nil (2017- \$Nil).

As at December 31, 2018, included in amounts due to related parties is an amount of \$42,415 due to an Officer of the Company (\$45,508 as at September 30, 2018). The amount relates to a loan of \$50,992. The loan agreement entered by the Company and the Officer on February 1, 2018 from converting an outstanding balance of consulting fees of \$50,992 as at Jan 31, 2018 in consulting fees due to the Officer. The loan is repayable on Feb 1, 2023. The loan bears interest at a rate of 10% per annum and one time 2% setup fee due on the inception of the loan agreement. During the three months ended June 30 2019, the officer charged the Company interest \$1,024 (2017- \$Nil). During the three months Jun e30, 2019, the Company made loan repayments was\$ Nil (2017 - \$Nil).

Grafoid Inc.

On June 21, 2018, the Company acquired Braille Battery from Grafoid. As a part of consideration, \$499,157 (US\$500,000) is due in the form of a promissory note on January 1, 2020. As at September 30, 2018, an amount of \$589,486 is included in amounts due to related parties – long term (\$532,917 as at September 30, 2018). During the three months ended June 30, 2018, an accretion interest expense of \$27,311 (2017 - \$NIL) was recorded. The promissory note is carried at a discount. A discount rate of 20.7% was used.

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Key management compensation

The following table reflects compensation of key management personnel (Directors and Officers of the Company):

	Six months ended 31-Mar-19	Year ended Sept 30,2018
	\$	\$
Consulting fees (1)	82,752	57,095
	82,752	57,095

(1) As at June 30, 2019, \$82,752 is included in amounts due to related parties (As at September 30, 2018 – \$57,095).

14. LEASES

The Company's future minimum operating lease payments are as follows:

	Minimal lease payments due			Total
	Within 1 year	1 to 5 years	After 5 years	
	\$	\$	\$	\$
June 30, 2019	98,943	206,752	-	305,695

Lease payments recognized as an expense during the three months ended December 31, 2018 amount to \$Nil (2017 – \$Nil).